INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants ***April 13, 2017***
Topic: The Broaster Company 401(k) Plan – Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 3-31-2017, covering your mix of funds. This past 3-month period ending March 31 was up solidly for the overall U.S. stock market and up even more for the aggregate international stock markets, and up somewhat for the overall U.S. bond market. Within the U.S. stock market, the diversified stock fund categories (as defined by Lipper investment styles and capitalizations) had returns of between +0.1% & +9.3% for the first quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's first quarter 2017 total return was +4.8%, and the <u>S&P 500 Index was up +6.1% for the first quarter</u>. <u>For the 12 months ending 3-31-2017 the S&P 500 Index was up +17.2%</u>. According to Morningstar™ all of your funds have performed solidly-to-well for both 5 and 10 years relative to similar "peer group" funds. Your passive "index funds" (versus actively-managed funds) strive to mirror their indices' performances at all times -- no more, no less.

Relative to similar "peer group" funds, your fund mix has continued to perform solidly on average over the past 12 months ending 3-31-2017 – 5 funds within the top 25% of their peer groups' funds and 0 funds within the bottom 25% of their peer groups' funds. For the past 12 months ending 3-31-2017 (with the S&P 500 Index up +17.2%) three of your six domestic stock-oriented funds outperformed the S&P 500 Index.[1] For this time period the place to be invested was in small U.S. value-oriented companies (those stocks of small companies that lean toward being relatively conservative). Your top performing stock-oriented fund was the Vanguard Tax-Managed Small Cap Fund at a +23.9% total return for the 12 months ending 3-31-2017, and your Templeton Global Bond Fund returned +11.5% for the same 12-month period.[2]

[Note: To put your funds' returns into perspective during the past five years' "up" market conditions, your 7 stock-oriented funds have annualized total returns (compounded each year) of between +6.0% & +14.1% for the past 5 years ending 3/31/2017. This compares to a very robust +13.3% for the S&P 500 Index for the same 5-year period: 1 of your 7 stock-oriented funds exceeded the S&P 500 Index' return for this 5-year period – all, except one of your domestic stock-oriented funds were at or above +12.5% annualized (see footnote #1 below to put this into perspective). Your foreign large cap fund lagged dramatically -- most foreign stock funds dramatically lagged U.S. stock funds for this period, see footnote #1 below.]

[1] According to Lipper (4/10/2017 Wall Street Journal), for the past 12 months ending 3/31/2017 all domestic diversified, non-specialty stock fund categories had returns between +14.6% & +23.5%. For the past 12 months the S&P 500 Index outperformed 6 of the 13 diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 3/31/2017 the International (ex-U.S.) stock fund category was up +10.5%. <u>For the 5-year period ending 3/31/2017 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +10.4% and +11.9%. [International stock fund category = +5.1% per year.]</u>

[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +1.7% for the previous 12 months ending 3/31/2017.

1st QUARTER, 2017 PLAN SUMMARY REPORT – BROASTER COMPANY

Prepared by: ***Investment Consultants (an affiliate of Compensation & Capital)***

The Trump Effect! The U.S. stock market has certainly moved up since President Trump was elected – why, and will this continue? The first question "why" is a lot easier to answer than the second; but neither is perfectly clear, nor easy to fully answer. Some of the issues/answers associated with "why" include:

- In the couple of months following the election, the S&P 500 Index of large U.S. companies' stocks rose about +5.8%. Many investors piled into stocks of banks, industrials, and infrastructure companies betting that the Trump's policies would particularly benefit these sectors. These beliefs were oftentimes based on the comments Donald Trump had made about reducing corporate taxes; reducing regulatory scrutiny of financial institutions; his administration's pursuing more favorable trade deals; and dramatically upgrading the U.S. infrastructure.
- In the first 3 months of 2017, the S&P 500 Index of large U.S. companies' stocks again rose nicely, +6.1%. But in contrast, during the January through March period (as stated in the April 1-2 Weekend Wall Street Journal), "Investors dialed back *[reduced purchases]* on shares expected to benefit from changing U.S. policy following the presidential election and *[instead]* piled into technology companies, wagering that a stronger economy would amplify their growth potential." The article also noted that "economic data have been getting better and confidence indicators are strong".

"Will this strong market advance continue?" is, of course, the *big* question! Additionally, was the sudden shift in the types of stocks purchased by investors based on rational financial and economic analyses, or instead was it based on changing perceptions/"guesses" about what the new administration will pursue and about what legislation this administration can push through Congress? The fact that a lot of economic and confidence indicators have strengthened is encouraging; but, is the market instead being driven by those who forecast political possibilities? As always, forecasting the market is at best uncertain, and it may be getting even more complicated. All of this is why many advisors continue to recommend diversified investing.

Indexing – the Final Answer, or … ? First, "indexing" refers to an investor investing his/her money in index funds. Wikipedia states "An index fund (also index tracker) is a mutual fund or exchange-traded fund (ETF) designed to follow certain preset rules so that the fund can track a specified basket of underlying investments. Those rules may include tracking prominent indexes like the S&P 500 or the Dow Jones Industrial Average." & "One index provider, Dow Jones Indexes, has 130,000 indices." [So much for simplicity!] An index fund, while trying to replicate the total return of its relevant index, or mixture of securities, is often thought to provide broad market exposure, low operating expenses (also called operating costs or expense ratios), and low portfolio turnover. The reality is that there are many, many index funds that do not give investors broad market exposure; and there are bond index funds, international index funds, natural resources index funds, and on and on. Many financial product salespeople who sell index funds emphasize the simplicity of investing in them, along with their low operating costs; but to develop a personalized, diversified investment strategy while using only index funds is *not* simplistic. Regarding low operating costs, the important element of a fund investment is not the costs, but the total return of an investment *after* all fund expenses are deducted. When you see a report from Investment Consultants that details any of your funds' total returns (be it an index fund or not), it will detail the total return *after* the fund's operating expenses (expense ratio) have been deducted. [Note: Some investors do not choose to invest in index funds because the funds' rules dictate investing in certain securities that track a market index, no matter what; and if those securities drop in value dramatically (as in 2008), the index fund has no alternative but to drop dramatically as well.]

Investment Consultants believes that there is a place for index funds, but there are actively-managed mutual funds (funds that attempt to outperform their benchmark indices and peer group averages) that have consistently outperformed their "benchmark indices" over market cycles. Often the most successful actively-managed mutual funds lose significantly less than well-known market indices during steep market drops, yet they participate nicely in market advances (though not necessarily outperforming the market indices during strong "up" markets).

BROASTER COMPANY - 1st Quarter, 2017 Plan Summary Report
Funds' Performances for Periods Ended March 31, 2017

The following report is intended to help you in evaluating your investments [1], and in selecting your mix of mutual funds for the future. The average diversified U.S. stock mutual fund's first quarter 2017 total return was +4.8%; and for the 12-month period ending March 31, 2017, the total return was +16.5%. [For 12 months: the S&P 500 index returned +17.2%; the small-cap stock index returned +26.2% [2]; & the average international (ex-U.S.) stock fund returned +10.5%]. The 3-month total return for taxable bond mutual funds averaged +1.4%, taking the average taxable bond fund total return to +4.8% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +0.09% for the previous 12 months. Remember that one quarter does *not* make your retirement investing a success or a failure, nor does it insure success or failure for the next quarter -- investing is a long-term proposition.

Fund Type	Periods Ended March 31, 2017: 1-Year Total Return *(Growth of $1,000)* [3]	**5-Year Average Return**	Fund Ranking [4] **5 Years**	Fund Ranking [4] 10 Years
Stock-oriented:				
Large Cap Funds:				
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]* [5]	+15.6% *($1,156)*	**12.5%**	**32**	22
(Vang Total Stock Market Index/Adm) *[NASDAQ Code = VTSAX] [LB]*	+18.1% *($1,181)*	**13.1%**	**15**	13
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	+15.9% *($1,159)*	**13.0%**	**14**	4
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	+16.7% *($1,167)*	**12.9%**	**25**	32
Small Cap Funds:				
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+20.1% *($1,201)*	**11.3%**	**40**	7
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	+23.9% *($1,239)*	**14.1%**	**5**	6
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	+12.9% *($1,129)*	**6.0%**	**22**	25
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	+11.7% *($1,117)*	**11.6%**	**1**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [6] *[NASDAQ Code = HABDX]*	+2.7% *($1,027)*	**3.0%**	**29**	9
(Templeton Global Bond Adv) [7] *[NASDAQ Code = TGBAX]*	+11.5% *($1,115)*	**3.9%**	**11**	1
(Vanguard Sht-Term Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+1.9% *($1,019)*	**2.1%**	**12**	15
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.0% *($1,000)*	**0.0%**	(-N/A-)	

(Endnotes on next page) →

BROASTER COMPANY - 1st Quarter, 2017 Plan Summary Report

(continued)

Endnotes:

[1] Remember that past performance is absolutely *not* a guarantee of future performance.

[2] Russell 2000 Index. All statistics in this paragraph are from the Wall Street Journal (Source: Lipper).

[3] If an investor had put $1,000 into each fund on March 31, 2016, one year later (on March 31, 2017) each fund would have been worth the amount in italics and parentheses below.

[4] Example -- "35" below means that the fund ranked in the top 35% in investment performance, as compared to funds with a similar investment style or objective, for the 5-year period or for 10 years ending March 31, 2017. This is commonly stated as "the fund ranked in the 35th percentile of its peer group." For percentile rankings, lower is better – a 35th percentile fund outperformed 65% of peer group funds for the timeperiod stated. Data supplied by Morningstar.

[5] The following categories are as defined by Morningstar. Small Cap, Mid Cap, and Large Cap refer to the average size of the companies whose stock is held in the fund. For your stock funds (and the stock holdings of your balanced fund): [first letter] L = Large Cap, M = Mid Cap, S = Small Cap; [second letter] G = Growth, V = Value, B = Blend (Value/Growth). Example – *[LV]* means a large cap, value style. A "Value" style means that typically the fund portfolio manager buys stocks that he/she thinks will both grow in price *and* currently can be purchased at a price that is a good value. A "Growth" style manager focuses on buying stocks that are anticipated to grow in price, regardless of the current price of the stock (that is, even if based on historical standards, the stock price seems expensive already). An "Allocation Fund" is a "balanced fund" that holds a mixture of predominantly U.S. stocks and fixed income securities (e.g., bonds and money market securities). A "Foreign or International Equity" fund holds predominantly non-U.S. stocks, whereas a "World Stock" fund holds non-U.S. and U.S. stocks.

[6] Morningstar categorizes the Harbor Bond Fund as an "intermediate-term bond fund". Over time it is diversified across various bonds, including corporate and government bonds.

[7] Morningstar categorizes the Templeton Global Bond Fund as a "world bond fund". Over time it is diversified across various geographies worldwide.