

**INVESTMENT CONSULTANTS**  
(A Registered Investment Advisor)

*From: Bill Gela, Investment Consultants*

*January 13, 2018*

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

*Enclosed is your Plan Summary Report for the quarter ending 12-29-2017, covering your mix of funds. This past 3-month period ending December 29 was up nicely for the overall U.S. stock market and for the aggregate international stock markets, and up somewhat for the overall U.S. bond market. According to Lipper Fund Services, the average U.S. stock mutual fund's fourth quarter 2017 total return was +5.1%, and the S&P 500 Index was up +6.6% for the fourth quarter. For the 12 months ending 12-29-2017 the S&P 500 Index was up +21.8%. According to Morningstar<sup>TM</sup> 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 12-29-2017 – 6 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 12-29-2017 (with the S&P 500 Index up +21.8%) two of your six domestic stock-oriented funds outperformed the S&P 500 Index.<sup>1</sup> For this time period the places to be invested were in U.S. growth-oriented stocks (U.S. companies that lean toward being relatively more aggressive), in International stocks, and in Emerging Markets stocks. Your top performing stock-oriented fund was the Fidelity Contrafund at a +32.3% total return for the 12 months ending 12-29-2017, and your Harbor Bond Fund returned +4.9% for the same 12-month period.<sup>2</sup>*

*[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 +8.2% & +16.4% for the past 5 years ending 12/29/2017. This compares to a very robust +15.8% annualized 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 or above +14.8% 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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<sup>1</sup> According to Lipper (1/8/2018 Wall Street Journal), for the past 12 months ending 12/29/2017 all domestic diversified, non-specialty stock fund categories had returns between +9.0% & +29.6%. For the past 12 months the S&P 500 Index outperformed 9 of the 13 diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 12/29/2017 the International (ex-U.S.) stock fund category was up +26.8%. For the 5-year period ending 12/29/2017 all domestic diversified, non-specialty U.S. stock fund investment categories had annualized total returns of between +12.0% and +15.7%. [International (ex-U.S.) stock fund category = +7.4% per year for the same 5 years.]

<sup>2</sup> According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +2.3% for the previous 12 months ending 12/29/2017.

## 4th QUARTER, 2017 PLAN SUMMARY REPORT – BROASTER COMPANY

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

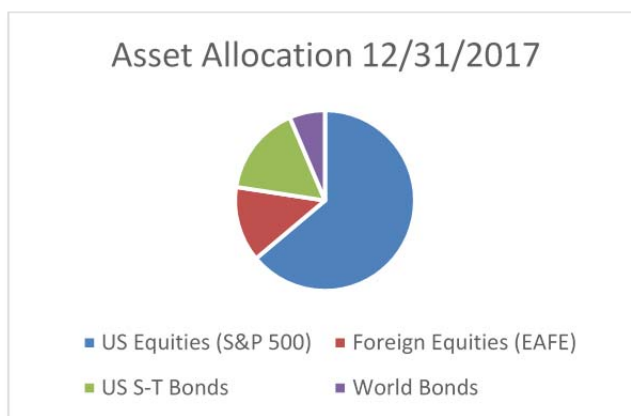
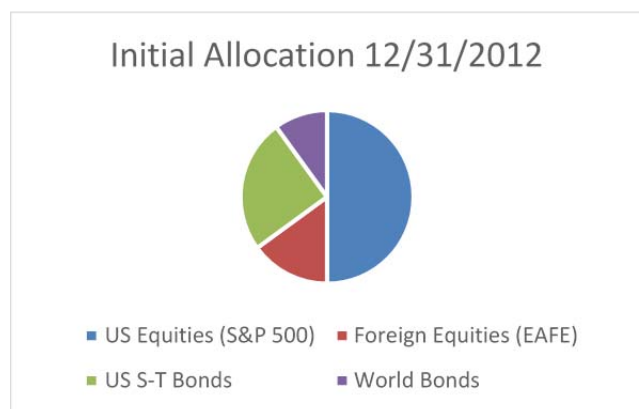
### Reflecting on 2017! & Where to from here?

Periodically I will pass on excerpts from “Money” magazine, not because it always has all the answers to important investing issues, but because it often covers issues that many investors are interested in. Following are some items taken from the January/February 2018 “Money” from pages 47-51:

- “Trying to guess when the second-oldest bull market in history will meet its maker is a parlor game.”
- “Don’t assume that the next downturn will automatically be a bear market – or a big bear such as the 2007-2009 meltdown ... So rather than undoing your entire investment, focus on ways you can stay invested while protecting yourself a bit more.” [see below for one way – **Rebalancing**]
- “If you started out with a moderate 60% stock/40% bond portfolio five years ago and failed to rebalance since then, you’d now have a much more aggressive 75% stock/25% bond portfolio. Plus, the bull market is more vulnerable now ...”
- “... Rob Arnott ... notes that ‘the temptation in a bull [UP] market is to buy more’ ...”

**Rebalancing** is one of the most-covered topics in these quarterly reports, and it is a broadly accepted and well tested investing strategy. It means that once you have decided on an initial percentage mix (called your “target allocation”) of different types of investment 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.* [Note: periodically you should revisit your original “target allocation” and make adjustments based on your current financial situation and comfort level.] Below I will take another “swipe” at this topic, using visuals – in this case pie charts.

Assume that 5 years ago, on December 31, 2012, you had \$10,000 in your retirement account: \$5,000 or 50% was in US stocks (that is “Equities” below); \$1,500 or 15% was in Foreign stocks; \$2,500 or 25% was in US Short-Term bonds; and \$1,000 or 10% was in World bonds. Using Morningstar return statistics, on 12/31/2017, your \$10,000 would have grown to approximately \$16,290 in your retirement account (without further contributions): now \$10,407 or 63.9% in US stocks (that is “Equities” below); \$2,194 or 13.5% in Foreign stocks; \$2,638 or 16.2% in US Short-Term bonds; and \$1,051 or 6.4% in World bonds.



What does this investor do to REBALANCE? Example: Since she/he now has a total account balance of \$16,290: in the US stock fund, which originally had 50% of her/his money in it – multiply \$16,290 (account total) by 0.50 (50%) = \$8,145; & sell (\$10,407 - \$ 8,145 =) \$2,262 of US stock funds. This \$2,262 would buy some of the other 3 investments to get each percentage back to its original 12/31/2012 percentage.

## BROASTER COMPANY - 4th Quarter, 2017 Plan Summary Report

### Funds' Performances for Periods Ended December 31, 2017

The following report is intended to help you in evaluating your investments <sup>1</sup>, and in selecting your mix of mutual funds for the future. The average diversified U.S. stock mutual fund's fourth quarter 2017 total return was +5.1%; and for the 12-month period ending December 29, 2017 (the last trading day of 2017), the total return was +18.3%. [For 12 months: the S&P 500 index returned +21.8%; the small-cap stock index returned +14.6% <sup>2</sup>; & the average international (ex-U.S.) stock fund returned +26.8%]. The 3-month total return for taxable bond mutual funds averaged +0.4%, taking the average taxable bond fund total return to +4.2% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +0.4% 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, 2017:		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) [NASDAQ Code = FCNTX] [LG] <sup>5</sup>	+32.3% (\$1,323)	<b>16.4%</b>	<b>32</b>	37
(Vang Total Stock Market Index/Adm) [NASDAQ Code = VTSAX] [LB]	+21.2% (\$1,212)	<b>15.6%</b>	<b>22</b>	15
(Vanguard Equity-Income/Adm) [NASDAQ Code = VEIRX] [LV]	+18.5% (\$1,185)	<b>14.8%</b>	<b>20</b>	8
<b>Mid Cap Fund:</b>				
(Vanguard Mid Cap Index/Adm) [NASDAQ Code = VIMAX] [MB]	+19.3% (\$1,193)	<b>15.0%</b>	<b>17</b>	39
<b>Small Cap Funds:</b>				
(Loomis Sayles SmCap Growth Instl) [NASDAQ Code = LSSIX] [SG]	+26.9% (\$1,269)	<b>15.2%</b>	<b>30</b>	33
(Vanguard Tax-Mged Small Cap/Adm) [NASDAQ Code = VTMSX] [SB]	+13.1% (\$1,131)	<b>15.9%</b>	<b>4</b>	7
<b>International Fund:</b>				
(T. Rowe Price Overseas Stock) [NASDAQ Code = TROXX] [LB]	+27.0% (\$1,270)	<b>8.2%</b>	<b>23</b>	22
<b>Allocation Fund – 50% to 70% Equity:</b>				
(T. Rowe Price Capital Appreciation) [NASDAQ Code = PRWCX] [LG]	+15.4% (\$1,154)	<b>12.6%</b>	<b>1</b>	1
<b>Bond-Oriented Funds:</b>				
(Harbor Bond Institutional) <sup>6</sup> [NASDAQ Code = HABDX]	+4.9% (\$1,049)	<b>2.3%</b>	<b>34</b>	18
(Templeton Global Bond Adv) <sup>7</sup> [NASDAQ Code = TGBAX]	+2.6% (\$1,026)	<b>1.8%</b>	<b>25</b>	2
(Vanguard Sht-Term Inv-Grade/Adm) [NASDAQ Code = VFSUX]	+2.1% (\$1,021)	<b>1.8%</b>	<b>15</b>	19
<b>Money Market Fund:</b>				
(TD Bank USA Institutional MMDA) [NASDAQ Code = N/A]	+0.1% (\$1,001)	<b>0.0%</b>	(-N/A-)	

(Endnotes on next page) →

## BROASTER COMPANY - 4th Quarter, 2017 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 December 31, 2016, one year later (on December 31, 2017) 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 December 31, 2017. 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 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.
- <sup>6</sup> 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.
- <sup>7</sup> Morningstar categorizes the Templeton Global Bond Fund as a “world bond fund”. Over time it is diversified across various geographies worldwide.