

INVESTMENT CONSULTANTS LLC

(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants LLC

July 11, 2022

Topic: The Broaster Company 401(k) Plan – Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 6-30-2022, covering your mix of funds. This past 3-month period ending June 30 was down dramatically for the overall U.S. stock market and it was also down dramatically for the aggregate international stock markets; and lastly, it was down for taxable intermediate-term U.S. bond funds. According to Lipper Fund Services, the average U.S. stock mutual fund's second quarter 2022 total return was -16.3%, and the S&P 500 Index was down -16.1% for the second quarter. For the 12 months ending 6-30-2022 the S&P 500 Index was down -10.6%. According to MorningstarTM all of your funds have performed solidly-to-very-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 6-30-2022 – 2 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 6-30-2022 (with the S&P 500 Index down -10.6%) one of your six domestic stock-oriented funds outperformed the S&P 500 Index. (The S&P 500 Index was quite difficult to beat for this period.)¹ For this time period, the place to be invested (regarding diversified equity fund categories) was in U.S. “value-oriented” funds, particularly those holding many dividend paying stocks. Your top performing stock-oriented fund was the Vanguard Equity-Income Adm Fund at a +0.5% total return for the 12 months ending 6-30-2022, and your Vanguard Short-Term Investment-Grade Admiral Bond Fund returned -6.1% 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 +2.5% & +11.3% for the past 5 years ending 6/30/2022. This compares to a +11.3% annualized total return for the S&P 500 Index for the same 5-year period: 1 of your 7 stock-oriented funds matched the 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 (7/5/2022 Wall Street Journal), for the past 12 months ending 6/30/2022 the S&P 500 Index significantly outperformed the Dow Jones World (ex. U.S.) Index -- -10.6% versus -20.0%. One of your stock-oriented funds is a foreign/international fund. For the 5-year period ending 6/30/2022 the S&P 500 Index again significantly outperformed the Dow Jones World (ex. U.S.) Index, with an annualized total return of +11.3% versus +2.6%.

² According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was -5.2% for the previous 12 months ending 6/30/2022.

2nd QUARTER, 2022 PLAN SUMMARY REPORT – BROASTER COMPANY

Prepared by: Investment Consultants LLC

A Question that is often asked by investors →
Why does it seem that the best advice is always given after-the-fact?

First, let's review the markets, year-to-date. In the first half of 2022, although some commodities were up [particularly crude oil (over +40%) and natural gas (over +63%)]; virtually all other investment categories were down [for example, 7-10 Year U.S. Treasury bonds (-11%); the S&P 500 Index (-20.6%); and the NASDAQ Composite Index (-29.5%)]. Investors witnessed the biggest selloff in bonds in four decades (according to the July 2-3, 2022 Weekend Wall Street Journal). This downturn, as with the "Covid First Quarter" of 2020, doesn't mean that the market drop will continue, nor that anyone should overreact. But it does remind us that the market not only goes up, but it can go down. As noted in the previous Plan Summary Report, Participants who are continuously investing have been buying funds at lower costs for most of the past six months!

Back to the question in the title above. Hypothetically: Let's assume that a media outlet has written a story featuring two "investment experts", Jane and Joe Jones. The two were correct when, late last year, they forecasted that the financial markets would go down in 2022. "How did you know this?", an interviewer asked the two Joneses. In an effort to entice the readers of the article to contact them, the Joneses describe a narrative that fits today's market reality, including some of the forecast discussion points that they made six months ago. Conveniently, the Joneses emphasize the points that came to pass, and they generally ignore the points that either didn't happen or had no effect on the market drop. Many interviewers in the media do not know; and, at times, seemingly do not vet which "supposed" expert recommendations are good or are substandard, or not fact-based. What the interviewers do know is that their readers will be drawn to what "seems" to have worked, and to what is dramatic! ¹ Actual examples include: (1) the runup, and subsequent crashing, of bitcoin's value; and (2) ESG investing (environmental, social, and corporate governance investing), which is a "hot" investing approach that has broad intellectual and social appeal. Over time, these new, popular investing themes and approaches might be shown to have merit. But they may be too early in their life cycles to be fiduciarily acceptable for use in a company's retirement plan. Federal retirement plan regulators might view them as too controversial, and they may want to study them further over time, before agreeing to their usage. *Regarding the question in the title above – the best advice is not given after the fact! It is given in advance, such that investors can benefit from the advice!*

Following is some thoughtful advice regarding approaches for all retirement plan participants to consider -- as recently detailed in the July 2-3, 2022 Weekend Wall Street Journal article titled "Don't Look! Peeking at Your 401(k) Could Cost You": (1) "For the average person, the pain of losing is more powerful than the pleasure of gaining, behavioral economists say. This phenomenon is made even worse when people constantly check day-to-day movements of the market and lose sight of their long-term goals." & (2) Here are two ways to instill good habits: (a) Have a plan → "Vanguard suggests looking (at your account holdings and balances) at least once a year but no more than once a quarter, to see if you're on track toward meeting your retirement goals." & (b) Create speed bumps → A Vanguard senior advisor notes, "For those with an effective long-term financial plan, the only reason to make a change is because your personal situation has changed ...".

¹ This is not intended to suggest that you should read nothing, nor that everything written is flawed; but it is intended to reinforce that we cannot believe everything that we read, nor everything that is "trending" online.

BROASTER COMPANY – 2nd Quarter, 2022 Plan Summary Report

Funds' Performances for Periods Ended June 30, 2022

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 second quarter 2022 total return was -16.3%; and for the 12-month period ending June 30, 2022, the total return was -16.6%. [For 12 months: the S&P 500 index returned -10.6%; the small-cap stock index returned -25.2% ²; & the Dow Jones World (ex. U.S.) Index returned -20.0%]. The 3-month total return for taxable intermediate-term U.S. bond funds was -4.8%, taking the previous 12-month return to -5.2%. 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, 2022:		Fund Ranking ⁴	
	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	-22.0% (\$780)	11.3%	49	42
(Vang Total Stock Market Index/Adm) [NASDAQ Code = VTSAX] [LB]	-14.2% (\$858)	10.5%	44	31
(Vanguard Equity-Income/Adm) [NASDAQ Code = VEIRX] [LV]	+0.5% (\$1,005)	9.6%	17	14
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) [NASDAQ Code = VIMAX] [MB]	-16.0% (\$840)	8.3%	24	14
Small Cap Funds:				
(Loomis Sayles SmCap Growth Instl) [NASDAQ Code = LSSIX] [SG]	-26.9% (731)	8.2%	48	41
(Vanguard Tax-Mged Small Cap/Adm) [NASDAQ Code = VTMSX] [SB]	-16.5% (\$835)	7.3%	14	4
International Fund:				
(T. Rowe Price Overseas Stock) [NASDAQ Code = TROXX] [LB]	-17.7% (\$823)	2.5%	40	24
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) [NASDAQ Code = PRWCX] [LG]	-7.6% (\$924)	9.7%	1	1
Bond-Oriented Funds:				
(Fidelity Investment Grade Bond) ⁶ [NASDAQ Code = FBNDX]	-10.6% (\$894)	1.5%	4	12
(BlackRock Strategic Gbl Bond/I) ⁷ [NASDAQ Code = MAWIX]	-13.0% (\$870)	0.8%	12	1
(Vang Sht-Term Inv-Grade/Adm) ⁸ [NASDAQ Code = VFSUX]	-6.1% (\$939)	1.3%	33	17

BROASTER COMPANY – 2nd Quarter, 2022 Plan Summary Report

(continued)

Endnotes:

-
- ¹ Remember that past performance is absolutely *not* a guarantee of future performance. This report covers you stock and bond funds, not your money market mutual fund.
- 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, 2021, one year later (on June 30, 2022) 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, 2022. 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 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.