

## The Broaster Company 401(k) Profit Sharing Plan

### Compensation & Capital's Financial Planning Commentary as of December 31, 2023

#### "What's In A Number?"

16, 18, 21: No matter your upbringing or age, we Americans have endowed these numbers with special meaning and memories. Privilege to drive, right to vote, right to drink. They've each evolved as recognizable milestones in our society. But more accurately, they're really only fuzzy demarcations on a journey to the privileges and rights of personal maturity. It's a trip for which none of us is provided an itinerary or even a destination. Yet society's leaders have somehow determined that these definitive numerals should hold the keys to our expanded rights along those blurry roads to adulthood. Does something suddenly happen to every American at age 18 that makes us worthy of accepting the responsibility to actively participate in the governing of America? To make it OK to blur our senses with alcohol after just five short years of driving experience?

Such is the relationship between the numeric measuring systems utilized in finance and economics to the broader realities they attempt to describe. For example: Currently in the US: Inflation's 3.1%; consumer confidence around 111; wage growth's around 4.1%; the stock market's (S&P 500) around 4,760; unemployment's 3.7%; money market funds earn around 5%; mortgage rates around 7.0%; and so on. Most economists agree these numbers are a mixed bag, appropriate to the world's discord, uncertainty and recent pandemic - but about as constructive as they could be under the circumstances. That's the consensus from a group often described as perpetually gloomy experts who have the intellectual ability to sound smart while explaining why the forecast they made yesterday didn't happen today!

So what's wrong with gleaning from a few of these milestones the conclusion that our economic and financial systems have crossed some sort of threshold of maturation that will support our next economic leg up? Several of these metrics are at levels (stock market and wage growth highs, unemployment and inflation lows) that experts have long targeted as "good stuff" in comparison to decades past. But as with the arbitrary age markers that opened our memo, financial yardsticks should never be considered conclusive in and of themselves.

More accurately, it's the combination of measures of these and many other attributes – the balance between them and their comparative significance at any given time in the then-current cycle – that determines if overall we're ready for that next step up along our economic paths. In short, there's truly no way to consistently and accurately determine if, for instance, the S&P 500's current valuation of just shy of its (January 6, 2022) historic high of 4,796 is, overall, a good thing – or not.

All this is preface to a theme we've championed often throughout our *Commentary's* 24+ year run: Successful retirement investing is attained by balancing the inputs within our control. Not the noise of market highs and lows. Not rosy or dire forecasts. Not hyped performance of trendy investing strategies. But simply staying true to principles fundamental to your retirement saving and investing success:

1. *Goals:* Establish clear, appropriate investment goals that you can and will "own" through time.
2. *Balance:* Adhere to a personally suitable asset allocation with broadly diversified, high-quality funds.
3. *Cost:* Attempt to accept only those investment costs that enhance investment performance.
4. *Discipline:* Maintain realistic perspective and long-term discipline. Tune out noise.

Your Broaster 401(k) Profit Sharing Plan provides an excellent platform upon which to easily deploy all of these principles.

You likely remember the many places you resided – physically, emotionally and mentally – on your 16<sup>th</sup>, your 18<sup>th</sup>, and your 21<sup>st</sup> birthdays. There were, no doubt, many facets of your character and personality at each of those milestones which worked in concert to result in the person you are today. In short, our condition at any single milestone on life's path is not a definitive measure of our success or failure in our past or future life's endeavors. Same is true of the passage of any single milestone by economies and markets: They're but single small and often fleeting steps on a much more complex evolutionary path.

## The Broaster Company 401(k) Profit Sharing Plan

### Compensation & Capital's December 31, 2023 Retirement Saving and Investing "Action Points"

#### **Current Market Performance from the Perspective of Long-Term Trends**

On average, the 4<sup>th</sup> Quarter has historically been strong for stocks. Q423 was no exception. Market moves certainly didn't reflect the dreadful situations around the globe throughout 2023, and forecasting was little help. A year ago investors had little reason for optimism with most strategists calling for a recession. Instead, inflation steadily eased, consumers kept spending, and the unemployment rate to its lowest level since 1969. In fact, Q423 even surprised bond market investors with a stunning reversal of returns after their perseverance through historic under-performance over the past 10+ years.

The U.S. stock market represented by the S&P500 Index has gained 26%, 33%, 107%, 210% and 608% respectively for the trailing 12-month, 3-year, 5-year, 10-year and 15-year periods ending 12/31/2023. That last period (15 years) equates to an average annualized return of 13.9%/year, 4.2% greater than its very long term (97 years) historic annualized return of 9.7%. The U.S. [aggregate] bond market has returned 6%, -10% (loss), 6%, 20%, and 49% respectively for the trailing 12-month, 3-year 5-year, 10-year and 15-year periods ending 12/31/2023. The bond market's 15 year return equates to average annualized gains of 2.7%/year, just over one-half of its very long-term historic return of 5% annualized.

This relative consistency of stock market returns and past 15 years' bond market malaise is truly fascinating when viewed through the filter of the vast array of fundamental hurdles and tailwinds that our global economy has faced down over the past 15 years. We started those 15 years in 2009 in the throes of the Great Recession on the heels of the third worst stock market loss since 1928 – down 37%! Granted, fiscal and monetary remedies brought to bear in the wake of COVID19 are significantly different – in both character and scope - from those deployed against past financial shocks. The remedies have no doubt have weighed heavily upon bond market returns coming off the nearly decade long period of historically low inflation. All that aside, optimism – relative to the *potential* downside from political, global military, and trade tensions - somehow prevails. But these issues continue unresolved and thereby continue to threaten heightened volatility sometime in the future. The question as always: When?

With all this happy surprise over market resilience to less-than-stable global political, fiscal and monetary conditions, there's no doubt that an overly giddy or gloomy perspective over recent investment returns can get investors in trouble. It can be emotionally challenging to invest when so much seems uncertain. But over time uncertainty diminishes, markets digest the outcomes, and market valuations properly reflect the new circumstances they face. Then new issues replace the old and the cycle begins anew.

That's why successful long-term investors stay focused on what they know and what they can control:

- Acknowledge uncertainty and your own emotional tendencies by choosing an appropriate combination of asset classes (stocks vs bonds vs cash) for your Plan account. We've written frequently about the proper way to choose this asset allocation. Pointers for this process are on the *Plan Investing* tab of [www.planspecs.com/broaster](http://www.planspecs.com/broaster).
- Avoid the pitfalls of timing market inflection points by directing your ongoing payroll and Broaster Company contributions to that same, appropriate pre-determined asset allocation. This so-called "Dollar Cost Averaging" allows you to spread market volatility risks across many small purchases creating a far truer basis from which your lifetime savings can grow.
- Keep your account's asset allocation mix reasonably in line with your previously determined appropriate mix to each of the Select Funds. You can view this comparison on the *Fund Balances* page of the secure *Participant Login* tab of [www.planspecs.com/broaster](http://www.planspecs.com/broaster). If any fund's percentage of your total account varies from your directed contributions mix by 3% or more, rebalance by submitting an "Current Account Balance – Investments Re-Mix Request" form.

# The Broaster Company 401(k) Profit Sharing Plan Select Funds Performance Specifics and Comparatives

(All for periods ended December 31, 2023)

(1) A fund with a 2<sup>nd</sup> Ranking outperformed 98% of its peers.

**Remember: Past performance is absolutely NOT a guarantee of future performance!**

(2) "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

NAME OF SELECT VENUE FUND <i>Morningstar Category Name</i>	Securities Type(s)	Morningstar™ Category Percentile (1) Ranking Past		OER (2)	Total Return Performance for		Average Annualized Total Return for:			
		10 Years	15 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
VANGUARD TREASURY MONEY MKT - VUSXX	Money Markets	2nd	5th	0.09%	1.3%	5.1%	2.2%	1.8%	1.2%	0.8%
<i>Money Market Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>0.40%</i>	<i>1.3%</i>	<i>4.7%</i>	<i>2.0%</i>	<i>1.6%</i>	<i>1.0%</i>	<i>0.7%</i>
VANGUARD SHORT-TERM INVGRD BOND – VFSUX	Bonds	20th	21st	0.10%	4.0%	6.2%	-0.9%	2.1%	2.0%	3.1%
<i>Short-Term Bond Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>0.68%</i>	<i>3.3%</i>	<i>5.7%</i>	<i>0.1%</i>	<i>1.9%</i>	<i>1.6%</i>	<i>2.5%</i>
FIDELITY INVESTMENT GRADE BOND - FBNDX	Bonds	7th	10th	0.35%	6.9%	6.5%	-3.0%	2.0%	2.3%	3.9%
<i>Intermediate Term Core Bond Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>0.60%</i>	<i>6.5%</i>	<i>5.6%</i>	<i>-3.3%</i>	<i>1.1%</i>	<i>1.7%</i>	<i>3.0%</i>
BLACKROCK STRATEGIC GLOBAL BOND - MAWIX	Bonds	13th	33rd	0.42%	8.2%	6.8%	-3.4%	1.2%	1.4%	2.7%
<i>Global Bond Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>0.92%</i>	<i>7.9%</i>	<i>6.6%</i>	<i>-4.3%</i>	<i>-0.1%</i>	<i>0.0%</i>	<i>2.2%</i>
T.ROWEPRICE CAPITAL APPRECIATION - PRWCX	Bonds+Stocks	1st	1st	0.57%	8.3%	18.8%	7.4%	12.8%	10.5%	12.7%
<i>Moderate Allocation Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>1.05%</i>	<i>8.6%</i>	<i>13.8%</i>	<i>3.4%</i>	<i>8.2%</i>	<i>6.1%</i>	<i>8.4%</i>
VANGUARD EQUITY INCOME - VEIRX	Stocks	18th	23rd	0.19%	9.0%	7.8%	10.6%	11.9%	9.7%	12.1%
<i>Large-Cap U.S. Value Stock Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>0.97%</i>	<i>9.7%</i>	<i>11.6%</i>	<i>9.7%</i>	<i>11.4%</i>	<i>8.4%</i>	<i>11.2%</i>
VANGUARD TOTAL STOCK MARKET INDEX – VTSAX	Stocks	33rd	18th	0.04%	12.2%	26.0%	8.4%	15.1%	11.4%	13.9%
<i>Large-Cap U.S. Blend Stock Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>0.86%</i>	<i>11.3%</i>	<i>22.3%</i>	<i>8.8%</i>	<i>14.3%</i>	<i>10.6%</i>	<i>12.9%</i>
FIDELITY CONTRAFUND - FCNTX	Stocks	34th	46th	0.30%	11.5%	39.3%	7.5%	16.5%	12.8%	14.7%
<i>Large-Cap U.S. Growth Stock Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>1.0%</i>	<i>13.8%</i>	<i>36.7%</i>	<i>4.7%</i>	<i>15.7%</i>	<i>12.0%</i>	<i>14.5%</i>
VANGUARD MID-CAP STOCK INDEX - VIMAX	Stocks	17th	15th	0.05%	12.3%	16.0%	5.5%	12.7%	9.4%	13.5%
<i>Mid-Cap U.S. Blend Stock Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>1.01%</i>	<i>11.5%</i>	<i>16.0%</i>	<i>6.8%</i>	<i>12.0%</i>	<i>8.3%</i>	<i>12.2%</i>
T.ROWE PRICE OVERSEAS STOCK - TROX	Stocks	34th	20th	0.65%	9.8%	16.3%	3.4%	8.2%	4.4%	7.6%
<i>Large-Cap Foreign Blend Stock Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>0.99%</i>	<i>9.8%</i>	<i>16.3%</i>	<i>2.4%</i>	<i>7.6%</i>	<i>4.0%</i>	<i>6.8%</i>
VANGUARD TAX-MANAGED SMALL CAP - VTMSX	Stocks	10th	17th	0.09%	15.0%	16.0%	7.3%	11.1%	8.6%	12.7%
<i>Small-Cap U.S. Blend Stock Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>1.05%</i>	<i>12.8%</i>	<i>16.2%</i>	<i>6.3%</i>	<i>10.9%</i>	<i>7.2%</i>	<i>11.6%</i>
LOOMIS SAYLES SMALL-CAP GROWTH - LSSIX	Stocks	45th	36th	0.78%	8.2%	11.9%	-1.7%	10.0%	8.3%	13.3%
<i>Small-Cap U.S. Growth Stock Funds &gt;&gt;</i>		<i>Category Median &gt;&gt;</i>		<i>1.19%</i>	<i>11.5%</i>	<i>16.7%</i>	<i>-2.3%</i>	<i>11.0%</i>	<i>8.1%</i>	<i>12.6%</i>