



Homestead Funds'

# helpful tips

## Handling Investment Risk

In the realm of investing, risk is an accepted fact. There are no investments that give you the potential to earn high returns without the risk of losing some of your money. As in life, to get a reward, you have to take some risk. That said, there are a number of strategies you can use to manage investment risk. Read these five strategies to see which may be appropriate for you.

### 1 Investing in mutual funds may help to reduce your risk

If you invest in the stock of one company or one bond issue, you are assuming that this one security will consistently do well. This is quite a risk. Mutual funds, on the other hand, invest in many—sometimes hundreds—of securities. This diversification increases the chance that your investment will perform more evenly. That's because typically—over any given time period—some securities will perform well and others will not. When you own many securities, the advances realized by some may work to offset the losses incurred by others.

Your portfolio manager works to keep the Fund's risk in line with its stated objectives.

But investors also play a role.

Here's some information to help you put risk-management strategies into action.



*Leidy Surez, Homestead Funds' Client Service Associate*

You can trust Homestead Funds because **you already know us**—we're part of the NRECA family. Homestead Funds was created in 1990 to provide NRECA members with professional and affordable money management.

## 2 Invest with a time frame in mind

Select your investment with a goal and a time frame in mind. Mutual funds have different goals, so match your goal with the fund's goal. For example, the goal of a money market fund is generally to preserve the value of your investment. Therefore, if you are looking for an investment that will grow over 10 years, a money market fund may not be the right choice. Look at the table on the right to see which Homestead Funds fit with your investing time frame.

## 3 Practice asset allocation

Investments can be grouped into three general asset classes: money market securities, bonds and stocks. Each asset class has its own traits and may respond differently to the same economic or world events. Within the bonds and stocks classes, there are sub-asset class levels, each of which has its own distinct traits. By spreading your money across different types of assets, you can potentially reduce, but not eliminate, the overall risk of your holdings.

## 4 Review your allocation regularly

Let's say you chose an allocation in line with your goals and invested your account as follows: 80% in the ABC Stock Fund and 20% in the XYZ Bond Fund. After a year in which stocks were performing well, your allocation in the Stock Fund has grown to represent 85% of your account, and the Bond Fund has dropped to 15%. To restore your account to the original investment 80%/20% mix, ask your fund company to help you rebalance your account.

In addition, if your needs change, you will want to review your investment allocation and make changes.

YOUR TIME FRAME	INVESTMENT TYPES AND THEIR TRAITS	HOMESTEAD FUNDS
<b>Short-term:</b> Less than a year	<b>Money markets:</b> Carry lower risk, but typically also give you a lower reward	▶ <b>Daily Income Fund (HDIXX)</b>
<b>Medium-range:</b> Less than 5 years	<b>Bonds:</b> Carry more risk than money market investments but, in turn, may deliver a higher reward	▶ <b>Short-Term Government Securities Fund (HOSGX)</b> ▶ <b>Short-Term Bond Fund (HOSBX)</b>
<b>Long-range:</b> 5 or more years	<b>Stocks:</b> Carry higher risk, but over long periods have generally delivered a higher reward	▶ <b>Stock Index Fund (HSTIX)</b> ▶ <b>Value Fund (HOVLX)</b> ▶ <b>Growth Fund (HNASX)</b> ▶ <b>Small-Company Stock Fund (HSCSX)</b> ▶ <b>International Value Fund (HISIX)</b>

An investment in the Daily Income Fund, a money market fund, is not insured or guaranteed by the FDIC or any other government agency. Investments are subject to risk and market fluctuation. Losses could occur. Call us at 1-800-258-3030 to speak with one of our client service associates and request a prospectus. Investors are advised to consider fund objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information. Read the prospectus carefully before you invest or send money.

## 5 For large amounts, consider making your move in steps

If you have a large sum you want to invest, it may make sense to do it gradually. Likewise, if you are considering closing your account, you may want to sell shares gradually. You don't want to be the victim of buying all of your shares at a high price or liquidating your account at what turns out to be a low price. A disciplined buy or sell strategy can help you avoid such a scenario. For more information, please see the Helpful Tips brochure, *Simplifying account management*.

Homestead Funds offers Automatic Investing and Redemption Programs that allow you to set up periodic purchases or withdrawals. The program may be especially appropriate for a lump sum inheritance or if you're ready to start tapping a retirement account to meet your monthly cash flow needs. Automatic investing does not ensure a gain or protect against a loss in a declining market.

## Are you ready to diversify your account at Homestead Funds?

Whether you want to change your asset allocation, open a new account or set up an automatic investing program, we're here to help!

Just call us at 1-800-258-3030 to speak with one of our friendly client service associates and to request a prospectus. Investors are advised to consider fund objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information. Read the prospectus carefully before you invest or send money.

## We have helpful tips on **other investment topics, too!**

For a complimentary fact sheet about any of the following topics, download them from our website at [www.homesteadfunds.com](http://www.homesteadfunds.com), or call one of our friendly associates at **1-800-258-3030**:

- ▶ Building your retirement savings
- ▶ Saving for education
- ▶ Simplifying account management
- ▶ Understanding mutual fund costs
- ▶ Simplifying tax time for investors
- ▶ Deciding what to do with your 401(k)
- ▶ Taking your required minimum distribution
- ▶ Managing your savings in retirement