



Performance Review | Third Quarter 2025

Value Fund

Performance Drivers

The Value Fund slightly underperformed its benchmark, the Russell 1000 Value Index, in the third quarter. The fund's stock selection in information technology was the biggest positive contributor to relative performance, while consumer staples and consumer discretionary holdings also contributed modestly. Top individual contributors included the following:

- **Lam Research Corp.** continued its upward momentum as AI chip capacity buildouts accelerated. Recovery in the memory space, where Lam Research is historically over-indexed, also propelled the stock higher. As chip complexity increases, capital intensity is also rising proportionately, benefiting equipment providers of mission-critical tools. As the leader in etch and deposition technologies, Lam Research is capturing market share in multibillion-dollar opportunities — such as advanced packaging and gate-all-around transistors. We believe Lam Research remains one of the best-positioned companies to help enable further chip advancements in the AI age.
- **AbbVie Inc.** has successfully navigated Humira's loss of exclusivity with new immunological drugs Rinvoq and Skyrizi. We believe these new products — along with a strong pipeline of new drugs in oncology and neuroscience, a well-positioned aesthetic business, no near-term exclusivity losses and balance sheet strength to make tuck-in acquisitions — we believe this positions AbbVie to outgrow the industry over the next few years.
- **Oracle Corp.** spiked higher on fiscal 2026 first-quarter results, announcing \$330 billion of new AI infrastructure contracts, including its partnership with OpenAI in the Stargate project. Oracle's OCI cloud computing platform has quickly established itself as the fourth major hyperscaler, with a backlog approaching half a trillion dollars. The company is set to challenge the top three over the next several years. While we are pleased with the company's execution and stock performance over the past couple of years, we recognized that valuation had become overextended and exited our position.

At a sector level, our relatively benchmark-neutral allocation to sectors detracted somewhat from relative performance. Stock selection in communication services and health care also detracted. Looking at specific stocks, individual detractors included the following:

- **Fiserv, Inc.** extended its slide after lowering 2025 guidance across its merchant acquiring and financial solutions business segments. Rising macro uncertainty, delayed product rollouts and tough comparisons were reasons cited for the weaker outlook. While we remain bullish on Clover's long-term prospects — its point-of-sale system for small and medium-sized merchants — we have become increasingly concerned about the new CEO's operational execution and communication around the durability of its growth trajectory. At the stock's current depressed valuation, we believe those concerns are largely reflected, but we are monitoring the situation closely.
- **Deere & Co.** retreated on worries that the agriculture equipment downturn will extend for a third consecutive year. Weaker crop prices, trade uncertainty and higher interest rates keep farmers hesitant about large equipment purchases. Though timing remains uncertain, key indicators are falling in place: excess dealer inventories cleared, machinery fleet age well above historical average (favoring replacement cycles) and global crop production projected at record levels. We believe that these factors should drive higher equipment demand. Deere's strong execution during this cycle is evident in significantly higher trough margins and returns while continuing to extend its leadership in precision agriculture technology.
- **Centene Corp.**, a leading managed care organization with a market-leading Medicaid business, a growing Medicare business and a strong Exchange business, has struggled with potential Medicaid membership losses, higher-than-expected cost trends and Exchange pressure from government funding changes. We believe these issues have become more difficult to resolve and have exited the position.

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-cap stocks 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 Jerome 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.

Compared with the index, the fund has overweight exposure in the health care and industrials sectors. Its largest underweight allocations are in consumer staples, real estate 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.

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 actively identifying opportunities in segments that could benefit from a steeper yield curve — particularly financial services and related industries. In our view, 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 September 30, 2025)

	Value Fund	Russell 1000 Value Index
Aggregate Q3	4.92%	5.33%
Aggregate YTD	11.74%	11.65%
1-Year	10.12%	9.44%
3-Year	18.52%	16.96%
5-Year	14.36%	13.88%
10-Year	12.53%	10.72%
Since Fund's Inception	10.49%	10.39%

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. 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 September 30, 2025)

	% OF NET ASSETS
JPMorgan Chase & Co.	5.1%
Goldman Sachs Group, Inc.	3.8%
AbbVie, Inc.	3.7%
Lam Research Corp.	3.4%
Meta Platforms, Inc.	3.2%
Parker-Hannifin Corp.	3.0%
Abbott Laboratories	2.9%
Microsoft Corp.	2.9%
Bank of America Corp.	2.7%
Northrop Grumman Corp.	2.7%
Total	33.4%

Portfolio holdings are subject to change without notice.

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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.

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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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