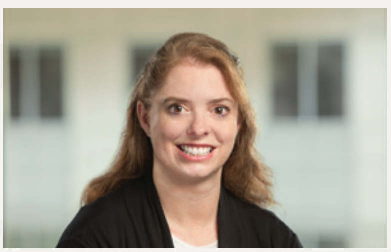
ESTABLISHED 1990

Homestead Funds' Helpful Tips

Handling Investment Risk

Homestead Funds

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.



"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."

– Kara Gardner, Registered Representative

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. Diversification does not guarantee a profit or protect against a loss in a declining market. It is a method used to help manage investment risk.

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 next page 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 dilute the impact any single position would have on your portfolio's overall performance.

Your Time Frame	Investment Types and Their Traits	Homestead Funds
Short-term: Less than one year	**Money markets:** Carry lower risk, but typically also give you a lower reward	• Daily Income Fund
Medium-term: Less than five years	**Bonds:** Carry more risk than money market investments but, in turn, may deliver a higher reward	• Short-Term Government Securities Fund • Short-Term Bond Fund
Long-term: Five or more years	**Stocks:** Carry higher risk, but over long periods have delivered a higher reward	• Stock Index Fund • Value Fund • Growth Fund • Small-Company Stock Fund • International Equity Fund

You could lose money by investing in the Daily Income Fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Investments in fixed-income funds are subject to interest rate, credit and inflation risk. Interest rate risk is the chance that a rise in interest rates will cause the fund's price to decline. Equity funds, in general, are subject to style risk, the chance that returns on stocks within the style category in which the fund invests will trail returns of stocks representing other styles or the market overall. Share prices of small-capitalization stock funds may be more volatile than those of large-capitalization stock funds. Smaller companies may have limited product lines, markets or financial resources, or their management teams may have less depth and expertise compared with large-capitalization companies. The Growth Fund is classified as "non-diversified," which means that the proportion of the fund's assets that may be invested in the securities of a single issuer is not limited, making the fund more susceptible to volatility stemming from one-time events and to the financial conditions of the issuers in which it invests than a diversified fund. International investing involves special risks, such as currency fluctuation and political instability.

4. Review your allocation regularly

Let's say you chose an allocation in line with your goals and invested your account as follows: 80 percent in the ABC Stock Fund and 20 percent 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 percent of your account, and the Bond Fund has dropped to 15 percent. To restore your account to the original 80/20 percent investment mix, ask your fund company to help you rebalance your account. Homestead Funds does not charge any transaction fees to rebalance, but investors should consider the possible tax consequences.

In addition, if your needs change, you will want to review your investment allocation to determine if changes are needed.

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 programs 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.

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.

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 800.258.3030 to speak with one of our friendly client services 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!

Download a complimentary fact sheet about any of the following topics from our website at homesteadfunds.com, or call one of our friendly associates at 800.258.3030.

- Building Your Retirement Savings
- Deciding What to Do with Your 401(k)
- Managing Your Savings in Retirement
- Saving for Education
- Simplifying Account Management
- Simplifying Tax Time for Investors
- Taking Your Required Minimum Distribution
- Understanding Mutual Fund Costs

Mutual funds are subject to market risk, including the potential loss of principal invested.

The information provided herein is not directed at any investor or category of investors and is provided solely as general information about our products and services and to otherwise provide general investment education. No information contained herein should be regarded as a suggestion to engage in or refrain from any investment-related course of action as none of Homestead Funds, RE Advisers, nor any of its affiliates is undertaking to provide investment advice, act as an adviser to any plan or entity subject to the Employee Retirement Income Security Act of 1974, as amended, individual retirement account or individual retirement annuity, or give advice in a fiduciary capacity with respect to the materials presented herein. If you are an individual retirement investor, contact your financial advisor or other fiduciary about whether any given investment idea, strategy, product or service described herein may be appropriate for your circumstances.

Homestead Funds' investment manager, RE Advisers, and distributor, RE Investment Corporation, are indirect, wholly owned subsidiaries of NRECA.

HTHANDINV

Homestead Funds

NRECA America's Electric Cooperatives