To: All Participants in the Company Managed Profit Sharing Pooled Fund
From: Joe Dubeck
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Enclosed is your Profit Sharing account statement detailing Second Quarter, 2011 activity in the Company Managed Profit Sharing Pooled Fund ('PS Pooled Fund'). Compensation & Capital Incorporated, our Plans' independent investment counsel, has supplied the following comments specific to the PS Pooled Fund's investment performance, financial market events and investing for retirement in general:

For the trailing periods ending 6/30/2011, the PS Pooled Fund *gained* 0.9% for the first quarter of 2011. It has *gained* 5.1% for the first 6 months of 2011 and *gained* 20.4% for the preceding 12 months. Over multi-year trailing periods through 6/30/2011, it has cumulatively *gained* 16.2% during the past 3 years, and cumulatively *gained* 24.1% over the past 5 years. Since the Plans' investments restructuring 12 years ago in July, 1999, the Fund has cumulatively *gained* 50.1%. For reference, all-stock portfolios as measured by the S&P 500 Index of the 500 largest U.S. companies have gained only 18.3% since July, 1999 with far greater volatility.

From one day to the next, the financial markets can't seem to decide whether the European debt crisis or the U.S. debt ceiling debate is potentially more damaging. Meanwhile, your PS Pooled Fund's "steady as she goes" approach to asset allocation (with its quarterly rebalanced 60% weighting to stocks and 40% to fixed income – bonds and money market – funds) has steamed through the markets' almost daily shift between "risk-on" and "risk-off" fixations as well as 2011's quarterly stock market sell-offs to perform nicely above its long-term target return for the first six months of 2011.

During the first quarter, the Fund's stock portion pulled its weight while the bonds languished. During the second quarter, the Fund's small but comfortable positive return was an "all bonds" affair with stocks basically flat over that three months. Though we are always reluctant to focus your attention on short-term performance, we are also never ones to miss a "teaching moment." The teeter-totter relative back-to-back quarterly performances of the stock and bond components of your PS Pooled Fund are just such a teaching opportunity.

Given the significant destabilizing impact that non-commercial players like politicians have had on capital markets since the depths of the 2007-2008 capital crisis, it's no wonder that markets are exhibiting classic attention deficit disorder. Governments' influence normally pure-profit-motivated markets by actions that are NOT motivated by investing profit. Granted, for more than two years now, politicians around the world have been playing a classic "on the one hand, on the other hand" game by initiating extraordinary monetary stimulus then attempting to look fiscally responsible by cutting spending. So why are these government programs just now noticeably impacting investors?

During the first 18 months of that two year period after the stock markets bottom, the stock market's dramatic surge (up 88%) from its fear-driven bottom in early March, 2009 overshadowed much of investors' concerns over slow economic growth and the possibility of debilitating inflation. But as stock markets approach (and in some markets, breach) their previously established October, 2007 highs, investors are now looking for the fundamental evidence that global growth can trump governments' fiscal irresponsibility. In short, collectively speaking, investors aren't finding that evidence. The result is erratic, short-term fluctuations between investor attractions for stock [greed-driven] versus bond [fear-driven] investments. Meanwhile, your PS Pooled Fund's balanced approach to asset allocation allows you to take advantage of each asset class' "days in the sun" while maintaining a stable, hopefully personally appropriate, exposure to overall investment risk.