Chicago Blower Profit Sharing & 401(k) Plans – Mutual Funds
Participant Quarterly Report – September 30, 2010
Prepared by Compensation & Capital Incorporated

This newsletter is published by Compensation & Capital Incorporated, the independent investment advisor who helped the Plans' Trustees select (and continues to monitor and potentially replace as necessary) the mutual funds made available to you under the Plans. It is distributed in conjunction with release of quarterly Alliance Benefit Group account statements. The newsletter strives to: 1) keep you abreast of the funds' raw performances and rankings compared to their peers, 2) provide timely highlights on individual fund operations, 3) give you a snapshot of performance to date of major financial markets, and 4) share our thoughts on issues relevant to long-term investing for retirement. Your thoughts and questions are appreciated. Please submit any feedback or questions you would like us to explore to us through Gerry Ginter – (630) 858-2600.

Investment and Financial Decision-Making in the Face of Gloomy Predictions:

Each of us views our world through filters. They mold perception from reality. They form the basis for our actions. Our financial decisions come from these biased perceptions of reality. And to the extent that our biases come from fear or greed – instead of objective perspective – long-term financial plans (however well-conceived) can be twisted off course by short-term bias.

Until last month, gloomy pundits were at the top of their celebrity, especially the ones who predicted our 2007/08 capital crises and ongoing woes. Broadcast media knows that bad news "sells" better than good news. Behavioral psychologists tell us that in the face of seemingly failing strategies, human nature motivates us to give greater credibility to "devil's advocates," especially those who "predicted" the root of our current failure. They refer to this as "hindsight bias." (Always comforting to know we are acting like the "lab rats" that the scientists predict we should, eh?)

No one can be right about everything every time. And even when TV's "talking money heads" *are* correct, we are often left wondering if they always personally act on their own advice. In fact, several of the handful of economists who foresaw our current crises have refreshingly admitted that they neglected to do so, thus suffering investment losses like the rest of us. But they continue to preach gloom and thereby get air time…

One of these same "gurus" is now on record as saying that "our medium term future lies somewhere *between the extremes* of high inflation and deflation producing a U-shaped recovery with prolonged anemic growth in the United States." Granted, this forecast *does* bear a high probability of coming true – not because it's inherently accurate – but because it's just so broad! Nevertheless, given the recent overly-gloomy mood of the vast majority of investors, their negative bias generally focused upon this prediction's less probable "tail" outcomes (the gloomy ones) than its more probable "core" outcomes (not wonderful but certainly acceptable.)

More specifically, the prediction cuts a wide path across its stated "tails" of possible inflation scenarios – from deflation (decreasing prices for goods and services) to high inflation (rapidly increasing costs borne of too much currency chasing too little goods and services). Both are undoubtedly nasty situations. But they are, in fact, the tails of the probability curve and are therefore, by definition, far less likely than all other (more moderate) "core" outcomes in between. One highly probable outcome within the forecast is lower-than-normal inflation borne of sub-par (albeit positive) global growth resulting from the developed world repairing their balance sheets and shifting their longer term objectives to savings from spending while the developing world spends and increases imports.

Did this defensibly probable "core" outcome received media play until just a few weeks ago? No; it just wasn't then-currently popular wisdom. Is it one of *many* moderate and more probable outcomes than the predictions scary tails? Yes; there are certainly as many viable arguments supporting relatively positive outcomes as there are predictions of the dark side. The "positives" just didn't receive the "press" until concurrent world-wide stock market rallies began supporting the positive "middle" of the probability curve over the past month or so.

So, distilled to its essence, the economic question we must each continually confront is: "To what extent is our current apparent "failure" (or success) the result of a short-lived dislocation or a long-term shift to a 'New Normal?'" Those who blindly project their "now" (whether bad or good) into the future without recognition of the biases that are driving that projection run a heightened risk of falling victim to their short-term biases.

Our current global economic condition forms the basis of a potent lesson in how our personal, national and global biases can warp reality and result in poor decisions. Examples of this lesson are abundant today in every institution and at every level of formerly perceived wealth. Families, businesses and governments that maintained judicious lifestyles by avoiding the then-current conventional wisdom that supported "high times" (and were lucky enough to dodge unavoidable catastrophes) will likely survive and prosper. Those that allowed easy credit and full employment to bias long-term reality by paying for their presents with their futures may not.

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CBC Plans' Fund Performance Statistics *(periods ended September 30, 2010)*

Fund Name	Morningstar™ Category: Symbol[1]	10 Yr % Rank[2]	Actual Total Return for: 1 Qtr	YTD	1 Year	Average Annualized for Past 3 Yrs	5 Yrs	10 Yrs	15 Yrs
Morley CM Stable Value	n/a	n/a	0.6%	1.8%	2.7%	3.4%	3.8%	4.4%	n/a
PIMCO Total Return Fund	(Interm Bond)	4th	3.7%	9.6%	10.7%	10.6%	8.1%	7.7%	7.5%
Pennsylvania Mutual Fund	SB	12th	10.5%	7.7%	12.2%	-2.7%	3.2%	9.1%	10.1%
Fidelity U.S. Equity S&P 500	LB	54th	11.3%	3.8%	10.1%	-7.2%	0.6%	-0.5%	6.3%
American Euro-Pacific R3 Fund	IB	11th	16.7%	3.3%	6.7%	-4.9%	5.5%	4.9%	8.5%
T.R.Price Mid-Cap Value Fund	MV	6th	10.2%	5.3%	10.7%	-1.3%	4.7%	9.8%	n/a
Vanguard Windsor II Fund	LV	35th	10.3%	0.7%	7.4%	-8.7%	-0.4%	3.3%	7.3%
Marsico Growth Fund	LG	33rd	13.7%	4.9%	11.8%	-8.3%	-0.3%	-1.1%	n/a
Baron Growth Fund	SG	6th	8.2%	7.4%	13.8%	-5.1%	2.2%	6.5%	10.5%
Calamos Growth Fund	LG	5th	13.1%	6.7%	15.1%	-6.5%	1.3%	2.2%	13.8%

[1] Stock fund categories for example: LV=Large Company Value, SG=Small Company Growth, IB=International Blend, etc.

[2] 1st percentile is best, 100th percentile is worst of all funds *in that particular* Morningstar Category for the 10-year time period.

Your Plan's Sample Portfolios Simplify Fund Selection for Risk-Appropriate Investing:

At the risk of sounding repetitive, we are compelled to remind you that your best chance of retirement savings investment success is to:

- First guesstimate your time horizon (in years) before you may most likely be beginning retirement drawdowns
- Then apply that timeframe to the "years" ranges noted next to each of the CBC Sample Portfolios' names (Short-Term, etc.) in the table below,
- Then utilize that Sample Portfolio's mutual fund allocations for your existing Plan account balance as well as future deposits of contributions to your Plan account,
- Then stick with that appropriate asset allocation until your timeframe changes, and
- Rebalance back to that mix at least once each year (at a date that you pre-determine like your birthday for example) to give yourself the advantage of higher prices for what you are selling than for what you are buying.

The wild ride this past quarter – up sharply in July, down sharply in August and then up even more in September confirms the value of a balanced approach like the Sample Portfolios provide. In fact, the first nine months of 2010 have been more of that same volatile performance; up in Q1, down in Q2, up in Q3. In volatile market periods, the risk of being emotionally whip-sawed is great. Don't let your "filters" (see our Pg 1 Commentary) mislead you to a false perspective of reality.

CBC Plans' Sample Portfolios Update:

Cumulative performance statistics for the three Compensation & Capital *Sample Portfolios* incorporating the CBC Plans' mutual fund alternatives beginning July 1999 – 11¼ years ago – are shown here. Our Long-Term Portfolio's total 11¼ year cumulative 56.7% *gain* compares very favorably to the 14.4 *gain* produced by the overall stock market, as measured by the Wilshire 5000 for the same period. These two 'portfolios' invest in a comparable range of stocks, but the Sample Portfolio limits risk by diversifying across many different kinds of stocks and some bonds, whereas, the Wilshire 5000 contains only the 5000 largest U.S. corporations' stocks and over-weights the largest corporations. The cumulative statistics shown in the table above assume only an initial investment at the July 1, 1999 start date with no further purchases ongoing. Past *Participant Quarterly Reports* have focused on the structure of each of these portfolios, their appropriate use by various types of investors, and the reasons why plan participants would want to adhere to their guidelines. Further information on the Plans' mutual funds and the Sample Portfolios specifically, is available from Gerry Ginter.

CBC Sample Portfolios Performance thru Sept 30, 2010

(by Investor Time Horizon)	1 Quarter	1 Year	5 Yrs	11¼ Yrs
Short-Term (3 to 5 years)	4.8%	7.8%	27.8%	87.3%
Medium-Term (5 to 12 years)	8.6%	9.6%	23.7%	69.7%
Long-Term (12+ Years)	11.0%	10.4%	17.2%	56.7%