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 6-30-2016, covering your mix of funds. This past 3-month period ending June 30 was somewhat up for the overall U.S. stock market and down slightly for the aggregate international stock markets, and up 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 +0.4% & +3.9% for the second quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's second quarter 2016 total return was +1.8%, and the <u>S&P 500 Index was up +2.5% for the second quarter</u>. <u>For the 12 months ending 6-30-2016 the S&P 500 Index was up +4.0%</u>. According to Morningstar[TM] 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 well on average over the past 12 months ending 6-30-2016 – 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 6-30-2016 (with the S&P 500 Index up +4.0%) one of your six domestic stock-oriented funds outperformed the S&P 500 Index.[1] For this time period the place to be invested was in large U.S. equity income companies (those stocks paying dividends). Your top performing stock-oriented fund was the Vanguard Equity-Income Fund at a +9.1% total return for the 12 months ending 6-30-2016, and your Harbor Bond Fund returned +4.0% 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 +1.9% & +12.7% for the past 5 years ending 6/30/2016. This compares to +12.1% 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 (all except one of your domestic stock-oriented funds were at least +10.6% annualized). Your foreign large cap fund lagged dramatically -- most foreign stock funds dramatically lagged U.S. stock funds for this period.]

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[1] According to Lipper (7/5/2016 Wall Street Journal), for the past 12 months ending 6/30/2016 all domestic diversified, non-specialty stock fund categories had returns between -10.4% & +3.1%. <u>For the past 12 months the S&P 500 Index outperformed all of the 13 diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 6/30/2016 the International stock fund category was down -9.4%</u>. For the 5-year period ending 6/30/2016 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +7.2% and +10.4%. [International stock fund category = +1.3% per year.]

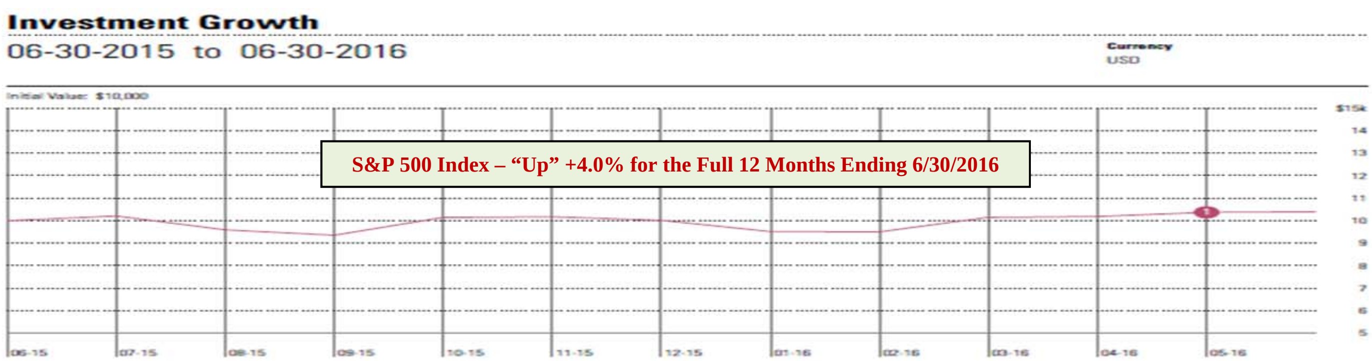
[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +2.9% for the previous 12 months ending 6/30/2016.

2nd QUARTER, 2016 PLAN SUMMARY REPORT – BROASTER COMPANY

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

The Stock Market Has Certainly Been Volatile Over The Past Year!

Over the past 12-month period ending 6/30/2016 [see the graphic below], the S&P 500 Index was up approximately +4.0% -- pretty lackluster, perhaps even boring? Not really! In the third quarter of 2015 (7/1/2015-9/30/2015) stocks had their worst quarter since 2011 – the S&P 500 Index was down approximately -6.4%. Some of the key factors which "spooked" investors included a drop in oil prices worldwide; the slowdown in the second-largest economy, China, and the Chinese government's manipulating its currency. For the full, final 6 months of 2015 the S&P was up approximately +0.2% – i.e., it had "bounced back" from the poor performance of the third quarter. Then came January of 2016 when the market plunged approximately -5.0%. Finally, from the end of February of this year through the end of June, the S&P 500 Index climbed approximately +8.9% -- even in the face of "Brexit" – i.e., the United Kingdom voting to leave the European Union! This means that any contributions that you made to your retirement plan on February 29, along with any company matching, would have gone up *not* +4.0% (if the funds' returns matched the 12-month S&P return), but they would have gone up about +8.9%! This is an example of why continuous monthly or bi-weekly investing in a 401(k) &/or profit sharing plan *can* grow significantly more in a roller coaster market versus in a market that grows steadily, given that the two market scenarios end up at the same level. Stated differently, even though market gyrations can prove to be unnerving, they can sometimes benefit continuous investors in retirement plans.



From the end of February, 2009 and through the end of June, 2016, the S&P 500 Index of large U.S. company stocks was up approximately +233.8% -- quite a good "run"! Let's assume that your retirement plan balance grew nicely during this enormous "up market". Should you "just roll with it" -- assuming that you have at least 7 years before you intend to begin withdrawing for your life as a retiree, and even if you are concerned over the seemingly heightened volatility in (& the level of) the financial markets?

An Approach to Consider:[1] 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. As the investors adjust to become <u>more conservative with their existing account balances</u>, the same investors also shift their *future payroll deduction purchases more toward stock funds*, thereby actually getting <u>more aggressive with their future purchases</u>. If the stock market were to drop significantly, these investors would be buying (through future payroll deductions) stock funds, but 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] In the language of investing, stocks are considered more aggressive than bonds because they typically fluctuate more in value over time. An investment that has greater fluctuations (or "volatility") is said to be more risky.

BROASTER COMPANY - 2nd Quarter, 2016 Plan Summary Report
Funds' Performances for Periods Ended June 30, 2016

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 2016 total return was +1.8%; and for the 12-month period ending June 30, 2016, the total return was -3.3%. [For 12 months: the S&P 500 index returned +4.0%; the small-cap stock index returned -6.7% [2]; & the average international stock fund returned -9.4%]. The 3-month total return for taxable bond mutual funds averaged +2.4%, taking the average taxable bond fund total return to +2.3% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +0.02% 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 June 30, 2016: 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]	+0.1% *($1,001)*	**11.5%**	**20**	26
(Vang Total Stock Market Index/Adm) *[NASDAQ Code = VTSAX] [LB]*	+2.1% *($1,021)*	**11.6%**	**19**	14
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	+9.1% *($1,091)*	**12.7%**	**3**	4
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	-0.9% *($991)*	**10.6%**	**9**	24
Small Cap Funds:				
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	-10.6% *($894)*	**8.0%**	**34**	4
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	-0.3% *($997)*	**11.2%**	**2**	9
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	-11.4% *($886)*	**1.9%**	**29**	(----) [6]
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	+6.9% *($1,069)*	**11.3%**	**1**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [7] *[NASDAQ Code = HABDX]*	+4.0% *($1,040)*	**3.4%**	**64**	12
(Templeton Global Bond Adv) [8] *[NASDAQ Code = TGBAX]*	-4.3% *($957)*	**1.6%**	**50**	1
(Vanguard Sht-Term Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+3.3% *($1,033)*	**2.4%**	**13**	18
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.0% *($1,000)*	**0.0%**	(-N/A-)	

(Endnotes on next page) →

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 June 30, 2015, one year later (on June 30, 2016) 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, 2016. 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] Fund has not been in existence for all 10 years.

[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.

[8] Morningstar categorizes the Templeton Global Bond Fund as a "world bond fund". Over time it is diversified across various geographies worldwide.