



Performance Review | Second Quarter 2025

Small-Company Stock Fund

Performance Drivers

The Small-Company Stock Fund underperformed its benchmark, the Russell 2000 Index, in the second quarter.

In terms of sector effects in the portfolio, stock selection in the industrials and real estate sectors contributed to the fund's relative outperformance. Top individual contributors include:

- **Federal Signal Corp.** had some one-time issues in the first quarter that hurt the stock, but it outperformed in the second quarter. Its core street-sweeping and sewer-cleaning businesses continue to take share. With continued margin improvement potential and an underlevered balance sheet that has allowed this strong management team to continue to consolidate the industry, we remain positive on Federal Signal.
- **Advanced Energy Industries, Inc.** has been powered to new highs by strength in the data center and semiconductor markets. We give credit to its management team for undergoing a timely portfolio transformation in recent years to align with faster growing end-markets. At the same time, the team executed on new product design wins that, in our opinion, should position the company for above-average growth for many years to come. We believe the structural improvements in the business position the company to pursue meaningful growth opportunities, with the potential to significantly increase sales and earnings power over the long term.
- **Comfort Systems USA, Inc.** rebounded in the second quarter on positive momentum in its business after a sell-off in the first quarter. As a leading national mechanical, electrical and plumbing installation and service provider, it is benefiting from strong trends in technology demand for data centers and chip manufacturing. Demand trends remain strong in the short term, which has translated to increases in its backlog. Over the longer term, we believe it should benefit from continued secular demand trends driven by both technology and the move toward more onshoring by industrial companies.

In terms of detractors at the sector level, stock choices in materials, financials, health care and information technology detracted from relative performance. Looking at individual stocks, top detractors included:

- **Globus Medical, Inc.** manufactures and sells devices used for musculoskeletal disorders. After successfully integrating the acquisition of NuVasive in 2024, the company announced another acquisition. Despite the long-term rationale, the news surprised investors and led to a significant decline in share price. Adding to concerns was a slightly weaker outlook in its core business. Long term, we believe this founder-led company remains well positioned within the spine market.
- **Avient Corp.** has continued to face pressure from lingering macroeconomic and inventory destocking concerns affecting chemical companies. However, we believe investors are underappreciating the structural improvement at the company after completing a multiyear evolution to becoming a pure-play specialty chemical business that has historically carried higher margins and returns. With the cycle starting to stabilize and the company now keenly focused on driving superior organic growth, we believe better days should be ahead.
- **Lantheus Holdings, Inc.** saw its stock weighed down in the quarter by weaker-than-expected revenue from its flagship radiopharmaceutical product, PYLARIFY. Financial adjustments for recent acquisitions have also added volatility to the company's full-year earnings forecast. As long-term investors, we remain patient with this transition year and look forward to revenue growth reaccelerating back to double digits in 2026. The company has already largely addressed PYLARIFY's one-time pricing and competitive issues via strategic customer contracts while successfully redeploying cash into M&A to bolster its pipeline in novel molecular imaging and therapies.

Positioning

Stocks ended the second quarter in the green, overcoming short- and medium-term hurdles — navigating new trade policy and geopolitical tensions — in a complete reversal of Q1. After investors digested the Trump administration's "Liberation Day" tariffs announced on April 2, markets

recovered as progress unfolded with respect to new trade deals negotiated with major U.S. trading partners. Growth stocks soundly beat value names, and mega- and large-caps outperformed small-caps.

The housing market began to soften over the quarter. Inflation has generally held steady, but it has also shown slight upticks recently. The labor market is still a bright spot, and although gross domestic product (GDP) contracted in Q1, projections for Q2 are trending higher.

The Federal Reserve (Fed) held rates steady at both of its second-quarter meetings (currently at a 4¼% to 4½% target range), continuing its wait-and-see stance toward tariffs and their longer-term impact on inflation. At The Fed's June meeting, policymakers expressed ongoing concerns about inflation and the outlook for GDP. The Fed still has two rate cuts penciled in for this year.

Relative to its benchmark, the fund is most underweight in the real estate, utilities and consumer staples sectors. The fund's most significant overweights are in the industrials and information technology sectors. As in the Value Fund, the Small-Company Stock Fund's portfolio managers assemble the fund from the bottom up, applying a company-specific approach to diversification.

We build the portfolio with a **barbell mentality** — holding a strategic mix of defensive stocks and cyclical positions. We think of this both in the way we balance sector over- and underweights and in the individual stock exposures.

We continue to evaluate positioning and look for new opportunities. Our thematic focus remains unchanged: We focus on **industrials benefiting from fiscal spending** (Bipartisan Infrastructure Law [BIL] and the CHIPS and Science Act), **financials positioned for the steepening yield curve**, **AI-related growth** through related and adjacent businesses, and **healthcare stocks** while generally avoiding biotech stocks with no earnings.

Investment Objective and Strategy

The Small-Company Stock Fund seeks long-term growth of capital for the long-term investor.

The fund generally invests in stocks of companies that Homestead Advisers believes are attractive based on its investment process. To determine whether a stock is attractive, Homestead Advisers follows a bottom-up approach based on its fundamental research and consideration of a variety of factors, such as a company's business, market opportunities, potential earning power, financial ratios, competitive advantages, and the experience and qualifications of the company's management. Under normal circumstances, the fund will invest at least 80% of its net assets (plus borrowing for investment purposes) in common stocks of companies whose market capitalization, at the time of purchase, is within the range of the market capitalization of companies represented in the Russell 2000 Index.

Total Returns (as of June 30, 2025)

	Small-Company Stock Fund	Russell 2000 Index
Aggregate Q2	6.60%	8.50%
Aggregate YTD	-6.22%	-1.79%
1-Year	0.28%	7.68%
3-Year	7.39%	10.00%
5-Year	9.59%	10.04%
10-Year	4.88%	7.12%
Since Fund's Inception	8.02%	7.26%

Expense Ratio: Gross 1.14% (Net 1.14%)*

The total returns shown above represent past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. For performance data current to the most recent month-end, call 800.258.3030 or visit homesteadadvisers.com. Fund total returns include changes in principal value and reinvested dividends, income and capital gain distributions.

The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Indices are unmanaged, and investors cannot invest directly in an index. Unless otherwise noted, performance of indices does not account for any fees, commissions or other expenses that would be incurred. Returns include reinvested dividends.

Top 10 Holdings (as of June 30, 2025)

	% OF NET ASSETS
Federal Signal Corp.	4.1%
Advanced Energy Industries, Inc.	3.8%
Kinsale Capital Group, Inc.	3.8%
Applied Industrial Technologies, Inc.	3.6%
ESAB Corp.	3.4%
Descartes Systems Group Inc. (The)	3.3%
Hayward Holdings, Inc.	2.9%
Q2 Holdings, Inc.	2.8%
Gildan Activewear Inc.	2.8%
Envista Holdings Corp.	2.7%
Total	33.2%

Portfolio holdings are subject to change without notice.

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*The expense ratio shows the percentage of fund assets deducted annually to cover operating expenses. Fund expense ratios shown here do not include acquired fund fees and expenses. If applicable, these additional costs are disclosed in the prospectus. For some funds, the investment advisor has agreed voluntarily or contractually (for at least the current fiscal year) to waive or reimburse a portion of expenses. The gross expense ratio is the total annual operating expenses of a fund expressed as a percentage of average net assets, before any fee waivers or expense reimbursements. The net expense ratio is the expense ratio minus the portion of expenses waived or reimbursed.

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Actual results, performance or achievements may differ materially from those expressed or implied. Information is based on data gathered from what we believe are reliable sources. It is not guaranteed as to accuracy, does not purport to be complete and is not intended to be used as a primary basis for investment decisions. It should also not be construed as advice meeting the particular investment needs of any investor.

Portfolio holdings are subject to change without notice. Portfolio holdings should not be considered recommendations to buy or sell any security. It should not be assumed that investment in the security identified has been or will be profitable.

Equity securities generally have greater price volatility than fixed-income securities. The market price of equity securities may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to a number of factors including those relating to the issuer or equity securities markets generally, among others.

Growth and value stocks are subject to the risk, among others, that returns on stocks within these style categories will trail returns of stocks representing another style or the market overall over any period of time and each style category may shift in and out of favor with investors generally, sometimes rapidly, depending on changes in market, economic, and other factors. Growth stocks can be volatile. These companies typically invest a higher portion of their earnings in their businesses and therefore may not offer the level of dividends provided by a number of value stocks, which may have the potential to cushion stock prices in a falling market. Also, earnings disappointments can lead to sharply falling prices

because investors frequently buy growth stocks in anticipation of superior earnings growth. Investments in value securities may be subject to risks that (1) the issuer's potential business prospects will not be realized; (2) their potential values will not be recognized by the market; and (3) they will not perform as anticipated.

As a general matter, securities of small and medium-sized companies tend to be riskier than those of larger companies. Compared to large companies, small and medium-sized companies may face greater business risks because, among other factors, they may lack the management depth or experience, financial resources, product diversification or competitive strengths of larger companies, and they may be more adversely affected by prevailing economic conditions. There also 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 operational or performance track record.

Neither asset allocation nor diversification guarantees a profit or protects against a loss in a declining market. They are methods used to help manage investment risk.

Past performance does not guarantee future results. Investing in any mutual fund, including the Homestead Funds, involves risk, including the possible loss of principal. *An investment in a mutual fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.*

Before investing in any Homestead Fund, you should carefully consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus contains this and other information about each of the Homestead Funds and should be read carefully before investing. To obtain a prospectus, call 800.258.3030 or visit homesteadadvisers.com.

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