Homestead
Advisers | Funds

Homestead Advisers Disaster Reserve Program

Help your cooperative plan for the high costs of storms and other disruptive events

The Risks and Costs of Natural Disasters

Extreme weather and natural disasters have left their mark on co-ops and communities across the country.

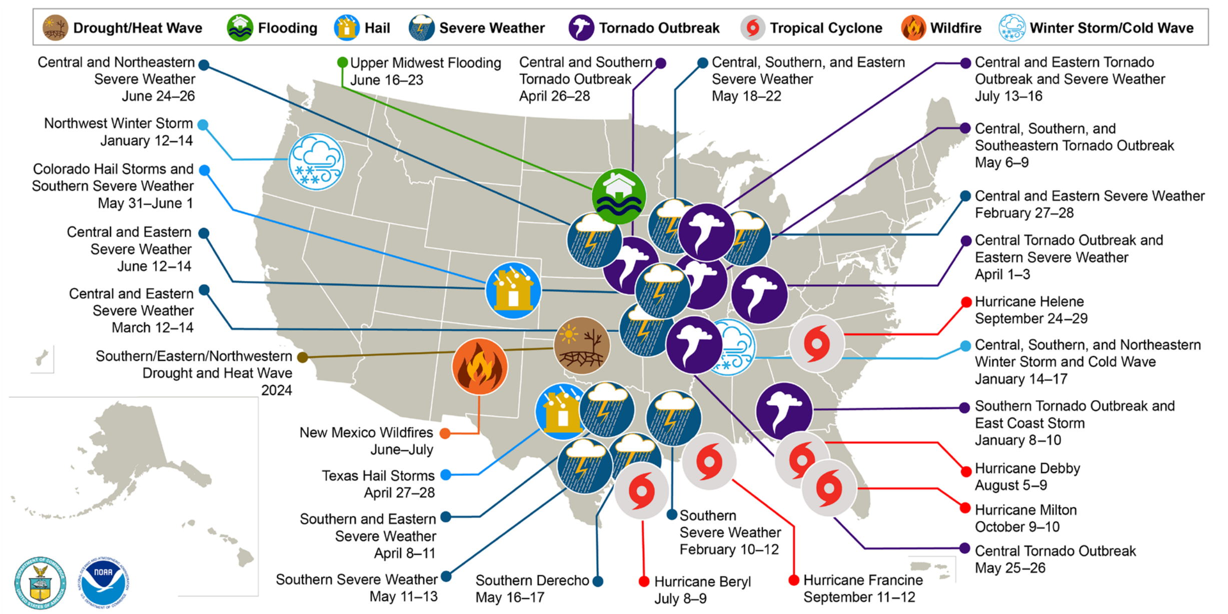
Hurricanes have torn through the South and East Coast, causing massive, record flooding and wind damage. Hailstorms have pounded the West, and tornadoes have ripped across Texas and the Southeast. Wildfires and mudslides have destroyed parts of California, and recently, many other areas across the country.

The frequency of these disasters appears to be increasing. Inflation and supply chain costs continue to rise, and leadership needs to prepare for these events.

According to the National Oceanic and Atmospheric Administration (NOAA), 2024 marked the 14th consecutive year in which 10 or more separate billion-dollar disaster events have impacted the U.S.

U.S. 2024 BILLION-DOLLAR WEATHER AND CLIMATE DISASTERS

This map denotes the approximate location of each of the 27 separate billion-dollar weather and climate disasters that impacted the United States during 2024. Source: NOAA, NCEI



Planning for the Unexpected

For cooperatives, large weather-related events typically mean damage to power lines and other property, along with increased staff expenses as workers put in overtime and travel to make repairs. These surprise expenses are difficult to predict; cooperatives can't accurately gauge how much of the costs will be recoverable through insurance or Federal Emergency Management Agency (FEMA) programs, and utilizing lines of credit increases the debt burden at your cooperative.

To better plan for the financial impact of disasters, many cooperatives have chosen to fund disaster reserve accounts instead of taking on more debt. When you structure a disaster reserve program with Homestead Advisers, our team will workwith you to help you choose how to invest across our family of mutual funds according to your cooperative's tolerance for risk and expected time horizon. Investing poses risks, including the risk of loss, but it provides the opportunity to earn a return above what is typically available on stable-value funding vehicles. Any earnings compound over time, potentially easing the cooperative's cost burden.

When setting up a disaster reserve program, cooperatives need to be sure these accounts will not interfere with FEMA eligibility. See the memorandum on our website for background and clarifications provided by NRECA and outside legal counsel.

A SMART WAY TO PLAN

Homestead Advisers disaster reserve program:

- Provides a pool of capital, owned directly by the co-op
- Can help you plan for sudden major expenditures
- Can be accessed on demand — no waiting for federal funds or loan approvals
- Can provide management flexibility and help protect against disruptions to planned activities and expenses

THE PATH TO SETTING UP A HOMESTEAD ADVISERS DISASTER RESERVE PROGRAM

1

Define your co-op's understanding of what constitutes a major disaster, for example:

- 10% of members affected for more than 24 hours
- Cost of event exceeds $100,000

2

Determine the financial impact of major disasters for your cooperative historically as a way to assess future change to expense management needs.

3

Work with cooperative leadership and your board to establish a program and procedures for funding potential future liability using a Homestead Funds disaster reserve account.

- Track annual major disaster costs.
- Determine average or expected future annual liability.
- Consider and obtain any necessary regulatory approvals. Involve your board in the decision-making process.
- See the memorandum on our website for background and clarifications provided by NRECA and its outside legal counsel. Counsel's opinion is that a properly executed storm reserve plan should not impact FEMA eligibility.

4

Establish your Disaster Reserve Account with Homestead Funds.

- Open and fund an account with Homestead Funds in the cooperative's name to serve as the disaster reserve account.
- When disasters occur, make redemptions from the account to cover disaster-related costs.
- As needed, Homestead Advisers representatives are available to attend board meetings to discuss the Homestead Funds disaster reserve account and operational details.

Below is an example of a tracking sheet. Your cooperative should decide on the range of information to include in your analysis.

Name of Major Disaster	Year	Disaster Cost ($ Thousands)	% of Net Operating Income

Other Considerations: An Emergency Contingency Account for Your Co-op

At Homestead Advisers, we can also help you establish a general emergency contingency account in the Homestead Funds for other unexpected, large expense items. Assets have the potential to grow, which could ease your cooperative's cost burden. Homestead Funds' family of mutual funds allows you to establish a portfolio that helps meet your needs for liquidity while providing the potential for long-term asset growth.

And as a member of the cooperative community, we're here to help. Our registered representatives are available to work with you to construct an appropriate asset mix, open a reserve account with Homestead Funds and establish funding.

Assets are held in the cooperative's name, typically in a corporate account. Co-ops can fund the Homestead Funds account with investments made automatically from a bank or credit union or deposited in lump sums.

Contact Us!

We are here to help you every step of the way and to support the important work of your cooperative. Feel free to reach out to your Homestead Advisers representative with any questions and for steps to get started.

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Asset allocation and diversification do not guarantee a profit or protect against losses. They are methods used to help manage investment risk.

Past performance does not guarantee future results. Investing in mutual 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 800.258.303 or visit homesteadadvisers.com.

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