Investor’s Guide to Homestead Funds

Welcome to your future.
At Homestead Funds, we seek to provide our investors with a level of professional money management that helps them to secure a greater measure of financial well-being in their futures.
Who is Homestead?

By definition, a homesteader is a builder, an innovator — one who arrives first on a new frontier.

Associated with self-sufficiency and inventiveness, the act of homesteading itself requires people to cooperate, whether to solve a problem or to manage risk. Turning to community cooperation, Americans throughout history have adjusted their individual priorities when confronted by major challenges.

Electricity, Prosperity, Investing and the American Dream

A good example of this cooperative spirit occurred during the movement toward rural electrification, which spread throughout the heartland at a rapid rate from the 1930s to the 1950s.

To manufacture products and provide services, businesses needed electricity at a time when most of America was still without power. By pooling electrical resources and equipment, local communities grew quickly, which brought newfound prosperity to citizens and businesses.

To support these rural electric cooperatives and act as an issues advocate for rural economic development, the National Rural Electric Cooperative Association (NRECA) was established in 1942.

In 1990, NRECA created Homestead Funds to give its members convenient and affordable access to professional money management.

Homestead’s funds are publicly traded and open to investors beyond the cooperative community.

Homestead Funds holds fast to the cooperative principles of our founding organization, principles grounded in a philosophy committed to putting people — and investors — first.

Isn’t Life Complicated Enough?

Investment planning for your future shouldn’t make it more so.

That’s why the Homestead Family of Funds provides you with a simple way to pursue your dreams through a concise menu of nine no-load mutual funds that range in objective from conservative income to aggressive growth.

Why Invest with Homestead?

With so many other investment choices available, why should you consider investing with Homestead? We believe there are five good reasons:

1. **We put investors first.**
   Grounded in the great American rural cooperative tradition through NRECA, we’re served by an active board of directors whose primary obligation is to the shareholders. The fund company is committed to transparency, full disclosure and plain dealing.

2. **We make investing easier.**
   We’re good enough to be noticed by major media outlets (see the News & Media section of homesteadfunds.com) and small enough to remember our Main Street roots. Whether you are looking to replace an investment, diversify your portfolio or build a comprehensive program with a single family of funds, Homestead has much to offer.

3. **Our performance speaks for itself.**
   With more than 100 years of experience in total, our portfolio managers and analysts oversee an array of nine funds designed to accommodate a wide variety of goals from conservative income to aggressive growth. Our funds have generated long-term track records worth examining. Would you like to view our results for yourself? Visit us at homesteadfunds.com.

4. **You will like our service.**
   Our representatives know that patience is a virtue. They are trained to listen to your concerns and answer your questions. Each member of our team looks forward to giving you a hand. Just call 800.258.3030 any weekday between 8:30 a.m. and 5:00 p.m. Eastern Time. You can also get fund and account information and make transactions through our website, homesteadfunds.com.

5. **We’re affordable.**
   You can get started for only $500, or $200 for an Individual Retirement Account (IRA) or Education Savings Account (ESA). Additionally, you pay no commissions when you buy, sell or exchange shares directly from Homestead Funds.

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**Welcome to Your Future**

Discipline and an unwavering commitment to our clients are the cornerstones of our investment approach. With more than 100 years of collective experience, our portfolio managers are not overly influenced by the global market’s daily price changes. They are much more focused on analyzing the underlying fundamentals of the securities themselves to gain a sense of how they might perform over a three-to-five-year time frame, when they might be worth even more.
RE Advisers’ Dynamic and Collaborative Process

Founded in 1990, RE Advisers is a Securities and Exchange Commission (SEC) registered investment advisor. The company is the investment advisor for eight of the Homestead Funds and provides administrative services to the entire Homestead Funds family.

Typically, fund companies offering both stock and bond funds separate the management of each investment type. Not so at Homestead Funds. Our portfolio managers interact daily, sharing information and their different viewpoints. This collaboration between the fixed-income and equity managers leads to better-informed buy and sell decisions.

Sharing Knowledge Improves Decision-Making

**Equity Team**

**Prabha Carpenter, CFA®**
Senior Equity Portfolio Manager
Prabha co-manages the company’s large- and small-cap value strategies. Prior to joining RE Advisers in 2002, she was a portfolio manager for a division of GEICO Corporation, where she oversaw a regional equity fund. Prabha began her career with GEICO as an equity analyst with a focus on stocks in the financial and consumer sectors. She has also held senior positions at bank trust and commercial finance companies, where she managed convertible securities funds.

**Jim Polk, CFA®**
Senior Equity Portfolio Manager
Jim co-manages the company’s large- and small-cap value strategies. Prior to joining RE Advisers in 2019, he was a portfolio manager at Putnam Investment Management, LLC, where he managed small-, mid- and multi-cap value-oriented mutual funds.

**Peter Blackstone**
Senior Equity Analyst
Peter is a senior equity analyst supporting RE Advisers’ large- and small-cap value strategies. Prior to joining RE Advisers in 2018, Peter was a senior equity analyst and portfolio manager at Ironwood Investment Management covering a variety of economic sectors. He was also an energy sector specialist at The Boston Company Asset Management.

**Mark Iong, CFA®**
Senior Equity Analyst
Mark is a senior equity analyst supporting RE Advisers’ large- and small-cap value strategies. Prior to joining RE Advisers in 2019, Mark was a senior equity analyst at Chartwell Investment Partners on the large-cap team. He has also held senior analyst and portfolio manager positions at Columbia Partners where he helped oversee growth and value strategies. As an equity analyst, Mark has focused on stocks in the technology and industrials sectors.

**Fixed-Income Team**

**Mauricio Agudelo, CFA®**
Senior Fixed-Income Portfolio Manager
Mauricio co-manages RE Advisers’ fixed-income strategies. He joined RE Advisers in 2016. Prior to this role, Mauricio co-managed a number of taxable fixed-income mutual fund portfolios for Calvert Investment Management, Inc. and held previous positions at Calvert in trading and securities analysis.

**Marc Johnston, CFP®, ChFC®, CAIA®**
Money Market Portfolio Manager and Senior Fixed-Income Analyst
Marc manages the Daily Income Fund portfolio and analyzes risk, return and volatility attributes of RE Advisers’ fixed-income strategies. Before joining RE Advisers’ investments team in 2013, he held financial services management positions at the company’s parent organization, NRECA, and Citicorp Investment Services.

**Ivan Naranjo, CFA®, FRM®**
Fixed-Income Portfolio Manager
Ivan co-manages RE Advisers’ fixed-income strategies. He joined RE Advisers in 2018. Prior to this role, he was a senior fixed-income trader at American Century Investments. He was also an associate portfolio manager at Calvert Investment Management, LLC.

**David Corea**
Investment Analyst
David supports the portfolio management team by implementing solutions to facilitate monitoring of portfolio risk, exposures, performance and best execution. He assists the portfolio management team by conducting company financial analysis and ad hoc data analytical reports. He joined RE Advisers in 2009 as a member of the operations team and was promoted to investment analyst in 2018.
Putting Homestead Funds to Work for You

Small enough for average investors to monitor on their own, yet large enough to be included on leading intermediary platforms, the Homestead Family of Funds has much to offer. Through our family of nine no-load mutual funds, Homestead can help you meet a single financial need or build a comprehensive investment program according to your personal goals.

Overview of Homestead Funds

<table>
<thead>
<tr>
<th>Your Time Frame</th>
<th>Investment Types and Their Traits</th>
<th>Homestead Funds</th>
<th>Investment Objective</th>
</tr>
</thead>
</table>
| **Short term:** Less than one year | MONEY MARKETS  
Generally carry lower risk but typically also give you a lower reward | Daily Income Fund                           | Seeks maximum current income, consistent with preservation of capital and liquidity, by investing in high-quality money market securities. |
| **Medium term:** Less than five years | BONDS  
Generally carry more risk than money market investments but, in turn, may deliver a higher reward | Short-Term Government Securities Fund       | Seeks a high level of current income from investments in a portfolio of securities backed by the full faith and credit of the U.S. government. |
|                          |                                                          | Short-Term Bond Fund                        | Seeks a high level of income consistent with maintaining minimum fluctuation of principal by investing in high-quality, short-term debt securities. |
|                          |                                                          | Intermediate Bond Fund                     | Seeks to provide a high level of current income consistent with preservation of capital through investments in bonds and other debt securities. |
| **Long term:** Five or more years | STOCKS  
Generally carry higher risk but over long periods have delivered a higher reward | Stock Index Fund                            | Seeks to match, as closely as possible, before expenses, the performance of the Standard & Poor’s 500 Stock Index (the “Index”), which emphasizes stocks of large U.S. companies. |
|                          |                                                          | Value Fund                                  | Seeks long-term growth of capital and income for the long-term investor. Current income is a secondary objective. |
|                          |                                                          | Growth Fund                                 | Seeks to provide long-term capital appreciation through investments in common stocks of growth companies. |
|                          |                                                          | Small-Company Stock Fund                   | Seeks long-term growth of capital for the long-term investor. |
|                          |                                                          | International Equity Fund                  | Seeks long-term capital appreciation through investments in equity securities of companies based outside the U.S. |

As a money market fund, the Daily Income Fund has limited potential for income production. You could lose money by investing in the 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.
Homestead Funds Investor Profiles and Sample Portfolios

Our family of funds can form the building blocks for a solid investment program. While these sample portfolios are guidelines to help you visualize your own program, they are illustrations only and do not represent a recommendation for any investment. A Homestead Funds client services associate can help you tailor a portfolio to your specific needs.

Homestead All-Fund Portfolios

**Homestead All-Fund Portfolios**

**Conservative**

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>% of total investment</th>
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</thead>
<tbody>
<tr>
<td>Cash</td>
<td>10%</td>
</tr>
<tr>
<td>Short-Term Bonds</td>
<td>50%</td>
</tr>
<tr>
<td>Intermediate-Term Bonds</td>
<td>20%</td>
</tr>
<tr>
<td>Large-Cap Value Stocks</td>
<td>10%</td>
</tr>
<tr>
<td>Large-Cap Growth Stocks</td>
<td>5%</td>
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<tr>
<td>International Stocks</td>
<td>5%</td>
</tr>
<tr>
<td>Small-Cap Stocks</td>
<td>0%</td>
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</tbody>
</table>

Time Horizon: 1 – 3 years

Primary Objective: Generate regular income, while looking to offset inflation and maintaining relative stability of principal

**Moderate**

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<tbody>
<tr>
<td>Cash</td>
<td>5%</td>
</tr>
<tr>
<td>Short-Term Bonds</td>
<td>25%</td>
</tr>
<tr>
<td>Intermediate-Term Bonds</td>
<td>20%</td>
</tr>
<tr>
<td>Large-Cap Value Stocks</td>
<td>15%</td>
</tr>
<tr>
<td>Large-Cap Growth Stocks</td>
<td>15%</td>
</tr>
<tr>
<td>International Stocks</td>
<td>10%</td>
</tr>
<tr>
<td>Small-Cap Stocks</td>
<td>10%</td>
</tr>
</tbody>
</table>

Time Horizon: 4 – 7 years

Primary Objective: Grow assets, while preparing to receive income

**Aggressive**

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<th>SECTOR</th>
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<tr>
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Time Horizon: 8 – 12 years

Primary Objective: Grow a nest egg prudently

**Very Aggressive**

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<td>Large-Cap Value Stocks</td>
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<td>International Stocks</td>
<td>20%</td>
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<tr>
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<td>20%</td>
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Time Horizon: 12+ years

Primary Objective: Accumulate maximum wealth

Debt securities are subject to interest rate risk, credit risk, extension risk, income risk, issuer risk and market risk. The value of U.S. government securities can decrease due to changes in interest rates or changes to the financial condition or credit rating of the U.S. government. Investments in asset-backed and mortgage-backed securities are also subject to prepayment risk as well as increased susceptibility to adverse economic developments. High-yield, lower-rated, securities involve greater risk than higher-rated securities.

Equity securities generally have greater price volatility than fixed-income securities and are subject to issuer risk and market risk. The Stock Index Fund pursues its objective by investing substantially all of its assets in another pooled investment vehicle (a “master fund”). The ability of the Stock Index Fund to meet its investment objective is directly related to the ability of the master fund to meet its investment objective. Index funds may hold securities of companies that present risks that an investment advisor researching individual securities might otherwise seek to avoid and are subject to tracking error risk. Value stocks are subject to the risk that returns on stocks within the style category will trail returns of stocks representing other styles or the market overall. Growth stocks are subject to the risk that returns on stocks within the style category will trail returns of stocks representing other styles or the market overall. Securities of small and midsize companies tend to be riskier than those of larger companies. International investing involves currency, economic and political risks, which may be greater for investments in emerging and frontier markets.
More Than an Investment,
Homestead’s Funds Are a Way to Manage Your Money

Homestead Funds provides you with a way to manage your money through a wide variety of valuable shareholder services.

Easy Access to Your Money
You may redeem all or part of your investment at any time at the then-current net asset value (share price), which may be more or less than your purchase price.

Dividend Reinvestment
You may automatically invest periodic dividends and capital gains (if any) at net asset value.

A Variety of Investment and Withdrawal Plans
Choose to invest or withdraw systematically. Homestead Funds’ free, automatic programs allow you to send money directly from — or to — your bank account.

Regular Reports
You will receive account statements as transactions occur, as well as quarterly investment reports and newsletters.

Retirement and Education Plans
You can purchase shares of Homestead Funds for your IRA, ESA or UGMA/UTMA.

For more details, call us at 800.258.3030.

Focus on Your Future
Like any journey in life, attaining your financial goals depends on finding the right path — and following it. Our client services associates can help you evaluate these action steps in light of your individual needs.

1. **Set goals.**
   Defining your objectives is a critical step in building your plan. Know what you need your money to do over both the short and long term.

2. **Stay ahead of inflation.**
   Virtually every item you buy today costs more than it did 10 years ago. Don’t let the corrosive power of inflation undermine your plans.

3. **Invest in a diversified selection of funds.**
   Choose funds with complementary objectives to temper investment volatility while you pursue a variety of objectives.

4. **Start your plan today.**
   Don’t procrastinate. Homestead makes getting started easy and convenient with automatic investing plans that save you time and paperwork. There is no required minimum investment amount.

5. **Give your portfolio regular checkups.**
   Review your portfolio on a regular basis, perhaps with the help of an investment representative. Consider adjustments and additions at least once a year.
Individual Investors:

Let us help guide you on your financial journey

Our client services associates can help you define your investment objectives and build a diversified portfolio that is aligned with your risk tolerance and time horizon. As your needs change, we’re here to provide ongoing counsel and support.

We can help you create a diversified investment program

Each Homestead fund is professionally managed to correlate with different time frames and profiles. When combined together they offer an added measure of diversification. Over time, as your objectives change, you can also alter your mix of investments by exchanging shares of one Homestead fund for the shares of another. An exchange is processed as a redemption and subsequent purchase, so investors in non-IRA accounts should be mindful of the possible tax implications.

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.

Homestead Funds does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.

Whatever Your Dreams, Homestead Wants to Help You Reach Them

Homestead provides a convenient way to:

➢ Complement or diversify investments you already have in your program
➢ Structure a comprehensive investment program composed of multiple Homestead funds to pursue specific outcomes like these:
  • Investing by Life Stage
  • Investing for Retirement
  • Investing for Education
➢ Establish a plan to build wealth over time by making regular, automatic investments from your bank account or paycheck

Questions? Give us a call. We’re happy to help. 800.258.3030.

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. Homestead Funds does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.
Intermediaries and Institutions:

_Consider joining the other financial advisors and consultants working with Homestead Funds_

Grounded in the cooperative culture of our founding organization, the National Rural Electric Cooperative Association (NRECA), we embrace a philosophy that’s committed to putting the interests of our investors first. This spirit of cooperation also builds a bond with financial advisors based on fairness and transparency. We are committed to providing enterprising professionals like you with the products and information you need to serve your clients best, while growing your business.

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**Financial Professionals: Simplify Your Client’s Life the Homestead Way**

If you are looking for a family of funds that is small in number, yet broad in scope, you have come to the right place.

Homestead provides a convenient way to:

- **Target and replace investment sleeves or mandates that underperform or are over-correlated to other portfolio investments**
- **Complement, offset or augment risk profiles to help optimize portfolio efficiency**

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*Questions? Give us a call. We’re happy to help. 800.258.3030.*
Homestead Quick Facts

25+ Years of Investing
Homestead was established in 1990 by NRECA, a not-for-profit organization representing the nation’s consumer-owned rural electric cooperatives.

9 No-Load Mutual Funds
A comprehensive range of nine mutual funds across the risk and reward investment spectrum. Our no-load funds can act as complements or as alternatives to portfolio investments — or provide a customized blended solution to meet your asset allocation objective.

Over 100 Years of Experience
RE Advisers, an SEC-registered investment advisor, serves as investment manager to eight of the nine funds in the Homestead Family of Funds. The portfolio managers and analysts of RE Advisers have more than 100 years of collective experience.