INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

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

Enclosed is your Plan Summary Report for the quarter ending 6-30-2013, covering your mix of funds. This past 3-month period ending June 30 was up slightly for the overall U.S. stock market and was slightly down for the aggregate international stock markets, and it was down 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 +1.6% & +3.8% for the second quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's second quarter 2013 total return was +2.3%, and the <u>S&P 500 Index was up +2.9% for the second quarter</u>. <u>For the 12 months ending 6-30-2013 the S&P 500 Index was up +20.6%</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. [Note: 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 6-30-2013 – 3 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 6-30-2013 (with the S&P 500 Index up +20.6%) five of your seven stock-oriented funds outperformed the S&P Index.[1] Your top performing stock-oriented fund was the Loomis Sayles Small Cap Growth Fund at a +27.3% total return for the 12 months ending 6-30-2013, and your Templeton Global Bond Fund returned +8.0% for the same 12-month period.[2]

[Note: To put your funds' returns into perspective during the past five years' dynamic market conditions, your 7 stock-oriented funds have annualized total returns (compounded each year) of between +0.4% & +11.7% for the past 5 years ending 6/30/2013. This compares to +7.0% for the S&P 500 Index for the same 5-year period: 5 of your 7 stock-oriented funds exceeded the S&P 500 Index' return for this 5-year period. One of the laggards is your foreign large cap fund, most of which have significantly lagged U.S. stock funds for this period.]

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[1] According to Lipper (7/8/2013 Wall Street Journal), for the past 12 months ending 6/30/2013 all domestic diversified, non-specialty stock fund categories had positive returns -- between +15.9% & +27.9%. <u>For the past 12 months the S&P 500 Index outperformed more than 1/2 of the diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 6/30/2013 the International stock fund category was up +16.2%</u>. For the 5-year period ending 6/30/2013 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +5.3% and +9.4%. [International stock fund category = -0.6% per year.]

[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +0.5% for the previous 12 months ending 6/30/2013.

2nd QUARTER, 2013 PLAN SUMMARY REPORT – BROASTER COMPANY

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

"Easy Money" & the Federal Reserve Bank – A Good Thing or a Bad Thing?

Of course, the answer to the question above is "yes". What?!? Why?!? It depends on who you ask, and it depends on your timeframe. For stock brokers and individuals who have retired in the past several years or who are about to retire soon, it has been a "good thing". All of the Fed's bond buying (approximately $1 trillion per year), which puts "easy money" into the economy, has kept interest rates low and has pumped money into the financial markets. [The Central Banks of many large countries, including Japan and the European Union, have also pumped a lot of money into their economies.] The low interest rates led to the following, among other things: (1) they have allowed people and companies who borrowed money to pay much smaller borrowing costs; and (2) they have resulted in lower income for investors in money market funds and in bond investments. This has encouraged many people who invested in bonds to invest their money in the stock market. Higher demand for stocks has lifted stock prices. This has been good for stock brokers and for individuals who had been invested in the stock market and who recently retired and took their higher account balances out of 401(k) and Profit Sharing Plans. [Of course, if a Participant took money out of his/her Plan and kept it invested in the financial markets, he/she is still exposed to the "up's and down's" of the markets.]

What are the "bad things" associated with the Fed's "easy money" bond buying? There are three things that I will highlight: (1) When there is more money "floating around" in the economy, some of it will find its way to ineffective companies (some that would otherwise naturally fail) and some of the money will find its way to individuals who invest unwisely. These inefficiencies do NOT help the economy over the long term. (2) If the result of "easy money" is that bond interest rates are kept artificially low, this encourages more money going into stocks, which keeps stock prices artificially high. What happens when the Fed stops buying huge quantities of bonds? We got a glimpse of that in late June when Fed Chairman Bernanke hinted that the Fed could wind down their bond buying in the foreseeable future – stock and bond prices plunged, and it became difficult for many companies to raise Cash by selling their bonds. Therefore, when the buying stops, interest rates may very well rise sharply, and bond prices of many companies could drop substantially, along with the stock market. (3) Keep in mind that if the Fed is buying $1 trillion of bonds per year, it has to "print"/create more money to fund the purchases, which will undoubtedly translate into higher inflation at some point. This could result in a loss of "real value" for most assets that are held by individuals and companies, which would probably harm the economy.

So what does this mean to the average 401(k) and Profit Sharing Plan Participant? Many investment "experts" suggest that long-term investors should stay diversified – once again it is unclear what actions are going to happen when, and therefore it is unclear what kinds of investments are going to outperform the other kinds for any given period of time. Also, consider "rebalancing" your mix of different types of investments. For example, if your target asset allocation is to have 50% of your investments in stocks, and stocks dramatically outperform bonds (such as so far this year); your percentage of stock holdings will rise. To keep at your target allocation, one would have to sell some of his/her stock holdings and buy more non-stock holdings, such as bond funds, commodity funds, and money market funds. This brings us to the third suggestion of many investment experts – regarding long-term investors' fixed income holdings (bond funds and money market funds) – consider investing mainly in money market funds and short-term bond funds (and perhaps in TIPS, or inflation-protected funds if they are available to you). Remember that as interest rates rise, intermediate-term and long-term bonds typically fall in value more than short-term bonds fall.

It is nice that the Fed has had the option to make "easy money" available over the past 5 years, but this cannot last without dramatic negative consequences. Like a household, a government does not have unlimited resources.

BROASTER COMPANY - 2nd Quarter, 2013 Plan Summary Report
Funds' Performances for Periods Ended June 30, 2013

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 second quarter 2013 total return was +2.3%; and for the 12-month period ending June 30, 2013, the total return was +20.0%. [For 12 months: the S&P 500 index returned +20.6%; the small-cap stock index returned +24.2% [2]; & the average international stock fund returned +16.2%]. The 3-month total return for taxable bond mutual funds averaged -2.2%, taking the average taxable bond fund total return to +2.2% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +0.01% 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.

	Periods Ended June 30, 2013:		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:				
(T. Rowe Price Equity Income) *[NASDAQ Code = PRFDX] [LV]* [5]	+23.7% *($1,237)*	**7.4%**	**25**	31
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]*	+21.3% *($1,213)*	**7.4%**	**17**	18
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]*	+16.8% *($1,168)*	**6.0%**	**43**	6
Mid Cap Fund:				
(Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]*	+24.8% *($1,248)*	**7.8%**	**36**	21
Small Cap Funds:				
(Royce Special Equity Invmt) *[NASDAQ Code = RYSEX] [SB]*	+22.3% *($1,223)*	**11.7%**	**6**	32
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+27.3% *($1,273)*	**10.8%**	**18**	5
International Fund:				
(Harbor International Adm) *[NASDAQ Code = HRINX] [LB]*	+13.9% *($1,139)*	**0.4%**	**24**	5
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LB]*	+18.3% *($1,183)*	**8.4%**	**1**	1
Bond-Oriented Funds:				
(Vanguard GNMA) [6] *[NASDAQ Code = VFIIX]*	-2.0% *($980)*	**5.0%**	**23**	11
(Harbor Bond Institutional) [7] *[NASDAQ Code = HABDX]*	+1.3% *($1,013)*	**6.5%**	**24**	12
(Templeton Global Bond Adv) *[NASDAQ Code = TGBAX]*	+8.0% *($1,080)*	**9.6%**	**1**	1
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.0% *($1,000)*	**(-N/A-)**	(-N/A-)	

(Endnotes on next page) →

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 June 30, 2012, one year later (on June 30, 2013) 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 June 30, 2013. 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). "Moderate Allocation" and "Conservative Allocation" funds are "balanced funds" that hold a mixture of predominantly U.S. stocks and bonds; the former has a relatively higher position in stocks (50%-70%), while the latter has a relatively higher position in fixed income and cash (50%-80%). 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 Vanguard GNMA Fund as an "intermediate-term government bond fund".

[7] 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.