



## Performance Review | Second Quarter 2025

# Value Fund

### Performance Drivers

The Value Fund outperformed its benchmark, the Russell 1000 Value Index, in the second quarter.

In terms of sector effects in the portfolio, stock selection in the information technology and communications services sectors contributed to the fund's relative outperformance. Top individual contributors include:

- **Meta Platforms, Inc.** stock rebounded from last quarter's retreat as investors shifted their attention back to the social media giant's core business fundamentals. Those fundamentals have continued to outperform on the back of healthy user growth, resilient advertising demand and new product innovations — including artificial intelligence (AI)-powered targeting tools and WhatsApp paid advertising. Profitability also remains robust, despite accelerating AI investments, with margins and free cash flow still near multiyear highs. We remain positive on the company's relentless pursuit at the forefront of the AI wave, both as a scaled user and key enabler of the technology.
- **Microsoft Corp.** was a positive contributor in the quarter after the company reported better-than-expected fiscal Q3 results, including a re-acceleration in the cloud growth rate back to the mid-30s. We continue to believe Microsoft is in the pole position to capture generative AI workloads from competitors on the infrastructure side, and the company has strong advantages on the application side. These drivers and others should support a sustainable growth profile in the mid-teens for many years to come. At these growth rates, and given the quality of the business, we believe the current multiple appears justified and remain long-term owners.
- **Goldman Sachs Group, Inc.** benefited from economic optimism and potential deregulation that drove strong banking sector performance. As one of the leading global investment banks, Goldman Sachs benefits not only from increasing capital markets activity and elevated trading volatility but also from a multiyear turnaround strategy that has successfully produced market share gains and higher returns for the company. Coming off the latest round of bank stress tests where Goldman delivered significantly better results, while major deregulations remain on the horizon, we would expect the current momentum to continue.

At a sector level, the fund's overweight in health care and stock selection in energy and consumer discretionary detracted from relative performance. Looking at specific stocks, individual detractors included:

- **Fiserv, Inc.** underperformed in the quarter as investors tampered expectations around the company's Clover point-of-sale franchise. We believe the concern on Clover volume growth is misplaced, however, as the business should see volume reaccelerate in the coming quarters as it expands overseas, while yield should remain strong from increasing penetration of value-added services. Despite the setback in the stock, we believe the long-term fundamental thesis remains intact as the company is on track to deliver its 40th consecutive year of double-digit earnings growth, the epitome of a durable earnings compounder.
- **AbbVie Inc.**, after a strong first quarter, came under pressure along with the health care sector in general over concerns about potential negative impacts to drug pricing. We continue to believe Abbvie remains well positioned to continue to gain share with lead drugs Skyrizi and Rinvoq. With a well-positioned aesthetic business, no major losses of exclusivity in the near future and a strong balance sheet to make tuck-in acquisitions, we believe Abbvie can outgrow the industry.
- **ConocoPhillips**, with a well-articulated strategy for disciplined growth and a return of capital, is viewed as a core energy holding for the Value Fund. However, as most energy companies experienced, this is not enough to overcome a weak oil market, the result of concerns of economic growth impacting demand and OPEC+ releasing additional supply into the market.

### 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 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 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.

Compared with the index, the fund has overweight exposure in the health care, industrials and communications services sectors. Its largest underweight allocations are in consumer staples and utilities stocks. With a bottom-up stock-picking process, our portfolio managers note that they consider diversification from a sector perspective but that they also look at company-level factors to balance the portfolio.

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

We remain focused on the underlying fundamentals of both individual businesses and the broader economy as our long-term guide, helping us filter out market noise. Investors have become more comfortable with the AI investment thesis as concerns about Chinese competition have eased. We continue **seeking opportunities to expand our AI exposure** through adjacent sectors and related pathways. Additionally, we're actively **identifying opportunities in economic segments that could benefit from a steeper yield curve** — particularly financial services and related industries. In our view, stock valuations in these areas remain attractive.

### Investment Objective and Strategy

The Value Fund seeks long-term growth of capital and income for the long-term investor. Current income is a secondary objective.

The fund generally invests in stocks of U.S. and non-U.S. companies selling below what Homestead Advisers believes to be their fundamental value. To determine whether a stock is undervalued, Homestead Advisers considers, among other factors, potential earning power, financial ratios and any competitive advantages a company may have. Under ordinary conditions, the fund will invest at least 80% of its net assets in common stocks of companies with market capitalizations of \$2 billion or greater.

### Total Returns (as of June 30, 2025)

	Value Fund	Russell 1000 Value Index
Aggregate Q2	5.27%	3.79%
Aggregate YTD	6.50%	6.00%
1-Year	10.80%	13.70%
3-Year	14.77%	12.76%
5-Year	14.58%	13.93%
10-Year	10.98%	9.19%
Since Fund's Inception	10.42%	10.30%

Expense Ratio: Gross 0.62% (Net 0.62%)\*

*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](https://homesteadadvisers.com). Fund total returns include changes in principal value and reinvested dividends, income and capital gain distributions.*

The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. 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

### Top 10 Holdings (as of June 30, 2025)

	% OF NET ASSETS
JPMorgan Chase & Co.	5.1%
Goldman Sachs Group, Inc.	3.7%
Meta Platforms, Inc.	3.3%
AbbVie Inc.	3.2%
Parker-Hannifin Corp.	3.1%
Abbott Laboratories	3.1%
Microsoft Corp.	2.9%
Fiserv, Inc.	2.7%
Deere & Co.	2.7%
Lam Research Corp.	2.7%
Total	32.5%

Portfolio holdings are subject to change without notice.

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Prepared: July 9, 2025

\*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](http://homesteadadvisers.com).***

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