

Horizons

A QUARTERLY NEWSLETTER
FROM HOMESTEAD FUNDS

Staying Grounded When Headlines Make You Anxious

We've all seen it: Volatility hits the stock market, leading indexes take a dip, and headlines in the financial media make it seem like the sky is falling. By the time the markets close, they might have declined by only 1% or 2% — but it feels like a much bigger deal.

That gap between actual performance and how it feels can be real, and it's likely not just your imagination. Studies have found that people tend to feel the pain of financial loss more intensely than the pleasure of an equivalent gain. When markets drop, the discomfort is often genuine even if the decline is temporary and your long-term plan remains on solid footing. And that same instinct that makes losses feel particularly urgent is also what pushes some investors to make short-term moves they might later regret.

The financial media can play a role in this too. To attract attention, they often use such words as "crash," "panic," or

"meltdown" to describe what may be, in reality, a normal market correction. Yet most day-to-day market movements, even those that make headlines, likely have little bearing on your long-term portfolio performance. Think of it this way: You wouldn't sell your house because of a rainy week. A sound investment plan generally deserves the same degree of patience.

Market declines are a normal part of investing, and historically, recoveries follow. The investors who tend to come out ahead aren't the ones who predict every dip. They're typically the ones who stick to their plan even when circumstances feel uncertain.

In this issue of *Horizons*, we break down the reasons behind market volatility and offer guidance on sticking to your long-term plan. ■

Understanding Volatility, From the Outside In



Turbulent markets have a way of making everything feel urgent. But before acting on that feeling, it helps to understand what's actually driving the market — and what's driving your reaction to it.

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THE MARKET CYCLE OF INVESTOR EMOTIONS

Emotions are a normal part of investing. The goal isn't to eliminate them; it's to keep them from driving the decisions.





Outside Forces

Markets rarely move randomly. Behind most swings there are real causes. And while they can feel overwhelming in the moment, understanding them can make volatility feel a lot less like noise and a lot more like something you can navigate.

■ Economic Data

Each month, the government releases reports on inflation, employment, and economic growth. A jobs report or inflation reading that surprises in either direction can shift the outlook almost overnight — not because of the number itself, but because of how closely it matched investors' expectations.

WHAT TO KNOW: Markets tend to react to expectations, not just the numbers themselves.

■ Federal Reserve Policy

The Federal Reserve (Fed) sets the benchmark interest rate for the U.S. economy. When rates rise, borrowing costs increase and stock prices can feel the pressure. Investors follow the Fed so closely that even a press conference can move markets before any formal decision is announced.

WHAT TO KNOW: Words can matter as much as actions.

■ Geopolitical Events

Conflicts, elections, and trade disputes can quickly shake investor confidence. The initial reaction is often driven more by what might happen than by any immediate economic impact. These reactions can be sharp but often ease as things become clearer.

WHAT TO KNOW: Uncertainty may move markets more than outcomes.

■ Corporate Earnings

Four times a year, publicly traded companies report their results. Markets may react more to how those numbers compare to analyst expectations than to the actual figures. A company can be healthy and still see its stock drop sharply if it comes in below what the market anticipated.

WHAT TO KNOW: Expectations tend to set the bar; results are judged against it.

■ Investor Sentiment

Sometimes markets move simply because of how investors are collectively feeling. Optimism can push prices higher even when the underlying economy is mixed. Concern can push them lower even when things are fundamentally sound. Sentiment is shaped by news cycles, social media, and a natural tendency to assume recent trends will continue.

WHAT TO KNOW: Investor sentiment can be the hardest force to measure — and often the most powerful in the short term.



Inside Forces

Knowing what drives markets is only half the picture. The other half is understanding how we respond. When volatility hits, our instinct is to act, but those instincts don't always serve us well. A handful of natural human tendencies quietly shape the way we make decisions under pressure.

■ Loss Aversion

We feel the pain of a loss more acutely than the pleasure of an equivalent gain. It's wired into us. In investing, this means a market dip can feel far more alarming than it actually is, which can make selling feel like the only reasonable option, even when staying put might be the better one.

WHAT TO KNOW: This feeling can push us toward panic selling at exactly the wrong moment.

■ Herd Mentality

When everyone around us seems to be making the same move, going along feels safe and rational. But markets have a way of punishing the crowd, especially near extremes. The time when following the herd feels most natural is often when it might be the most costly.

WHAT TO KNOW: The crowd can be wrong, especially at the worst moments.

■ Overconfidence

After a stretch of good decisions, it's easy to believe we have a sharper read on the market than we actually do. That confidence can quietly shift into a belief that we can time things — buy low, sell high, get out before the drop. Even seasoned professionals rarely pull that off consistently.

WHAT TO KNOW: Confidence in timing may often be misplaced.

■ Emotional Decision-Making

Fear and greed are powerful, and in volatile markets, they move fast. The decisions made in those heightened moments are rarely the ones we'd make with a clear head and a longer view. Recognizing that the feeling is temporary, even when it doesn't feel that way, is one of the most valuable things an investor can do.

WHAT TO KNOW: Our calmer selves usually make better decisions.

Volatility is a normal part of investing, not a sign that something has gone wrong. The forces that move markets are real, and so are the emotions they stir up. Understanding both outside and inside forces can put you in a better position to make decisions based on your goals rather than the moment. ■

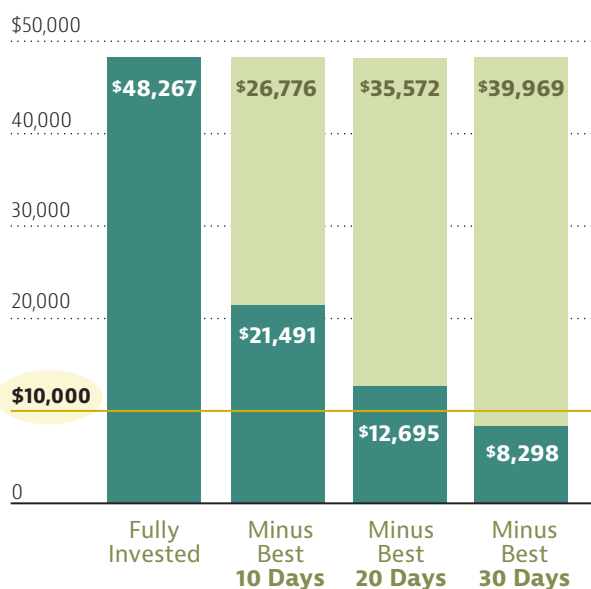
Time in the Market Can Matter More Than Timing the Market

When markets get choppy, our natural inclination is to take action. Many investors ask themselves: *Should I do something?* Should I sell off my worst-performing stocks? Should I shift equities into cash?

It's a reasonable instinct. It's also, historically, one of the more costly ones. Market recoveries tend to happen quickly and without much warning. Investors who step to the sidelines often miss the strongest days of a rebound — and those days tend to cluster right around the most turbulent periods, when the temptation to stay out is strongest.

THE COST OF MISSING THE MARKET'S BEST DAYS

December 31, 2005, through December 31, 2025
Initial Investment of \$10,000



Source: Bloomberg, Homestead Calculations, as of January 27, 2026.

Past performance does not guarantee future results.

Cumulative total returns for the S&P 500 Index, December 31, 2005–December 31, 2025, with and without the best-performing days. Returns include reinvested dividends and capital gains.

Please see page 4 for important disclosures.

Consistency Over Prediction

Markets have a way of tempting us to believe that someone, somewhere, must know what comes next. But the truth is simpler: No one has a crystal ball. The real story becomes how you respond. That's why the smartest move isn't prediction; it's discipline.

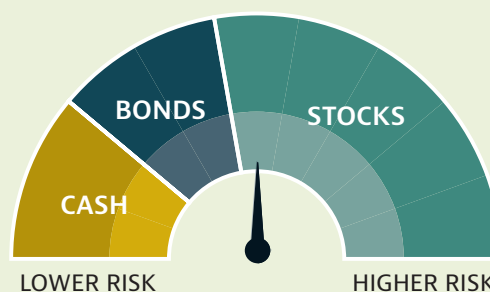
Regular, consistent investing can help reduce the impact of market volatility over time. When prices are lower, the same contribution buys more shares. When prices are higher, it buys fewer. Many investors already benefit from this through a workplace retirement plan; every automatic paycheck

contribution, made in good markets and bad, demonstrates this principle in practice.

The Role of Diversification

Staying invested is easier when your portfolio is built to handle volatility. A diversified portfolio spreads investments across asset classes that carry different levels of risk and respond differently to market conditions. Diversification doesn't eliminate risk or guarantee a profit, but it does mean that no single event, sector downturn, or geopolitical shock has to derail an entire portfolio.

THE INVESTING RISK SPECTRUM



Talk With a Financial Professional

Volatile markets are a good reminder that you don't have to figure this out alone. A financial advisor can help you assess whether your current allocation still reflects your goals, your timeline, and your risk comfort level. Consider starting that conversation now — *before* you're tempted to change your investment strategy due to short-term market movements.

The Bottom Line

Volatile markets can be uncomfortable. That's normal. What tends to separate investors who reach their long-term goals from those who fall short isn't better market predictions; it's the discipline to stay invested, keep contributing, and trust that a well-constructed plan was built with days like these in mind. ■

THREE THINGS TO REMEMBER WHEN MARKETS FEEL UNCERTAIN

- Time in the market has historically mattered more than the ability to time the market.
- A consistent, diversified approach is designed to weather volatility, not avoid it.
- When in doubt, talk to a financial professional before making any changes.

Wisdom from Willie Wiredhand



Welcome to *Wisdom from Willie Wiredhand*, a series featuring NRECA's beloved mascot who offers electrifying financial guidance.

Dear Willie,

I've been investing for years, and I feel like I finally know what I'm doing — but lately the market has stumped me. Last month, my portfolio dropped even though the jobs report was strong. How can good economic news hurt my investments? — BAFFLED IN BOISE

Dear Baffled in Boise,

You're not missing anything; this genuinely is one of the more counterintuitive aspects of investing. A strong jobs report sounds like good news, and it is — for the overall economy. But your portfolio isn't just reacting to what happened. It's reacting to what investors *expected* to happen.

If the market was anticipating a strong jobs report and got an even stronger one, investors may start worrying that the Fed will keep interest rates higher for longer to reduce borrowing and to cool things down. Suddenly, good news for workers becomes complicated news for your portfolio.

Think of it this way: The market is less like a scoreboard and more like a prediction machine — constantly adjusting based

on expectations versus reality. The gap between the two is often what moves your balance on any given day.

Understanding that won't make the short-term swings any less frustrating. But it can help you resist the urge to act on news that looks alarming on the surface — and keep your focus where it belongs: on the long-term plan you've spent years building.

—Willie

Do you have a question for Willie? Email it to invest@homesteadfunds.com, and maybe we will feature it in a future newsletter!

The views expressed are those of the individuals as of April 24, 2026, and may have changed since that date.

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Past performance does not guarantee future results.

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Disclosure notes from bar chart on page 3

The Standard & Poor's 500 Stock Index is a broad-based measure of U.S. stock market performance and includes 500 widely held common stocks. It is not possible to 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 may or may not include reinvested dividends. This chart is for educational purposes only to demonstrate the effects of market timing. It is not a promise of any investment's future returns.

