INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

October 11, 2016

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 9-30-2016, covering your mix of funds. This past 3-month period ending September 30 was up for the overall U.S. stock market and up a bit more for the aggregate international stock markets, and up 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 +2.5% & +8.2% for the third quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's third quarter 2016 total return was +4.8%, and the <u>S&P 500 Index was up +3.9% for the third quarter</u>. <u>For the 12 months ending 9-30-2016 the S&P 500 Index was up +15.4%</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. 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 9-30-2016 – 5 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 9-30-2016 (with the S&P 500 Index up +15.4%) two 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 small U.S. value-oriented companies (those stocks of small companies that lean toward being relatively conservative). Your top performing stock-oriented fund was the Vanguard Equity-Income Fund at a +17.4% total return for the 12 months ending 9-30-2016, and your Harbor Bond Fund returned +5.8% 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 +8.1% & +17.7% for the past 5 years ending 9/30/2016. This compares to a very robust +16.4% for the S&P 500 Index for the same 5-year period: 2 of your 7 stock-oriented funds exceeded the S&P 500 Index' return for this 5-year period (all of your domestic stock-oriented funds were at least +14.3% annualized; see footnote #1 below to put this into perspective). Your foreign large cap fund lagged dramatically -- most foreign stock funds dramatically lagged U.S. stock funds for this period, see footnote #1 below.]

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1 According to Lipper (10/10/2016 Wall Street Journal), for the past 12 months ending 9/30/2016 all domestic diversified, non-specialty stock fund categories had returns between +8.1% & +15.2%. <u>For the past 12 months the S&P 500 Index outperformed all of the 13 diversified domestic stock fund categories</u>. <u>One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 9/30/2016 the International stock fund category was up +7.0%</u>. For the 5-year period ending 9/30/2016 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +13.0% and +15.3%. [International stock fund category = +7.3% per year.]

2 According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +5.2% for the previous 12 months ending 9/30/2016.

3rd QUARTER, 2016 PLAN SUMMARY REPORT – BROASTER COMPANY

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

Good Times Are Here To Stay? (Maybe so, maybe not!)

The NASDAQ Composite index (stocks heavily weighted towards information technology companies) recently hit a new, all-time high. Great! In May of this year the unemployment rate fell to 4.7%. Wow! But – "the drop came primarily because of a sharp decline in the labor force participation rate" (that is, the percentage of the population who are at least 16 years old and who are either working or actively seeking work). "The number of people of all ages whom the government considers 'not in the labor force' swelled by a record 94.7 million Americans, according to Labor Department data."

Jeff Cox wrote an article (including that in quotations above) at "cnbc.com" on June 8, 2016, which focused on statistics from a May, 2016 Harris Poll of unemployed Americans. Noted in the article are: approximately 1/3 of the jobless are in the 18-29 age group; 66% of those polled say that they don't apply for minimum-wage jobs because the pay is too low; those unemployed are spending just 11.7 hours a week looking for work; 51% say they haven't had a job interview since 2014; and the labor force participation rate is 62.6%, *just off its lowest level since late 1977*.

The following are excerpts from the article, "Five Smart 401(k) Moves" in the October, 2016 Money magazine: "Blissfully, making your 401(k) grow hasn't been that hard in recent years. Since March 2009, the S&P 500 index of U.S. stocks has *more than tripled in value*. 'Inertia has led to some pretty powerful results' says Katie Taylor, director of thought leadership at Fidelity. But inertia works only as long as the winds are blowing the right direction. Today there are signs that momentum could be shifting. U.S. equities, for one, are as frothy [high-priced] now as they were leading up to the 2007-2009 bear market … The S&P 500 trades at … a **63% premium to historical averages**. Meanwhile **corporate profits have been declining for five consecutive quarters**, the worst such streak since the financial panic. … None of this means your 401(k) needs a major overhaul. … But a few tweaks now can help insure that inertia doesn't work against you" … Three of these "tweaks" mentioned in the article follow:

1- "If you haven't rebalanced your 401(k) in a while, it probably looks different from what you remember. Without rebalancing, a moderate 60% U.S. stock/40% U.S. bond portfolio at the end of the last recession is now closer to an aggressive 80% equities/20% bond mix, according to Morningstar."

2- " 'We can talk all we want about the market and how to invest,' says Stuart Ritter, a senior resident for wealth strategy at PNC's asset management group. 'But how much you save has the biggest influence on your retirement readiness.' And … Last year the cap on 401(k) contributions rose from $17,500 to $18,000 annually. For workers 50 and up, catch-up contributions went from $5,500 to $6,000."

3- The article also suggests considering purchasing more relatively-cheaper foreign stocks, including those located in emerging markets. "The MSCI EAFE index, a benchmark of foreign developed-market shares, for example, trades at a 16% discount to the S&P 500 based on projected profits over the next 12 months. Emerging-market stocks trade at a 28% discount."

The reality is that no magazine, no "expert", no financial writer, and no investor has a crystal ball that works all the time. Having said that, I hope that the issues above got you thinking about your investments and how they can be affected by market conditions and by events that impact the markets -- including higher-priced stocks, a lower percentage of eligible workers who are actually employed, and a decline in corporate profits. We've had a strong run-up in U.S. stock prices over the past 7+ years. If you haven't already done so, it may be time to make sure that the percentage of stocks versus bonds that you hold are right for you at this time. Remember, stocks have historically been more volatile than bonds, which has added to the value of your retirement account in good markets – the reverse can be felt in bad markets!

BROASTER COMPANY - 3rd Quarter, 2016 Plan Summary Report
Funds' Performances for Periods Ended September 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 third quarter 2016 total return was +4.8%; and for the 12-month period ending September 30, 2016, the total return was +10.7%. [For 12 months: the S&P 500 index returned +15.4%; the small-cap stock index returned 15.5% [2]; & the average international stock fund returned +7.0%]. The 3-month total return for taxable bond mutual funds averaged +1.8%, taking the average taxable bond fund total return to +5.5% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +0.03% 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 September 30, 2016:		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:				
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]* [5]	+10.5% *($1,105)*	**15.4%**	**44**	23
(Vang Total Stock Market Index/Adm) *[NASDAQ Code = VTSAX] [LB]*	+15.0% *($1,150)*	**16.3%**	**12**	12
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	+17.4% *($1,174)*	**15.7%**	**16**	4
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	+12.6% *($1,126)*	**16.5%**	**14**	26
Small Cap Funds:				
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+6.9% *($1,069)*	**14.3%**	**53**	6
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	+17.2% *($1,172)*	**17.7%**	**6**	8
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	+5.9% *($1,059)*	**8.1%**	**25**	(----) [6]
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	+13.0% *($1,130)*	**14.6%**	**1**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [7] *[NASDAQ Code = HABDX]*	+5.8% *($1,058)*	**4.0%**	**24**	12
(Templeton Global Bond Adv) [8] *[NASDAQ Code = TGBAX]*	+0.7% *($1,007)*	**3.0%**	**32**	2
(Vanguard Sht-Term Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+3.4% *($1,034)*	**2.6%**	**15**	17
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.0% *($1,000)*	**0.0%**	(-N/A-)	

(Endnotes on next page) →

BROASTER COMPANY - 3rd Quarter, 2016 Plan Summary Report

(continued)

Endnotes:

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[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, 2015, one year later (on September 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 September 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.