Chicago Blower Corporation Profit Sharing & 401(k) Plans

Compensation & Capital's Financial Planning Commentary as of March 31, 2022
"Small Plates. Big Bowl."

No, we haven't rebranded our *Quarterly Commentary* to the foodie scene. Just couldn't resist what we saw as a title with a fun twist on a not-so-fun front-and-center "topic du jour". Food price inflation, especially to the extent we've witnessed over the past six months, incorporates a piece of just about every facet of global economics and personal financial planning. Ready for your small plates explanations? As you read, think of each facet as cyclical and interconnected, each analogous to a living cell in a macro organism. Acting together, they result in the social, financial and natural system in which we all must coexist. And as with your food inputs to your own body, "everything in moderation" is generally a healthy credo. Spoiler alert: Too many of these inputs have been operating outside their natural levels for too long. Something had to give. All it took was a proverbial "last straw." Enter COVID, then Russia/Ukraine.

<u>Globalization</u>: Hand-in-hand with the late 20th Century's peace dividend, global political systems were swept up into a kumbaya moment of economic alliances to wring out production inefficiencies, exploit industrialization of low-wage economies and low energy costs, and [supposedly] reduce nationalism's innate human propensity to foster war. Three decades of prosperity with historically low inflation followed.

<u>Climate</u>: The earth has gone through warming and cooling phases in the past, long before humans were around. The past millennium has been a relatively temperate one. We construed that pleasant, albeit abnormal, climate to be norm and structured literally every facet of our lives on that premise. Effectively responding to climate's [new to us] real "normal" will be disruptive to economic progress, and expensive.

<u>Energy</u>: For a bit over 150 years we've built our modern existence on plentiful fossil fuels. Technology combined with a skewed perspective on the good/bad impacts of this reliance has kept its direct cost to a relatively innocuous component of everything in our lives. It's obviously necessary but uncomfortable to accept the fact that that reliance and its innocuous low cost cannot continue.

<u>Borrowing</u>: Arguably, Alexander Hamilton's brain child, the U.S. Central Bank aka "The Fed", made the U.S. the supreme power of the modern day global financial system. But as AH's detractors so vehemently argued, its power to borrow could also be the nation's downfall. Fast forward 250 years: Almost every developed country has a central bank with widely varying degrees of responsible execution of their constitutional mandates (primarily to control inflation) by controlling supply of its sovereign currency. COVID's destructive wake required a flood of liquidity to prevent a spiral into irreversible economic malaise. But easy credit, low interest rates and booming securities markets have quickly become our comfortable normal. And simply put: It's a lot easier to grow into your money than out of it.

<u>Social Trust</u>: It's a belief in the honesty, integrity and reliability of others – a "faith in people." Levels of social trust, whether in an individual household, across a nation or around the world, are as powerful a predictor of economic growth as financial capital, physical capital, or skill levels. For a wide spectrum of reasons over the past decade global society's cycle of social trust has turned decidedly negative. This trend directly increases costs by facilitating industrial specialization, requiring improvements to defensive security systems, and growing mistrust of historically cost-efficient institutional systems for the "frictionless" exchange of payments, ideas, services and products. As an interesting aside, the explosion of crypto currencies like Bitcoin are a veritable offspring of this erosion of social trust.

<u>War</u>: Destruction of hard-earned and fragile social and financial gains of any country are heartbreaking to witness. Europe's energy dependence on Russia clearly deepens the potential for a no-win outcome for the people of Ukraine. Price inflation is the only "sure thing" result of this sad political turn.

In short, bad timing has put us simultaneously on each cycle's "dark side". Expecting any one institution or nation to appreciably alter the problem is fantasy. Our species is among the most adaptable on the planet. But our modern "normals" have become increasingly intractable due to the solid foundations upon which we've built them. And human nature easily adopts comfortable conditions as "normal". All in all, a challenging – but necessary - force to change. See Page 2 for ways you can adapt to these new normals.

Compensation & Capital's March 31, 2022

Retirement Saving and Investing "Action Points"

Adapting Your Financial Goals and Means to Challenging New Normals

We normally relate the term "diversification" with portfolio design. In that realm, it's a tool that seeks to manage portfolio risk by holding significantly different investments. Here, "risk" means volatility – swings in the value of your Plan account. Diversification can help to stabilize your account's value. That's because different investments, like stocks versus bonds, generally move in opposite directions – but to differing degrees - during the same market cycles. Prior quarters' *Participant Quarterly Reports* have detailed the why's, how's, and when's of *portfolio* diversification. Financial market cycles throughout history have demonstrated its strengths. Adapting to our "new normals" brings diversification front and center.

That's because the broader *concept* of diversification – simply put: not putting all your eggs in one basket - can be productively applied to other personal decisions we make every day. In the following examples, while diversification reduces the risk of an undesirable outcome, it can also reduce the probability of a very desirable one. Balancing that "yin and yang" is about stabilizing progress toward your goals.

Managing your career and core competencies: Though specialization is often an avenue to higher pay, overly focusing your professional capabilities also enhances the probability that your specialty becomes obsolete. Conversely, broadened skillsets and professional reinvention stabilize employability throughout your career and thereby diversify your personal capital.

Managing your marital income sources: Dual income households are in a unique position to enhance a couple's income stability. In most cases couples employed by unrelated employers diversify the household's income flow against employer-based risk. Losing one of a dual-income household's paychecks can be painful but manageable; losing both can be devastating.

Uncertainty over insurable risks: Insurance is one of the purest forms of diversification. It requires that we accept a premium expense as a relatively small known cost to prevent a far larger though improbable devastating loss. Households are often faced with difficult decisions over what risks to insure and/or how much insurance to buy (more insurance = higher premiums = lower risk.) By diversifying your "insurable risk portfolio" of accepted-versus-insured risks, you can strike a balance between foregone current savings spent on insurance premiums and the fear of unbearable financial loss.

Income replacement in retirement: Most retirees will attempt to replace paycheck income with Social Security benefits, distributions from 401(k) plans and after-tax investment portfolios, annuitized savings, reverse mortgages, or part-time work. The more diversified the income sources supplying their paycheck replacement in retirement, the more stable their flow of inflation-adjusted income. Long range planning to strike a balance between the accumulation of values in each income source is vital – and yet another reason why delaying Social Security is so important to long-lived retirees. Which leads to…

Managing the equity in your home: A popular reaction to the 2008-09 housing and capital crisis was homeowners accelerating their mortgage repayments. Paying down your mortgage principal is akin to investing your disposable income in residential real estate. Historically speaking, housing has been a low-return asset relative to financial securities when held for long periods. It may *feel* better to be paying down your mortgage than adding to your stock holdings in times of fiscal uncertainty and/or market volatility. But don't let your emotions get in the way of maintaining an appropriate diversification between low risk / low return savings like your home's equity, and higher risk / higher return savings like your 401(k) account. To be clear, each has value in retirement (see the preceding paragraph). But your 401(k) has more growth potential. And it's available for paycheck replacement without further mortgaging.

The key to successfully applying diversification to reduce the risk of any occurrence is balancing its offset to future returns against the comfort of an avoided risk. Quite simply, it's all about finding the happy medium between returns (or cash) foregone and risks (or losses) avoided. In short, ensuring you achieve your financial goals while still getting a good night's rest!

Page3: Chicago Blower Corporation Profit Sharing & 401(k) Plans' Vanguard Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2022)

Remember: **Past performance is absolutely NOT a guarantee of future performance!**

(1) A fund with a 33rd Ranking outperformed 67% of its peers.

(2) "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

NAME OF VANGUARD SELECT VENUE FUND *Morningstar Category Name*	Securities Type(s)	Morningstar™ Category Percentile (1) Ranking Past: 1 Year	5 Years	OER(2)	Total Return Performance for: Past Qtr	12 Mos	Average Annualized Total Return for: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
TREASURY MONEY MARKET - VUSXX	**Money Market**	**33rd**	**1st**	**0.09%**	**0.0%**	**0.0%**	**0.7%**	**1.0%**	**0.6%**	**0.8%**
Money Market Funds >>		*Category Median >>*		*0.42%*	*0.0%*	*0.0%*	*0.5%*	*0.8%*	*0.4%*	*0.6%*
INTERMEDIATE TERM BOND INDEX ADM - VBILX	**Bonds**	**56th**	**11th**	**0.07%**	**-6.3%**	**-4.5%**	**2.2%**	**2.5%**	**2.8%**	**4.4%**
Intermediate Core Bond Funds >>		*Category Median >>*		*0.61%*	*-5.9%*	*-4.4%*	*1.7%*	*2.0%*	*2.2%*	*3.5%*
INFLATION PROTECTED SECURITIES ADM - VAIPX	**Bonds**	**29th**	**35th**	**0.10%**	**-2.7%**	**4.2%**	**6.1%**	**4.3%**	**2.6%**	**4.2%**
Inflation-Protected Bond Funds >>		*Category Median >>*		*0.62%*	*-1.9%*	*4.0%*	*5.7%*	*4.0%*	*2.3%*	*3.8%*
WELLINGTON ADMIRAL - VWENX	**Bonds & Stocks**	**19th**	**15th**	**0.16%**	**-6.4%**	**7.7%**	**11.7%**	**10.2%**	**9.9%**	**8.2%**
US Allocation – 50% to 70% Equity Funds >>		*Category Median >>*		*1.04%*	*-4.6%*	*4.6%*	*9.9%*	*8.5%*	*7.9%*	*6.3%*
EQUITY INCOME ADMIRAL - VEIRX	**Stocks**	**19th**	**28th**	**0.19%**	**1.1%**	**15.5%**	**13.9%**	**11.9%**	**12.5%**	**9.2%**
Large-Cap U.S. Value Stock Funds >>		*Category Median >>*		*0.98%*	*-0.2%*	*12.9%*	*13.6%*	*10.8%*	*11.2%*	*7.5%*
500 INDEX ADMIRAL - VFIAX	**Stocks**	**17th**	**16th**	**0.04%**	**-4.6%**	**15.6%**	**18.9%**	**16.0%**	**14.6%**	**10.3%**
Large-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*0.88%*	*-5.2%*	*12.1%*	*16.8%*	*14.1%*	*13.0%*	*9.3%*
SELECTED VALUE - VASVX	**Stocks**	**62nd**	**51st**	**0.32%**	**-0.3%**	**9.8%**	**15.6%**	**9.6%**	**11.5%**	**8.3%**
Mid-Cap U.S. Value Stock Funds >>		*Category Median >>*		*1.05%*	*-0.9%*	*10.9%*	*13.6%*	*9.7%*	*10.9%*	*7.8%*
GROWTH INDEX ADMIRAL – VIGAX	**Stocks**	**23rd**	**22nd**	**0.05%**	**-10.3%**	**12.5%**	**23.4%**	**19.9%**	**16.3%**	**12.5%**
Large-Cap U.S. Growth Stock Funds >>		*Category Median >>*		*1.01%*	*-10.8%*	*5.8%*	*18.7%*	*17.7%*	*14.7%*	*11.0%*
MID-CAP GROWTH INVESTOR - VMGRX	**Stocks**	**57th**	**66th**	**0.33%**	**-12.2%**	**-4.3%**	**12.0%**	**13.6%**	**11.6%**	**9.6%**
Mid-Cap U.S. Growth Stock Funds >>		*Category Median >>*		*1.10%*	*-12.4%*	*-4.0%*	*15.3%*	*14.8%*	*12.6%*	*9.9%*
SMALL-CAP INDEX ADMIRAL - VSMAX	**Stocks**	**58th**	**14th**	**0.05%**	**-5.7%**	**0.7%**	**13.2%**	**11.3%**	**11.1%**	**9.2%**
Small-Cap U.S. Blend Stock Funds >>		*Category Median >>*		*1.07%*	*-6.3%*	*1.1%*	*12.4%*	*9.5%*	*10.7%*	*7.9%*
INTERNATIONAL GROWTH ADMIRAL - VWILX	**Foreign Stocks**	**89th**	**2nd**	**0.32%**	**-16.5%**	**16.2%**	**14.9%**	**14.1%**	**10.5%**	**6.9%**
Foreign Large Growth Stock Funds >>		*Category Median >>*		*1.08%*	*-13.4%*	*-6.8%*	*9.6%*	*8.9%*	*7.3%*	*4.2%*
EMERGING MARKETS INDEX ADMIRAL - VEMAX	**Foreign Stocks**	**37th**	**42nd**	**0.14%**	**-6.3%**	**-8.7%**	**5.6%**	**5.8%**	**3.3%**	**3.7%**
Diversified Emerging Markets Stock Funds >>		*Category Median >>*		*1.25%*	*-8.7%*	*-10.9%*	*5.3%*	*5.6%*	*3.3%*	*3.4%*
ENERGY ADMIRAL - VGELX	**Energy Stocks**	**89th**	**70th**	**0.25%**	**14.1%**	**31.5%**	**-0.2%**	**0.4%**	**0.2%**	**1.5%**
Energy Sector Stock Funds >>		*Category Median >>*		*1.39%*	*32.9%*	*52.4%*	*7.1%*	*0.5%*	*-2.1%*	*0.2%*

Page4: Chicago Blower Corporation Profit Sharing & 401(k) Plans' Vanguard Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2022)

[(1)] A fund with a 52nd Ranking outperformed 48% of its peers.

Remember: **Past performance is absolutely NOT a guarantee of future performance!**

[(2)] "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

VANGUARD INDEXED AUTO-BALANCED FUND	Securities	Morningstar™ Category Percentile [(1)] Ranking Past			Total Return Performance for		Average Annualized Total Return for:			
Morningstar Category Name	**Type(s)**	**3 Months**	**10 Years**	**OER[(2)]**	**Past Qtr**	**12 Mos**	**3 Yrs**	**5 Yrs**	**10 Yrs**	**15 Yrs**
TARGET RETIREMENT INCOME - VTINX	**Target Date Retire Income**	**52nd**	**37th**	**0.08%**	**-4.8%**	**0.2%**	**5.8%**	**5.3%**	**5.0%**	**5.1%**
Retirement Income Funds >>		*Category Median >>*		*0.68%*	*-4.7%*	*0.3%*	*5.4%*	*5.0%*	*4.4%*	*4.1%*
TARGET RETIREMENT 2015 - VTXVX	**Target Date 2015**	**35th**	**54th**	**0.08%**	**-4.8%**	**0.4%**	**6.2%**	**6.0%**	**6.2%**	**5.3%**
Target Date 2015 Funds >>		*Category Median >>*		*0.60%*	*-4.9%*	*1.3%*	*7.1%*	*6.4%*	*6.3%*	*5.2%*
TARGET RETIREMENT 2020 - VTWNX	**Target Date 2020**	**43rd**	**29th**	**0.08%**	**-5.1%**	**1.4%**	**7.8%**	**7.3%**	**7.3%**	**5.9%**
Target Date 2020 Funds >>		*Category Median >>*		*0.64%*	*-5.2%*	*1.5%*	*7.5%*	*6.8%*	*6.8%*	*5.2%*
TARGET RETIREMENT 2025 - VTTVX	**Target Date 2025**	**48th**	**19th**	**0.08%**	**-5.5%**	**1.9%**	**8.9%**	**8.1%**	**8.0%**	**6.2%**
Target Date 2025 Funds >>		*Category Median >>*		*0.68%*	*-5.5%*	*1.9%*	*8.3%*	*7.5%*	*7.3%*	*5.5%*
TARGET RETIREMENT 2030 - VTHRX	**Target Date 2030**	**35th**	**23th**	**0.08%**	**-5.7%**	**2.5%**	**9.8%**	**8.9%**	**8.7%**	**6.5%**
Target Date 2030 Funds >>		*Category Median >>*		*0.69%*	*-6.0%*	*2.6%*	*9.5%*	*8.5%*	*8.0%*	*5.9%*
TARGET RETIREMENT 2035 - VTTHX	**Target Date 2035**	**25th**	**28th**	**0.08%**	**5.7%**	**3.3%**	**10.8%**	**9.6%**	**9.3%**	**6.8%**
Target Date 2035 Funds >>		*Category Median >>*		*0.70%*	*-6.0%*	*3.4%*	*10.6%*	*9.4%*	*8.8%*	*6.3%*
TARGET RETIREMENT 2040 - VFORX	**Target Date 2040**	**28th**	**28th**	**0.08%**	**-5.7%**	**4.1%**	**11.7%**	**10.3%**	**9.9%**	**7.2%**
Target Date 2040 Funds >>		*Category Median >>*		*0.71%*	*-6.0%*	*4.0%*	*11.5%*	*10.0%*	*9.3%*	*6.6%*
TARGET RETIREMENT 2045 - VTIVX	**Target Date 2045**	**25th**	**19th**	**0.08%**	**-5.7%**	**4.9%**	**12.6%**	**10.9%**	**10.2%**	**7.4%**
Target Date 2045 Funds >>		*Category Median >>*		*0.71%*	*-6.2%*	*4.4%*	*12.1%*	*10.4%*	*9.5%*	*6.7%*
TARGET RETIREMENT 2050 - VFIFX	**Target Date 2050**	**26nd**	**19th**	**0.08%**	**-5.7%**	**5.1%**	**12.7%**	**11.0%**	**10.2%**	**7.4%**
Target Date 2050 Funds >>		*Category Median >>*		*0.72%*	*-6.2%*	*4.6%*	*12.3%*	*10.6%*	*9.6%*	*6.8%*
TARGET RETIREMENT 2055 - VFFVX	**Target Date 2055**	**23rd**	**24th**	**0.08%**	**-5.7%**	**5.1%**	**12.7%**	**11.0%**	**10.2%**	**N/A**
Target Date 2055 Funds >>		*Category Median >>*		*0.71%*	*-6.2%*	*4.6%*	*12.4%*	*10.7%*	*9.8%*	*N/A*
TARGET RETIREMENT 2060 - VTTSX	**Target Date 2060+**	**25th**	**1st**	**0.08%**	**-5.7%**	**5.1%**	**12.7%**	**11.0%**	**10.2%**	**N/A**
Target Date 2060+ Funds >>		*Category Median >>*		*0.72%*	*-6.2%*	*4.7%*	*12.4%*	*10.7%*	*10.2%*	*N/A*
LIFE STRATEGY CONSERVE GROWTH - VSCGX	**Moderate Allocation**	**76th**	**31st**	**0.12%**	**-5.7%**	**-0.2%**	**6.5%**	**6.2%**	**6.0%**	**5.1%**
Allocation – 30% to 50% Equity Funds >>		*Category Median >>*		*0.97%*	*-4.7%*	*1.4%*	*6.7%*	*5.8%*	*5.5%*	*5.0%*
LIFE STRATEGY GROWTH - VASGX	**Aggressive Allocation**	**80th**	**45th**	**0.14%**	**-5.7%**	**4.0%**	**11.5%**	**10.0%**	**9.4%**	**6.7%**
Allocation – 70% to 85% Equity Funds >>		*Category Median >>*		*1.04%*	*-5.2%*	*5.1%*	*10.7%*	*9.1%*	*8.6%*	*6.4%*