

## Understanding Mutual Fund Costs



When you're looking for a mutual fund, your first priority should be to look for one whose goal fits 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. 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.



*“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.”*

– Makia Tillman  
Registered Representative

## 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, such as overnight wire transfers. Below are the most common types of fees.

### Transaction fees

Some funds charge redemption or other types of transaction fees. Homestead Funds does not.

### 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.

### Service fees

Special requests, such as overnight wire transfers or expedited mail delivery, cost money. Shareholders pay for special requests on their accounts.

No one likes to pay a fee, but sometimes that's the best way to provide fair cost treatment to all shareholders.

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

## 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 that of 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 next page shows that the expense ratios of Homestead Funds' actively managed equity and bond funds are in line with or below those of their peers.

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  $0.0095 \times \$1,000 = \$9.50$ .*



*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 investors can compare costs.*

## Homestead Funds annual operating expenses as of 12/31/20

	Transaction Fees	Gross Expense Ratio	Net Expense Ratio	Median Expense Ratio for Peer Group*
Daily Income Fund	None	0.78%	0.37%	0.35%
Short-Term Gov. Securities Fund <sup>1</sup>	None	0.81%	0.75%	0.89%
Short-Term Bond Fund	None	0.78%	0.78%	0.76%
Intermediate Bond Fund <sup>2</sup>	None	1.13%	0.80%	0.73%
Rural America Growth & Income Fund <sup>3</sup>	None	2.26%	1.00%	0.75%
Stock Index Fund	None	0.53%	0.53%	0.49%
Value Fund	None	0.65%	0.65%	1.07%
Growth Fund	None	0.89%	0.89%	1.10%
International Equity Fund <sup>4</sup>	None	1.24%	0.99%	1.26%
Small-Company Stock Fund	None	1.12%	1.12%	1.25%

\*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. Please see the current prospectus for additional details.

<sup>1</sup>RE Advisers has contractually agreed, through at least May 1, 2022, to limit the fund's operating expenses to an amount not to exceed 0.75%. 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.

<sup>2</sup>The inception date of this fund is May 1, 2019. RE Advisers Corporation has contractually agreed, through May 1, 2022, to limit the fund's operating expenses to an amount not to exceed 0.80%. 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.

<sup>3</sup>The inception date of this fund is May 1, 2021. RE Advisers Corporation has contractually agreed, through 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.

<sup>4</sup>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.

## 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 below) make it possible for just about anyone to open a Homestead Funds account.

Homestead Funds welcomes investors on a budget	
Initial investment minimum	<ul style="list-style-type: none"> <li>• \$500 for a regular account</li> <li>• \$200 for an IRA or ESA</li> <li>• \$0 if you establish the account with an automatic investment program</li> </ul>
Subsequent investment minimum	None — add to your account with any amount
Account and service fees	<ul style="list-style-type: none"> <li>• \$15 annual custodial fee for IRA and Education Savings Accounts</li> <li>• \$13 to send distributions by expedited mail</li> <li>• \$10 fee per fund distribution to send a federal funds wire</li> <li>• No fee to send money by ACH or first-class mail</li> </ul>

## 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?

Just call us at 800.258.3030 to speak with one of our friendly client services associates and to request a prospectus.

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](http://homesteadfunds.com) or call one of our friendly associates at 800.258.3030 to request any by mail.**

- Building Your Retirement Savings
- Deciding What to Do with Your 401(k)
- Handling Investment Risk
- Managing Your Savings in Retirement
- Saving for Education
- Simplifying Tax Time for Investors
- Taking Your Required Minimum Distribution

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**Investing in mutual funds involves risk, including the possible loss of principal. Past performance does not guarantee future results.**

*Investors should carefully consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. To obtain a prospectus, call 800.258.3030 or visit [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.

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