INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants ***January 10, 2017***
Topic: The Broaster Company 401(k) Plan – Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 12-31-2016, covering your mix of funds. This past 3-month period ending December 31 was up solidly for the overall U.S. stock market and down somewhat for the aggregate international stock markets, and also down 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 -1.2% & +12.3% for the fourth quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's fourth quarter 2016 total return was +4.1%, and the S&P 500 Index was up +3.8% for the fourth quarter. For the 12 months ending 12-31-2016 the S&P 500 Index was up +12.0%. 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 12-31-2016 – 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 12-31-2016 (with the S&P 500 Index up +12.0%) three 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 Tax-Managed Small Cap Fund at a +25.7% total return for the 12 months ending 12-31-2016, and your Templeton Global Bond Fund returned +6.6% 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 +6.7% & +16.5% for the past 5 years ending 12/31/2016. This compares to a very robust +14.7% for the S&P 500 Index for the same 5-year period: 3 of your 7 stock-oriented funds returned +14.4% or more for this 5-year period– all but one of your domestic stock-oriented funds were at or above +13.5% 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 (1/9/2017 Wall Street Journal), for the past 12 months ending 12/31/2016 all domestic diversified, non-specialty stock fund categories had returns between +1.8% & +26.8%. For the past 12 months the S&P 500 Index outperformed 6 of the 13 diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 12/31/2016 the International (ex-U.S.) stock fund category was up +0.7%. For the 5-year period ending 12/31/2016 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +11.5% and +13.9%. [International stock fund category = +5.8% per year.]

2 According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +3.9% for the previous 12 months ending 12/31/2016.

4th QUARTER, 2016 PLAN SUMMARY REPORT – BROASTER COMPANY

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

Issues at the completion of another year. And where do the markets go from here?

The more one knows, the clearer things become. So with the seemingly endless data and access to expert opinions that are available today, forecasting the stock and bond markets should be easier and clearer than ever before. But that does not seem to be reality! More is more; but is more, better? It seems as though the more data an investor can access regarding the financial markets, the better off he/she would be. Not necessarily! It still boils down to sanitizing the data (i.e., much data is *not* reliable, consistent, apples-to-apples data); to prioritizing the data; to understanding the interrelationships among the data; and to understanding what data is correlated to the investment themes that an investor is looking for – whether positive or negative.

But how about our access to so many more experts than ever before – that has to help, right? Not necessarily! To draw a parallel – how did our access to all of the political "experts" work regarding the recent Presidential election? Not too well! Clearly, having access to more people *whom someone calls "experts"* is much less important than knowing who has proven expertise, and then having direct access to them and to their thinking and advice.

So what is a long-term investor to do? Following are a couple of fundamental, "building block" investment concepts, which we have discussed before:

Diversification means investing in different asset categories (such as stocks, bonds, and money market funds) and investing in various types of funds (such as U.S. large company growth funds, intermediate-term bond funds, and foreign developed markets stock funds) – that is, *not* putting all of your account balances into one type of investment. The primary goal of diversification is to lower the overall volatility (sometimes called "risk") of your investment portfolio, while attaining similar or better total returns (or at least, *better returns per unit of risk taken*) over the medium- to long-term than would have been attained by investing in a more concentrated and more volatile portfolio. Many investment experts suggest that long-term investors should stay diversified – given that it is rarely clear what specific market actions are going to happen and when; and therefore it is unclear what kinds of investments are going to outperform the other kinds for any given period of time. [Note: Many successful long-term investors have moved *some or even all* of their current investment balances that are in bond investments away from long-term and intermediate-term bond funds to short-term bond funds and money market funds, in an attempt to further lower their portfolios' riskiness. They feel that, as evidenced by the recent Fed action, we have entered an environment of increasing interest rates. Remember that as interest rates rise, intermediate-term and long-term bonds typically fall in value more than short-term bonds fall.]

Rebalancing is another broadly accepted and well tested investing strategy. It means that once you have decided on an initial percentage mix (called your "target allocation") of asset categories and types of funds that are best for you -- at least annually you review the percentages that you have in each type of investment. Anytime an asset category's allocation percentage has moved 4-5% or more away from your target allocation percentage mix, you adjust the category's allocation back to its initial percentage. *Rebalancing is intended to keep an investor's overall portfolio risk posture somewhat constant.* Of course, periodically it is appropriate to revisit your original target allocation and make adjustments based on your current financial situation.

BROASTER COMPANY - 4th Quarter, 2016 Plan Summary Report

Funds' Performances for Periods Ended December 31, 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 fourth quarter 2016 total return was +4.1%; and for the 12-month period ending December 31, 2016, the total return was +10.8%. [For 12 months: the S&P 500 index returned +12.0%; the small-cap stock index returned +21.3% [2]; & the average international (ex-U.S.) stock fund returned +0.7%]. The 3-month total return for taxable bond mutual funds averaged -0.8%, 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 +0.06% 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, 2016: 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]	+3.4% *($1,034)*	**13.5%**	**40**	23
(Vang Total Stock Market Index/Adm) *[NASDAQ Code = VTSAX] [LB]*	+12.7% *($1,127)*	**14.6%**	**15**	13
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	+14.8% *($1,148)*	**13.8%**	**33**	5
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	+11.2% *($1,112)*	**14.4%**	**38**	37
Small Cap Funds:				
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+5.7% *($1,057)*	**12.0%**	**59**	6
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	+25.7% *($1,257)*	**16.5%**	**6**	6
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	+2.9% *($1,029)*	**6.7%**	**26**	27
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	+8.2% *($1,082)*	**12.5%**	**1**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [6] *[NASDAQ Code = HABDX]*	+3.2% *($1,032)*	**3.2%**	**26**	10
(Templeton Global Bond Adv) [7] *[NASDAQ Code = TGBAX]*	+6.6% *($1,066)*	**4.4%**	**11**	1
(Vanguard Sht-Term Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+2.8% *($1,028)*	**2.3%**	**15**	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) →

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 December 31, 2015, one year later (on December 31, 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 December 31, 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). 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] 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 Templeton Global Bond Fund as a "world bond fund". Over time it is diversified across various geographies worldwide.