Information on Appropriate Investments for Retirement and Savings Plans

Notice to Shareowners Investing in R-3 Class Shares

Prior to purchasing R-3 class shares for any investment in an additional State Farm® Mutual Fund (i.e., a "subsequent fund position"), or purchasing R-3 class shares in a State Farm Mutual Fund that you previously purchased for your account and then fully redeemed (i.e., a "fully redeemed fund position"), you must receive a State Farm Mutual Fund Trust Class R-1, R-2, R-3 Shares Prospectus, the Fees Applicable to R-3 Class Shares of State Farm Mutual Funds® and Retirement and Savings Plans document, and the Information on Appropriate Investments for Retirement and Savings Plans document.

Choosing the investments for your qualified retirement plan is an important decision. This discussion addresses some basic principles that are generally considered significant in selecting appropriate investments for a qualified retirement plan. It also discusses why you might choose State Farm Mutual Funds as an investment option for your qualified retirement plan, as well as the investment objectives of each fund, which may help you decide whether a particular State Farm Mutual Fund is appropriate for your qualified retirement plan. It is important to note that there is market risk involved when investing in mutual funds, including possible loss of principal.

Investment Goals

The first step in choosing an investment mix for your qualified retirement plan is to identify your investment goals. This involves the following related concepts:

- Your **time horizon** – the number of years you have to save before you begin to draw down on the assets for retirement or other reasons. Riskier investments that may be appropriate for a longer time horizon may not be as appropriate if you are nearing the time you expect to take a distribution from the plan.
- Your degree of **risk tolerance** – your level of comfort with the potential investment loss. More risky investments have more reward potential, but also have more potential for loss.
- **Diversification** – the allocation of your plan's assets among a mix of investment classes and securities within those classes. Proper diversification helps to achieve an acceptable level of risk for your plan and may reduce your exposure to loss in the event a single investment performs poorly. It is important to note that diversification does not assure a profit or protect against loss in a declining market.

Once you have determined your basic goals, you will be in a better position to select the individual investments for your qualified retirement plan.

The Role of Mutual Funds

Mutual funds have long been considered one of the more appropriate investments for qualified retirement plans because of certain benefits that they can offer investors. A mutual fund is a diversified portfolio of securities managed by an investment adviser. In an actively managed fund, the investment adviser monitors the markets and the economy and conducts an analysis of individual securities to determine if they are appropriate for the investment objective of the fund. In an index fund, the investment adviser seeks to achieve investment performance similar to that of a particular market index by purchasing securities that make up the index. It is not possible to invest directly in an index.

In addition to professional securities selection, mutual funds are diversified across many securities to reduce exposure to risk. Generally, a mutual fund can purchase securities of many more companies or other entities than could an individual plan or participant. Also, as a mutual fund investor, you can buy and sell fund shares any business day[1], and elect to have all fund earnings, such as income and capital gains, automatically reinvested back into the fund at net asset value[2].

Mutual funds offer many other important benefits, such as daily pricing and no-fee exchanges between funds within the same fund family[3]. When selecting a fund or a fund family, it is important to consider factors such as the fund's historical performance (although past performance is no guarantee of future performance), the experience of the investment adviser, and the fees and expenses of the fund.

[1]*The investment return and principal value of an investment will fluctuate. Fund shares, when redeemed, may be worth more or less than their original cost.*

[2]*All earnings on State Farm mutual fund qualified retirement plans must be automatically reinvested. NAV is calculated by adding all of the assets of a Fund, subtracting the Fund's liabilities, then dividing by the number of outstanding shares. A separate NAV is calculated for each class of each Fund. NAV is calculated at the close of each business day.*

[3]*For limits on exchanges, see the Fund's prospectus.*

State Farm Mutual Funds

State Farm VP Management Corp. makes available a family of mutual funds that may be suited for your retirement or savings plan needs. The following is a brief description of the funds, their investment objectives, and their general risk characteristics. The majority of the funds generally have a single risk characteristic at all times, as summarized below. In contrast, the risk characteristics for each of the LifePath® Funds[4], other than The State Farm LifePath Retirement Fund, will change over time, starting higher and becoming lower for each fund as it grows closer to its stated time horizon. More detailed information on each of the funds and their risk characteristics is included in the applicable prospectus.

- The State Farm Equity Fund (the "Equity Fund") seeks long-term growth of capital. The Fund invests in equity securities issued by large capitalization U.S. companies in both the growth and value segments of the market. This is a higher risk fund.
- The State Farm Small/Mid Cap Equity Fund (the "Small/ Mid Cap Equity Fund") seeks long-term growth of capital. The fund invests primarily in equity securities of small and mid-capitalization U.S. companies. This is a higher risk fund.
- The State Farm International Equity Fund (the "International Equity Fund") seeks long-term growth of capital. The Fund primarily invests in equity securities issued by foreign companies in both the growth and value segments of the market. The Fund may invest in securities of companies economically tied to emerging markets. This is a higher risk fund. Emerging markets involve greater risk than U.S. investments due to lower trading volume, political and economic instability, and other governmental limitations on foreign investment policy.
- The State Farm S&P 500® Index Fund (the "S&P 500 Index Fund") seeks to provide investment results that correspond to the performance of the Standard & Poor's 500® Stock Index (the "S&P 500 Index")[5]. The S&P 500 Index Fund invests in substantially all of the stocks that make up the S&P 500 Index. The S&P 500 Index is a widely used measure of large U.S. company stock performance. This is a higher risk fund. The S&P 500® Index tracks the common stock performance of 500 large U.S. companies.
- The State Farm Small Cap Index Fund (the "Small Cap Index Fund") seeks to match as closely as practicable, before fees and expenses, the performance of the Russell 2000® Small Stock Index (the "Russell 2000 Index")[6]. The sub-adviser to the Small Cap Index Fund seeks to achieve investment performance that is similar to the Russell 2000 Index. The Russell 2000 Index is an index of 2000 small companies that is created by taking the largest 3000 companies in the U.S. and eliminating the largest 1000 of those companies. This is a higher risk fund. The Russell 2000 Index tracks the common stock performance of the 2,000 smallest U.S. companies in the Russell 3000 Index.
- The State Farm International Index Fund (the "International Index Fund") seeks to match as closely as practicable, before fees and expenses, the performance of an international portfolio of common stocks represented by the Morgan Stanley Capital International Europe, Australasia, and Far East Free Index ("EAFE® Free Index)[7]. The sub-adviser to the International Index Fund seeks to achieve investment performance that is similar to the EAFE Free Index. The Morgan Stanley Capital International Europe, Australasia and Far East Free (EAFE® Free) Index currently measures the performance of stock markets of Europe, Australia, New Zealand, and the Far East. This is a higher risk fund.

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[4]LifePath®, LifePath 2020®, LifePath 2030®, and LifePath 2040® are all registered trademarks of BlackRock Institutional Trust Company, N.A.

[5]The S&P 500 Index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by State Farm Mutual Fund Trust ("Licensee"). Standard & Poor's®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Licensee. Licensee's products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

[6]The Russell 2000® Index is a trademark/service mark, and Russell™ is a trademark of the Frank Russell Company. The State Farm Small Cap Index Fund (the "Fund") is not sponsored, endorsed, sold, or promoted by, nor in any way affiliated with the Frank Russell Company. Frank Russell Company is not responsible for and has not reviewed the Fund nor any associated literature or publications and Frank Russell Company makes no representation or warranty, express or implied, as to their accuracy, or completeness, or otherwise.

[7]The EAFE® Free Index is a trademark, service mark, and the exclusive property of Morgan Stanley Capital International, Inc. ("MSCI") and its affiliates and has been licensed for use by the State Farm Mutual Fund Trust (the "Trust"). The State Farm International Index Fund (the "Fund"), based on the EAFE Free Index, has not been passed on by MSCI as to its legality or suitability, and is not issued, sponsored, endorsed, sold, or promoted by MSCI. MSCI makes no warranties and bears no liability with respect to the Fund. MSCI has no responsibility for and does not participate in the management of the Fund assets or sale of the Fund shares. The Trust's Prospectus contains a more detailed description of the limited relationship MSCI has with the Trust and the Fund.

- The State Farm Equity and Bond Fund (the “Equity and Bond Fund”) seeks long-term growth of principal while providing some current income. The Equity and Bond Fund invests all of its assets in the State Farm Equity Fund and the State Farm Bond Fund. Generally, the Equity and Bond Fund attempts to maintain approximately 60% of its net assets in shares of the Equity Fund and approximately 40% of its assets in shares of the Bond Fund. This is a moderate to high-risk fund.
- The State Farm Bond Fund (the “Bond Fund”) seeks to realize over a period of years the highest yield consistent with investing in investment grade bonds. The Bond Fund invests primarily in investment grade bonds issued by U.S. companies, U.S. government and agency obligations and mortgage backed securities. This is a moderate risk fund. It is important to note all bonds are subject to interest rate risk, including those issued by the U.S. Government. There is risk that the bonds a fund holds may decline in value due to an increase in interest rates.
- The State Farm Money Market Fund (the “Money Market Fund”) seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Money Market Fund invests exclusively in short-term, U.S. dollar-denominated money market securities. This is a lower risk fund.

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.

- The investment objective of the State Farm LifePath Retirement Fund (the “LifePath Retirement Fund” or “Fund”) is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, the LifePath Retirement Fund will be broadly diversified across global asset classes.
- The investment objective of the State Farm LifePath 2020 Fund (the “LifePath 2020 Fund” or the “Fund”) is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, the LifePath 2020 Fund will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.
- The investment objective of the State Farm LifePath 2030 Fund (the “LifePath 2030 Fund” or the “Fund”) is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, the LifePath 2030 Fund will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.
- The investment objective of the State Farm LifePath 2040 Fund (the “LifePath 2040 Fund” or the “Fund”) is to seek to provide for retirement outcomes based on quantitatively measured risk. In pursuit of this objective, the LifePath 2040 Fund will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

Prohibited Transaction Exemption

Special Rules for Registered Agents, Sales Leaders and Their Families

The law prohibits the employer maintaining a qualified retirement plan, the retirement plan administrator and certain other related parties from selling investment products or services to the retirement plan, unless an exemption applies. The U.S. Department of Labor has granted a prohibited transaction exemption that allows the sale of State Farm Mutual Funds to the qualified retirement plans of Registered State Farm Agents and certain of their family members (that is, spouses, lineal ascendants, lineal descendants, lineal descendant’s spouses, siblings, and siblings’ spouses see below) if two conditions regarding fees on the mutual funds are met. First, no commission or load may be paid to the Registered State Farm Agent upon the sale of State Farm Mutual Fund shares to the retirement plan. Second, the shares of the State Farm funds sold to the retirement plan cannot have distribution fees (commonly known as “12b-1 fees”) associated with them.

It is also appropriate to apply the terms and conditions of the prohibited transaction exemption to:

- Sales Leaders (SLs) and their family members (as defined above) for their qualified retirement plans (other than the State Farm 401(k) Savings Plan), because the employees in these categories might otherwise receive bonuses or other compensation based on sales of State Farm Mutual Funds shares to these qualified retirement plans. No commission or load is paid to any Registered State Farm Agent upon the sale of the class R-3 shares of State Farm Mutual Funds, and the R-3 class of shares have no 12b-1 fees associated with them. Also, no bonuses or other compensation are paid to SLs on the sale of the class R-3 shares. Therefore, the class R-3 shares of State Farm Mutual Funds satisfy the two conditions of the prohibited transaction exemption described above. For that reason, the class R-3 shares are available for purchase by Registered State Farm Agents and their family members, as well as SLs and their family members for their qualified retirement plans that will be administered by Ascensus, although that class of shares is not available to the general public.

It is not possible to invest directly in an index.

LifePath Funds are target-date portfolios whose investment objectives are adjusted over time to be more conservative as the target date (date the investor plans to start withdrawing their funds) approaches. The principal value of the fund(s) is not guaranteed at any time, including at the target date.

The stocks of small companies are more volatile than the stocks of larger, more established companies.

Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations.

Emerging markets involve greater risk than U.S. investments due to lower trading volume, political and economic instability, and other governmental limitations on foreign investment policy.

Before investing, consider the funds' investment objectives, risks, charges and expenses. Contact State Farm VP Management Corp (800-447-4930) for a prospectus containing this and other information. Read it carefully.

State Farm VP Management Corp. is a separate entity from BlackRock Fund Advisors (BFA), the sub-adviser to the State Farm S&P 500 Index Fund, the State Farm Small Cap Index Fund, the State Farm International Index Fund and the State Farm LifePath Funds.

The market prices of debt securities generally move inversely to changes in the interest rates. Therefore, the fund’s net asset value can be expected to rise when interest rates decline and decline when interest rates rise.

Neither State Farm nor its agents provide tax or legal advice.