INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants ***April 9, 2020***
Topic: The Broaster Company 401(k) Plan – Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 3-31-2020, covering your mix of funds. This past 3-month period ending March 31 was very poor for the overall U.S. stock market and it was down similarly for the aggregate international stock markets, and lastly it was up modestly for short- & intermediate-term U.S. bond funds. According to Lipper Fund Services, the average U.S. stock mutual fund's first quarter 2020 total return was -24.6%, and the <u>S&P 500 Index was down -19.6% for the first quarter</u>. <u>For the 12 months ending 3-31-2020 the S&P 500 Index was down -7.0%</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, with the exception of the Templeton Global Bond Fund's 5-year relative performance that lagged significantly. [Note: See footnote #7 in the attached "Plan Summary Report" for input regarding a one-time Morningstar change affecting this Fund's rankings.] 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 3-31-2020 – 4 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 3-31-2020 (with the S&P 500 Index down -7.0%) one of your six domestic stock-oriented funds outperformed the S&P 500 Index (not an easy task, for this period).[1] For this time period the place to be invested (regarding equities) was in large U.S. growth-oriented companies (including many which make up the S&P 500 Index). Your top performing stock-oriented fund was the Fidelity Contrafund at a -2.0% total return for the 12 months ending 3-31-2020, and your Harbor Bond Fund returned +7.3% for the same 12-month period.[2]

[Note: To put your funds' returns into perspective during the past five years' market conditions, your 7 stock-oriented funds have annualized total returns (compounded each year) of between -1.1% & +9.0% for the past 5 years ending 3/31/2020. This compares to a +6.7% annualized total return 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 – for the 10-year period, 5 of your 7 stock-oriented funds were within 1% per year or exceeded the S&P 500 Index' return. Your foreign large cap fund lagged dramatically – as most foreign stock funds dramatically lagged U.S. stock funds for these periods, see footnote #1 below.]

[1] According to Lipper (4/6/2020 Wall Street Journal), for the past 12 months ending 3/31/2020 the S&P 500 Index outperformed the Dow Jones World (ex. U.S.) Index -- -7.0% versus -15.8%. One of your stock-oriented funds is a foreign/international fund. <u>For the 5-year period ending 3/31/2020 the S&P 500 Index also significantly outperformed the Dow Jones World (ex. U.S.) Index, with an annualized total return of +6.7% versus -0.4%</u>.

[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +4.5% for the previous 12 months ending 3/31/2020.

1st QUARTER, 2020 PLAN SUMMARY REPORT – BROASTER COMPANY

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

Uncertainties Abound – How Vulnerable is Your Plan Account?

[BASED ON THE 3rd Quarter, 2001 Report, published soon after 9-11-2001; a different major event]

Fulfilling the many responsibilities (including financial ones) to our families and ourselves is difficult enough during normal times and relative economic stability. We've all recently experienced great angst contemplating how the Coronavirus crisis came about and where it will lead us. But with the shock to the U.S. and global financial markets, many prudent investors feel compelled to pause from their other serious concerns, and to contemplate the correctness of past (and future) investment decisions. This is not a time to overreact, but to make thoughtful decisions.

As seasoned investment professionals, we are by no means immune from the COVID-19 anxieties – we grapple with the same uncertainties as each of you during these troubled times. But after thorough thought and study, we concluded that the path by which we have always determined our investment fund mixes has not been altered by recent events. Time-proven tenets of investing – realistic expectations of future returns, diversification appropriate to your time horizon, and regularly scheduled purchases – dictate the path of a successful investor. This was true before the recent global events, and it remains true today.

If you haven't done so previously, incorporating the following thoughts and considerations into your plan investment decisions should act to reduce your account's vulnerability to unacceptable fluctuations:

- The level of your portfolio's vulnerability to shocks is always greater if your asset allocation is not appropriate to your portfolio's 'time horizon'; that is, the time you have until you anticipate permanently withdrawing money from your account. Asset allocation refers to the proportions of your portfolio you invest in major asset classes (cash vs. bonds vs. U.S. stocks vs. foreign stocks). Longer time horizons generally justify more aggressive investments, like stocks. Shorter time horizons usually demand a more conservative approach – like bonds or cash. Investors with long time horizons have more time to wait for more volatile investments to recover from downturns. An investor's asset allocation is the most important investment decision he or she makes. Once formulated (based upon one's time horizon *[which changes as the years pass]* and investment goals, and to a lesser degree personal risk tolerance) asset allocation should be altered only if there is an important personal life event – for example, new children, marriage/divorce, inheritance, severe illness – or if a particular asset class is way up or way down for a significant period of time.
- For most retirement plan participants, it is advisable to further diversify across multiple categories of mutual funds within the various asset classes discussed above. As you may be aware, over the past 12 months through 4/2/2020, most stock fund categories are down 15-25%, according to Morningstar. But Short-Term Bond and Intermediate Core Bond fund categories were actually up.
- If you continuously buy funds over your investing lifetime, by the time you retire you are typically better off if the funds have fluctuated in price, versus if the funds steadily rose in price. This process is called 'dollar cost averaging.' That is, with price fluctuations that allow you to 'buy low' at different times, you will probably attain a larger overall return on your investments.
- Because of tax breaks for 401(k) or profit-sharing plans, even if the market goes down, your overall returns are better than if you had invested similarly in a non-tax-deferred account. Also, even if the market goes down, participants fortunate enough to receive a contribution from their employers could still experience positive returns on payroll deductions they have made to their plan accounts.

If you previously developed your investment fund mix using these considerations, you should take comfort that the recent shock to your plan account and your financial vulnerability to future market shocks have been, and will continue to be, lessened by your insightful planning.

BROASTER COMPANY - 1st Quarter, 2020 Plan Summary Report

Funds' Performances for Periods Ended March 31, 2020

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 2020 total return was -24.6%; and for the 12-month period ending March 31, 2020, the total return was -15.5%. [For 12 months: the S&P 500 index returned -7.0%; the small-cap stock index returned -24.0% [2]; & the Dow Jones World (ex. U.S.) Index returned -15.8%]. The 3-month total return for intermediate-term U.S. bonds was +0.4%, taking the previous 12-month return to +4.5%. 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, 2020: 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]	-2.0% *($980)*	**9.0%**	**36**	36
(Vang Total Stock Market Index/Adm) *[NASDAQ Code = VTSAX] [LB]*	-9.2% *($908)*	**5.7%**	**36**	21
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	-13.2% *($868)*	**4.6%**	**8**	3
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	-16.7% *($833)*	**2.1%**	**13**	8
Small Cap Funds:				
(Loomis Sayles SmCap Growth Instl) *[NASDAQ Code = LSSIX] [SG]*	-16.7% *($833)*	**4.2%**	**30**	17
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	-25.3% *($747)*	**0.5%**	**12**	4
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	-15.8% *($842)*	**-1.1%**	**53**	16
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	-2.0% *($980)*	**7.1%**	**1**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [6] *[NASDAQ Code = HABDX]*	+7.3% *($1,073)*	**3.2%**	**14**	46
(Templeton Global Bond Adv) [7] *[NASDAQ Code = TGBAX]*	-5.5% *($945)*	**0.5%**	**67**	43
(Vanguard Sht-Term Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+2.0% *($1,020)*	**2.0%**	**12**	18
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.4% *($1,004)*	**0.2%**	(-N/A-)	

(Endnotes on next page) →

BROASTER COMPANY - 1st Quarter, 2020 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, 2019, one year later (on March 31, 2020) 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, 2020. 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 allocation 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 core-plus bond fund – a new category as of several months ago. When interest rates rise, this fund will tend to drop in value more than short-term bond funds, in the short term. This fund, as with most of your funds, is intended for use as a long-term investment. Over time it is diversified across various bonds, including corporate and government bonds.

[7] Historically this fund was categorized as a "world bond" fund by Morningstar. Over time it has been diversified across various geographies worldwide. Recently it has been recategorized as a "nontraditional bond" fund. Michael Hasenstab (its long time, award winning portfolio manager) remains as the fund's lead portfolio manager, and continues to invest in the fashion that he has invested in the past. The manager's contrarian style can, and has resulted in "up" and "down" periods of performance.