

Homestead Advisers Corp.

Investment Advisory Clients

March 29, 2024

This brochure provides information about the qualifications and business practices of Homestead Advisers Corp. (“Homestead Advisers”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact Danielle Sieverling, Homestead Advisers’ Chief Compliance Officer (“CCO”), at 703-907-5993. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Homestead Advisers also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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Item 2. Material Changes

Since the last update of this brochure on March 30, 2023, there have been no material changes.

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Item 4. Advisory Business

Homestead Advisers, incorporated in the Commonwealth of Virginia in 1995 (formerly incorporated in the District of Columbia in 1990), is a direct, wholly-owned subsidiary of Homestead Financial Services Corp. (“Homestead Financial Services”), which is a direct, wholly-owned subsidiary of NRECA United Holdings, Inc., a holding company of the National Rural Electric Cooperative Association (“NRECA”). NRECA is a not-for-profit organization, which serves and represents the nation’s consumer-owned rural electric cooperatives. Homestead Advisers is registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and has its principal place of business in Arlington, Virginia.

Currently, Homestead Advisers provides tailored investment advisory services to each of its clients other than program sponsors, based on the investment guidelines and restrictions contained in the agreement. The clients may impose restrictions on investing in certain securities or types of securities.

Homestead Advisers offers the following advisory services:

Benefit Plan Management

Homestead Advisers provides investment advice to strategies within certain of the NRECA-sponsored employee benefit plans (the “Plans”), under written investment advisory agreements. These services are provided on the basis of the Plan’s individual circumstances and needs in a manner consistent with the agreement, including the Plan’s investment policies or guidelines that are set forth or referred to in or attached to the agreement.

Separately Managed Account Management

Homestead Advisers provides investment advice to private advisory clients in separately managed accounts (SMAs) under written investment advisory agreements. These services are provided on the basis of the private advisory client’s individual circumstances and needs in a manner consistent with the agreement, including the client’s investment policies or guidelines that are set forth or referred to in or attached to the agreement to private advisory clients.

Homestead Advisers provides investment advisory services to separate accounts of its ultimate parent company, NRECA, its subsidiaries or affiliates.

Financial Planning

Homestead Advisers provides financial planning services to shareholders and potential shareholders of the Homestead Funds (as defined below). After financial planning clients review and execute the Acceptance of Financial Planning Services and complete the Financial Planning Questionnaire, Homestead Advisers prepares a written financial plan, which summarizes the information provided and provides a target investment portfolio that identifies a Homestead Fund for each asset class discussed in the financial plan. See the separate brochure for “Financial Planning Clients” for more information.

Model Portfolio Recommendations

Homestead Advisers provides non-discretionary investment recommendations for certain strategies to a model portfolio program sponsor (the “program sponsor”) who chooses whether or not to utilize such recommendations in connection with the program sponsor's management of model portfolio program customer accounts.

Mutual Fund Management

Pursuant to an investment advisory agreement, Homestead Advisers serves as the investment adviser to seven of the series of Homestead Funds, Inc. and each series of Homestead Funds Trust (collectively, “Homestead Funds”), each an investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). As investment adviser, Homestead Advisers is responsible for selecting investments, managing the portfolios and overseeing the investment strategies and policies for the Homestead Funds, subject to the general supervision of the Homestead Funds’ Boards of Directors and Trustees.

As of December 31, 2023, Homestead Advisers managed a total of approximately \$7,208,407,391 in regulatory assets under management on a discretionary basis.

Item 5. Fees and Compensation

There are several fee schedules that Homestead Advisers employs. The fees are negotiable and determined based on the client's assets under management and investment strategy, including investment restrictions and limitations. The standard fee schedules are as follows:

Standard Fee Schedule for Equity SMAs:

0.32% - 0.70% of the market value of portfolio assets

Standard Fee Schedule for Fixed Income SMAs:

0.10% - 0.40% of the market value of portfolio assets

Standard Fee Schedule for Plans

Cost reimbursable

Standard Fee Schedule for Model Portfolio Program Sponsors

The typical annual advisory fee rate for program sponsors using Homestead Advisers' large value investment strategies is 0.35% to 0.65% of account assets.

Standard Fee Schedule for Affiliate Accounts

Fees charged to accounts of Homestead Advisers’ ultimate parent company, NRECA, its subsidiaries, and other affiliates will vary from those charged to other Clients.

Standard Fee Schedule for the Homestead Funds

0.40% - 0.85% of average daily net assets

Homestead Advisers has entered into a contractual expense limitation agreement with certain series of Homestead Funds (each, a “Fund”), as described in the agreement. The expense limitation agreement provides that to the extent the annual operating expenses incurred by a Fund exceed the stated percentage of the Fund’s average daily net assets, such excess amount will be the liability of Homestead Advisers. The term of the expense limitation agreement with respect to a Fund is for a limited time period, usually one year. At the end of that period, Homestead Advisers may revise, renew or discontinue the agreement.

Homestead Advisers bills Clients, except for program sponsors, for investment management fees incurred. The fee accruals for the Homestead Funds are paid monthly in arrears to Homestead Advisers. These fees are paid following a request of Homestead Funds by the Homestead Funds custodian from the Homestead Funds account directly to Homestead Advisers. Homestead Advisers bills NRECA for costs it incurred on behalf of the Plans monthly. NRECA is subsequently compensated by the Plans every four months. Other private advisory Clients are sent quarterly invoices for their respective fees and submit payment to Homestead Advisers. Depending on the program sponsor, program sponsor fees are paid quarterly in advance within forty-five days prior to the beginning of each quarter or quarterly in arrears within forty-five days following the end of the quarter.

Homestead Advisers does not deduct the investment management fee from the Clients’ accounts. Rather, it bills its Client accounts, and the Client sends payment by wire to Homestead Advisers’ bank account. If a new Client account is established during the quarter, the investment management fee will be charged as of the effective date of the investment management agreement. If a Client terminates an account, the investment management fee will generally be charged on a prorated basis.

In addition to paying investment management fees, Clients may also be subject to other investment expenses such as custodial charges, mutual fund fees (as discussed below) and other related costs associated with products or services that may be necessary or incidental to such investments or accounts. Additionally, Clients will pay brokerage fees, commissions and other transaction costs. See Item 12 – Brokerage Practices, below, for additional information.

The recommendation of Homestead Funds to a private advisory Client raises a conflict of interest because Homestead Advisers serves as the investment adviser to Homestead Funds. In an effort to address this conflict of interest, a private advisory Client will not be charged an advisory fee for those assets under management invested in Homestead Funds. It should be noted, however, that when private advisory Client assets are invested in Homestead Funds, the private advisory Client still indirectly pays an advisory fee to Homestead Advisers equal to the advisory fee paid by Homestead Funds to Homestead Advisers that is applicable to the shares of Homestead Funds owned by the private advisory Client. Thus, a private advisory Client whose assets are invested in Homestead Funds may pay an indirect advisory fee that is higher than the waived advisory fee set forth in the investment advisory agreement the private advisory Client has with Homestead Advisers. Generally, private advisory Clients are not invested in any investment companies other than Homesteads Funds or exchange-traded funds, and therefore are not subject to any additional investment management fees. However, Homestead Advisers may use sweep

vehicles for excess cash, which may charge additional investment management fees and may invest in mutual funds or commingled trusts.

Additionally, you should be aware that Homestead Advisers' portfolio managers are compensated with a combination of base pay and variable pay based on (i) the performance of the Client portfolios they manage and (ii) qualitative factors correlated with the embodiment of NRECA's core competencies and aligned with Homestead Advisers' strategic priorities. Applicable Client portfolios managed by the portfolio manager are equally weighted to minimize potential conflicts. Regardless, Homestead Advisers has adopted trade allocation procedures that set forth fair treatment of all accounts and prohibit cross trades between Client accounts. Additionally, the CCO regularly reviews the portfolio managers' trading activities to monitor that all accounts are treated equitably.

Item 6. Performance-Based Fees and Side-by-Side Management

This item is not applicable.

Item 7. Types of Clients

Homestead Advisers' clients consist of investment companies, employee benefit plans, pension and profit sharing plans, corporations and other business entities (collectively referred to herein as "Clients"). As discussed above, Homestead Advisers may also provide non-discretionary investment recommendations for certain strategies to program sponsors.

Generally, Homestead Advisers requires a minimum dollar value of assets of \$5,000,000 for a private advisory client to open a separately managed account. However, this amount is negotiable. If the account size falls below the minimum requirement due to market fluctuations only, a private advisory client will not be required to invest additional funds with Homestead Advisers to meet the minimum account size.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Homestead Advisers utilizes a variety of methods and strategies to make investment decisions and recommendations.

Homestead Advisers employs the following investment strategies:

Equity Strategy. Homestead Advisers primarily seeks capital growth over the long term by investing in stocks that Homestead Advisers believes to be attractive and/or undervalued. Homestead Advisers' portfolios and Client accounts may execute the strategy with diversified portfolios focused on small-capitalization, mid-capitalization or large-capitalization companies.

To determine whether a stock is attractive and/or undervalued, Homestead Advisers generally follows a bottom-up approach based on its fundamental research and consideration of variety of factors, such as a company's business, market opportunities,

potential earning power, financial ratios, any competitive advantages a company may have, and qualifications of the company's management. In some cases, stock selection is made with the belief that businesses have an underlying value that is not always reflected by the share price, especially over the short term and Homestead Advisers seeks to select stocks that may benefit over time from a more reasonable market assessment of fundamental value.

Fixed-Income Strategy. Homestead Advisers' fixed income philosophy is to create and manage well diversified portfolios that take into consideration the investment objectives and constraints of each individual account managed. In selecting the portfolio holdings for Clients, Homestead Advisers considers its outlook for the economy, monetary policy, interest rates and credit spreads. Homestead Advisers' goal is to maximize the Client's total return by investing in securities that exhibit the most favorable risk/reward trade-off in the most attractive sectors while maintaining adequate portfolio liquidity. Homestead Advisers offers four fixed-income strategies, which include:

- Cash Management – Seeks to achieve security of principal and maximize yield while maintaining a high degree of liquidity by investing in cash and cash equivalent securities with maturities inside of 1 year.
- Short Government Securities – Seeks a high level of current income from investments in a portfolio of securities mainly backed by the full faith and credit of the U.S. Government.
- Short Term Bond – Seeks a high level of income consistent with maintaining minimum fluctuation of principal by investing in high-quality, short-term debt securities.
- Intermediate Duration – Seeks to generate current income and maintain adequate liquidity by predominantly investing in intermediate-term fixed income securities.

Money Market Fund. Homestead Advisers manages one money market fund, the Daily Income Fund, which is a series of the Homestead Funds, Inc. Effective May 1, 2021, the Daily Income Fund is subadvised by Invesco Advisers, Inc ("Invesco"). The Fund is managed to earn current income and to maintain a stable net asset value of \$1.00 per share. The Daily Income Fund is a government money market fund, which means that it invests at least 99.5% of its total assets in cash, U.S. Government securities, and/or repurchase agreements that are fully collateralized in accordance with Rule 2a-7 under the 1940 Act. Additionally, for purposes of the 99.5% test, the Fund may invest in other money market funds that qualify as government money market funds under Rule 2a-7.

Investing in securities involves risks of loss that Clients should be prepared to bear. There may be loss or depreciation of the value of any investment due to the fluctuation of market values. The selection and execution of any investment strategy is inherently subject to a variety of risks beyond our control, including but not limited to, risks associated with

general economic conditions, the adequacy and timeliness of disclosures by issuers of securities, and market risks.

The material risks associated with the portfolio securities and investment techniques used to implement the above investment strategies include:

Investment Risk. The chance the value of an investment will decline in response to a company, industry or market setback.

Market Risk. Various market risks can affect the price or liquidity of an issuer's securities in which a Client may invest. Returns from the securities in which a Client invests may underperform returns from the various general securities markets. Different types of securities tend to go through cycles of outperformance and underperformance in comparison to the general securities markets. Adverse events occurring with respect to an issuer's performance or financial position can depress the value of the issuer's securities. The liquidity in a market for a particular security will affect its value and may be affected by factors relating to the issuer, as well as the depth of the market for that security. Other market risks that can affect value include a market's current attitudes about types of securities, market reactions to political or economic events, including litigation, and tax and regulatory effects (including lack of adequate regulations for a market or particular type of instrument).

Markets may, in response to governmental actions or intervention, economic or market developments, war, geopolitical events or other external factors, experience periods of high volatility and reduced liquidity.

Market dislocations and other external events, such as political, social or financial instability, civil unrest, war, sanctions imposed in response to military incursions, acts of terrorism and outbreaks of infectious illnesses or other widespread public health issues, are other potential risks that could adversely affect an investment in a security or in markets or issuers generally and may subject a Client to significant risk of substantial volatility and loss. Natural and environmental disasters and systemic market dislocations may be highly disruptive to economies and markets. In addition, political developments in foreign countries or the United States may at times subject such countries to sanctions from the U.S. government, foreign governments and/or international institutions that could negatively affect a Client's investments in issuers located in, doing business in or with assets in such countries.

Manager Risk. The risk that Homestead Advisers' decisions (or a sub-adviser's decisions), particularly security selection, will cause a Client to underperform similar investments.

Style Risk. The risk that returns on stocks within the style in which a Client invests will trail returns of stocks representing other styles or the market overall.

Portfolio Turnover Risk. The risk that frequent purchases and sales of portfolio securities may result in higher account expenses and may result in larger distributions of taxable capital gains to investors as compared to an account that trades less frequently.

Interest Rate Risk. The risk that the values of debt instruments will change in response to changes in interest rates. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities. A wide variety of factors can cause interest rates or yields of U.S. Treasury securities (or yields of other types of bonds) to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). The value of debt instruments will also generally decline if inflation increases because the purchasing power of the future income and repaid principal is expected to be worth less when received by the portfolio. Inflation rates may change frequently and significantly as a result of changes in the domestic or global economy or changes in fiscal or monetary policies.

Credit Risk. The risk that an issuer, guarantor or liquidity provider of a security will be unable or unwilling or may be perceived (whether by market participants, ratings agencies, pricing services or otherwise) as unable or unwilling, to make timely payments of principal or interest, or otherwise honor its obligations. As a result, a Client's income might be reduced, the value of a Client's investment might fall, and/or a Client could lose the entire amount of their investment. Changes in the financial condition of an issuer or counterparty, changes in specific economic, social or political conditions that affect a particular type of security or other instrument or an issuer, and changes in economic, social or political conditions generally can increase the risk of default by an issuer or counterparty, which can affect a security's or other instrument's credit quality or value and an issuer's or counterparty's ability to pay interest and principal when due. The values of securities also may decline for a number of other reasons that relate directly to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services, as well as the historical and prospective earnings of the issuer and the value of its assets.

Income Risk. The risk that a decline in interest rates or other factors will cause the value of the investment to decline. Issuers of securities held by a Client may call or redeem the securities during periods of falling interest rates, and the Client would likely be required to reinvest in securities paying lower interest rates. If an obligation held by a Client is prepaid, the Client may have to reinvest the prepayment in other obligations paying income at lower rates.

Issuer Risk. The risk that the value of a security may decline because of adverse events or circumstances that directly relate to conditions at the issuer or any entity providing it credit or liquidity support.

Focused Investment Risk. The risk that, if a Client invests substantial portion of its assets in a particular market, industry, sector, group of industries or sectors, country, region, group of countries, or asset class, it is subject to greater risk than an account that invests in a more diverse investment portfolio. Additionally, the value of the account is more susceptible to any single economic, market, political, regulatory, or other occurrence affecting, for example, the particular markets, industries, regions, sectors or asset class in which the account invests. As a result, at such times, the account's value may fluctuate more widely than if it had invested across sectors.

Foreign Risk. The risk that investing in foreign (non-U.S.) securities may result in an account experiencing more rapid and extreme changes than an account that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, nationalization, expropriation or confiscatory taxation, currency blockage, or political changes of diplomatic developments. Foreign securities may also be less liquid and more difficult to value than securities of U.S. issuers. To the extent that investments are made in a limited number of countries, events in those countries will have a more significant impact on such investments.

LIBOR Risk. The London Interbank Offered Rate (“LIBOR”) is the offered rate for wholesale, unsecured funding available to major international banks. The terms of many investments, financings or other transactions to which a portfolio may be a party have been historically tied to LIBOR. LIBOR may also be a significant factor in determining payment obligations under a derivative investment and may be used in other ways that affect the Client’s investment performance. On March 5, 2021, the U.K. Financial Conduct Authority (FCA) and LIBOR’s administrator, ICE Benchmark Administration (IBA), announced that most LIBOR settings will no longer be published after the end of 2021 and a majority of U.S. dollar LIBOR settings will no longer be published after June 30, 2023. Regulators have established alternate reference rates in recent years and have generally prohibited banking institutions from entering into new contracts that are reliant on LIBOR rates. The transition from and eventual elimination of LIBOR and the terms of any replacement rate(s) may adversely affect transactions that use LIBOR as a reference rate, financial institutions that engage in such transactions, and the financial market generally. As such, the transition away from LIBOR may adversely affect a Client’s investment performance.

Risk of Investing in Europe. Most developed countries in Western Europe are members of the European Union (“EU”), and many are also members of the European Economic and Monetary Union, which requires compliance with restrictions on inflation rates, deficits, and debt levels. Therefore, changes in regulations on trade, decreasing imports or exports, changes in the exchange rate of the euro and recessions among European countries may have a significant adverse effect on the economies of other European countries. The risk of investing in securities in the European markets may also be heightened as the United Kingdom (“UK”) left the EU (commonly known as “Brexit”) on January 31, 2020. An agreement between the UK and the EU governing their future trade relationship became effective January 1, 2021. Brexit has resulted in volatility in European and global markets and could have negative long-term impacts on financial markets in the UK and throughout Europe. Significant uncertainty remains in the market regarding the ramifications of the withdrawal of the UK from the European Union and the arrangements that will apply to the UK’s relationship with the EU and other countries following its withdrawal; the range and potential implications of possible political, regulatory, economic, and market outcomes are difficult to predict. Moreover, other countries may seek to withdraw from the EU and/or abandon the euro, the common currency of the EU. The ultimate effects of these events and other socio-political or geopolitical issues, such as war or other conflicts among nations in Europe can and have profoundly affected global economies and markets. These events could negatively affect the value and liquidity of investments tied to the UK or EU. In addition, a number of countries in Europe have suffered terrorist attacks. There is a risk that additional attacks may occur in the future and such attacks may cause uncertainty in the financial markets. These risks, among others, could potentially have an adverse effect on the value of such investments.

Cybersecurity. Homestead Advisers, in conjunction with its third-party service providers, strives to review and upgrade its IT software and hardware, its electronic network, and its protocols in light of SEC guidance on cybersecurity and evolving threats to its IT network. Although Homestead Advisers has implemented security measures, any IT network remains vulnerable to an attempted breach. A successful penetration or circumvention of the security of Homestead Advisers' systems could result in the loss or theft of a Client's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause Homestead Advisers, Clients and/or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. The service providers of Homestead Advisers or Clients are subject to the same electronic information security threats as Homestead Advisers or a Client. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of a Client and personally identifiable information (to the extent applicable in the context of investors that are natural persons) may be lost or improperly accessed, used or disclosed. Similar types of operational and technology risks are also present for the companies in which Clients invest, which could have material adverse consequences for such companies, and may cause a Client's investments to lose value. In addition, cyber-attacks involving a counterparty could affect such counterparty's ability to meet its obligations to a Client, which may result in losses to the Client's account. Furthermore, as a result of cyber-attacks, disruptions or failures, an exchange or market may close or issue trading halts on specific securities or the entire market, which may result in a Client being, among other things, unable to buy or sell certain securities or unable to accurately price its investments. As cybersecurity is an evolving field, Homestead Advisers follows industry developments to determine where improvements to its cybersecurity policies, procedures, and infrastructure can be made and how to prevent and respond to potential cybersecurity breaches.

Market Disruptions and Operational Risk. Disruptions to financial, economic, public health, labor and other global market conditions can obstruct the regular functioning of business workforces (including requiring employees to work from external locations or from their homes), cause business slowdowns or temporary suspensions of business activities, each of which can negatively impact a Client's investments, Homestead Advisers and the service providers engaged by Homestead Advisers. Although Homestead Advisers and its service providers have established business continuity plans and systems reasonably designed to protect from and/or defend against the risks or adverse consequences associated with market disruptions, there are inherent limitations in these plans and systems. As a result, it is not possible to anticipate and prevent every possible obstruction to the normal activities of these entities' employees resulting from market disruptions and attempts to mitigate the occurrence or impact of such events may be unsuccessful. For example, public health emergencies and governmental responses to such emergencies, including through quarantine measures and travel restrictions, can create difficulties in carrying out the normal working processes of these entities' employees, disrupt their operations and hamper their capabilities. The nature, extent, and potential magnitude of the adverse consequences of these events cannot be predicted accurately but may result in significant risks and adverse consequences for the operations of Homestead Advisers, its service providers and a Client's investments.

Legal, Tax, and Regulatory Risks. Legal, tax and regulatory changes and developments may adversely affect our strategies. New or modified laws, regulations, rules, legislation or similar guidance may be issued by U.S. or foreign regulators, other government authorities or self-regulatory organizations that oversee the financial markets. Such new or modified laws, regulations, rules or similar guidance may have an adverse effect on the investment strategy and the performance of the securities.

The following risks are associated with securities Homestead Advisers may recommend:

Equity Securities. Equity securities generally have greater price volatility than fixed-income securities. The market prices of equity securities owned by an account may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets.

Small- and Mid-Size Company Securities. Investment risk and liquidity risk are particularly pronounced for stocks of companies with relatively small market capitalization. These companies have limited product lines, markets or financial resources, or they may depend on a few key employees. Compared to large companies, small and medium-sized companies may face greater business risks because they lack the management depth or experience, financial resources, product diversification or competitive strengths of larger companies, and they may be more adversely affected by poor economic conditions. There may be less publicly available information about smaller companies than larger companies. In addition, these companies may have been recently organized and may have little or no track record of success. An account investing in stocks of companies with smaller market capitalization may experience a more volatile share price than that of an account investing in stocks of larger, more established companies. In addition, the account may be affected by dilution in the value of its shares if such companies sell additional shares and by concentration of control in existing management and principal shareholders.

Illiquid or Restricted Securities. Illiquid securities are securities that may not be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. Depending on the circumstances, illiquid securities may be considered to include securities with legal or contractual restrictions on resale, time deposits, repurchase agreements having maturities longer than seven days and securities that do not have readily available market quotations. In addition, an account may invest in securities that are sold in private placement transactions between their issuers and their purchasers and that are neither listed on an exchange nor traded over-the-counter. These factors may have an adverse effect on the account's ability to dispose of particular securities and may limit an account's ability to obtain accurate market quotations for purposes of valuing securities and calculating net asset value and to sell securities at fair value. If any privately placed securities held by an account are required to be registered under the securities laws of one or more jurisdictions before being resold, an account may be required to bear the expenses of registration.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities, including those securities that meet the eligibility requirements for a money market fund, subject a Client's portfolios to the risk that the value of these securities overall will decline

because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates.

Investments in fixed-income and debt securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline.

U.S. Government Securities. U.S. Government securities are high-quality securities issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. Government. U.S. Government securities may be backed by the full faith and credit of the U.S. Treasury, the right to borrow from the U.S. Treasury, or the agency or instrumentality issuing or guaranteeing the security. However, 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.

Variable and Floating Rate Securities. The interest rate for variable rate securities typically resets at specified intervals, while the interest rate for floating rate securities typically resets based on changes in a specified index rate or auction process. In most cases, these reset provisions reduce the effect of changes in market interest rates on the value of the security. However, the value of these securities may decline if their interest rates do not rise as much, or as quickly, as other interest rates. Conversely, these securities will not generally increase in value to the same extent as other fixed income securities, or at all, if interest rates decline.

Cash Positions. A Client will at times hold some of its assets in cash, which may hurt the account's performance. Cash positions may also subject the account to additional risks and costs, such as increased exposure to the custodian bank holding the assets and any fees imposed for large cash balances.

Commercial Paper. Commercial paper consists of short-term unsecured promissory notes issued by companies or other entities in order to finance their current operations. Commercial paper is usually sold on a discount basis with maturities generally up to 270 days. Investments in commercial paper are subject to the risk that the issuer cannot issue enough new commercial paper to satisfy its obligations with respect to its outstanding commercial paper, also known as rollover risk. Commercial paper is generally unsecured, which increases the credit risk associated with this type of investment. The value of commercial paper may be affected by changes in the credit rating or financial condition of the issuing entities. The value of commercial paper will tend to fall when interest rates rise and rise when interest rates fall.

U.S. Dollar-Denominated Debt Securities of Foreign Issuers. These securities may respond negatively to adverse foreign political or economic developments. In the case of foreign companies not registered in the U.S., there is generally less publicly available information regarding the issuer, and foreign companies are subject to different accounting, auditing and financial reporting standards. These conditions may have an impact on rating organizations' and Homestead Advisers' ability to accurately assess and monitor an issuer's financial condition.

Asset-Backed and Mortgage-Backed Securities. These securities represent either fractional interests or participation in pools of leases, retail installment loans or revolving credit receivables. Underlying automobile sales contracts and credit card receivables are subject to prepayment, which may shorten the securities' weighted average life and reduce the overall return. Investors also may experience delays in payment if the full amounts due on underlying loans, leases or receivables are not realized because of unanticipated legal or administrative costs of enforcing the contracts or because of depreciation or damage to the collateral securing the contract or other factors. The value of these securities may fluctuate with changes in the market's perception of the creditworthiness of the servicing agent for the pool, the originator of the pool or the financial institution providing credit support enhancement for the pool. In addition, there is a risk that unscheduled or early repayment of principal would negatively affect a fund's return as the fund could be forced to reinvest in lower yielding securities.

Corporate Bonds. Corporate bonds generally have higher interest rates than those of other fixed-income instruments, like certificates of deposit and U.S. Treasury securities. However, these securities generally bear greater risk, as they are backed only by the issuer, and therefore, investments in corporate bonds are subject to the risk of the issuer's inability to meet principal and interest payments on the obligations and may also be subject to price volatility due to factors such as interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The market value of a corporate bond may be affected by factors directly related to the issuer, such as the issuer's financial performance, perceptions of the issuer in the market place, performance of management of the issuer, the issuer's capital structure and use of financial leverage and demand for the issuer's goods and services. Corporate bonds of below investment grade quality are often high risk and have speculative characteristics and may be particularly susceptible to adverse issuer-specific developments. Additionally, credit risk is created when the debt issuer fails to pay interest and principal in a timely manner, or negative perceptions of the issuer's ability to make such payments may cause the price of that debt to decline.

Mortgage Pass-Through Securities. Most transactions in mortgage pass-through securities occur through standardized contracts for future delivery in which the exact mortgage pools to be delivered are not specified until a few days prior to settlement, referred to as a "to-be-announced transaction" or "TBA Transaction". In a TBA Transaction, the buyer and seller agree upon general trade parameters such as agency, settlement date, par amount and price. Default by or bankruptcy of a counterparty to a TBA Transaction would expose an investor to possible losses because of an adverse market action, expenses or delays in connection with the purchase or sale of the pools of mortgage pass-through securities specified in the TBA Transaction.

Municipal Bonds. Municipal bonds generally are issued by or on behalf of states and local governments and their agencies, authorities and other instrumentalities. Municipal bonds are subject to interest rate, credit and market risk. Municipal bonds are also subject to the risk that litigation, legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest. Lower rated municipal bonds are subject to greater credit and market risk than higher quality municipal bonds.

When-Issued, TBA and Delayed Delivery Securities Risk. An account may invest in securities on a when-issued, TBA or delayed delivery basis and may purchase securities on a forward commitment basis. The purchase price of the securities is typically fixed at the time of the commitment, but delivery and payment can take place a month or more after the date of the commitment. The prices of the securities so purchased or sold are subject to market fluctuations. At the time of delivery of the securities, the value may be more or less than the purchase or sale price. Purchase of securities on a when-issued, TBA, delayed delivery, or forward commitment basis may give rise to investment leverage, and may result in increased volatility of the account's net asset value. Default by, or bankruptcy of, a counterparty to a when-issued, TBA or delayed delivery transaction would expose an account to possible losses because of an adverse market action, expenses or delays in connection with the purchase or sale of the pools specified in such transaction. Recently finalized rules of the Financial Industry Regulatory Authority, Inc. ("FINRA") include mandatory margin requirements for certain types of when-issued, TBA delayed delivery or forward commitment transactions, with limited exceptions. Such transactions historically have not been required to be collateralized. The rule is currently in effect and additional revisions will go into effect April 24, 2023.

Sovereign Debt Obligations Risk. Debt obligations of sovereign governments may lose value due to the government entity's unwillingness or inability to repay principal and interest when due in accordance with the terms of the debt or otherwise in a timely manner. Sovereign governments may default on their debt obligations for a number of reasons, including social, political, economic and diplomatic changes in countries issuing sovereign debt. An account may have limited (or no) recourse in the event of a default because bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt obligations may be substantially different from those applicable to private issuers, and any recourse may be subject to the political climate in the relevant country. In addition, foreign governmental entities may enjoy various levels of sovereign immunity, and it may be difficult or impossible to bring a legal action against a foreign governmental entity or to enforce a judgment against such an entity. Holders of certain foreign government debt securities may be requested to participate in the restructuring of such obligations and to extend further loans to their issuers. There can be no assurance that the foreign government debt securities in which an account may invest will not be subject to similar restructuring arrangements or to requests for new credit, which may adversely affect an account's holdings.

Investment Company Securities. An account may invest in other investment companies, including open-end funds, closed-end funds and exchange-traded funds. An account may purchase the securities of another investment company to temporarily gain exposure to a portion of the market while awaiting purchase of securities, as an efficient means of gaining exposure to a particular asset class or to increase liquidity to meet the potential of higher redemption requests. The risks of owning another investment company generally are similar to the risks of investing directly in the securities in which that investment company invests. However, an investment company may not achieve its investment objective or execute its investment strategy effectively, which may adversely affect the investing account's performance. In addition, because exchange-traded funds trade on a secondary market, their shares may trade at a premium or discount to the actual net asset value of their portfolio securities, and their shares may have greater volatility because of the

potential lack of liquidity. There will be some duplication of expenses because the investing fund also must pay its pro-rata share of that investment company's fees and expenses.

Repurchase Agreements. Repurchase agreements involve the purchase of securities subject to the seller's agreement to repurchase them at a mutually agreed upon date and price. A Client's investment return on repurchase agreements will depend on the counterparty's willingness and ability to perform its obligations under a repurchase agreement. In the event the other party to a repurchase agreement becomes subject to a bankruptcy or other insolvency proceeding or such party fails to satisfy its obligations thereunder, a portfolio could (i) experience delays in recovering cash or the securities sold (and during such delay the value of the underlying securities may change in a manner adverse to the portfolio) or (ii) lose all or part of the income, proceeds or rights in the securities to which the portfolio would otherwise be entitled.

Investment in Non-U.S. Securities. Certain Clients may invest in non-U.S. securities, including, in some circumstances (American Depositary Receipts ("ADRs")). Foreign securities are subject to political, regulatory, and economic risks not present in domestic investments and may exhibit more extreme changes in value than securities of U.S. companies. In the case of foreign companies not registered in the U.S., there is generally less publicly available information regarding the issuer. These conditions may have an impact on rating organizations' and Homestead Advisers' ability to accurately assess and monitor an issuer's financial condition. In addition, foreign companies often are not subject to the same degree of regulation as U.S. companies. Reporting, legal, accounting and auditing standards of foreign countries differ, in some cases significantly, from U.S. standards. The securities of some non-U.S. entities are less liquid and at times more volatile than securities of comparable U.S. entities, and could become subject to sanctions or embargoes that adversely affect the Fund's investment. Nationalization, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect a Client's investments in a foreign country. In the event of nationalization, expropriation or other confiscation, a Client could lose its entire investment. Because non-U.S. securities are typically denominated and traded in currencies other than the U.S. dollar, the value of a Client's assets, to the extent they are non-U.S. dollar denominated, may be affected favorably or unfavorably by currency exchange rates, exchange control regulations, and restrictions or prohibitions on the repatriation of non-U.S. currencies. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries, there are restrictions on investments or investors such that the only practicable way for a client to invest in such markets is by entering into derivative or similar transactions with counterparties. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by Homestead Advisers.

Rural America Investment Risk. Because certain Clients may focus their investments in companies tied economically to rural America, such Clients will be more susceptible to changes in rural American economic conditions, including, without limitation, those resulting from: the cyclicity of revenues and earnings associated with agribusinesses, unemployment rates, availability and quality of healthcare, changing consumer tastes, domestic and international competition, severe weather conditions and climate change, and

the development of new infrastructure and related technologies. In the past, rural American populations have experienced deflation and instability in their financial institutions, and there can be no assurance that such difficulties will not resurface. Rural American economies may experience low demands for capital and low interest rate environments, and, as a result, investments in fixed income instruments in these regions may be subject to greater interest rate risk than are those in urban or suburban regions. Domestic trade restrictions and U.S. government tax and fiscal policies may have negative effects on rural American economies. Changes in any of the agribusiness value chain, infrastructure development, industrial transportation, consumer products and services, financial services, healthcare, or technology sectors could have a material negative impact on a Client's investments. For example, the retirement of coal generation assets, the expansion of broadband service, the implementation of more restrictive environmental laws and regulations, and any increases in the historically low interest rates in these regions may all impact the performance of a Client's investments.

Use of Subadvisers. Homestead Advisers is responsible for overseeing the selection of investments, management of the portfolio and the setting of investment strategies for the Daily Income Fund by Invesco, Growth Fund by T. Rowe Price Associates, Inc. and for the International Equity Fund by Harding Loevner LP, the respective subadvisers of those Funds.

The foregoing is only a summary of the potential risks to which a Client may be subject and not a complete explanation of all risks involved in investing in an investment strategy or engaging the assistance of Homestead Advisers or any subadvisers. Prospective investors and Clients should read this entire brochure as well as Homestead Advisers' Form ADV Part 1A and applicable offering documents, supplements, and subscription documents, and consult with their advisers to determine whether they should make an investment in a particular investment strategy.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a Client's or prospective client's evaluation of Homestead Advisers' advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

Homestead Advisers is a wholly-owned subsidiary of Homestead Financial Services, a limited-purpose SEC registered broker-dealer that is a member of the FINRA. As a limited purpose broker-dealer, Homestead Financial Services does not handle, hold or own customer funds or securities, introduce or carry customer accounts or engage in the sale or solicitation of securities products except for investment company products. Homestead Financial Services is the distributor and principal underwriter for Homestead Funds and does not receive any commissions or other compensation for the services it provides. Certain employees of Homestead Advisers are also registered representatives of Homestead Financial Services.

Homestead Advisers provides consulting services to help electric cooperatives with designing and establishing nonqualified deferred compensation plans and assists with ongoing administrative responsibilities related to such plans under written agreements. Homestead Advisers provides consulting services only and does not sponsor the plans or act as a plan administrator. Cooperatives may choose to allocate investments under the deferred compensation plans to the Homestead Funds.

Homestead Advisers has entered into investment advisory agreements with separately managed accounts of NRECA, its subsidiaries and affiliates. As a result, these affiliate accounts co-invest jointly and concurrently with Homestead Advisers' other Clients and therefore share in the allocation of investment opportunities.

Cross transactions involve the purchase or sale of a security between two accounts managed by Homestead Advisers. As noted above, Homestead Advisers does not engage in cross trades for its Clients and cross trades are prohibited by Homestead Advisers' policies and procedures. Homestead Advisers may buy or sell securities for one or more of its clients. All transactions are based on the judgment that the specific purchase or sale was appropriate for all clients involved in the trade under the circumstances for which the security was bought or sold. Where such transactions are entered into on a simultaneous basis, the transactions will be allocated in an equitable manner in accordance with written procedures. Such written procedures provide Homestead Advisers guidance in allocating purchase and sales transactions made on a combined basis for client accounts. See Item 12 – Brokerage Practices - Trade Aggregation and Allocation, for additional information.

Certain of Homestead Advisers' directors and officers are employed and compensated by NRECA. Additionally, certain of Homestead Advisers' directors, officers and employees have responsibilities with Homestead Financial Services and with Homestead Funds, which creates a conflict of interest between Homestead Advisers and the other entities. Homestead Advisers has adopted a Conflict of Interest Policy to assist in identifying, addressing, monitoring and escalating actual or potential conflicts of interest. Consistent with the Conflict of Interest Policy, Homestead Advisers has assessed the risks and developed internal controls to mitigate, address and avoid to the extent possible any conflict. These controls include procedures such as trade aggregation, trade processing, best execution, personal trading and compliance with investment guidelines. Additionally, Homestead Advisers conducts an annual monitoring program as required by applicable law that evaluates whether Homestead Advisers has established controls reasonably designed to prevent violation of the applicable laws. Homestead Advisers periodically evaluates those policies and procedures to ensure that they are working as designed.

Homestead Advisers also serves as the administrator for the Homestead Funds.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Homestead Advisers requires its officers, directors and other access persons to comply with its Code of Ethics (the "Code"). The Code has been adopted by Homestead Funds,

Homestead Advisers and Homestead Financial Services (collectively, the “Company”). The Code obligates the Company’s access persons to put the interests of the Company’s clients before its own interests and to act honestly and fairly in all respects in their dealings with clients. All of Homestead Advisers’ personnel are also required to comply with applicable federal securities laws. Clients and prospective clients can obtain a copy of the Code by contacting Danielle Sieverling, CCO, at 703-907-5993 or by email at danielle.sieverling@nreca.coop. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The purpose of the Code is to ensure that all employees of the Company apply high ethical standards in their daily performance and do not participate in activities which may lead to or give the appearance of impropriety or conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The Code describes the ethical behavior required of Company personnel and, among other things, requires officers, interested directors and other access persons to pre-clear certain personal trades in covered securities with the CCO, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. Company personnel and their immediate family members are prohibited from buying or selling a reportable security within seven calendar days after Homestead Advisers has traded a security of the same asset type (fixed-income or equity) in the same (or related) issuer. Additionally, trades where the CCO has deemed a higher risk of conflict of interest exists, such as initial public offerings and options, futures and short sales on securities owned by Homestead Advisers’ client accounts, are prohibited in any dollar amount. Furthermore, the Code prohibits all access persons from executing personal securities transactions of any kind in any securities on the restricted list maintained by the CCO.

Portfolio managers, analysts, and certain non-investment personnel who are (i) aware of Homestead Advisers’ security trades and (ii) aware of securities which the investment team is currently researching for potential trades in a client account (the “Watch List”) are subject to additional prohibitions under the Code, including prohibitions against: (1) delaying or forgoing the purchase of a security for a client in order to achieve a personal gain; (2) buying or selling any reportable security of the same asset type (fixed-income or equity) of the same (or related) issuer that is held in a client account; and (3) buying or selling any security on the Watch List. Additionally, on a quarterly basis, these employees are required to disclose any issuer/holding in which they own 5% or more.

All of Homestead Advisers’ access persons are required to provide quarterly reports of personal trading activities in covered securities and annual securities holdings reports. All access persons are required to provide duplicate brokerage statements to Homestead Advisers. Homestead Advisers routinely reviews the personal trading activities of officers, interested directors, portfolio managers, analysts and other access persons for potential conflicts of interest and transactions made in securities held on the restricted list, as well as other violations of the Code. All Code violations are reported to the Homestead Funds’ Board of Directors and Trustees. The Company provides annual, as well as as-needed, training on the Code.

Strict compliance with the provisions of the Code is a basic condition of employment with the Company. A material breach of the provisions of the Code may constitute grounds for disciplinary action, up to and including termination. Additionally, the Code includes tiered

sanctions for repeat violations, which include increasing monetary sanctions, reporting of violations to senior management and freezes on an employee's personal trading.

Homestead Advisers, in the course of its investment management activities, may come into possession of confidential or material non-public information about issuers, including issuers in which it or its related persons have invested or seek to invest on behalf of clients. Homestead Advisers is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such person is a client. Homestead Advisers maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that it is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, Homestead Advisers may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but Homestead Advisers will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, Homestead Advisers will have no responsibility or liability to the client for not disclosing such information to the client, or not using such information for the client's benefit, as a result of following its policies and procedures designed to provide reasonable assurances that it is complying with the applicable law.

In addition, Homestead Advisers may from time to time invest in the same securities that it recommends to clients. Such practices present a conflict where, because of the information it has, Homestead Advisers is in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the client's trades). In addition to affecting Homestead Advisers' objectivity, these practices by Homestead Advisers may also harm clients by adversely affecting the price at which the client's trades are executed. Homestead Advisers has adopted procedures as noted under Item 10 and Item 12 to address this conflict, as well as the provisions of the Code noted above. Additionally, as discussed above, portfolio managers and analysts are prohibited under the Code from delaying or foregoing a purchase or sale of a security for a client so that he or she may achieve a personal gain.

Item 12. Brokerage Practices

Research and Other Soft Dollar Benefits

Homestead Advisers is responsible for making decisions for Clients with respect to the purchase and sale of portfolio securities. Homestead Advisers also is responsible for the implementation of those decisions, including the selection of broker-dealers to effect portfolio transactions, and the negotiation of the brokerage commissions. In selecting a broker-dealer for each specific transaction, Homestead Advisers chooses a broker-dealer from a counterparty list approved by Homestead Advisers' Brokerage Committee (the "Committee"), consisting of certain Homestead Advisers' investment and compliance professionals, which it deems most capable of providing the services necessary to obtain the most favorable execution. The portfolio manager considers the full range of brokerage services applicable to a particular transaction when determining the broker-dealer for the transaction, which may include, but is not limited to: market maker in a particular

security, liquidity, price, timing, research, bunched trades, capability of floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers, arbitrage skills, administrative ability, underwriting and provision of information on a particular security or market in which the transaction is to occur. The specific criteria will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from multiple broker-dealers. In selecting a broker-dealer to execute a transaction and determining the reasonableness of the broker-dealer's compensation, Homestead Advisers need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. A Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. Brokerage firms offering no research services, yet may provide, or facilitate liquidity in the potential purchase, or sale of securities, will be paid at a differentiated rate. The Committee meets quarterly to evaluate the broker-dealers used by Homestead Advisers to execute trades.

Homestead Advisers may receive research and other products or services other than execution from a broker-dealer in connection with Client securities transactions. This is known as a "soft-dollar" relationship. Homestead Advisers will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, written research, conference calls with brokers, analyst access, conference or field trip invitations, financial evaluation and stock valuation software and service, and broker assisted management contact.

When Homestead Advisers uses Client commissions to obtain Section 28(e) eligible research and brokerage products or services, the Committee meets quarterly to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products and services were reasonable in relation to the value of the brokerage, research or other products and services provided by the broker-dealer. The Committee evaluates supporting documentation, including best execution analytics, commission reports and brokerage services provided.

The use of Client commissions to obtain research and brokerage products and services may raise conflicts of interest. For example, Homestead Advisers will not have to pay for the products and services itself. This creates an incentive for Homestead Advisers to select a broker-dealer based on its interest in receiving those products or services, rather than obtaining best execution for Clients.

Homestead Advisers may cause Clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits, resulting in higher transaction costs for Clients.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by Homestead Advisers in its other investment activities, including, for the benefit of other Client accounts. Homestead Advisers does not seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar benefits received.

During Homestead Advisers' last fiscal year, as a result of Client brokerage commissions, the company and/or its related persons received the following: written research, broker-hosted conference calls, analyst access, conference and field trip invitations, financial evaluation and stock valuation software and service, trade and commission management, and broker assisted management contact.

In determining whether to direct Client brokerage transactions to particular broker-dealers, the Committee meets to review and evaluate the soft dollar practices of Homestead Advisers, approve the counterparty list, and determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

It is Homestead Advisers' policy that transactions will not be allocated to broker-dealers based on the sale of Homestead Fund shares. However, Homestead Advisers is not prohibited from using broker-dealers who sell shares of Homestead Fund so long as the sale of Fund shares is not considered when selecting the broker-dealer for the transaction.

Directed Brokerage

Under certain circumstances, Homestead Advisers may permit a Client to direct it to execute the Client's trades with a specified broker-dealer. When a Client directs Homestead Advisers to use a specified broker-dealer to execute all or a portion of the Client's securities transactions, Homestead Advisers treats the Client direction as a decision by the Client to retain, to the extent of the direction, the discretion Homestead Advisers would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the Client's account. Although Homestead Advisers attempts to effect such transaction in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which Homestead Advisers will continue to comply with the Client's instructions. When the directed broker-dealer is unable to execute a trade, Homestead Advisers will select broker-dealers other than the directed broker-dealer to effect Client securities transactions. A Client who directs Homestead Advisers to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the Client. Such costs may include higher brokerage commissions and/or less favorable execution of transactions. By permitting a Client to direct Homestead Advisers to execute the Client's trades through a specified broker-dealer, Homestead Advisers will make no attempt to negotiate commissions on behalf of the Client and as a result, in some transactions such Clients may pay materially disparate commissions depending on their commission arrangement with the specific broker-dealer.

While Homestead Advisers Clients are permitted to direct brokerage, none currently do so at this time.

Trade Aggregation and Allocation

Homestead Advisers from time to time purchases and sells the same security for Clients (see Item 10 - Other Financial Industry Activities and Affiliations above) using the same

executing broker. Clients' interests must always be placed first and foremost, and Homestead Advisers has adopted procedures reasonably designed to seek to prevent an account from being systematically disadvantaged by the aggregation of orders. The aggregation or blocking of Client transactions ("bunching") may allow Homestead Advisers to execute transactions in a more timely, equitable and efficient manner. This practice may enable Homestead Advisers to seek more favorable executions and net prices for the combined order.

Homestead Advisers generally allocates bunched trade orders, whether wholly or partially filled, among Client accounts at the time of trade after consideration of the Clients' cash availability and need, suitability, investment objectives, limitations and guidelines, the amount of securities purchased or sold, and other factors deemed appropriate in making investment allocation decisions for each Client. In certain circumstances, for example, where the quantity of the trade is not immediately known, allocations may occur later in the day. In these instances, Clients participating in any bunched trades will receive an average trade price, and transaction costs are expected to be shared equitably over time. If the order at a particular broker is filled at several different prices, through multiple trades, generally all participating accounts will receive the average trade price with respect to the securities purchased or sold and pay the average commission, subject to odd lots and rounding.

Initial public offerings ("IPOs") or new issues are offerings of securities that frequently are of limited size and limited availability. These offerings may trade at a premium above the initial offering price. IPOs, new issues and other desirable but limited opportunities to buy or sell securities are fairly and equitably allocated among Clients in a manner that Homestead Advisers considers reasonably designed to be non-preferential and fair and equitable over time, such that no Client or group of Clients receives consistently favorable or unfavorable treatment and so as not to systematically advantage any firm, personal or related account. Homestead Advisers generally seeks to distribute the securities or selling opportunity proportionately among each Client account that will hold or holds the security. However, if the amount of the securities that can be purchased or sold is small, it may not be advantageous to separate the trade proportionately into even smaller amounts for allocation. In this case, Homestead Advisers would keep track of each purchase or sale allocation to seek to ensure each subsequent trade is distributed among the Clients in a reasonable manner.

As discussed above, Homestead Advisers may provide non-discretionary investment recommendations for certain strategies to a program sponsor who chooses whether or not to utilize such recommendations in connection with the program sponsor's management of model portfolio program Client accounts. The program sponsor, not Homestead Advisers, is the investment adviser for accounts of Clients of such programs, and is responsible for executing trades for its Clients. Depending on the time when a program sponsor begins trading based on Homestead Advisers' recommendations, the program sponsor may effect transactions at prices that are more or less favorable than those at which Homestead Advisers effects transactions for its discretionary Clients; trading by program sponsors or their Clients may have an adverse effect on Homestead Advisers' trading for its discretionary Clients.

Homestead Advisers does not execute transactions for non-discretionary Clients and, in situations in which Homestead Advisers has discretionary and non-discretionary Clients invested in the same strategy, Homestead Advisers will execute transactions for its discretionary Clients before providing advice to its non-discretionary Clients.

Item 13. Review of Accounts

The portfolio managers have responsibility for reviewing the equity investments, fixed-income investments and money market investments. The portfolio managers are ultimately supervised directly or indirectly by the President and Chief Executive Officer of Homestead Advisers. In addition, Homestead Advisers has established an Investment Committee to provide oversight and governance with respect to all investment activities of Client portfolios. The Investment Committee consists of representatives from portfolio managers, compliance and operations and meets quarterly to discuss adherence to the general portfolio guidelines, as well as specific client guidelines and restrictions.

Private advisory Client account reviews are conducted on an ongoing basis and focus on the continued appropriateness of each security in a given Client's portfolio and the mix of investments in view of the Client's stated investment objectives, programs, policies and restrictions. Homestead Advisers conducts pre-trade and post-trade reviews in each Client portfolio for compliance with the Client's stated investment objectives, policies and restrictions. Furthermore, Homestead Advisers reviews the account portfolio with each private advisory Client as requested and provides each Client a quarterly update.

The Plans' accounts are reviewed on an ongoing basis and focus on the continued appropriateness of each security in the account and the mix of investments in view of the Plans' stated investment guidelines. Homestead Advisers conducts pre-trade and post-trade reviews of the Plans' accounts for compliance with the stated investment guidelines. Furthermore, Homestead Advisers reviews the account portfolio with Plan personnel as requested and provides each Client a quarterly update.

Reviews of the Homestead Funds accounts are conducted on an ongoing basis and focus on the continued appropriateness of each security in a given Fund portfolio and the mix of investments in view of the Fund's stated investment objectives, policies and restrictions. At least quarterly, Homestead Funds' Board of Directors and Trustees receives reports on the investments for the Funds. Homestead Advisers conducts pre-trade and post-trade reviews, as applicable of the Homestead Funds' investments regarding (i) compliance with each Fund's investment objectives, policies and restrictions, and (ii) compliance with conditions for qualification of each Fund as a regulated investment company under the Internal Revenue Code of 1986, as amended.

Reviews of the investment recommendations provided to program sponsors are also conducted on an ongoing basis, and updates to the model portfolio program are provided to portfolio sponsors as required.

Significant market events affecting the prices of one or more securities in Client accounts or changes in the investment objectives or guidelines of a particular Client or specific arrangements with particular Clients may trigger reviews of Client accounts on other than a periodic basis.

Item 14. Client Referrals and Other Compensation

This item is not applicable.

Item 15. Custody

We do not take custody of Client funds or securities. Separately managed account clients must select their own custodians, which may be broker-dealers, banks, trust companies, or other qualified institutions and must receive statements on a monthly basis directly from such custodians.

Clients should review carefully their account statements from their custodians promptly upon receipt to confirm that the statements completely and accurately reflects all holdings in their account and all account activity over the relevant time period.

Item 16. Investment Discretion

Homestead Advisers provides investment advisory services on a discretionary basis to Clients. Please see Item 4 - Advisory Business for a description of any limitations Clients may place on Homestead Advisers' discretionary authority. Prior to assuming full/limited discretion in managing a Client's assets, Homestead Advisers enters into an investment management agreement or other agreement that sets forth the scope of Homestead Advisers' discretion.

Unless otherwise instructed or directed by a discretionary Client, Homestead Advisers has the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held.

Homestead Advisers' portfolio managers allocate securities to Client accounts for each trade/order submitted. See Item 12 – Brokerage Practices - Trade Aggregation and Allocation, for additional information.

Allocations will be made among Client accounts eligible to participate in IPOs and secondary offerings on a pro rata basis, except when Homestead Advisers determines in its discretion that a pro rata allocation is not appropriate, which may include the limited size of the offering or possible Client investment guidelines and/or restrictions. If the shares are not allocated on a pro rata basis, Homestead Advisers will keep track of each purchase

allocation to ensure each subsequent trade is proportionately distributed among the Clients in a reasonable manner. See Item 12 – Brokerage Practices - Trade Aggregation and Allocation, for additional information.

If it appears that a trade error has occurred, Homestead Advisers will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, Homestead Advisers' error correction procedure is designed to ensure that Clients are treated fairly and, following the identification of the error and its correction, any resulting losses are reimbursed to put Clients in the same position they would have been if the error had not occurred. We permit a gain resulting from a trade error to remain in a Client's account unless it would violate either the account's investment guidelines or the law. Unless prohibited by law, Homestead Advisers generally nets gains and losses from an act or from a series of acts in determining any net loss to reimburse.

Homestead Advisers has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a Client account incurs a trade error as a result of Homestead Advisers' gross negligence, willful misconduct, or fraud, trade errors will be corrected by Homestead Advisers as soon as practicable, in a manner such that the Client incurs no loss. Homestead Advisers will not be responsible for costs or reimbursing losses to a Client's account resulting from the acts of any third party, unless that third party is acting as our agent in providing services to the account or Homestead Advisers otherwise determines, in its sole discretion, such reimbursement is necessary. We also will not be responsible for any tax consequences resulting from trade errors.

Item 17. Voting Client Securities

To the extent Homestead Advisers has been delegated proxy voting authority on behalf of its Clients, Homestead Advisers complies with its proxy voting policies and procedures that are designed to ensure that in cases where Homestead Advisers votes proxies with respect to Client securities that these securities are voted in the best interests of its Clients.

To assist Homestead Advisers in carrying out its proxy voting functions, the firm has engaged Institutional Shareholder Services Inc. ("ISS"), which provides proxy research, advisory, voting, recordkeeping and vote-reporting services. ISS receives all proxy materials for securities held in Client accounts and forwards the relevant proxy materials, research and recommendations on proxy issues to Homestead Advisers. However, Homestead Advisers votes Client proxies pursuant to its own proxy voting guidelines contained in its policies and procedures (except to the extent superseded by Client proxy voting policies), which are independent from ISS' recommendations. Proposals not specifically covered by the proxy voting guidelines, contested situations, and other more sensitive matters are evaluated on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote. Homestead Advisers bears ultimate responsibility for proxy voting decisions.

Homestead Advisers recognizes that under certain circumstances it may have a material conflict of interest in voting proxies on behalf of its Clients. For example, it may have a

conflict if Homestead Advisers, its personnel or its affiliates have a business or personal relationship with the proponent of a proposal or with participants in proxy contests, corporate directors or director candidates. Homestead Advisers has established policies to ensure that proxy votes are voted in its Clients' best interest and not affected by the possible conflicts of interest. First, except in certain circumstances, Homestead Advisers votes in accordance with its pre-determined guidelines. Second, Homestead Advisers may consider the recommendations of ISS. Third, in the event of a material conflict of interest, Homestead Advisers will vote the proxy in accordance with the instructions of the Clients, seek the recommendation of an independent third party such as ISS or resolve the conflict in such other manner as Homestead Advisers believes is appropriate.

Information about how Homestead Advisers voted proxies for securities in a Client's account and a copy of the procedures and guidelines governing proxy voting are available by calling the CCO at (703) 907-5993 or email at danielle.sieverling@nreca.coop.

Item 18. Financial Information

This item is not applicable.