INVESTMENT CONSULTANTS LLC
(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants LLC ***July 8, 2021***
Topic: The Broaster Company 401(k) Plan – Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 6-30-2021, covering your mix of funds. This past 3-month period ending June 30 was solid for the overall U.S. stock market and it was up similarly for the aggregate international stock markets, and lastly it was up modestly for intermediate-term U.S. bond funds. According to Lipper Fund Services, the average U.S. stock mutual fund's second quarter 2021 total return was +6.8%, and the <u>S&P 500 Index was up +8.5% for the second quarter</u>. <u>For the 12 months ending 6-30-2021 the S&P 500 Index was up a whopping +40.8%</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™ 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 performed solidly on average over the past 12 months ending 6-30-2021 – 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 6-30-2021 (with the S&P 500 Index up +40.8%) four 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 +66.9% total return for the 12 months ending 6-30-2021, and your Vanguard Short-Term Investment-Grade (bond) Fund returned +2.1% 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 +11.0% & +21.7% for the past 5 years ending 6/30/2021. This compares to a +17.6% 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 had at least +12.3% annualized returns}. 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.]

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[1] According to Lipper (7/6/2021 Wall Street Journal), for the past 12 months ending 6/30/2021 the S&P 500 Index outperformed the Dow Jones World (ex. U.S.) Index -- +40.8% versus +36.7%. One of your stock-oriented funds is a foreign/international fund. <u>For the 5-year period ending 6/30/2021 the S&P 500 Index significantly outperformed the Dow Jones World (ex. U.S.) Index, with an annualized total return of +17.6% versus +11.3%</u>.

[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +5.3% for the previous 12 months ending 6/30/2021.

2nd QUARTER, 2021 PLAN SUMMARY REPORT – BROASTER COMPANY

Prepared by: *Investment Consultants LLC*

Is a Fear of Heights Justified?

The title above and the following is an update of a Quarterly Report from about 15 years ago:

Many people, including me, are afraid of heights and are afraid of working on electrical wiring. Climbing tall ladders or wiring our houses – we all understand the obvious risks associated with these activities. Some of us successfully minimize the risks through a combination of skill, training, and/or being very careful; some just ignore the risks through a combination of bravery, necessity, and/or poor judgment; and some of us hire electricians or other specialists to deal with the risks for us. Investing can be included along with heights and electrical wiring on that list of "the scary things in life with which we must deal". [Speaking of heights, the major U.S. stock indices are at, or near their all-time highs, as of June 30, 2021.]

Just like other scary activities, investing results in people being separated into groups. From my experience working with many retirement plan participants, there are four broad categories of investors: **(1)** some who are **afraid** of investing; **(2)** some who are **quite comfortable and competent** regarding investing; **(3)** some who are **not particularly skilled** at investing **but** who are **bold** nonetheless; & **(4)** a few who **use** family, friends, or other (sometimes professional) **advisers** to help them with their investments. Before discussing these four categories further, there is a reality of investing that deserves mention: *you must do it!* You can avoid climbing tall ladders, but you cannot avoid the responsibility of investing your plan account balances.

The following are some observations regarding the four categories of retirement plan investors:

- Often plan participants are afraid because they lack an understanding of and/or experience in investing and investing terminology. This is understandable and it is precisely why Investment Consultants LLC produces these quarterly participant summary reports (such as the one that you are reading). Keep in mind that even if you are not "schooled in" investing, you can become increasingly knowledgeable over time. Retirement investing is a long-term exercise for most of us -- do not give up because you are not an expert today! Plan to grow your knowledge; as you, hopefully, grow your account balances.
- Participants who are good at retirement investing usually combine the disciplines of <u>continuously contributing</u> through payroll deductions; practicing <u>investment style diversification</u> (that is, investing in an appropriate combination of different bond and stock funds); and <u>periodic rebalancing</u> (see below). Rebalancing is done to keep the risk level of your overall fund mix relatively constant.
- The combination of *not* having expertise, while being bold, can be dangerous. Many overly aggressive investors, who felt that they could not lose as the markets rose in the late 1990's, and in the 2003-2006 periods, found out that markets both rise and, unfortunately, fall. During the "down" period 2000-2002, things were particularly rough on investors who had invested heavily in volatile technology stocks. You may have heard the phrase, "in 2000, the technology 'bubble' burst"!
- As for using an adviser, make sure that your adviser is both capable and is looking out for your best interests. It is easy to have someone else invest your money, but good personal advisers are hard to find (and they rarely come at a discount). Advisers associated with financial product companies (for example, mutual fund complexes, banks, insurance companies, and brokerage firms) are almost always paid based on the sales of their companies' products, or based on the sales of the products of other companies with which their companies have a financial relationship. Said differently, rarely are advisers who are associated with financial product companies truly as objective as you would wish them to be.

REBALANCING: Periodically adjusting your investments in stock, bond, and money market funds to keep a consistent target percentage of each. With this concept in mind, we suggest that you review your stock, bond, and money market percentages at least once each year. Now is probably one of those times for many investors to consider rebalancing – after all, the returns of virtually all stock funds (both domestic and international) *dramatically* outperformed the returns of virtually all bond funds, since the "Pandemic first quarter of 2020". The result → many portfolios have become overweighted toward stock funds.

BROASTER COMPANY - 2nd Quarter, 2021 Plan Summary Report
Funds' Performances for Periods Ended June 30, 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 second quarter 2021 total return was +6.8%; and for the 12-month period ending June 30, 2021, the total return was +48.4%. [For 12 months: the S&P 500 index returned +40.8%; the small-cap stock index returned +62.0% [2]; & the Dow Jones World (ex. U.S.) Index returned +36.7%]. The 3-month total return for intermediate-term U.S. bonds was +2.2%, taking the previous 12-month return to +5.3%. 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.

Fund Type	Periods Ended June 30, 2021: 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]	+38.5% *($1,385)*	**21.7%**	**50**	41
(Vang Total Stock Market Index/Adm) *[NASDAQ Code = VTSAX] [LB]*	+44.3% *($1,443)*	**17.9%**	**18**	18
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	+37.8% *($1,378)*	**12.3%**	**48**	12
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	+46.9% *($1,469)*	**15.8%**	**18**	10
Small Cap Funds:				
(Loomis Sayles SmCap Growth Instl) *[NASDAQ Code = LSSIX] [SG]*	+45.2% *($1,452)*	**20.1%**	**50**	51
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	+66.9% *($1,669)*	**15.7%**	**25**	3
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	+35.6% *($1,356)*	**11.0%**	**29**	25
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LB]*	+29.7% *($1,297)*	**14.1%**	**4**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [6] *[NASDAQ Code = HABDX]*	+1.8% *($1,018)*	**4.0%**	**37**	60
(Templeton Global Bond Adv) [7] *[NASDAQ Code = TGBAX]*	-2.3% *($977)*	**1.0%**	**93**	93
(Vanguard Sht-Term Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+2.1% *($1,021)*	**2.8%**	**20**	16

(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, 2020, one year later (on June 30, 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 June 30, 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. The Trustees have decided to replace this fund – going back to a more traditional "world bond" fund. This will probably occur in mid- to late-September. More information to follow on this, as we get closer.