

INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

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Topic: The Broaster Company 401(k) Plan – Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 3-31-2018, covering your mix of funds. This past 3-month period ending March 31 was down somewhat for the overall U.S. stock market and down somewhat more for the aggregate international stock markets, and down for the overall U.S. bond market. According to Lipper Fund Services, the average U.S. stock mutual fund's first quarter 2018 total return was -0.4%, and the S&P 500 Index was down -0.8% for the first quarter. For the 12 months ending 3-31-2018 the S&P 500 Index was up +14.0%. According to MorningstarTM all of your funds have performed 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 well on average over the past 12 months ending 3-31-2018 – 4 funds within the top 25% of their peer groups’ funds and 1 fund within the bottom 25% of its peer group’s funds. For the past 12 months ending 3-31-2018 (with the S&P 500 Index up +14.0%) three of your six domestic stock-oriented funds either virtually matched or outperformed the S&P 500 Index.¹ For this time period the places to be invested were in U.S. growth-oriented stocks (U.S. companies that lean toward being relatively more aggressive) and in Emerging Markets stocks. Your top performing stock-oriented fund was the Fidelity Contrafund at a +23.8% total return for the 12 months ending 3-31-2018, and your Harbor Bond Fund returned +2.0% 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 +7.4% & +15.1% for the past 5 years ending 3/31/2018. This compares to a robust +13.3% annualized for the S&P 500 Index for the same 5-year period: 3 of your 7 stock-oriented funds either virtually matched or exceeded the S&P 500 Index’ return for this 5-year period – all of your domestic stock-oriented funds were at or above +11.8% 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 (4/9/2018 Wall Street Journal), for the past 12 months ending 3/31/2018 all domestic diversified, non-specialty stock fund categories had returns between +6.0% & +22.1%. For the past 12 months the S&P 500 Index outperformed 9 of the 13 diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 3/31/2018 the International (ex-U.S.) stock fund category was up +16.7%. For the 5-year period ending 3/31/2018 all domestic diversified, non-specialty U.S. stock fund investment categories had annualized total returns of between +8.9% and +14.4%. [International (ex-U.S.) stock fund category = +6.5% per year for the same 5 years.]

² According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +0.6% for the previous 12 months ending 3/31/2018.

1st QUARTER, 2018 PLAN SUMMARY REPORT – BROASTER COMPANY

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

Remainder of 2018? – “Crystal Clear”!?!? – Food for Thought.

The Story Doesn’t End at Crazy, Great One-Year Performance.

It’s easy to feel that we *deserve* the good fortune of 2017’s stellar market surprises. That’s especially true for anyone with a Plan account who endured the bone-chilling fear of the 16-month bear market that began about a decade ago. So, don’t be modest. Bask in the warmth of extraordinarily positive returns. Soak it in! Remember how it feels. Then store it up as positive energy for bear markets to come.

Having noted the above strong 2017 U.S. stock market, “Why did all of my U.S. stock-oriented funds inside this report *not* perform similarly over the past 12-16 months?” Well, as we have discussed previously, different investment “styles” go “in and out of favor”. Since President Trump has been in office, the group of “growth-oriented” stocks (such as technology companies) has significantly outperformed more conservative “value-oriented” stocks (such as banks and consumer-oriented companies). For the past 12 months ending March 31, 2018, the average U.S. Large Company “Growth” Stock Mutual fund (according to Morningstar) returned +20.1%, while the average U.S. Large Company “Value” Stock Mutual fund returned +12.4%. Also, the mutual funds owning larger U.S. company stocks generally outperformed those funds owning medium-sized and small U.S. company stocks – for this same period.¹ The fund characteristics that lead to superior performance often rotate in and out of favor – that is, professional investors tend to develop beliefs or themes, based on what they think will happen in the global economies and in the stock and bond markets. These beliefs and investing themes, which can (and often do) change dramatically over time, result in the prices of certain stocks and bonds going up and down in value, both as individual investments and relative to one another. The concept of “supply and demand” remains prominent. If the themes were consistent, or at least predictable, everyone would invest accordingly; but they are not! This leads us, once again to a common topic of these quarterly reports – diversification.

Diversification means investing in different asset categories (such as stocks, bonds, and money market funds) and investing in various types of funds (such as U.S. large company growth funds, U.S. small company value funds, intermediate-term bond funds, and foreign developed markets stock funds). That is, *not* putting all of your account balances into one type of investment. The primary goal of diversification is to lower the overall volatility (sometimes called “risk”) of your investment portfolio, while attaining similar or better total returns (or at least, *better returns per unit of risk taken*) over the medium- to long-term – i.e., better than would have been attained by investing in a more concentrated and more volatile portfolio. Many investment experts suggest that long-term investors should stay diversified – given that it is rarely clear what specific market actions are going to happen and when; and, therefore, it is unclear what kinds of investments are going to outperform the other kinds for any given period of time.

Beware upcoming 10 Year Return statistics: September and October of 2008 saw U.S. stocks fall -9.1% and -16.9% respectively. Later in 2018, these two brutal “down” months will no longer be included in the trailing 10 Year stats. As a result, raw 10 Year returns on stock funds will likely be even further eye-popping than they are already. Don’t get misled. Understanding the relationships between the data on our performance charts inside is not just interesting; it acts as vital support to maintaining balanced emotions during both bull and bear markets. As we present these performance charts over the coming quarters, take some time to apply this perspective to this evolving investment landscape.

¹ A quick example follows – for the 12 months ending 3/31/2018, the T. Rowe Price Blue Chip Growth Fund is ranked ahead of 96% of all U.S. large company growth funds (its “peer group”, according to Morningstar) & the Fidelity Low-Priced Stock Fund is similarly ranked ahead of 95% of all U.S. mid-sized company value funds. Yet the T. Rowe Price fund outperformed the Fidelity fund by +16.2% for the 12 months.

BROASTER COMPANY - 1st Quarter, 2018 Plan Summary Report

Funds' Performances for Periods Ended March 31, 2018

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 2018 total return was -0.4%; and for the 12-month period ending March 31, 2018, the total return was +12.3%. [For 12 months: the S&P 500 index returned +14.0%; the small-cap stock index returned +11.8% ²; & the average international (ex-U.S.) stock fund returned +16.7%]. The 3-month total return for taxable bond mutual funds averaged -0.6%, taking the average taxable bond fund total return to +2.1% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +0.6% 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, 2018: | | Fund Ranking ⁴ | |
|--|--|--------------------------|---------------------------|----------|
| | 1-Year Total Return (Growth of \$1,000) ³ | 5-Year Average Return | 5 Years | 10 Years |
| Stock-oriented: | | | | |
| Large Cap Funds: | | | | |
| (Fidelity Contrafund) [NASDAQ Code = FCNTX] [LG] ⁵ | +23.8% (\$1,238) | 15.1% | 32 | 36 |
| (Vang Total Stock Market Index/Adm) [NASDAQ Code = VTSAX] [LB] | +13.9% (\$1,139) | 13.0% | 23 | 14 |
| (Vanguard Equity-Income/Adm) [NASDAQ Code = VEIRX] [LV] | +10.4% (\$1,104) | 11.8% | 17 | 10 |
| Mid Cap Fund: | | | | |
| (Vanguard Mid Cap Index/Adm) [NASDAQ Code = VIMAX] [MB] | +12.3% (\$1,123) | 12.3% | 16 | 32 |
| Small Cap Funds: | | | | |
| (Loomis Sayles SmCap Growth Instl) [NASDAQ Code = LSSIX] [SG] | +22.9% (\$1,229) | 13.2% | 26 | 23 |
| (Vanguard Tax-Mged Small Cap/Adm) [NASDAQ Code = VTMSX] [SB] | +12.7% (\$1,127) | 13.5% | 3 | 7 |
| International Fund: | | | | |
| (T. Rowe Price Overseas Stock) [NASDAQ Code = TROX] [LB] | +17.0% (\$1,170) | 7.4% | 20 | 19 |
| Allocation Fund – 50% to 70% Equity: | | | | |
| (T. Rowe Price Capital Appreciation) [NASDAQ Code = PRWCX] [LG] | +10.0% (\$1,100) | 11.0% | 1 | 1 |
| Bond-Oriented Funds: | | | | |
| (Harbor Bond Institutional) ⁶ [NASDAQ Code = HABDX] | +2.0% (\$1,020) | 1.9% | 37 | 23 |
| (Templeton Global Bond Adv) ⁷ [NASDAQ Code = TGBAX] | -0.6% (\$994) | 1.8% | 39 | 5 |
| (Vanguard Sht-Term Inv-Grade/Adm) [NASDAQ Code = VFSUX] | +0.8% (\$1,008) | 1.6% | 16 | 19 |
| Money Market Fund: | | | | |
| (TD Bank USA Institutional MMDA) [NASDAQ Code = N/A] | +0.1% (\$1,001) | 0.0% | (-N/A-) | |

(Endnotes on next page) →

BROASTER COMPANY - 1st Quarter, 2018 Plan Summary Report

(continued)

Endnotes:

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- 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, 2017, one year later (on March 31, 2018) 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, 2018. 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 time period 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.