

Investing with State Farm

State Farm was founded in 1922 as a mutual company owned by its policyholders, and is currently ranked number 43 on the Fortune 500 list of largest companies. Since then, State Farm has been in the investing business by prudently investing customers' premium dollars to help them recover from the unexpected.

Our customers have access to 15 mutual funds, including three fixed income funds managed solely by our in-house portfolio managers:

- State Farm **Bond Fund**
- State Farm **Tax Advantaged Bond Fund**
- State Farm **Money Market Fund**

Since 1968, State Farm has managed mutual funds with *quality investment products backed by solid fund management and excellent customer service, all at a competitive cost. We strive to keep our investors on a steady path toward their financial goals.**

*State Farm Mutual Funds® were made available to the general public in 2001. Prior to that, the funds were only available to purchase by State Farm employees and agents.

As of December 31, 2012, State Farm Insurance Companies' investment department manages investments that total approximately **\$135 billion in Fixed Income assets**, \$50 billion of which are in municipal bonds, for the State Farm Enterprise.

Investment Philosophy

- Emphasizes a conservative, **long-term, buy-and-hold approach**.
- **Does not change** in response to fluctuating market conditions.
- Provides **competitive performance** that is **consistent** with each fund's investment objective and risk profile.

Fixed Income Strategies

State Farm's internal bond fund managers (including both taxable and tax-exempt bond funds) have always managed our funds with a prudent, conservative approach, using stringent risk controls and investing in high-quality securities as measured by credit rating agencies. Our approach will remain unchanged.

Bond Fund

- ▶ Seeks to achieve, over a period of years, the highest yield possible that is consistent with investing in high-quality, investment grade bonds.
- ▶ Invests primarily in:
 - U.S. government obligations
 - U.S. government agency securities
 - High-quality corporate bonds
- ▶ Intermediate to long duration*

Tax Advantaged (Municipal) Bond Fund

- ▶ Seeks as high a rate of income exempt from federal income taxes as is consistent with prudent investment management.
- ▶ Invests primarily in:
 - Diversified selection of high credit quality municipal bonds
- ▶ Intermediate to long duration*

Money Market Fund

- ▶ Seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity.
- ▶ Invests primarily in:
 - High-quality commercial paper
 - Short-term debt securities
- ▶ Weighted average duration less than 60 days

*As defined by Morningstar, intermediate duration means 3.5 to 6 years while long duration means more than 7 years.



Meet the Portfolio Managers: from left, Duncan Funk, Joseph Young, and Robert Reardon

Fixed Income Investment Team

We rely on the strengths, focused attention, and knowledge of the seasoned investment professionals in our internal investment department for our fixed income investments.

Portfolio Managers

Joseph P. Young, CFA
Vice President

State Farm Bond Fund
State Farm Tax Advantaged Bond Fund
State Farm Money Market Fund

Robert M. Reardon, Jr., CFA
Senior Investment Officer

State Farm Tax Advantaged Bond Fund

Duncan Funk, CFA
Senior Investment Officer

State Farm Bond Fund
State Farm Money Market Fund

Mutual Funds Industry Recognition

2013

Barron's ranks State Farm Mutual Funds:

- In the **top 10** fund families in 4 out of the last 7 years on the 1-year ranking.
- In the **top 10** fund families in 3 out of the last 5 years on the 5-year ranking.
- **61st out of 62** fund families for the 1-year period ending 12/31/2012.
- **38th out of 53** fund families for the 5-year period ending 12/31/2012.
- **28th out of 46** fund families for the 10-year period ending 12/31/2012.

2012

Barron's ranks State Farm Mutual Funds:

- In the **top 15** fund families on a 5-year basis for four years in a row (2008, 2009, 2010, and 2011).
- In the **top 15** fund families on a 10-year basis for two years in a row (since becoming eligible).
- **5th out of 58** fund families for the 1-year period ending 12/31/2011.
- **12th out of 53** fund families for the 5-year period ending 12/31/2011.
- **4th out of 45** fund families for the 10-year period ending 12/31/2011.

2011

Barron's ranks State Farm Mutual Funds:

- In the **top 10** fund families on a 5-year basis for three years in a row (2008, 2009, and 2010).
- **15th out of 46** fund families over a 10-year period ending 12/31/2010.
- **7th out of 53** fund families for the 5-year period ending 12/31/2010.

Out of a universe of over 600 mutual fund families, only 46 qualified for a 10-year ranking and 53 for a 5-year ranking, and 62 for a 1-year ranking based on their breadth of product offerings and length of performance history.

Visit the [Mutual Funds section of statefarm.com®](#) to view interviews and obtain more information about our funds.

Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact State Farm VP Management Corp (Retail: 1-800-447-4930; Associate: 1-800-447-0740) for a prospectus or summary prospectus containing this and other information. Read it carefully. AP2013/06/1300 • An investment in the Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund. • Investing involves risk, including potential for loss. • Bonds are subject to interest rate risk and may decline in value due to an increase in interest rates. • Income may be subject to state and local taxes and (if applicable) the Alternative Minimum Tax. • Investment return and principal value will fluctuate and your investment, when redeemed, may be worth more or less than its original cost. Past performance is no guarantee of future results. • *Barron's/Lipper Rankings:* State Farm was #61 out of 62 for the one-year period ending 12/31/12. Also ranked #59 in the U.S. Equity category, #42 in World Equity, #60 in Mixed Equity, #22 in Taxable Bonds, and #45 in Tax-Exempt Bonds. • The State Farm Mutual Funds included in the Barron's Fund Family Survey consist of four Associate mutual funds available only to State Farm associates and 14 Retail mutual funds available to the public. The Barron's survey did not include State Farm's Money Market Fund. • To qualify for the Lipper/Barron's Fund Survey, a fund family must have at least three funds in Lipper's general U.S.-stock category, one in world equity, which combines global and international funds; one mixed-equity fund, which holds stocks and bonds; two taxable-bond funds and one tax-exempt offering. • Fund loads 12b-1 fees aren't included in the calculation of returns. Each fund's return is measured against all funds in its Lipper category, resulting in a percentile ranking which was weighted by asset size relative to the fund family's other assets in its general classifications. Finally, the score is multiplied by the general classification weightings as determined by the entire Lipper universe of funds. • Neither State Farm nor its agents provide investment, tax, or legal advice.

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| Not FDIC Insured | No Bank Guarantee |
| | May Lose Value |