

## INVESTMENT CONSULTANTS LLC

(A Registered Investment Advisor)

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

**January 9, 2023**

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

*Enclosed is your Plan Summary Report for the quarter ending 12-31-2022, covering your mix of funds. This past 3-month period ending December 31 was up significantly for the overall U.S. stock market and it was up dramatically for the aggregate international stock markets; and lastly, it was up for taxable intermediate-term U.S. bond funds. According to Lipper Fund Services, the average U.S. stock mutual fund's fourth quarter 2022 total return was +8.1%, and the S&P 500 Index was up +7.6% for the fourth quarter. For the 12 months ending 12-31-2022 the S&P 500 Index was down -18.1%. 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 solidly on average over the past 12 months ending 12-31-2022 – 2 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 12-31-2022 (with the S&P 500 Index down -18.1%) two of your six domestic stock-oriented funds outperformed the S&P 500 Index.<sup>1</sup> For this time period, the place to be invested (regarding diversified equity fund categories) was in U.S. “value-oriented” funds. Your top performing stock-oriented fund was the Vanguard Equity-Income Adm Fund at a 0.0% total return for the 12 months ending 12-31-2022, and your Vanguard Short-Term Investment-Grade Admiral Bond Fund returned -5.8% for the same 12-month period.<sup>2</sup> {Note: Your Vanguard Treasury Money Market Investor Fund had a +1.5% 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 +1.6% & +8.9% for the past 5 years ending 12/31/2022. This compares to a difficult-to-beat +9.4% annualized total return for the S&P 500 Index for the same 5-year period: 3 of your 7 stock-oriented funds were within 0.9% 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 (1/9/2023 Wall Street Journal), for the past 12 months ending 12/31/2022 the S&P 500 Index somewhat lagged the Dow Jones World (ex. U.S.) Index → -18.1% versus -16.6%. One of your stock-oriented funds is a foreign/international fund. For the 5-year period ending 12/31/2022 the S&P 500 Index very significantly outperformed the Dow Jones World (ex. U.S.) Index, with an annualized total return of +9.4% versus +0.9%.

<sup>2</sup> According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was -9.9% for the previous 12 months ending 12/31/2022.

## 4th QUARTER, 2022 PLAN SUMMARY REPORT – BROASTER

*Prepared by: Investment Consultants LLC*

**2022 → 2023**

*[The primary goal of the Broaster 401(k) Profit Sharing Plan is to provide an effective way for employees to save for retirement.]* Let's start this report with some sobering 2022 market statistics (from Morningstar):

- S&P 500 Index (large U.S. company stocks) – down -18.1% for the year.
- NASDAQ composite index (U.S. stocks; technology “heavy”) -- down -32.5% for the year.<sup>1</sup>
- Bloomberg U.S. Aggregate Bond Index (U.S. bonds) -- down -13.0% for the year.<sup>2</sup>
- MSCI EAFE Index (large foreign, developed country stock markets) -- down -14.5% for the year.
- Morningstar Average Global Bond funds -- down -13.8% for the year.

From the above, 2022 appears to have been rather bleak – it was! But that does *not* mean that most 401(k) plan Participants' plan balances have been decimated. Of course, no one enjoys when an investment, which she or he is in, goes down in value. To put things into perspective, following are your Plan's best-performing and worst-performing U.S. stock and bond funds' performances for 2022 (& foreign funds). The table also includes the same funds' cumulative total returns for the 5 years and 10 years ending 12/31/2022:

### **Statistics Below are for Periods Ending 12/31/2022:**

<b><u>For 2022</u></b>	<b><u>2022 Total Return</u></b>	<b><u>5 Yr Total Return</u></b>	<b><u>10 Yr Total Return</u></b>
<b>Best-performing U.S. stock fund</b> [Vanguard Equity-Income Adm]	0.0%	+53.2%	+204.9%
<b>Worst-performing U.S. stock fund</b> [Fidelity® Contrafund®]	-28.3%	+50.5%	+221.8%
<b>Best-performing U.S. bond fund</b> [Vanguard S-T Invest-Grade Adm]	-5.8%	+5.7%	+15.5%
<b>Worst-performing U.S. bond fund</b> [Fidelity® Investment Grade Bond]	-13.5%	+3.1%	+15.5%
<b>Foreign stock fund</b> [T. Rowe Price Overseas Stock]	-15.4%	+8.3%	+60.3%
<b>Global bond fund</b> [BlackRock Strategic Global Bond I]	-14.7%	-1.2% %	+9.3%

As you can see from the table above → even given the market impact of Covid, the worry associated with the 2020 Presidential election, Russia invading Ukraine in 2022, considerable inflation, and the Federal Reserve's response of dramatically increasing interest rates; a Participant with a diversified mix of funds has probably witnessed substantial growth in her or his plan balances over the past 5 years and 10 years.

Also keep in mind that any Participant who received company matches or profit sharing contributions has benefitted significantly, even if the company contributions were invested in the worst-performing fund in the table above. Lastly, the federal government gives Participants a tax break associated with every dollar that the Participants contribute into their 401(k) Plans.

<sup>1</sup> The NYSE FAANG+ Index tracks 5 of the very largest U.S. technology companies' stock [Meta Platforms Inc. (parent of Facebook), Amazon.com Inc., Apple Inc., Netflix Inc., and Alphabet Inc., (parent of Google)]. It was down -40% for 2022.

<sup>2</sup> It was a historic “bust” for the U.S. bond market, easily underperforming its previous worst year (data back to the 1970's).

## BROASTER COMPANY – 4th Quarter, 2022 Plan Summary Report

### Funds' Performances for Periods Ended December 31, 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 fourth quarter 2022 total return was +8.1%; and for the 12-month period ending December 31, 2022, the total return was -18.4%. [For 12 months: the S&P 500 index returned -18.1%; the small-cap stock index returned -20.4% <sup>2</sup>; & the Dow Jones World (ex. U.S.) Index returned -16.6%]. The 3-month total return for taxable intermediate-term U.S. bond funds was +1.8%, taking the previous 12-month return to -9.9%. 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, 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) [NASDAQ Code = FCNTX] [LG] <sup>5</sup>	-28.3% (\$717)	8.5%	52	38
(Vang Total Stock Market Index/Adm) [NASDAQ Code = VTSAX] [LB]	-19.5% (\$805)	8.7%	50	35
(Vanguard Equity-Income/Adm) [NASDAQ Code = VEIRX] [LV]	0.0% (\$1,000)	8.9%	13	10
<b>Mid Cap Fund:</b>				
(Vanguard Mid Cap Index/Adm) [NASDAQ Code = VIMAX] [MB]	-18.7% (\$813)	7.3%	30	17
<b>Small Cap Funds:</b>				
(Loomis Sayles SmCap Growth Instl) [NASDAQ Code = LSSIX] [SG]	-22.9% (771)	7.7%	32	21
(Vanguard Tax-Mged Small Cap/Adm) [NASDAQ Code = VTMSX] [SB]	-16.1% (\$839)	5.9%	26	6
<b>International Fund:</b>				
(T. Rowe Price Overseas Stock) [NASDAQ Code = TROXX] [LB]	-15.4% (\$846)	1.6%	37	24
<b>Allocation Fund – 50% to 70% Equity:</b>				
(T. Rowe Price Capital Appreciation) [NASDAQ Code = PRWCX] [LG]	-11.9% (\$881)	9.1%	1	1
<b>Bond-Oriented Funds:</b>				
(Fidelity Investment Grade Bond) <sup>6</sup> [NASDAQ Code = FBNDX]	-13.5% (\$865)	0.6%	8	9
(BlackRock Strategic Gbl Bond/I) <sup>7</sup> [NASDAQ Code = MAWIX]	-14.7% (\$853)	-0.3%	20	7
(Vang Sht-Term Inv-Grade/Adm) <sup>8</sup> [NASDAQ Code = VFSUX]	-5.8% (\$942)	1.1%	34	19

## BROASTER COMPANY – 4th 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 December 31, 2021, one year later (on December 31, 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 December 31, 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.