

# Homestead International Equity Fund

Q3 2021

**Mark Santero**

President and CEO

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# Firm Overview



- Homestead Funds was established by the National Rural Electric Cooperative Association in 1990.
  - Ten no-load mutual funds across equity and fixed-income asset classes.
- RE Advisers is the SEC-registered investment adviser to nine of the ten funds and a subsidiary of NRECA.
  - RE Advisers manages approximately \$8.3 billion in mutual fund, pension plans and separately managed accounts as of 9/30/21.

# About Harding Loevner



- David Loevner and Daniel Harding, former global investment managers at Rockefeller & Co., established Harding Loevner in 1989.
- Headquartered in Bridgewater, New Jersey, the firm focuses on managing global, international, and emerging markets equity portfolios, using a fundamental research process with a global perspective on industry competitive structures.
- As of September 30, 2021, Harding Loevner managed approximately \$84.5 billion in assets.

# Fund Profile



Inception <sup>1</sup>	January 22, 2001
Net Assets (as of 9/30/21)	\$99,882,672
Morningstar Category	Foreign Large Growth
Lipper Classification	International Multi-Cap Core
Benchmark	MSCI EAFE Index
Ticker Symbol	HISIX
CUSIP Number	437769805
Fee Structure	No Load
Expense Ratio	1.24% (net 0.99%)*
Median Expense Ratio for Peer Group	1.26%*
Transaction Fees	None
Minimum for Initial Purchase	\$500/\$200 IRA

<sup>1</sup>Harding Loevner became the subadviser to the International Equity Fund on January 15, 2016.

\*As of 12/31/20. The expense ratio shows the percentage of fund assets deducted annually to cover operating costs. Fund expense ratios shown here do not include acquired fund fees and expenses. If applicable, these additional costs are disclosed in the prospectus. For some funds, the investment advisor has agreed voluntarily or contractually (for at least the current fiscal year) to waive or reimburse a portion of expenses. The net expense ratio is the expense ratio minus the portion of expenses waived or reimbursed. Please see the current prospectus for additional details. The peer ratio is according to Morningstar Direct, based on each fund's Morningstar classification. RE Advisers has contractually agreed, through at least May 1, 2022, to limit the Fund's operating expenses to an amount not to exceed 1.00%. This waiver agreement will terminate immediately upon termination of the Fund's Management Agreement and may be terminated by the Fund or RE Advisers with one year's notice.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across developed markets countries around the world, excluding the US and Canada. Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices does not account for any fees, commissions or other expenses that would be incurred. Returns include reinvested dividends.

# Portfolio Managers



**Bryan Lloyd, CFA®**  
*Portfolio Manager*

Lafayette College, BA in mathematics and economics. Mr. Lloyd has been at Harding Loevner since 2011 and has managed the fund since 2016.



**Ferrill Roll, CFA®**  
*Co-Lead Portfolio Manager*

Stanford University, BA in Economics. Mr. Roll has been at Harding Loevner since 1996 and has managed the fund since 2016.



**Babatunde Ojo, CFA®**  
*Portfolio Manager*

University of Lagos, BS in Biochemistry and MSc in Food Chain Management from Imperial College, University of London and MBA in Finance and Management from The Wharton School. Mr. Ojo has been at Harding Loevner since 2012 and has managed the fund since 2021.



**Patrick Todd, CFA®**  
*Portfolio Manager*

Harvard University, BA in biochemical sciences and MBA from Columbia in applied value investing. Mr. Todd has been at Harding Loevner since 2012 and has managed the fund since 2017.



**Andrew West, CFA®**  
*Co-Lead Portfolio Manager*

University of Central Florida, BS in business administration and received an MBA in finance and international business from New York University. Mr. West has been at Harding Loevner since 2006 and has managed the fund since 2016.

The fund also benefits from the expertise of Harding Loevner's 33 analysts who have an average tenure of nine years at the firm and 20 years of industry experience. Twenty-five are CFA® charter holders and 17 have advanced degrees.

# Objective & Strategy



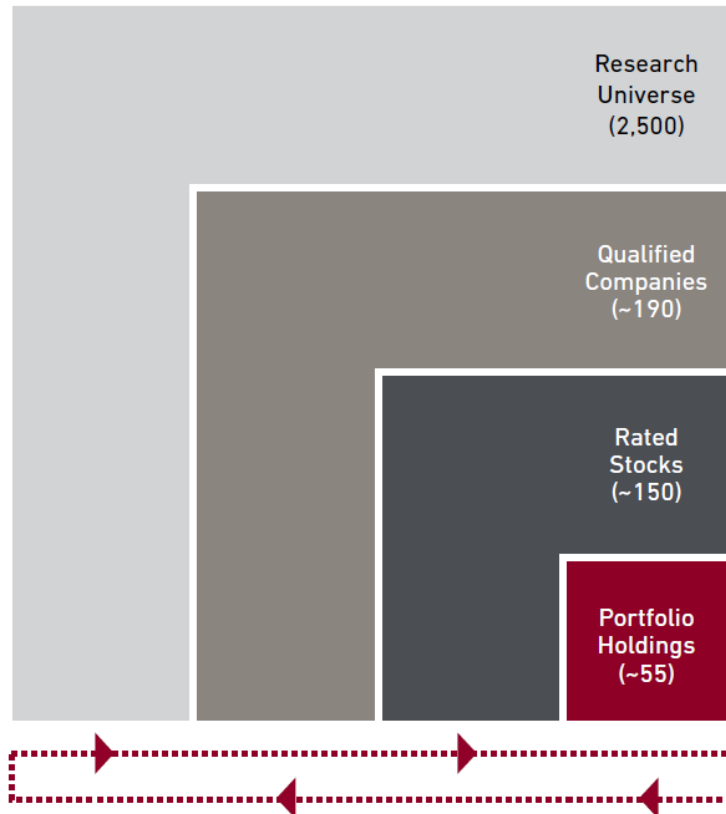
- The fund seeks long-term capital appreciation through investments in equity securities of companies based outside the United States.
- The fund invests primarily in companies based in developed markets outside the United States as well as in established companies in emerging and frontier markets. Harding Loevner LP, the fund's subadviser, undertakes fundamental research in an effort to identify companies that it believes are well managed, financially sound, fast growing and strongly competitive and whose shares are under-priced relative to estimates of their value.
- In an effort to reduce its volatility, the fund seeks to be diversified across dimensions of geography, industry, currency and market capitalization. The fund normally holds investments across at least 10 countries.

Equity securities generally have greater price volatility than fixed-income securities and are subject to issuer risk and market risk. International investing involves currency, economic and political risks, which may be greater for investments in emerging and frontier markets. Harding Loevner LP is not affiliated with Homestead Funds, RE Advisers Corporation, RE Investment Corporation or NRECA.

# Investment Process



Harding Loevner narrows the investable universe in stages according to their insights about industries and companies, before considering stock prices.



- **Qualification**

Analyst conducts research and uses judgement to identify companies that may meet Harding Loevner's investment criteria

- **In-Depth Research**

Analyst assesses business quality and growth within Harding Loevner's 10-point quality assessment framework

- **Valuation & Rating**

Analyst develops long-term forecast, estimates fair value, and rates stock

- **Portfolio Construction**

Portfolio managers construct diversified portfolio of stocks that have passed through this process

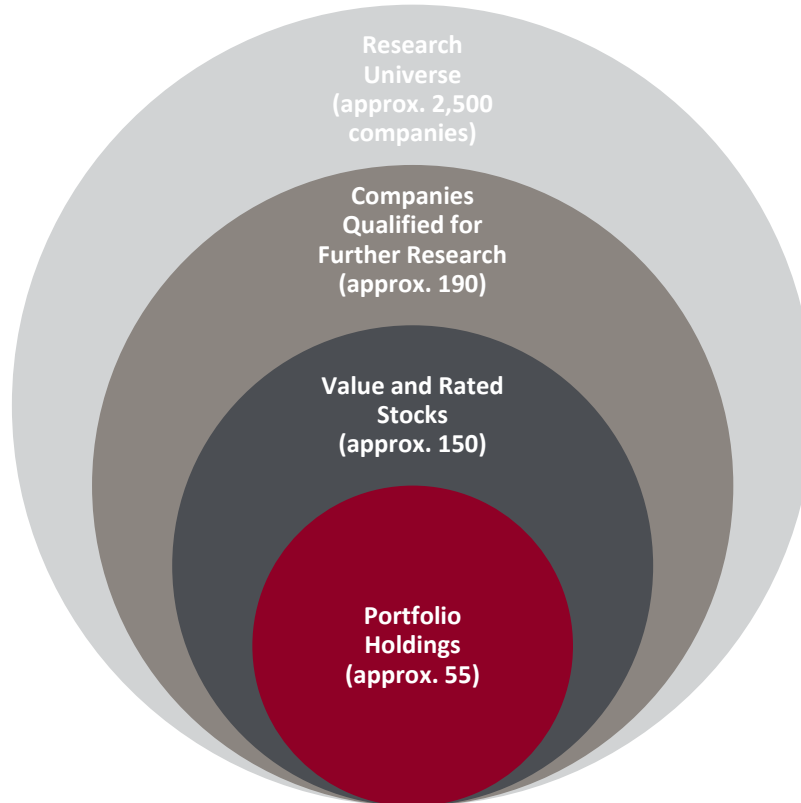
- **Continuous**

Portfolio managers and analysts challenge one another's decisions and re-examine their own

# Valuation and Rating Detail



Companies become candidates for investment after their growth potential and business quality are confirmed.



## CRITERIA FOR ANALYST COVERAGE

- Competitive advantage
- Sustainable growth
- Financial strength
- Quality management



# Portfolio Guidelines



## General Limits (subject to change)

Number of Holdings	35-75
Maximum in one security (at market basis)	5%
Minimum number of markets	10
Maximum cash	10% (normally ~3%)
Maximum in one industry	15%
Minimum number of sectors	7
Maximum in one sector	25%

Harding Loevner undertakes fundamental research in an effort to identify companies that are well managed, financially sound, fast growing and strongly competitive and whose shares are underpriced relative to their fair value.

## **BUY CRITERIA**

- Covered, valued, and rated by an analyst at Harding Loevner
- Underpriced, implying high expected return
- Diversifier of portfolio risk

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.

Analysts define business “mileposts” that each company must meet for the investment thesis to remain intact.

## **SELL DISCIPLINE**

- Fails to achieve business mileposts set in advance by analysts
- Overpriced, implying low expected return
- Holding too large due to relative appreciation

# Risk Management



Harding Loevner monitors and manages risk at the security, portfolio and enterprise levels.

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## Security Risk

- In-depth company research
- Ongoing attention to prices
- Uncompromising focus on business quality
- Ongoing monitoring of milestone achievement

## Portfolio Risk

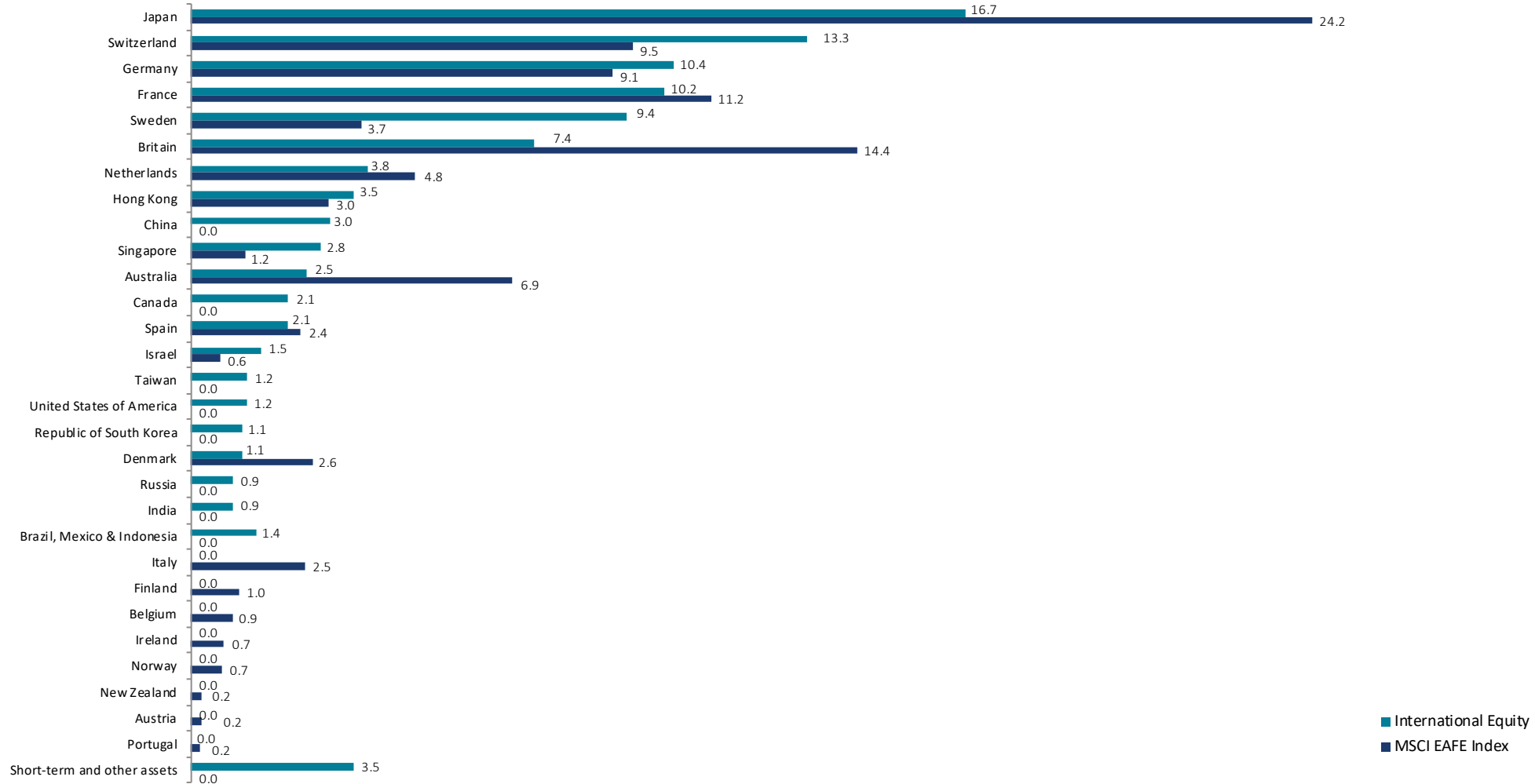
- Enforced risk guidelines
- Regular CIO review

## Enterprise Risk

- Close control of operational risk
  - Culture of compliance
  - Conservative financial management
-

# Fund and Index Country Exposure

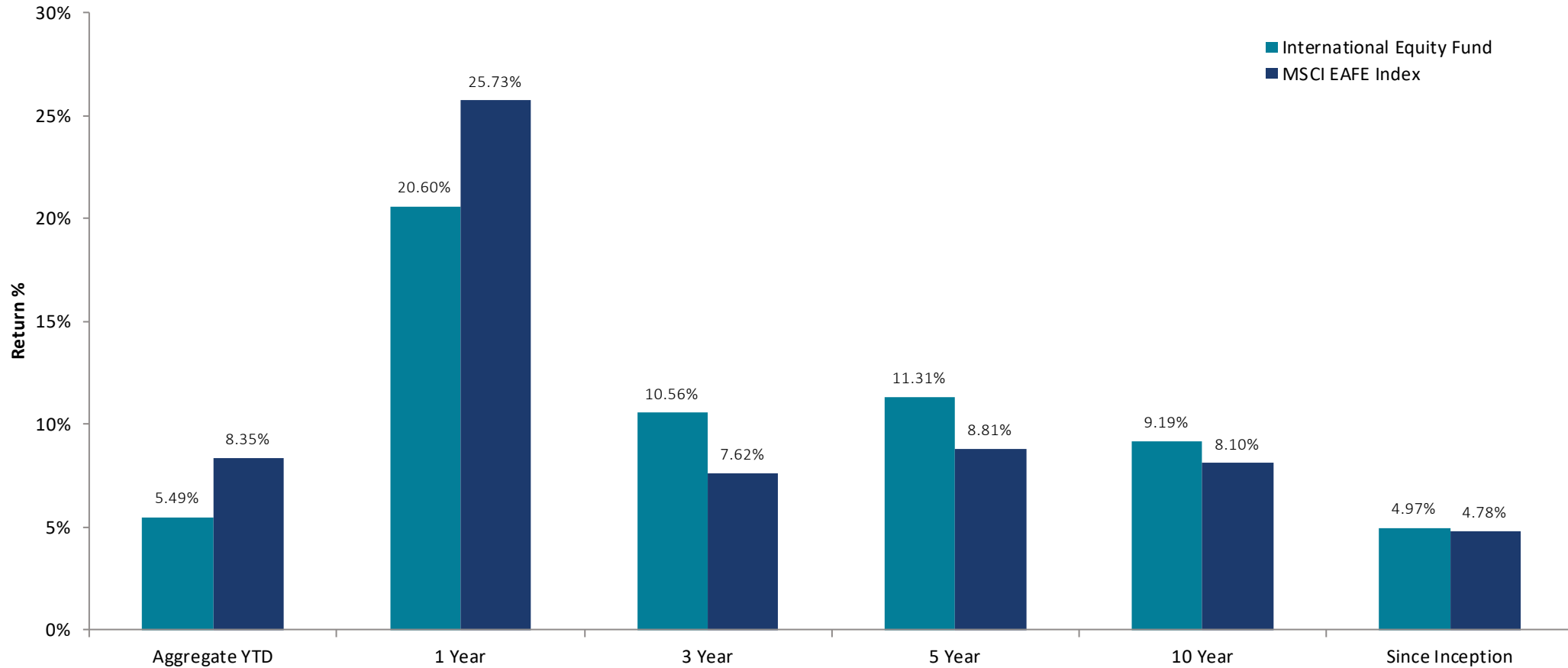
as of September 30, 2021



May not total 100% due to rounding.

# Total Returns

as of September 30, 2021

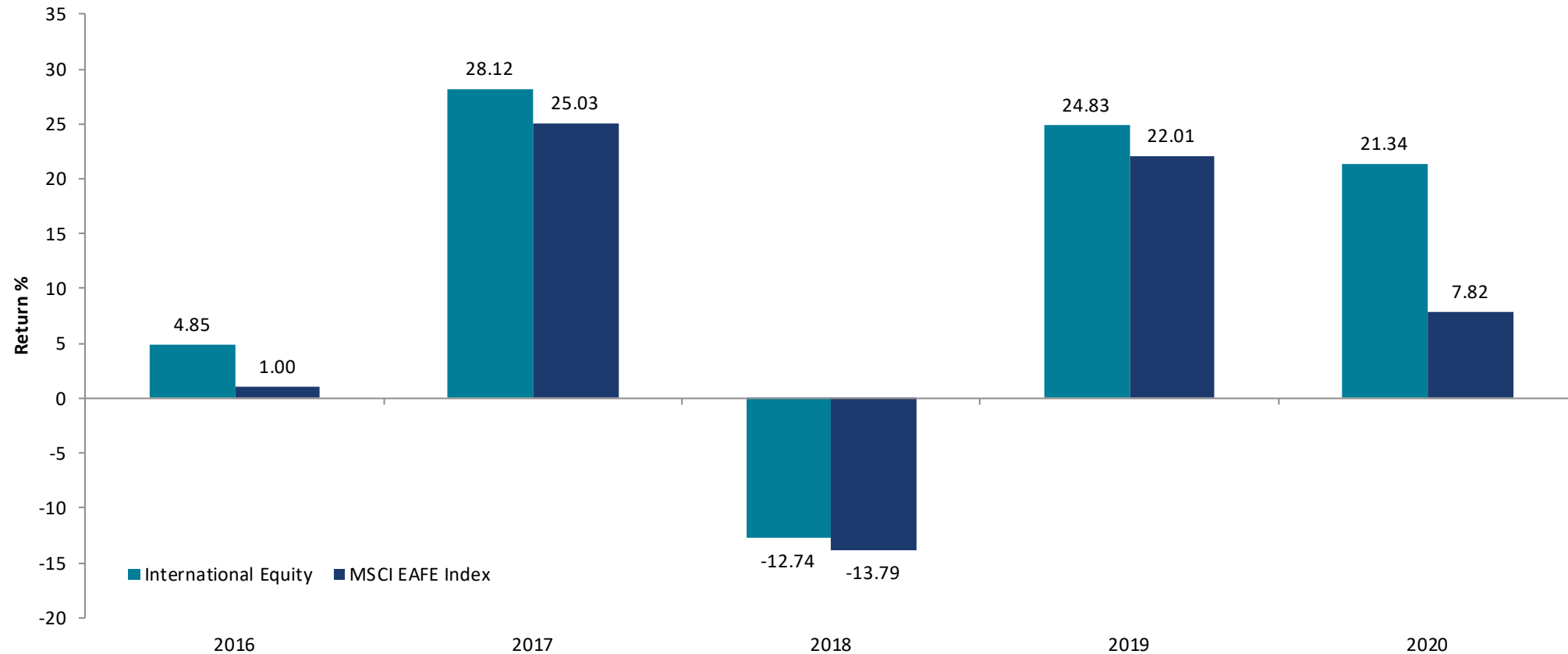


*The total returns shown above represent past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. For performance data current to the most recent month-end, call 800.258.3030 or visit [homesteadfunds.com](http://homesteadfunds.com).*

Total returns include interest, capital gains, dividends and distributions.

# Calendar Year Total Returns

as of December 31, 2020



*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. For performance data current to the most recent month-end, call 800.258.3030 or visit [homesteadfunds.com](http://homesteadfunds.com).*

Total returns include interest, capital gains, dividends and distributions.

# Competitive Advantages



# Competitive Advantages



- Sector focused investment research on a global basis
- Structured, repeatable investment process; disciplined execution
- Continual self appraisal and self improvement; clear and open communication

# Fund Company Media Mentions



*Kiplinger's Personal Finance*, January 2020: "Benjamin Graham's Timeless Advice"

*Investor's Business Daily*, October 2019: "Leading Growth Stocks Drive This Hush-Hush Mutual Fund's Outperformance"

*Barron's*, July 2019: "The Best Mutual Funds You've Never Heard Of"

*Investor's Business Daily*, June 2019: "Top Value Funds (Six Month Leaders)"

*Kiplinger's Personal Finance*, March 2019: "A Tough Year for Investors"

*Investor's Business Daily*, January 2019: "Top Value Funds (Six Month Leaders)"

*Kiplinger's Personal Finance*, April 2018: "Kiplinger's 25 Favorite No-Load Mutual Funds"

*Investor's Business Daily*, February 2018: "Top Value Funds (Six Month Leaders)"

*Money*, January/February 2018: "Investor's Guide 2018"

*Investor's Business Daily*, January 2018: "Top Value Funds (Six Month Leaders)"

*Kiplinger's Personal Finance*, November 2017: "5 'Unloved' Value Funds to Consider Buying Now"

*Wall Street Journal*, July and November 2017: "Category Kings"

*Kiplinger's Personal Finance*, April 2017: "25 Best Mutual Funds for Low Fees"

*Seeking Alpha*, May 2016: "3 Strong Buy All-Cap Value Mutual Funds"

*Money*, January 2016: "Top Picks from Top Pros"

*Kiplinger's Personal Finance*, January 2016: "This Small-Company Stock Fund Finds Gems in Surprising Places"

*Investor's Business Daily*, October 2015: "Small-Cap Mutual Funds Hang Tough; Homestead Among Leaders"

*Forbes*, June 2015: "Mutual Fund Honor Roll"

*Kiplinger's Personal Finance*, May 2015: "How to Beat Index Funds"

*Bloomberg Markets*, April 2015: "Small-Cap US Equities"

*Investor's Business Daily*, April 2015: "Are Small-Cap Stock Mutual Funds Helping Build Your Wealth?"

*Wall Street Journal*, March 2015: "How to Pick a Stock Picker"

*Kiplinger's Personal Finance*, February 2015: "Oldies but Goodies"

*Barron's*, December 2014: "The Artistry of Investing"

*Forbes*, August 2014: "Mutual Funds Honor Roll"

*Kiplinger's Personal Finance*, April 2014: "The Top Small-Cap Funds"

*Bloomberg Markets*, May 2013: "The Best Performing Mutual Funds"

*S&P Fund Awards*, November 2011: "Gold Award for Small Company"

*Consumer Reports*, February 2007: "60 Funds You Can Count On"

*Smart Money*, December 2006: "Fund Watch: Good Gifts"

*Kiplinger's Personal Finance*, November 2006: "Thrills without Spills"

*Motley Fool Champion Funds*, November 2006: "Fund of the Month"

*Consumer Reports*, March 2005: "70 All-weather Winners"

*Louis Rukeyser's Mutual Funds*, November 2004: "Open Arms"

*Kiplinger's Personal Finance*, April 2002: "Take Heart: Low Minimums"

*Business Week*, February 2002: "That Old Bond Magic May Not Last"

*Money*, Fall 2001: "10 Best Funds"

*Money*, June 1998: "The World's Best Mutual Funds"

*Reuters*, February 1998: "Fund Risk is as Important as Return"

# Definitions



- **Active Share:** A measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index.
- **Basis points (BPS)** refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.
- **Dividend Yield:** A financial ratio that shows how much a company pays out in dividends each year relative to its stock price.
- **Earnings Per Share (EPS):** A company's profit divided by the outstanding shares of its common stock.
- **Price to Earnings:** Ratio for valuing a company that measures its current share price relative to its earnings per share (EPS).
- **Price to Book:** Companies use the price-to-book ratio to compare a firm's market to book value by dividing price per share by book value per share.
- **Price to Cash Flow:** A ratio used to compare a company's market value to its cash flow. It is calculated by dividing the company's market cap by the company's operating cash flow in the most recent fiscal year; or, equivalently, divide the per-share stock price by the per-share operating cash flow.
- **Price to Earnings:** The ratio of a company's stock price to the company's earnings per share. The ratio is used in valuing companies.
- **Long Term Debt to Capital:** Ratio that shows the financial leverage of the firm. This ratio is calculated by dividing the long-term debt with the total capital available of a company.
- **Return on Equity:** A measure of the profitability of a business in relation to the equity, also known as net assets or assets minus liabilities.



**Investing in mutual funds involves risk, including the possible loss of principal.** Equity securities generally have greater price volatility than fixed-income securities and are subject to issuer risk and market risk. International investing involves currency, economic and political risks, which may be greater for investments in emerging and frontier markets.

Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.

**Past performance is no guarantee of future results.**

*Investors are advised to carefully consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information and should be read carefully before you invest. To obtain a prospectus, call 800.258.3030 or download a PDF at [homesteadfunds.com](http://homesteadfunds.com).*

Homestead Funds' investment advisor and/or administrator, RE Advisers Corporation, and distributor, RE Investment Corporation, are indirect wholly-owned subsidiaries of NRECA. 10/21

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