

Small-Company Stock Fund

This Fund invests primarily in small-company stocks, which have strong growth potential but whose prices can fluctuate more widely than those of large-company stocks. This aggressive investment approach generally entails greater risk than investment in large-company stocks.



Fund Symbol: **HSCSX**

CUSIP Number: **437769508**

Inception Date:
March 1998

Asset Allocation: **Stock**

Portfolio Characteristics:
Small, U.S.-based companies

Expected Degree of Share Price Volatility:
High

The S&P Capital IQ Mutual Fund Awards is an annual awards program managed by the equity research unit of S&P Capital IQ and is based on proprietary, quantitative research methodology. The awards recognize those U.S. mutual funds that have achieved the highest overall ranking on the most consistent basis during the measurement year August 31, 2010 through August 31, 2011, except for the New and Notable category, among the factors the research process seeks to identify are consistently strong performance; high quality holdings as measured by S&P STARS equity research, S&P Credit Ratings and S&P Quality Rankings; and have favorable cost factors.

Historically, small-capitalization funds typically carry additional risks since smaller companies generally have experienced a greater degree of market volatility than other funds that provide broader diversification.

Fund Management

Portfolio Managers: Peter Morris, Stuart Teach, CFA, and Mark Ashton, CFA
Mr. Morris, a Director and President of RE Advisers and Vice President and Chief Investment Officer of NRECA, is a portfolio manager of the Value Fund and the Small-Company Stock Fund, which he has co-managed since inception. He is a Director and Vice President of RE Investment Corporation and a Director, President and Chief Executive Officer of Homestead Funds. He received his BS in Economics from Coe College and has been with NRECA since 1974.

Mr. Teach, a Director and Vice President of RE Advisers, is a portfolio manager for the Value Fund and the Small-Company Stock Fund and has co-managed these Funds since inception. He received his BS in Business Administration and Finance from The Ohio State University and his MBA in Finance from Miami University. He is a Director and President of RE Investment Corporation and has been with NRECA since 1985.

Mr. Ashton, an equity portfolio manager for RE Advisers and NRECA, co-manages and oversees the investment activities of the Value Fund and the Small-Company Stock Fund, since January 1999, with Mr. Morris and Mr. Teach. He received his BS in Finance from the University of Utah and his MBA specializing in Marketing Research from the University of Southern California. Mr. Ashton was a Vice President of Capital Research Company from 1984 to 1998 prior to joining RE Advisers and NRECA in 1999.

Investment Adviser: RE Advisers Corporation

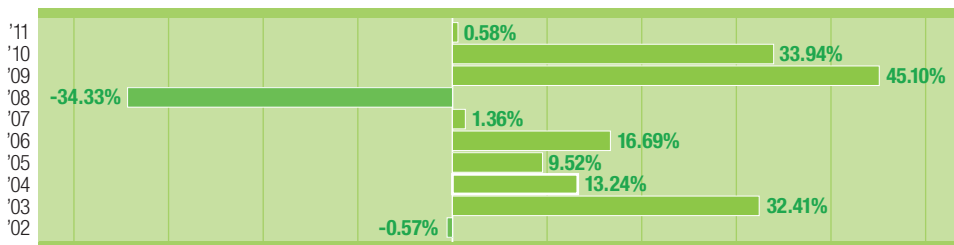
Performance

as of quarter end 03/31/12

SMALL-COMPANY STOCK FUND TOTAL RETURNS

	Year-to-Date	Average Annual				Since Mar '98 (HSCSX Fund inception)
		1 Year	3 Year	5 Year	10 Year	
Small-Company Stock Fund	11.45%	0.98%	33.93%	7.52%	9.23%	8.44%
Russell 2000 Index	12.44%	-0.18%	26.90%	2.13%	6.45%	5.61%

SMALL-COMPANY STOCK FUND CALENDAR YEAR TOTAL RETURNS



The total returns shown above represent past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted.

Investors should carefully consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information about the fund and should be read carefully before investing. To obtain a prospectus, call 1-800-258-3030 or visit homesteadfunds.com. RE Investment Corporation, Distributor. 04/12