

INVESTMENT CONSULTANTS LLC
(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants LLC

October 12, 2021

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

Enclosed is your Plan Summary Report for the quarter ending 9-30-2021, covering your mix of funds. This past 3-month period ending September 30 was a bit down for the overall U.S. stock market and it was down 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 third quarter 2021 total return was -1.0%, and the S&P 500 Index was up +0.6% for the third quarter. For the 12 months ending 9-30-2021 the S&P 500 Index was up a strong +30.0%. [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 returns 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. 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 performed solidly on average over the past 12 months ending 9-30-2021 – 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 9-30-2021 (with the S&P 500 Index up +30.0%) five of your six domestic stock-oriented funds outperformed the S&P 500 Index.¹ For this time period, the place to be invested (regarding diversified equity categories) 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 +57.0% total return for the 12 months ending 9-30-2021, and your BlackRock Strategic Global Bond Fund returned +1.9% 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 +9.3% & +20.6% for the past 5 years ending 9/30/2021. This compares to a +16.9% annualized total return for the S&P 500 Index for the same 5-year period: 3 of your 7 stock-oriented funds exceeded or matched the S&P 500 Index’ return for this 5-year period {all of your domestic stock funds had at least +11.9% 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.]

¹ According to Lipper (10/4/2021 Wall Street Journal), for the past 12 months ending 9/30/2021 the S&P 500 Index outperformed the Dow Jones World (ex. U.S.) Index -- +30.0% versus +24.9%. One of your stock-oriented funds is a foreign/international fund. For the 5-year period ending 9/30/2021 the S&P 500 Index significantly outperformed the Dow Jones World (ex. U.S.) Index, with an annualized total return of +16.9% versus +9.2%.

² According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +4.0% for the previous 12 months ending 9/30/2021.

3rd QUARTER, 2021 PLAN SUMMARY REPORT – BROASTER COMPANY

Prepared by: *Investment Consultants LLC*

“Bull” & “Bear” Market Thoughts

From *Investopedia* -- “A bull market is a market that is on the rise and where the economy is sound; while a bear market exists in an economy that is receding, where most stocks are declining in value.” There are more technical definitions, as well. For instance, a commonly accepted definition of a bear market is when stock prices fall at least 20% from a recent high. Following are excerpts from the past two Wall Street Journal sections titled → *JOURNAL REPORTS A Quarterly Analysis, INVESTING IN FUNDS & ETFs*:

Excerpts from the October 4, 2021 WSJ article titled, “How Bull Markets Usually End” by Mark Hulbert → *(since the mid-1920’s)*, “... I determined the dates on which various market sectors hit their particular bull-market highs: the large-, mid- and small-cap sectors, as well as the value, growth and blend styles ... Averaging across all 30 bull-market tops, there was a 225-day spread between the earliest date on which any of these sectors hit their tops and the latest. That’s more than seven months. There are exceptions, especially when an external event causes the market to crash and virtually all sectors drop in unison. The 1987 stock-market crash ... the March 2020 pandemic lockdowns ... But in most cases it’s more accurate to view a bull-market top as a process rather than a single event.” The article goes on to say, about professional stock market timer organizations, “On those days when the S&P 500 hit a bull-market high, these timers’ average recommended equity exposure level was 65.7%. That’s a higher exposure level than on 95% of all other days over the past 40 years.”

[Note: The above, along with the rest of the article, reinforces that even professionals (who make a living attempting to forecast the timing of market swings) do not consistently, accurately “time the market”. If these professionals have such a track record of failure, can the average investor hope to “time the market”? Most likely, NO! *Most assuredly, it makes more sense for most individual investors to determine a long-term/strategic target asset allocation (a percentage mix of different mutual funds that uniquely makes sense for her or him); rebalance the mix periodically (to keep the percentages constant); and periodically reconsider if her/his target asset allocation should be altered, such as when she/he gets closer to retirement.*]

Excerpts from the July 6, 2021 WSJ article titled, “How Long Might The Next Bear Market Last?” by Mark Hulbert → “Many Investors worry that the stock market’s current overvaluation means that the next bear market – whenever it begins – will be a long and deep one. It might surprise and comfort investors, though, to learn that there is little historical correlation between stock valuations and the length and duration of bear markets. ... So even though the stock market today is over-valued according to any of a number of time-tested indicators, the next bear market – whenever it occurs – may or may not be particularly long or severe. It will depend in no small part on investor psychology. And that may or may not be a source of solace.”

[Note: *Once again, this reinforces that most individual investors should determine a long-term/strategic target asset allocation that makes sense for her or him; rebalance the mix periodically, and periodically reconsider if her/his target asset allocation should be altered.*]

How to Reach \$1Million → The cover of the August, 2012 Money Magazine read: “How to Reach \$1Million – 5 Strategies to Save, Earn & Invest Your Way to Real Wealth”. Like many such articles in reputable magazines, it details some good points for investors to consider. In a section titled “Stock Investing”, it stated: “... choose funds that give you the broadest exposure ...”; & “If your 401(k) offers you a 50¢-on-the-dollar match ... that’s a 50% risk-free return. Take it. ...” In a section titled “Power Saving”, it stated: “Aim to save at least 15% of your income for a period of 10 years or more ...”; & “Power savers ... many substantially increased contributions to their 401(k) or other retirement accounts after their children left home or during periods when both spouses were working ...”; & “Set a target. Studies show that people who calculate how much money they need for retirement end up saving much more than those who don’t. ...”; & finally, “Every time you get a bonus, tax refund, or other windfall, put half into savings.”

BROASTER COMPANY - 3rd Quarter, 2021 Plan Summary Report

Funds' Performances for Periods Ended September 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 third quarter 2021 total return was -1.0%; and for the 12-month period ending September 30, 2021, the total return was +36.6%. [For 12 months: the S&P 500 index returned +30.0%; the small-cap stock index returned +47.7% ²; & the Dow Jones World (ex. U.S.) Index returned +24.9%]. The 3-month total return for intermediate-term U.S. bonds was +1.2%, taking the previous 12-month return to +4.0%. 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 September 30, 2021:		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	+24.3% (\$1,243)	20.6%	49	52
(Vang Total Stock Market Index/Adm) [NASDAQ Code = VTSAX] [LB]	+32.1% (\$1,321)	16.9%	20	15
(Vanguard Equity-Income/Adm) [NASDAQ Code = VEIRX] [LV]	+30.8% (\$1,308)	11.9%	36	23
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) [NASDAQ Code = VIMAX] [MB]	+36.1% (\$1,361)	14.6%	15	8
Small Cap Funds:				
(Loomis Sayles SmCap Growth Instl) [NASDAQ Code = LSSIX] [SG]	+30.5% (\$1,305)	18.3%	45	54
(Vanguard Tax-Mged Small Cap/Adm) [NASDAQ Code = VTMSX] [SB]	+57.0% (\$1,570)	13.5%	24	8
International Fund:				
(T. Rowe Price Overseas Stock) [NASDAQ Code = TROXX] [LB]	+26.4% (\$1,264)	9.3%	27	25
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) [NASDAQ Code = PRWCX] [LB]	+24.6% (\$1,246)	13.9%	3	1
Bond-Oriented Funds:				
(Fidelity Investment Grade Bond) ⁶ [NASDAQ Code = FBNDX]	+0.4% (\$1,004)	3.8%	2	12
(BlackRock Strategic Gbl Bond/I) ⁷ [NASDAQ Code = MAWIX]	+1.9% (\$1,019)	3.4%	11	5
(Vang Sht-Term Inv-Grade/Adm) ⁸ [NASDAQ Code = VFSUX]	+1.3% (\$1,013)	2.7%	23	19

(Endnotes on next page) →

BROASTER COMPANY - 3rd Quarter, 2021 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, 2020, one year later (on September 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 September 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 This fund is categorized as an “intermediate core bond” fund by Morningstar.
 - ⁷ This fund is categorized as a “world bond” fund by Morningstar.
 - ⁸ This fund is categorized as a “short-term bond” fund by Morningstar.