



Performance Review | Third Quarter 2025

Small-Company Stock Fund

Performance Drivers

The Small-Company Stock Fund underperformed its benchmark, the Russell 2000 Index, in the third quarter as low-quality technology stocks drove the market's risk-on rally.

Stock selection in financials, real estate and consumer discretionary contributed positively. Top individual contributors included the following:

- **Comfort Systems, Inc.**, a leading national mechanical, electrical and plumbing installation and service provider, is benefiting from strong technology demand for data centers and chip manufacturing. Near-term demand has increased backlog, while longer-term secular trends driven by technology and industrial onshoring should sustain growth.
- **Advanced Energy Industries, Inc.** extended its strong performance as a global supplier of precision power conversion solutions for data center and semiconductor manufacturing. The company continues to benefit from increasing capital investments in those industries, compounded with market share gain from new design wins for hyperscalers and semiconductor equipment customers. Ongoing AI-related investments give us confidence in the company's long growth runway.
- **Cushman & Wakefield plc** is in the early stages of a cyclical rebound as a leading provider of commercial real estate brokerage and property management services. Over the past two years, under new CEO leadership, the company restructured by unwinding unprofitable contracts and divesting underperforming business units. Those efforts are now driving accelerated organic revenue growth, particularly in the outsourcing services, which carry significantly higher recurring revenue and margins. We believe the turnaround story remains underappreciated by investors.

In terms of detractors, stock selection in health care and information technology — and the fund's focus on high-quality, out-of-favor names — drove underperformance. Looking at individual stocks, top detractors included the following:

- **Lantheus Holdings Inc.** came under pressure after lowering guidance for its flagship radiopharmaceutical product (PYLARIFY) for the second consecutive quarter. While 2025 was expected to be a transition year with the expiration of the Centers for Medicare & Medicaid Services' favorable transitional pass-through pricing structure, actual market pricing and volumes trended worse than expected due to intensifying competition. With its growth trajectory in question, we are closely monitoring the pipeline for signs of acceleration going into 2026.
- **Q2 Holdings, Inc.** underperformed along with the broader software universe due to fears of potential AI disruption on software spending. Growing concerns about the digital banking software company's subscription revenue durability stem from higher customer churn related to accelerating M&A activity and management's reluctance to raise medium-term guidance despite recent momentum. We believe these concerns are misplaced, as key monitoring points such as bookings and earnings growth remain robust, reflecting the company's success in capturing higher wallet share from regional banks in a multiyear IT refresh cycle.
- **Kirby Corp.**, the largest U.S. tank barge operator, underperformed due to trade-policy uncertainty disrupting chemical trade flows and dampening near-term demand. However, over the next three to four years, we believe a favorable supply/demand backdrop should support stronger pricing, margin expansion and robust cash flow growth, positioning the stock to outperform as fundamentals strengthen.

Positioning

Stocks powered ahead in the third quarter, as solid overall economic data, a wave of trade developments, strong corporate earnings and a positive shift in Federal Reserve (Fed) policy each took turns driving market momentum. All three major market averages posted back-to-back gains each month of the quarter. Growth generally outperformed value, while small-caps outperformed large-caps by a wide margin, for the quarter.

The economy grew more in the second quarter than originally estimated and maintained that pace of growth in the third quarter, while U.S. consumers continued to spend over the third quarter. While these and other economic indicators remained relatively strong, job growth slowed sharply, and the pace of inflation ticked up steadily over the quarter as questions lingered about the inflationary impact of tariffs. White House pressure on the Fed to cut rates also loomed as a potential inflationary concern.

The Fed cut interest rates by a quarter percentage point in September after holding rates steady at its July meeting. Fed Chair Powell expressed the Federal Open Market Committee's growing concern about labor market weakness, a shift from its prior focus on inflation as the bigger threat. The Fed still has two additional rate cuts penciled in through year-end.

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

The portfolio is constructed with a barbell mentality — balancing defensive and cyclical stocks across both sector weights and individual holdings. We focus on the underlying fundamentals of both individual businesses and the broader economy as our long-term guide, filtering out market noise. As concerns about Chinese competition have eased, investors have grown more comfortable with the AI investment thesis. We continue seeking opportunities to expand our AI exposure through adjacent sectors and related pathways while also actively identifying opportunities in segments that could benefit from a steeper yield curve — particularly in financial services and related industries. In our view, valuations in these areas remain attractive.

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 September 30, 2025)

	Small-Company Stock Fund	Russell 2000 Index
Aggregate Q3	5.69%	12.39%
Aggregate YTD	-0.89%	10.39%
1-Year	1.80%	10.76%
3-Year	11.43%	15.21%
5-Year	9.06%	11.56%
10-Year	6.49%	9.77%
Since Fund's Inception	8.16%	7.64%

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 September 30, 2025)

	% OF NET ASSETS
Federal Signal Corp.	3.7%
Applied Industrial Technologies, Inc.	3.7%
Advanced Energy Industries, Inc.	3.5%
Kinsale Capital Group, Inc.	3.3%
FB Financial Corp.	3.3%
Gildan Activewear, Inc.	3.2%
Descartes Systems Group, Inc.	3.1%
Comfort Systems USA, Inc.	2.8%
ESAB Corp.	2.8%
Plexus Corp.	2.8%
Total	32.2%

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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