INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

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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 12-31-2015, covering your mix of funds. This past 3-month period ending December 31 was up solidly for the overall U.S. stock market and up similarly for the aggregate international stock markets, and down 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 +2.2% & +7.5% for the fourth quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's fourth quarter 2015 total return was +4.0%, and the <u>S&P 500 Index was up a strong +7.0% for the fourth quarter</u>. <u>For the 12 months ending 12-31-2015 the S&P 500 Index was up +1.4%</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 12-31-2015 – 6 funds within the top 25% of their peer groups' funds and 0 funds within the bottom 25% of their peer groups' funds. For the past 12 months ending 12-31-2015 (with the S&P 500 Index up +1.4%) one of your six domestic stock-oriented funds outperformed the S&P 500 Index (3 others had positive returns for 2015).[1] For this time period the place to be invested was in large U.S. growth companies. Your top performing stock-oriented fund was the Fidelity Contrafund at a +6.5% total return for the 12 months ending 12-31-2015, and your Vanguard Short-Term Investment-Grade (Bond) Fund returned +1.1% for the same 12-month period.[2]

[Note: To put your funds' returns into perspective during the past five years' dynamic "up" market conditions, your 7 stock-oriented funds have annualized total returns (compounded each year) of between +3.9% & +13.0% for the past 5 years ending 12/31/2015. This compares to +12.6% 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 above +11.3%). Your foreign large cap fund lagged dramatically -- most foreign stock funds dramatically lagged U.S. stock funds for this period.]

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1 According to Lipper (1/11/2016 Wall Street Journal), for the past 12 months ending 12/31/2015 all domestic diversified, non-specialty stock fund categories had returns between -7.0% & +5.3%. <u>For the past 12 months the S&P 500 Index outperformed all but 2 of the 13 diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 12/31/2015 the International stock fund category was down -1.3%</u>. For the 5-year period ending 12/31/2015 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +7.6% and +12.3%. [International stock fund category = +2.8% per year.]

2 According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was -1.8% for the previous 12 months ending 12/31/2015.

4th QUARTER, 2015 PLAN SUMMARY REPORT – BROASTER COMPANY

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

Things are not always as they seem to be!

In the third quarter of 2015 (7/1/2015-9/30/2015) stocks had their worst quarter since 2011 – the S&P 500 Index was down -6.9%, led by energy stocks (down -18.1%) and materials stocks (down -17.3%). The fourth quarter served as a "bounce back"; but one thing appears to be clear – volatility is part of our investing environment for the foreseeable future. [As stated in the last 1/4ly report -- In finance, *volatility* is the degree of variation of an investment's trading price over time. In other words, the stock market's moving way up and way down (day-to-day, week-to-week, etc.) indicates that market volatility is up.]

Intuitive – having the ability to understand or know something without any direct evidence or reasoning process. Many of us know that our mothers had great intuition – they "just seemed to know things"! Often without having observed us do something, they knew we had done something wrong. How? Who knows!

In the world of investing many things are *counter-intuitive* – they often seem right, but they are not. Some examples of these I have touched on over time. Some investing concepts that are counter-intuitive follow:

1) My investment went down 50% last year, but it is up 50% this year. Thank goodness, I'm back to even. Wrong! If a $1,000 investment goes down 50% (1/2) to $500, and then it goes up 50% => $500 x 1.5 = $750. An investment that goes down 50% must go up 100% to get an investor back to even. The more volatile an investor's portfolio is (e.g., concentrated in a small company growth fund or a foreign emerging markets stock fund), the higher the probability that it might go way down (or way up). This is one reason many successful long-term investors <u>diversify</u> their investments – they buy different types of investments (including U.S. and international stocks of large and small companies, along with bonds) to both complement one another and to *lower* the chance of dramatic price drops, which are very difficult to recover from. (Often when one type of investment is down, another is up, or at least it is down less.)
2) If I am observant, by reading and listening to what is "trending" in the investment world, I can dramatically increase my chances of success. Not necessarily! Question: What are the investments that are typically most written about, promoted, and advertised at any point in time? The answer is – those that had the best performance in the recent to medium-term past! Why? Because of the good past performance, the companies and individuals who sell these investments (I'll use the example, gold, 4-6 years ago), not only had some good marketing points at the time, but they were also making a lot of money because of the success of their products. Therefore, they had "tons of money" to spend on promoting and advertising their products. To continue with this example, in the 1990's gold sold for $290 an ounce at one point. It peaked at $1,895 per ounce in 2011. (Recently it was at about $1,065 – a drop of about 44% from its peak.) In 2010, 2011, and 2012, based on the big historical returns, there was a flood of advertising targeting individuals to buy gold, including to take their retirement savings and buy gold. Good sales pitch – bad investment advice! Once again, this is one reason many successful long-term investors <u>diversify</u> – buying different types of complementary investments to lower the chance of dramatic price drops.
3) Last year my top-performing investment was way up versus my other investments – this could have been a fund, or a category of funds – for example, stocks versus bonds. Question: Should I keep going with the "hot fund(s) or category of funds"? *REBALANCING -- an example of a broadly accepted and well tested investing strategy:* Periodically adjusting your holdings of stock funds and fixed income funds[1] to keep a consistent target percentage of each is called *rebalancing your portfolio.* We suggest that you review your stock and fixed income funds' percentages at least once each year (or more often during periods when stocks and fixed income funds are way up or down relative to one another), and that you consider rebalancing your retirement investments if either your stock or fixed income percentages have moved 5% or more away from your previously established target percentages.

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[1] Fixed income funds include money market funds, bond funds, and stable value funds.

BROASTER COMPANY - 4th Quarter, 2015 Plan Summary Report
Funds' Performances for Periods Ended December 31, 2015

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 fourth quarter 2015 total return was +4.0%; and for the 12-month period ending December 31, 2015, the total return was -2.1%. [For 12 months: the S&P 500 index returned +1.4%; the small-cap stock index returned -4.4% [2]; & the average international stock fund returned -1.3%]. The 3-month total return for taxable bond mutual funds averaged -0.8%, taking the average taxable bond fund total return to -1.7 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 December 31, 2015: 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:				
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]* [5]	+6.5% *($1,065)*	**12.7%**	**31**	18
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSAX] [LB]*	+0.4% *($1,004)*	**12.2%**	**22**	13
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	+0.9% *($1,009)*	**13.0%**	**4**	3
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	-1.3% *($987)*	**11.5%**	**14**	19
Small Cap Funds:				
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+1.1% *($1,011)*	**11.4%**	**18**	3
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	-1.9% *($981)*	**11.5%**	**5**	10
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	-2.6% *($974)*	**3.9%**	**23**	(----) [6]
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	+5.4% *($1,054)*	**11.4%**	**1**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [7] *[NASDAQ Code = HABDX]*	+0.2% *($1,002)*	**3.2%**	**52**	11
(Templeton Global Bond Adv) [8] *[NASDAQ Code = TGBAX]*	-4.0% *($960)*	**2.6%**	**25**	1
(Vanguard Sht-Term Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+1.1% *($1,011)*	**2.1%**	**19**	18
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 - 4th Quarter, 2015 Plan Summary Report

(continued)

Endnotes:

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[1] Remember that past performance is absolutely <u>*not*</u> 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 December 31, 2014, one year later (on December 31, 2015) 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 December 31, 2015. 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.