INVESTMENT CONSULTANTS LLC
(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants LLC ***April 14, 2023***
Topic: The Broaster Company 401(k) Plan – Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 3-31-2023, covering your mix of stock and bond mutual funds. This past 3-month period ending March 31 was up significantly for the overall U.S. stock market and for the aggregate international stock markets; and lastly, it was up for taxable intermediate-term U.S. bond funds. According to Lipper Fund Services, the average U.S. stock mutual fund's first quarter 2023 total return was +5.6%, and the <u>S&P 500 Index was up +7.5% for the first quarter</u>. <u>For the 12 months ending 3-31-2023 the S&P 500 Index was down -7.7%</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 3-31-2023 – 3 funds within the top 25% of their peer groups' funds and 2 funds within the bottom 25% of their peer groups' funds. For the past 12 months ending 3-31-2023 (with the S&P 500 Index down -7.7%) two of your six domestic stock-oriented funds outperformed the S&P 500 Index.[1] For this time period, the place to be invested (regarding diversified equity fund categories) was in international (particularly European) stock funds. Your top performing stock-oriented fund was the Vanguard Equity-Income Adm Fund at a -3.2% total return for the 12 months ending 3-31-2023, and your Vanguard Short-Term Investment-Grade Admiral Bond Fund returned -0.2% 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 +3.0% & +10.4% for the past 5 years ending 3/31/2023. This compares to a +11.2% annualized total return for the S&P 500 Index for the same 5-year period: 2 of your 7 stock-oriented funds were within 1.0% of the "difficult-to-beat" S&P 500 Index' annualized return for this 5-year period. Your foreign large cap fund lagged dramatically – as most foreign stock funds dramatically lagged U.S. stock funds for the 5-year period, see footnote #1 below.]

1 According to Lipper (4/10/2023 Wall Street Journal), for the past 12 months ending 3/31/2023 the S&P 500 Index somewhat lagged the Dow Jones World (ex. U.S.) Index → -7.7% versus -5.7%. One of your stock-oriented funds is a foreign/international fund. <u>For the 5-year period ending 3/31/2023, the S&P 500 Index very significantly outperformed the Dow Jones World (ex. U.S.) Index, with an annualized total return of +11.2% versus +2.4%</u>.

2 According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was -4.9% for the previous 12 months ending 3/31/2023.

1st QUARTER, 2023 PLAN SUMMARY REPORT – BROASTER COMPANY

Prepared by: *Investment Consultants LLC*

A Bit of This & That -- Revisited!

The following include some excerpts from past reports, along with some new thoughts:

- A fundamental "building block" investment concept, which we have discussed before is → Diversify your investments. [1]
- Overall, the U.S. stock market has been up dramatically for the past 14-year period (since the 2008 recession), with some notable periods of decline. [2] 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 20-25% 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 20-25% and, *by investing more conservatively* (less in stocks), you *avoid much of the drop?*; or (2) the stock market goes up 20-25% 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 you have already accumulated. For example, if you are younger 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. (Said differently, you have more time to recover from a market drop.) 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.
- 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 consistently withdrawing money from your account. Asset allocation refers to the proportions of your portfolio you invest in each major asset class (cash vs. bonds vs. U.S. stocks vs. foreign stocks). As noted above, longer time horizons generally justify more aggressive investments, like stocks; while shorter time horizons usually suggest a more conservative approach, like bonds or cash. (1) Putting in place a substantial salary deferral program; along with (2) establishing an appropriate asset allocation (that fits his/her personal goals and comfort level) -- are an investor's most important investment-related decisions that he or she makes.
- Because of federal tax incentives for 401(k) and/or profit-sharing plan contributors, and particularly if plan participants are fortunate enough to receive contributions from their employers; *even if the market goes down*, the plan participants could still experience significant positive growth associated with payroll deductions/contributions they made to their plan accounts.
- Rebalancing is one of the recurring topics in these quarterly reports, and it is a broadly accepted and a well-tested investing strategy. It means that once you have decided on an initial percentage mix of different types of asset categories that are best for you (called your "target allocation") → *at least annually* you review the percentages that you have in each type of investment. Anytime a category's allocation percentage has moved significantly away from its target allocation percentage, consider adjusting the category's allocation back to its initial percentage. *Rebalancing is intended to keep an investor's overall portfolio risk level somewhat constant*. [Note: Periodically you should revisit your original "target allocation" and make adjustments, based on your current financial situation, your age, and your comfort level with the stock market.]
- An Approach to Consider: One way that some investors have dealt with their past significant plan balance growth (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), short-term bond funds, and "stable value" funds (including money market funds). *At same time*, the same investors also *shifted 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.

[1] 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, short-term bond funds, and foreign stock funds).

[2] Stocks have significantly outperformed bonds over medium- to long-term periods, with more "ups" and "downs" along the way.

BROASTER COMPANY – 1st Quarter, 2023 Plan Summary Report
Funds' Performances for Periods Ended March 31, 2023

The following report is intended to help you in evaluating your investments, and in selecting your mix of mutual funds for the future [1]. The average diversified U.S. stock mutual fund's first quarter 2023 total return was +5.6%; and for the 12-month period ending March 31, 2023, the total return was -9.1%. [For 12 months: the S&P 500 index returned -7.7%; the small-cap stock index returned -11.6% [2]; & the Dow Jones World (ex. U.S.) Index returned -5.7%]. The 3-month total return for taxable intermediate-term U.S. bond funds was +2.9%, taking the previous 12-month return to -4.9%. Remember that one quarter does *not* make your retirement investing a success or a failure, nor does it ensure success or failure for the next quarter -- investing is a long-term proposition.

	Periods Ended March 31, 2023:		Fund Ranking [4]	
Fund Type	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]	-11.3% *($887)*	**10.2%**	**55**	39
(Vang Total Stock Market Index/Adm) *[NASDAQ Code = VTSAX] [LB]*	-8.8% *($912)*	**10.4%**	**45**	33
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	-3.2% *($968)*	**9.0%**	**28**	16
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	-9.9% *($901)*	**8.1%**	**28**	16
Small Cap Funds:				
(Loomis Sayles SmCap Growth Instl) *[NASDAQ Code = LSSIX] [SG]*	-7.2% *(928)*	**7.6%**	**46**	28
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	-9.0% *($910)*	**6.3%**	**41**	4
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	-3.5% *($965)*	**3.0%**	**47**	26
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	-3.5% *($965)*	**10.4%**	**1**	1
Bond-Oriented Funds:				
(Fidelity Investment Grade Bond) [6] *[NASDAQ Code = FBNDX]*	-5.0% *($950)*	**1.6%**	**5**	8
(BlackRock Strategic Glbl Bond/I) [7] *[NASDAQ Code = MAWIX]*	-6.9% *($931)*	**-0.2%**	**23**	10
(Vang Sht-Term Inv-Grade/Adm) [8] *[NASDAQ Code = VFSUX]*	-0.2% *($998)*	**1.6%**	**29**	16

(Endnotes on next page) →

BROASTER COMPANY – 1st Quarter, 2023 Plan Summary Report

(continued)

Endnotes:

[1] Remember that past performance is absolutely ***not*** a guarantee of future performance. This report does *not* cover your money market fund, which returned +2.6% for the 12 months ending March 31, 2023.

[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, 2022, one year later (on March 31, 2023) 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, 2023. This is commonly stated as "the fund ranked in the 35^{th} percentile of its peer group." For percentile rankings, lower is better – a 35^{th} 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] This fund is categorized as an "intermediate core bond" fund by Morningstar.

[7] This fund is categorized as a "global bond" fund by Morningstar.

[8] This fund is categorized as a "short-term bond" fund by Morningstar.