

INVESTMENT CONSULTANTS LLC

(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants LLC

January 10, 2022

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

Enclosed is your Plan Summary Report for the quarter ending 12-31-2021, covering your mix of funds. This past 3-month period ending December 31 was up for the overall U.S. stock market and it was up slightly for the aggregate international stock markets; and lastly, it was up modestly for taxable intermediate-term U.S. bond funds. According to Lipper Fund Services, the average U.S. stock mutual fund's fourth quarter 2021 total return was +6.7%, and the S&P 500 Index was up +11.0% for the fourth quarter. For the 12 months ending 12-31-2021 the S&P 500 Index was up a strong +28.7%. According to MorningstarTM 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 performed well on average over the past 12 months ending 12-31-2021 – 4 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 12-31-2021 (with the S&P 500 Index up a strong +28.7%) none of your six domestic stock-oriented funds outperformed the S&P 500 Index, although five of the six were up over +24.0%. (The S&P 500 Index was quite difficult to beat for this period.)¹ For this time period, the place to be invested (regarding diversified equity categories) was in U.S. “value-oriented” companies, and particularly small-cap value companies. Your top performing stock-oriented fund was the Vanguard Tax-Managed Small Cap Adm Fund at a +27.1% total return for the 12 months ending 12-31-2021, and your Vanguard Short-Term Investment-Grade Admiral Bond Fund returned -0.3% 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 +10.2% & +22.6% for the past 5 years ending 12/31/2021. This compares to a +18.5% annualized total return for the S&P 500 Index for the same 5-year period: 3 of your 7 stock-oriented funds exceeded or were within 0.5% 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.]

¹ According to Lipper (1/10/2021 Wall Street Journal), for the past 12 months ending 12/31/2021 the S&P 500 Index outperformed the Dow Jones World (ex. U.S.) Index -- +28.7% versus +8.0%. One of your stock-oriented funds is a foreign/international fund. For the 5-year period ending 12/31/2021 the S&P 500 Index significantly outperformed the Dow Jones World (ex. U.S.) Index, with an annualized total return of +18.5% versus +9.9%.

² According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +3.7% for the previous 12 months ending 12/31/2021.

4th QUARTER, 2021 PLAN SUMMARY REPORT – BROASTER COMPANY

Prepared by: *Investment Consultants LLC*

2021 – Just Another Year? 2022 – Now What?

The S&P 500 Index rose 27% in 2021 – the third consecutive year of double-digit gains. So, is this the new norm? There's a pretty good chance that the answer to that is "no"! But having said that, as is typically the case, if you talk to 20 different "market experts", you will get many different market forecasts. So, what is a long-term investor to do? This is certainly a question that gets asked, pretty much every year – as we end a year and start a new one.

Following are some excerpts from the Wall Street Journal (WSJ) →

From an article titled "Cheaper Stocks Boost S&P 500's Prospects" [Section R of the 1-3-2022, WSJ]:

- "A blowout year of corporate earnings was the story in 2021. S&P 500 profit rose 45%, the most since FactSet started keeping track in 2008. The coming year will be different, of course. Inflation is surging for the first time in a generation, potentially eating into profit. Fed rate increases will force investors to reassess the earnings outlook, and of course the Covid-19 pandemic will likely take further twists and turns." *{comment -- sounds negative}*
- "The S&P 500's tech stocks are currently trading around their highest levels in nearly a decade at 28 times *{earnings}*. Consumer-discretionary stock multiples have contracted from 2020's all-time highs, but remain at 33 times *{earnings}*, well above levels going back to 1999. For both, the combination of higher rates and lower earnings growth will likely keep a lid on outsize gains in the market's growthier sectors, investors and analysts said." *{comment -- sounds negative}*
- "Goldman Sachs, RBC Wells Fargo, Credit Suisse and others predict the S&P 500 will rise between 6% and 11%." *{comment -- sounds relatively positive}*
- "‘What else are you going to do? Putting money into bonds is dead money,’ said Scott Ladner, chief investment officer at Horizon Investments. ‘Your best case is the stock market, where there is earning power.’ ‘This year won’t be as good as last, but it won’t be horrible by any stretch of the definition,’ said Mr. Ladner." *{comment -- sounds relatively positive}*

From an article titled "Stocks Confront Rockier Course In 2022" [Also in Section R of the 1-3-2022, WSJ]:

- "Heading into 2021, economists surveyed by The Wall Street Journal had expected that the U.S. economy would grow 3.7% over the course of the year. Instead, it likely expanded more than 5%. *{a big, positive difference}* The unemployment rate fell well below what economists had anticipated. But few investors expect 2022 to go as well as 2021, with the Federal Reserve on the verge of raising interest rates, a new Covid-19 variant sweeping the country and government aid to families dwindling." *{comment – sounds negative}*

So, what now? There is no "correct answer", but → the level of your portfolio's vulnerability to shocks is almost always less *if your asset allocation is appropriately aligned with your portfolio's 'time horizon'*; that is, the time you have until you anticipate permanently withdrawing a significant percentage of your money from your account. For most investors, this means *not being overly conservative or aggressive, especially as we near retirement*. For most retirement plan participants, it is advisable to diversify across multiple categories of mutual funds, both stocks & bonds.

REBALANCING: *Periodically adjusting your investments in stock, bond, and money market funds to keep a consistent target percentage of each.* With this concept in mind, we suggest that you review your stock, bond, and money market percentages at least once each year. Now is probably one of those times for many investors to consider rebalancing – after all, the returns of virtually all stock funds (both domestic and international) *dramatically* outperformed the returns of virtually all bond funds, since the "Pandemic first quarter of 2020". The result of the stock market's dramatic growth → many portfolios have become overweighted toward stock funds, making them more volatile or risky.

BROASTER COMPANY - 4th Quarter, 2021 Plan Summary Report

Funds' Performances for Periods Ended December 31, 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 fourth quarter 2021 total return was +6.7%; and for the 12-month period ending December 31, 2021, the total return was +22.5%. [For 12 months: the S&P 500 index returned +28.7%; the small-cap stock index returned +14.8% ²; & the Dow Jones World (ex. U.S.) Index returned +8.0%]. The 3-month total return for taxable intermediate-term U.S. bond funds was +1.2%, taking the previous 12-month return to +3.7%. 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 December 31, 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	+24.4% (\$1,244)	22.6%	50	46
(Vang Total Stock Market Index/Adm) [NASDAQ Code = VTSAX] [LB]	+25.7% (\$1,257)	18.0%	32	21
(Vanguard Equity-Income/Adm) [NASDAQ Code = VEIRX] [LV]	+25.6% (\$1,256)	12.7%	33	27
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) [NASDAQ Code = VIMAX] [MB]	+24.5% (\$1,245)	15.9%	6	9
Small Cap Funds:				
(Loomis Sayles SmCap Growth Instl) [NASDAQ Code = LSSIX] [SG]	+10.1% (\$1,101)	18.9%	42	45
(Vanguard Tax-Mged Small Cap/Adm) [NASDAQ Code = VTMSX] [SB]	+27.1% (\$1,271)	12.4%	26	8
International Fund:				
(T. Rowe Price Overseas Stock) [NASDAQ Code = TROXX] [LB]	+12.2% (\$1,122)	10.2%	27	27
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) [NASDAQ Code = PRWCX] [LB]	+18.5% (\$1,185)	15.2%	1	1
Bond-Oriented Funds:				
(Fidelity Investment Grade Bond) ⁶ [NASDAQ Code = FBNDX]	-0.9% (\$991)	4.4%	4	13
(BlackRock Strategic Gbl Bond/I) ⁷ [NASDAQ Code = MAWIX]	-1.1% (\$989)	4.4%	6	4
(Vang Sht-Term Inv-Grade/Adm) ⁸ [NASDAQ Code = VFSUX]	-0.3% (\$997)	2.7%	21	17

(Endnotes on next page) →

BROASTER COMPANY - 4th 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 December 31, 2020, one year later (on December 31, 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 December 31, 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.