INVESTMENT CONSULTANTS

(A Registered Investment Advisor)

October 14, 2013

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 9-30-2013, covering your mix of funds. This past 3-month period ending September 30 was up nicely for the overall U.S. stock market and was also up nicely for the aggregate international stock markets, and it was up slightly 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 +3.9% & +12.7% for the third quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's third quarter 2013 total return was +7.3%, and the <u>S&P 500 Index was up +5.2% for the third quarter</u>. <u>For the 12 months ending 9-30-2013 the S&P 500 Index was up +19.3%</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 9-30-2013 – 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 9-30-2013 (with the S&P 500 Index up +19.3%) seven 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 +37.5% total return for the 12 months ending 9-30-2013, and your Templeton Global Bond Fund returned +3.5% 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 +7.5% & +15.1% for the past 5 years ending 9/30/2013. This compares to +10.0% 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.]

---

[1] According to Lipper (10/7/2013 Wall Street Journal), for the past 12 months ending 9/30/2013 all domestic diversified, non-specialty stock fund categories had positive returns -- between +17.8% & +30.7%. <u>For the past 12 months the S&P 500 Index outperformed only one of the diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 9/30/2013 the International stock fund category was up +19.9%</u>. For the 5-year period ending 9/30/2013 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +8.5% and +13.3%. [International stock fund category = +6.2% per year.]

[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was -4.8% for the previous 12 months ending 9/30/2013.

Strategic Investing versus Market Timing

The following two paragraphs have been included in previous quarterly reports, but they are worth repeating – particularly in light of the dangerous posturing that is going on in Washington regarding the debt ceiling:

"The secret to stock market success is time, not timing," says First Albany Corp.'s chief investment officer Hugh Johnson. "Just close your eyes and sit tight. Don't get caught up in attempts by people like me to tell you when there will be a correction, a swing up or a swing down. No one can do that consistently. We experts all know that, and it's worth confessing." Adds Norman Fosback, editor of the *Market Logic* investment newsletter: "New investors need to hear that message. **Don't sell out of fear or buy out of greed. Just keep making investments, and let the market take its course over the long term**."

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 25-30% up *or* down over the next year or so. If the market moves upward and you miss much of the rise because you are invested more conservatively, will that "feel/be" worse for you than if the market drops and you avoid much of the downward movement? Oftentimes two significant variables that affect this answer are one's age and how much savings he/she has already accumulated. For example, if you are young and you need to grow your savings substantially over time, you might be willing to invest a larger portion of your money in more volatile investments such as stocks. If you are closer to retirement, safety may be key.[1]

The U.S. stock market and the international stock market (as a category) went up significantly in the past 12 months ending September 30. You can bet that the investment firms that "got it right" with big returns will be advertising this success to everyone who will listen. But this does not mean that these firms "got it right" in the previous "up" or "down" markets, nor does it guarantee that the firms will correctly forecast the markets over the coming years. Having said this, as in all walks of life, some investment professionals and some investment firms are better at investing than others over the medium- to long-term and through the ups and downs of stock and bond market cycles. There are some investment professionals who are known for their abilities in "up" markets, and some for their abilities in "down" markets; but because no one knows with certainty what the markets will do in future time periods, many of the most successful investment firms typically buy and sell securities that they believe will perform well through market cycles.

In a similar vein, the retirement plans that have experienced greater successes typically have a mixture of investment funds that include different kinds of stock and bond funds. Some funds specialize in U.S. investments, some in foreign investments, some are more conservative (or "defensive"), some are more aggressive, some invest in small companies, some in large companies, some in short-term bonds, and some in long-term bonds – to name some of the more important "styles or categories" of investing. Putting together such a fund mix of individually good funds which complement one another is the philosophy that was used to put together the fund mix for your retirement plan. As individual funds change and as the people who manage the funds (portfolio managers) change, some of your funds will be replaced. The goal of your Trustees and Investment Consultants will always be to provide the Plan Participants with a mixture of investment funds that allow both younger and older Participants, more conservative and more aggressive Participants, and also Participants with lesser investing experience along with those with more investing experience to accomplish their different long-term retirement investing goals. These different goals will typically be accomplished by using a diversified mix of complementary stock and bond funds.

[1] If you believe that you need to make big changes in your current fund mix but you are concerned about the impact that current market conditions could have on making the changes now, consider spreading the fund transfers gradually over the next 2 or 3 quarters.

BROASTER COMPANY - 3rd Quarter, 2013 Plan Summary Report
Funds' Performances for Periods Ended September 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 third quarter 2013 total return was +7.3%; and for the 12-month period ending September 30, 2013, the total return was +22.4%. [For 12 months: the S&P 500 index returned +19.3%; the small-cap stock index returned +30.1% [2]; & the average international stock fund returned +19.9]. The 3-month total return for taxable bond mutual funds averaged +0.8%, taking the average taxable bond fund total return to +0.4% 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.

Fund Type	Periods Ended September 30, 2013: 1-Year Total Return *(Growth of $1,000)* [3]	**5-Year Average Return**	Fund Ranking [4] **5 Years**	10 Years
Stock-oriented:				
Large Cap Funds:				
(T. Rowe Price Equity Income) *[NASDAQ Code = PRFDX] [LV]* [5]	+21.6% *($1,216)*	**9.4%**	**33**	29
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]*	+21.4% *($1,214)*	**10.6%**	**16**	19
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]*	+19.5% *($1,195)*	**11.1%**	**38**	7
Mid Cap Fund:				
(Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]*	+27.8% *($1,278)*	**13.0%**	**17**	19
Small Cap Funds:				
(Royce Special Equity Invmt) *[NASDAQ Code = RYSEX] [SB]*	+25.4% *($1,254)*	**12.9%**	**22**	31
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+37.5% *($1,375)*	**15.1%**	**25**	6
International Fund:				
(Harbor International Adm) *[NASDAQ Code = HRINX] [LB]*	+19.9% *($1,199)*	**7.5%**	**18**	4
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	+17.3% *($1,173)*	**10.9%**	**3**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [6] *[NASDAQ Code = HABDX]*	-0.8% *($992)*	**7.5%**	**22**	11
(Templeton Global Bond Adv) *[NASDAQ Code = TGBAX]*	+3.5% *($1,035)*	**9.8%**	**3**	1
(Vanguard GNMA) [7] *[NASDAQ Code = VFIIX]*	-2.0% *($980)*	**4.9%**	**23**	10
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.0% *($1,000)*	**(-N/A-)**	(-N/A-)	

(Endnotes on next page) →

BROASTER COMPANY - 3rd Quarter, 2013 Plan Summary Report

(continued)

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 September 30, 2012, one year later (on September 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 September 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 Harbor Bond Fund as an "intermediate-term bond fund". Over time it is diversified across various bonds, including corporate and government bonds.

[7] Morningstar categorizes the Vanguard GNMA Fund as an "intermediate-term government bond fund".