



Homestead Funds'

helpful tips

Understanding Mutual Fund Costs

When you're looking for a mutual fund, your first priority should be to look for one whose goals fit yours. But you should also check how much it's going to cost to purchase shares *and* to keep the account over the years. Mutual fund-shopping isn't like shopping for clothes, where you'll see a single, easy-to-read price tag. Instead, you'll need to learn about the different kinds of fund costs—sales commissions, fees and expenses—and where to look for this information. Also consider the account minimums, because you can't even open an account with some fund companies unless you have a lot to invest.

Buy direct and put more of your investment to work for you

If you buy shares with the help of a financial professional, you'll most likely pay a sales commission—often called a load—which may be deducted from the amount of your investment. For example, if you have \$1,000 to invest and purchase shares of a fund with a 5% load, \$50 is deducted from your initial investment to pay the broker. That means only \$950 is actually invested.

At Homestead Funds, we keep costs as low as possible.

We don't charge sales commissions or 12b-1 fees and we save shareholders money by offering the option to receive some fund communications online.

We always strive to deliver the best value for every dollar you invest with us.



Cindy Dove, Homestead Funds' Director of Investment Services

You can often avoid the load by purchasing shares directly from the fund company. Funds that are sold commission-free to investors are called no-load funds. All Homestead Funds are no-load.

Don't get stuck with the marketing tab

Some fund companies charge a 12b-1 fee. This fee, which is deducted from fund assets, is used to cover costs associated with promoting and distributing the fund, such as advertising. Homestead Funds does not charge a 12b-1 fee.

Understand what fees will be deducted from your account

Fund companies may also charge transaction fees, account maintenance fees or service fees for special requests like overnight

Homestead Funds Annual Operating Expenses

based on amounts incurred during the year ended December 31, 2010

	Transaction Fees	12B-1 Fees	Management Fees	Other Expenses	Acquired Fund Fees and Expenses	Total Annual Fund Operating Expenses	Expenses Waived by RE Advisers	Homestead Fund Net Operating Expenses ^A	Peer Operating Expenses ¹
Daily Income	None	None	0.50%	0.19%	0.00%	0.69%	0.45% ^B	0.24%	0.40%
Short-Term Government Securities	None	None	0.45%	0.30%	0.00%	0.75%	0.00%	0.75%	0.80%
Short-Term Bond	None	None	0.60%	0.20%	0.00%	0.80%	0.00%	0.80%	0.80%
Stock Index	None ²	None	0.05% ^D	0.58%	0.00%	0.63% ^E	0.01% ^F	0.62% ^G	0.63%
Value	None ²	None	0.54%	0.19%	0.00%	0.73%	0.00%	0.73%	1.30%
Growth	None ²	None	0.65%	0.58%	0.00%	1.23%	0.28% ^C	0.95%	1.36%
Small-Company	None ²	None	0.85%	0.32%	0.01%	1.18%	0.00%	1.18%	1.53%
International Value	None ²	None	0.75%	0.27%	0.01%	1.03%	0.03% ^C	1.00%	1.29%

¹ Lipper Fund Performance Analysis—2010.

² 2% redemption fee if shares sold/exchanged within 30 days of acquisition.

^A Net Expense shown here differs from the ratio of expenses to average net assets shown in the Financial Highlights section of the prospectus because the expenses shown on this page include Acquired Fund Fees and Expenses, and amounts shown in the Financial Highlights reflect the operating expenses and do not include Acquired Fund Fees and Expenses.

^B Expenses are to be waived pursuant to an expense limitation agreement between RE Advisers Corporation ("RE Advisers") and the Fund. This contractual waiver is for a one-year period ending April 30, 2012. At that time, RE Advisers may revise, renew or discontinue the waiver. In addition, effective August 14, 2009, RE Advisers has voluntarily agreed to waive fees or reimburse expenses to the extent necessary to assist the Fund in attempting to maintain a positive yield. RE Advisers may revise, renew or discontinue this voluntary waiver at any time.

^C Expenses are waived pursuant to an expense limitation agreement between RE Advisers and the Fund. The contractual waiver is for a one-year period ending April 30, 2012. At that time, RE Advisers may revise, renew or discontinue the waiver.

^D The fees for the Stock Index Fund shown in this table reflect expenses of both the Stock Index Fund and the Master Portfolio.

^E "Other Expenses" for the Stock Index Fund include a 0.25% administrative fee paid to RE Advisers.

^F Expenses waived by BlackRock Fund Advisors ("BFA").

^G BFA has contractually agreed to reimburse the S&P 500 Stock Master Portfolio ("Master Portfolio") for the cost of fees paid by the Master Portfolio to the Independent Trustees, counsel to the Independent Trustees and the Master Portfolio's independent registered accounting firm, through April 30, 2012. This contractual arrangement may not be terminated prior to May 1, 2012, without consent of the Board of Trustees of the Master Portfolio.

wire transfers. No one likes to pay a fee, but sometimes that's the best way to provide fair cost treatment to all shareholders. Below are two of the most common types of fees.

Redemption fees. Typically, fund companies use this fee to discourage investors from frequent trading. Frequent trading — sometimes called market timing — can increase a fund's operating expenses. Since operating expenses are deducted from fund assets, frequent trading by some investors can have an adverse impact on all investors.

Homestead stock funds charge a 2% redemption fee if fund shares are redeemed or exchanged within 30 days of purchase. The fee is paid to the fund from which the redemption is made (returned to fund assets) as a way to compensate shareholders for any additional costs they may have incurred.

Account fees. There are maintenance responsibilities associated with custodial accounts such as IRAs and Education Savings Accounts. Accordingly, Homestead Funds' custodian deducts an annual fee from those accounts to cover the cost of those services.

For any investment you are considering, ask what a la carte fees will be charged. You'll see account fees deducted as a line item on your statement, and you won't want to be surprised by a fee policy that you think is excessive.

Ongoing fund expenses are unavoidable, but vary widely

Every fund has expenses. Funds must pay the investment professionals who manage the fund's money and for legal, accounting and other services. Funds bundle these operating costs into something called an expense ratio.

Operating expenses are deducted automatically from fund assets, so you never see them listed on your account statement. By selecting a fund with an expense ratio that is lower than its peers, you can keep more of what you earn. Be aware that expense ratios may be higher for certain types of funds. For example, small-company and international stock funds usually have higher expense ratios than large-company U.S. stock funds because the research and other operating costs associated with those funds are higher. The table on the previous page shows that the expense ratios of Homestead Funds are in line with or below those of their peers.

To find complete information about any fund's charges, fees and expenses, refer to the prospectus. All funds must follow the same standards for disclosing this information so that investors can compare costs.

To help you calculate your fund's cost, here's an example:
If Fund A has an expense ratio of 0.95% and you have \$1,000 invested in that fund, your annual cost would be $0.0095 \times \$1,000 = \9.50 .

Check the account minimums

In your parents' or grandparents' generation, investing was an activity only the wealthy could afford. Today nearly half of American households invest through mutual funds, but not all mutual fund companies welcome investors on a budget.

With some fund companies, you can't even open an account unless you have a tidy sum to start with. Homestead Funds welcomes all investors—big and small. Our low account minimums and reasonable service charges (shown in the table at right) make it possible for just about anyone to open a Homestead Funds account.

Homestead Funds is committed to low costs

Low account minimums and reasonable fund costs reflect Homestead Funds' mission of service. We were created by NRECA at the members' request. We exist to meet members' needs for professional and affordable money management. As part of the NRECA family since 1990, we are dedicated to providing a valuable service to members like you and your family.

Are you ready to start investing?

We make it easy and affordable to open a Homestead Funds' account.

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 before investing. The prospectus contains this and other information. Read the prospectus carefully before you invest or send money.

Homestead Funds welcomes investors on a budget

Initial investment minimum	\$500 for a regular account \$200 for an IRA \$0 if you establish an automatic investment program
Subsequent investment minimum	None—add to your account with any amount
Account service charges	\$15 annual custodial fee for IRA and Education Savings Accounts \$10 fee to send a federal funds wire No fee to send money by ACH transfer

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

Download a complimentary fact sheet about any of the following topics from our website at 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
- ▶ Handling investment risk
- ▶ Simplifying tax time for investors
- ▶ Deciding what to do with your 401(k)
- ▶ Taking your required minimum distribution
- ▶ Managing your savings in retirement