



4301 WILSON BLVD
INV8-305
ARLINGTON, VA 22203

May 12, 2017

Dear Investor:

The Department of Labor's Conflict of Interest Rule is set to become effective on June 9, 2017.

The regulations are intended to reduce conflicts of interest that could exist between investors in retirement accounts and certain advisors by requiring more types of advisors to hold themselves to a *fiduciary standard*, meaning they would have to make recommendations based on what is in the customer's best interest. Currently and until this law takes effect in June, some professionals, including many brokers, are required to meet only a *suitability standard*, which does not include the same restrictions as the fiduciary rule on the ability to receive variable compensation in connection with recommending certain high-commission products.

RE Advisers, the company that provides investment management services for Homestead Funds, is a registered investment advisor, not a broker. We have held ourselves to a fiduciary standard since the company's inception in 1990 and we will continue to put clients' interests first and foremost.

This is a part of our history. Homestead Funds and RE Advisers were created as an extension of NRECA's mission of service to members. We got our start managing pension assets for employees of member cooperatives and we apply the same standard of care in our strategies today.

This is reflected in our pricing. Our funds are offered at no-load and operated efficiently relative to their peers. All Homestead Fund expense ratios are in line with or below peer group medians, according to Morningstar for the period ending December 31, 2016. Investors who buy directly from Homestead Funds are not subject to the types of fee-sharing arrangements or commission structures that the Department of Labor sought to address with this Rule.

In practice, however, the Rule will require us to make some operational changes so that we can continue to provide investment advice and guidance to clients in retirement accounts. If you have a Homestead Funds IRA or other account that is included in the scope of this Rule, you will receive more information from us later this year about the recordkeeping and other procedural steps we are taking to ensure compliance.

We look forward to continuing to provide the highest level of service to our shareholders.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Kaszynski". The signature is written in a cursive, flowing style.

Stephen Kaszynski, CFA
President and CEO
Homestead Funds and RE Advisers

Investing in mutual funds involves risk, including the possible loss of principal.

Investors are advised to 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](#) of it now.

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

RE Investment Corporation, Distributor. 5/17