

## INVESTMENT CONSULTANTS LLC

(A Registered Investment Advisor)

**From:** Bill Gela, Investment Consultants LLC

**October 12, 2022**

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

*Enclosed is your Plan Summary Report for the quarter ending 9-30-2022, covering your mix of funds. This past 3-month period ending September 30 was down significantly for the overall U.S. stock market and it was down dramatically for the aggregate international stock markets; and lastly, it was down significantly for taxable intermediate-term U.S. bond funds. According to Lipper Fund Services, the average U.S. stock mutual fund's third quarter 2022 total return was -4.5%, and the S&P 500 Index was down -4.9% for the third quarter. For the 12 months ending 9-30-2022 the S&P 500 Index was down -15.5%. 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 solidly on average over the past 12 months ending 9-30-2022 – 2 funds within the top 25% of their peer groups’ funds and 3 funds within the bottom 25% of their peer groups’ funds. For the past 12 months ending 9-30-2022 (with the S&P 500 Index down -15.5%) one of your six domestic stock-oriented funds outperformed the S&P 500 Index, and three others were down less than -20.0%. (The S&P 500 Index was not easy to beat for this very difficult period.)<sup>1</sup> 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 -4.6% total return for the 12 months ending 9-30-2022, and your Vanguard Short-Term Investment-Grade Admiral Bond Fund returned -8.0% for the same 12-month period.<sup>2</sup> {Note: Your Vanguard Treasury Money Market Investor Fund had a +0.6% return for the past 12 months.}*

*[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 -0.9% & +9.1% for the past 5 years ending 9/30/2022. This compares to a +9.2% annualized total return for the S&P 500 Index for the same 5-year period: 2 of your 7 stock-oriented funds were within 0.7% of 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.]*

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<sup>1</sup> According to Lipper (10/10/2022 Wall Street Journal), for the past 12 months ending 9/30/2022 the S&P 500 Index significantly outperformed the Dow Jones World (ex. U.S.) Index → -15.5% versus -25.8%. One of your stock-oriented funds is a foreign/international fund. For the 5-year period ending 9/30/2022 the S&P 500 Index even more significantly outperformed the Dow Jones World (ex. U.S.) Index, with an annualized total return of +9.2% versus -0.7%.

<sup>2</sup> According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was -10.4% for the previous 12 months ending 9/30/2022.

## 3rd QUARTER, 2022 PLAN SUMMARY REPORT – Broaster

*Prepared by: Investment Consultants LLC*

### What Is Going On, In The Economy & Stock Markets? & What To Do Now?

*[An update of page #1 of a “Report” from 2008.]* The stock market environment today can be compared to a large storm. Thinking of the markets like an “act of nature” may be helpful. Like an act of nature:

- We cannot control the weather, nor can we control the stock markets. We must adapt to them.
- Storms are caused by global weather patterns, affected by major land masses and oceans; and they are the result of specific weather conditions within countries and within states (or other subdivisions of countries). Financial market gyrations can be caused by global events; affected by economics and geopolitical events; and are influenced by specific business, political and economic conditions within countries and industries. The effects of the Covid-19 crisis and now the Russian invasion of Ukraine crisis have spread globally, and the economic impact on the U.S. and many other countries has been dramatic.
- We can study previous storms and storm patterns, and by doing so we can better prepare for future storms, but there are no guarantees as to when, where, and how severely the next storm will hit. Similarly, we can study past stock markets, geopolitical events, and economic patterns to better prepare for future stock market movements; but there are no guarantees as to the timing of and the level of the next stock market movement, up or down. The same holds for global bond markets.
- If you listen to 10 meteorologists, you might hear differing weather forecasts. Similarly, if you listen to 10 different so-called “financial market experts”, you might hear 10 different stock market forecasts. One difference exists here: Many so-called “financial market experts” represent financial institutions or organizations that have something to sell to you. For instance, a mutual fund complex might want to sell you their mutual funds; or a bank or insurance company might want to sell you the products that they represent, such as home equity loans and investment products. It is important to consider the “conflicts of interest” that exist for many “financial market experts” and for investment product salespeople/brokers. Some of these “financial market experts” and investment product salespeople/brokers represent firms, which have good products and services. However, some of these products and services are clearly *not* in the best interests of most investors. Watch out for opportunists; i.e., those who have a lot to gain by your believing their version of reality, or those who attempt to give you false hope. If it looks too good to be true, it probably is!
- When skies are clear for a while, beware of the next storm. Similarly, *when financial markets are performing well, do not assume that they will never go down!* Over the years, in preparation for inevitable downturns, we have often emphasized that most retirement plan investors should consider rebalancing their accounts as the markets climbed by selling some of their stock fund holdings, using the proceeds to buy less risky fixed income funds (meaning bond funds or money market funds). The opposite of the above also holds – *when financial markets are performing poorly, do not assume that they will never go up!* Note: Once the storm has hit, it may be riskier for a long-term investor to “sell into a steep market drop” because he/she is “locking in losses” and may consequently not benefit if/when the stock market eventually turns upward.
- Of course, some people will benefit from a storm, such as home repair companies and companies that sell backup electric generators. Likewise, many long-term investors have benefited from past market downturns. Those who had invested in stock funds continuously via their ongoing contributions, including when stock prices were down, purchased many stock funds at lower prices. Many 401(k) and Profit Sharing Plan Participants invest a portion of their paychecks into stock funds every payday, so when stock prices are down, *these can be the good times to invest for the future!*

## BROASTER COMPANY – 3rd Quarter, 2022 Plan Summary Report

### Funds' Performances for Periods Ended September 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 <sup>1</sup>. The average diversified U.S. stock mutual fund's third quarter 2022 total return was -4.5%; and for the 12-month period ending September 30, 2022, the total return was -19.6%. [For 12 months: the S&P 500 index returned -15.5%; the small-cap stock index returned -23.5% <sup>2</sup>; & the Dow Jones World (ex. U.S.) Index returned -25.8%]. The 3-month total return for taxable intermediate-term U.S. bond funds was -4.6%, taking the previous 12-month return to -10.4%. 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, 2022:		Fund Ranking <sup>4</sup>	
	1-Year Total Return (Growth of \$1,000) <sup>3</sup>	5-Year Average Return	5 Years	10 Years
<b>Stock-oriented:</b>				
<b>Large Cap Funds:</b>				
(Fidelity Contrafund)	-25.2%	9.1%	51	42
[NASDAQ Code = FCNTX] [LG] <sup>5</sup>	(\$748)			
(Vang Total Stock Market Index/Adm)	-18.0%	8.6%	41	29
[NASDAQ Code = VTSAX] [LB]	(\$820)			
(Vanguard Equity-Income/Adm)	-4.6%	7.4%	18	13
[NASDAQ Code = VEIRX] [LV]	(\$954)			
<b>Mid Cap Fund:</b>				
(Vanguard Mid Cap Index/Adm)	-19.5%	6.6%	26	15
[NASDAQ Code = VIMAX] [MB]	(\$805)			
<b>Small Cap Funds:</b>				
(Loomis Sayles SmCap Growth Instl)	-24.8%	7.0%	45	35
[NASDAQ Code = LSSIX] [SG]	(752)			
(Vanguard Tax-Mged Small Cap/Adm)	-18.7%	4.9%	26	6
[NASDAQ Code = VTMSX] [SB]	(\$813)			
<b>International Fund:</b>				
(T. Rowe Price Overseas Stock)	-25.1%	-0.9%	47	24
[NASDAQ Code = TROXX] [LB]	(\$749)			
<b>Allocation Fund – 50% to 70% Equity:</b>				
(T. Rowe Price Capital Appreciation)	-11.5%	8.6%	1	1
[NASDAQ Code = PRWCX] [LG]	(\$885)			
<b>Bond-Oriented Funds:</b>				
(Fidelity Investment Grade Bond) <sup>6</sup>	-14.8%	0.4%	7	10
[NASDAQ Code = FBNDX]	(\$852)			
(BlackRock Strategic Gbl Bond/I) <sup>7</sup>	-17.6%	-1.0%	19	6
[NASDAQ Code = MAWIX]	(\$824)			
(Vang Sht-Term Inv-Grade/Adm) <sup>8</sup>	-8.0%	0.8%	42	18
[NASDAQ Code = VFSUX]	(\$920)			

(Endnotes on next page) →

## BROASTER COMPANY – 3rd Quarter, 2022 Plan Summary Report

(continued)

### Endnotes:

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- <sup>1</sup> Remember that past performance is absolutely *not* a guarantee of future performance.
- <sup>2</sup> Russell 2000 Index. All statistics in this paragraph are from the Wall Street Journal (Source: Lipper).
- <sup>3</sup> If an investor had put \$1,000 into each fund on September 30, 2021, one year later (on September 30, 2022) each fund would have been worth the amount in italics and parentheses below.
- <sup>4</sup> 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, 2022. This is commonly stated as “the fund ranked in the 35<sup>th</sup> percentile of its peer group.” For percentile rankings, lower is better – a 35<sup>th</sup> percentile fund outperformed 65% of peer group funds for the time period stated. Data supplied by Morningstar.
- <sup>5</sup> 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.
- <sup>6</sup> This fund is categorized as an “intermediate core bond” fund by Morningstar.
- <sup>7</sup> This fund is categorized as a “global bond” fund by Morningstar.
- <sup>8</sup> This fund is categorized as a “short-term bond” fund by Morningstar.