INVESTMENT CONSULTANTS LLC
(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants LLC ***April 9, 2021***
Topic: The Broaster Company 401(k) Plan – Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 3-31-2021, covering your mix of funds. This past 3-month period ending March 31 was solid for the overall U.S. stock market and it was up modestly for the aggregate international stock markets, and lastly it was down somewhat for intermediate-term U.S. bond funds. According to Lipper Fund Services, the average U.S. stock mutual fund's first quarter 2021 total return was +8.5%, and the <u>S&P 500 Index was up +6.2% for the first quarter</u>. <u>For the 12 months ending 3-31-2021 the S&P 500 Index was up a whopping +56.4%</u>. [Keep in mind that in the first quarter of last year (the "Covid-19 Quarter"), the S&P 500 Index was down -19.6%, so the big return since then is the result of both good market performance and the fact that the last 12 months were calculated from a reduced market level.] 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 exception of the Templeton Global Bond Fund's relative performance that lagged significantly. [Note: See footnote #7 in the attached "Plan Summary Report" regarding a one-time Morningstar change affecting this Fund's rankings.] Your passive "index funds" (vs. 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 to performed mixed on average over the past 12 months ending 3-31-2021 (short term) – 3 funds within the top 25% of their peer groups' funds and 4 funds within the bottom 25% of their peer groups' funds. For the past 12 months ending 3-31-2021 (with the S&P 500 Index up +56.4%) five of your six domestic stock-oriented funds outperformed the S&P 500 Index.[1] For this time period, the place to be invested (regarding equities) was in U.S. small companies, and particularly "value-oriented" companies. Your top performing stock-oriented fund was the Vanguard Tax-Managed Small Cap Adm Fund at a +93.8% total return for the 12 months ending 3-31-2021, and your Vanguard Short-Term Investment-Grade (bond) Fund returned +6.4% 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 +9.9% & +19.8% for the past 5 years ending 3/31/2021. This compares to a +16.3% annualized total return for the S&P 500 Index for the same 5-year period: 3 of your 7 stock-oriented funds exceeded the S&P 500 Index' return for this 5-year period {all of your domestic stock funds returned at least +12.0%}. Your foreign large cap fund lagged significantly – as most foreign stock funds dramatically lagged U.S. stock funds for the 5-year period, see footnote #1 below.]

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1 According to Lipper (4/5/2021 Wall Street Journal), for the past 12 months ending 3/31/2021 the S&P 500 Index outperformed the Dow Jones World (ex. U.S.) Index -- +56.4% versus +51.4%. One of your stock-oriented funds is a foreign/international fund. <u>For the 5-year period ending 3/31/2021 the S&P 500 Index significantly outperformed the Dow Jones World (ex. U.S.) Index, with an annualized total return of +16.3% versus +10.0%</u>.

2 According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +7.4% for the previous 12 months ending 3/31/2021.

1st QUARTER, 2021 PLAN SUMMARY REPORT – BROASTER COMPANY

Prepared by: *Investment Consultants LLC*

A Bit of This & That!

The following include some new thoughts and statistics, along with some old standby concepts:

- Given the following "performance reference frames" for some major investment categories, why doesn't everyone invest only in stocks? For the 49 years (1/1/1970-12/31/2018) [1]: the average annualized return for Large U.S. Equity = 10.21% [S&P 500] and the returns *were positive 80% of the years*; Small U.S. Equity = 10.60% [combination of an Ibbotson Index and the Russell 2000] and the returns *were positive 69% of the years*; Non-U.S. Equity = 8.42% [MSCI EAFE Index] and the returns *were positive 69% of the years*; and U.S. Bonds = 7.37% [combination of an Ibbotson and a Barclays Index] and the returns *were positive 94% of the years*. Two prominent reasons that everyone doesn't invest only in stocks are → bonds are typically much less volatile/risky (e.g., bonds were *never* down -51% for a 16-month period, as was the S&P 500 Index from 11/1/2007 thru 2/28/2009; nor down -19.6% for just the two-month period from 2/1/2020 thru 3/31/2020); and, related to this, see the next "bullet" item below.
- In total, the U.S. stock market has been up dramatically for the past 10-plus-year period. Because no one knows for sure what will happen in the stock market, nor when, I have asked many individual investor clients the following question: First, let's assume that the stock market is going to move 25-30% over the next year or so, but we don't know which way – "up" *or* "down"! Which do you consider more important (or "less troubling") to you: (1) if the stock market drops 25-30% and, *by investing more conservatively* (less in stocks), you *avoid much of the drop?*; or (2) the stock market goes up 25-30% and, again by investing more conservatively, you *miss a significant portion of the market rise*? Oftentimes two significant variables that affect this answer are one's age and how much savings has already been accumulated. For example, if you are young and you need to grow your savings substantially over time, you might be more willing to invest a larger portion of your money in more volatile investments such as stocks, knowing that you have many more years of "up" and "down" markets before you retire. If you are closer to retirement, with substantial savings, safety may be the key – i.e., a steep market decline is *not* an acceptable option.
- In last quarter's report, it was noted – "the point that there are a lot of new, inexperienced investors is real. Citadel Securities estimates that … individual traders' … share of total trading doubled from 10% in 2019 to 20% in 2020. Looking forward, it is unknown how this new dynamic will affect the stock market." Related to this, in the recent weekend Wall Street Journal (3/27-28/2021), Jason Zweig wrote the following in his column, "The Intelligent Investor" → "Now the glory often goes to those who know the least and don't even care. That has turned the traditional investing hierarchy upside down, although it probably won't last." [Note: There are already signs of it "not lasting", such as a lot of recent big price drops for technology stocks that had soared over the previous six months.] But as they say, "only time will tell!"
- Following are 2 fundamental, "building block" investment concepts, which we have discussed before: (1) Adjust your mix of stocks and bonds in a more conservative direction (bonds and money market funds versus stocks) or in a more aggressive "riskier" direction (toward stocks), based on your market optimism and your timeframe for needing to use your account balances. & (2) Diversify your investments. [2]
- ***An Approach to Consider***: One way that some investors have dealt with their past successes (and/or their concerns/fears of a future stock market slump) is by *shifting a portion* of their *existing stock investment balances toward more conservative funds* such as balanced funds (a mixture of stocks & bonds), bond funds, and money market funds. At the same time the investors adjusted their existing account balances to become more conservative; the same investors also shift their *future purchases (from ongoing contributions) more toward stock funds,* thereby actually getting more aggressive with their future purchases. If the stock market was to drop significantly, these investors would be buying future stock funds at lower prices – a good thing. All the while their "now-more-conservatively-invested" existing account balances should shield them from what would have otherwise been "more severe" short-term stock market losses.

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[1] From an article in the February 2019 Financial Planning magazine titled "Countering a 'Sell Everything' Call", by Craig L. Israelsen. As always, past performance is NOT a guarantee of future performance.

[2] 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, intermediate-term bond funds, and foreign developed markets stock funds).

BROASTER COMPANY - 1st Quarter, 2021 Plan Summary Report

Funds' Performances for Periods Ended March 31, 2021

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 2021 total return was +8.5%; and for the 12-month period ending March 31, 2021, the total return was +72.5%. [For 12 months: the S&P 500 index returned +56.4%; the small-cap stock index returned +94.8% [2]; & the Dow Jones World (ex. U.S.) Index returned +51.4%]. The 3-month total return for intermediate-term U.S. bonds was -1.0%, taking the previous 12-month return to +7.4%. 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, 2021: 1-Year Total Return *(Growth of $1,000)* [3]	5-Year Average Return	Fund Ranking [4] 5 Years	10 Years
Stock-oriented:				
Large Cap Funds:				
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]* [5]	+57.4% *($1,574)*	**19.1%**	**50**	43
(Vang Total Stock Market Index/Adm) *[NASDAQ Code = VTSAX] [LB]*	+62.7% *($1,627)*	**16.7%**	**13**	17
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	+47.5% *($1,475)*	**12.0%**	**39**	8
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	+70.6% *($1,706)*	**14.6%**	**23**	16
Small Cap Funds:				
(Loomis Sayles SmCap Growth Instl) *[NASDAQ Code = LSSIX] [SG]*	+82.0% *($1,820)*	**19.8%**	**51**	43
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	+93.8% *($1,938)*	**15.5%**	**23**	2
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	+53.8% *($1,538)*	**9.9%**	**27**	19
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LB]*	+39.7% *($1,397)*	**13.5%**	**4**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [6] *[NASDAQ Code = HABDX]*	+3.9% *($1,039)*	**4.0%**	**40**	60
(Templeton Global Bond Adv) [7] *[NASDAQ Code = TGBAX]*	-2.5% *($975)*	**0.8%**	**92**	90
(Vanguard Sht-Term Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+6.4% *($1,064)*	**2.9%**	**22**	16

(Endnotes on next page) →

BROASTER COMPANY - 1st Quarter, 2021 Plan Summary Report

(continued)

Endnotes:

[1] Remember that past performance is absolutely <u>*not*</u> 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, 2020, one year later (on March 31, 2021) 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, 2021. 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 2020. 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. In 2020, it was 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.