

Dechert-Hampe & Company Employees' Savings and Profit Sharing Plan
Compensation & Capital's Financial Planning Commentary as of March 31, 2013
"The S&P 500's 13-Year Journey – Third Time's the Charm?"

Even with investor consternation and hesitancy abounding, U.S. stocks recently surpassed their October, 2007 highs, after a 5-plus year journey that witnessed a 57% drop in value. Cause for relief? Cause for angst? Each of us can find support for whatever our emotion of the day. It's certainly instructive to remember that even with this year's very strong push, U.S. stocks as measured by the S&P 500 Index are basically at their same price levels reached in August, 2000, and then after a 48% drop, again in October, 2007. Through that lens, angst over this third peak is easily understood. We are all painfully aware of the course charted by the S&P 500 Index shortly after each of the previous two peaks. Third time's the charm? Well maybe.

There are, in all fairness, a few underlying facts that need airing and do, at least somewhat, offset the cynical conclusions we could draw from the blinding facts of our first paragraph.

- ✓ The S&P 500 Index itself doesn't include accumulated dividends. It simply tracks the *share price* of those 500 stocks. When you invest in a mutual fund that emulates the S&P 500 Index the fund pays you the dividends produced by those stocks. Those dividends then add to your balance in that fund. The fund's *total return* is the sum of these dividends plus its price changes, either up or down. So, by example, if on August 1, 2000 you had invested \$1,000 in a high-quality mutual fund that emulates the S&P 500 Index, your investment would now be worth about \$1,400 for a cumulative 40% return (average annualized total return of 2.7% per year.) That's a good deal above the 0% flat performance of the S&P 500 Index's price, though well below the ~8% very long-term historical annualized average for large U.S. stocks.
- ✓ The S&P 500 Index is composed of the largest 500 U.S.-based corporations. There are in fact, at least 5,000 significant U.S. corporations whose stocks are traded on U.S. exchanges. From 2000 to now, the stocks of those smaller corporations significantly out-performed their big brothers: That same \$1,000 invested (on August 1, 2000) in medium and small-sized U.S. corporations would be worth about \$1,680. That's an average annualized total return of 8% vs. 2.7% for the largest 500 corporations. So, different portions of the stock market behave differently during the same market cycles. The 10 years prior to the 2000 peak saw large company stocks significantly out-perform smaller ones.
- ✓ Underlying company fundamentals are better now. Many reputable analysts believe that based upon internal metrics such as earnings, sales, dividends, book value, higher cash levels and lower debt levels, stocks are cheaper now than they were at the two previous peaks.
- ✓ Diversified portfolios performed well. Over the past 13-years, retirement investors with appropriately diversified high-quality portfolios like the ones we recommend in our Sample Portfolios fared pretty much as we would have expected based upon very long term averages – within a 6% to 7% range of average annualized total returns (with 70% stocks + 30% bonds.)

All this soul searching leads us to the message we've roll out time and again over our *Quarterly Commentary's* 14 years of publication. Successful retirement investing is attained by focusing on the things within our control. The noise of the markets, the economy, or the performance of individual securities or strategies must be relegated to their entertainment value. Staying true to the following four principles is intrinsic to your retirement saving and investing success:

1. Goals: Establish clear, appropriate investment goals that you will 'own' through time.
2. Balance: Adhere to a suitable asset allocation using broadly diversified, high-quality funds.
3. Cost: Attempt to accept only those investment costs that enhance investment performance.
4. Discipline: Maintain realistic perspective and long-term discipline. Tune out noise.

Your DHC/MWC Plan provides an excellent platform upon which to easily deploy all of these principles.

Dechert-Hampe & Company Employees' Savings and Profit Sharing Plan

Compensation & Capital's March 31, 2013

Retirement Saving and Investing "Action Points"

"Maintain Realistic Expectations" Isn't Just for Your Stock Funds:

You don't need to be wired into the investments world to know that interest rates have been on a declining trend for many years now. You do, however, have to understand some basic investment theory to realize that when interest rates fall, the value of existing bonds rises. That's because those bonds possess higher stated interest rates and are therefore more valuable than their newer, lower-stated-interest-rate peers. Furthermore, the total return to an investor in a bond fund is the combination of the fund's interest receipts plus (or minus) the change in the value of its bond portfolio. So, as interest rates fall to what's likely to be cyclical lows, bond fund investors have been reaping the 'daily-double' of collecting higher (than current market) interest rates *plus* price gains on their fund's underlying bonds too. That's the good news.

The not-so-good news is what happens to bond fund investors when rates begin to rise again. If you understood our previous explanation, just turn it around. That is when rates rise, the value of bond fund portfolios will fall. When, how much and how quickly is a matter of intense discussion and disagreement among investment experts. That said, there are significant portions of this equation that the average retirement plan investor can control. That's why this is 'not-so-good', not 'bad' news.

First, and foremost, we must remember that we include bond investments in long-term retirement strategies primarily as a diversifier to dampen the far greater volatility of the stocks component, secondarily because bond performance generally runs inversely to stock performance, then lastly for the interest income that bonds generate. Over the past decade of stock market *under*-performance, our retirement plan portfolios' diversified bond funds have actually produced, in aggregate, average annualized total returns very similar to our portfolio's diversified stock funds - a little less than 6% annually. That's made many plan participants not only happy with their bond funds, but downright spoiled too. Remember, long-term historical averages for bonds are in the 4% to 5+% range while stocks average in the 8% to 9% range. A decade of *over*-performance in any asset class (bonds, stocks, real estate, gold, etc) is always a harbinger of a reversal of that trend.

Secondly, there's no doubt that the bond segment of 401(k) plan investment menus has historically been treated with subordinated importance relative to plans' stock segment menus. You need only review the investment options for every participant-directed retirement plan in America to notice that stock fund options out-number bond fund options by at least three-to-one. Why? First, the vast majority of retirement plan participants are still at least 15 years from spending any of their retirement savings. Most investment advisors recommend bond allocations of only 20% to 30% for participants in this age range – and even lower bond portions for younger participants. So there has historically been less need for bond funds in plans. Second, bonds as an asset class possess less than one-tenth the volatility of stocks. Since volatility is dampened by diversification, retirement plan investment advisors have been well-advised to include a far wider range of stock categories in plans, as compared to bond categories.

So what can you do to control the impact on your plan account of the coming (but who knows when?) reversal of the interest rate trend? First, be sure that you are diversified across *all* the bond funds (including the Money Market Fund) that your plan has to offer. We've made sure that each fund operates in different segments of the credit (bond) markets, employs different strategies in picking and holding their portfolio's securities, and has a relatively broad level of flexibility to position their portfolio in defense of rising interest rates. That said, make no mistake that these funds (exclusive of the Money Market Fund) can experience losses to their value resulting in negative total returns over year-plus time periods. Your control mechanism for *that* risk is your long-term discipline.

Dechert-Hampe & Co Employees' Savings and Profit Sharing Plan Vanguard Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2013)

(1) A fund with a 18th Ranking outperformed 82% 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.

NAME OF VANGUARD SELECT VENUE FUND <i>Morningstar Category Name</i>	Securities Type(s)	Morningstar™ Category Percentile ⁽¹⁾ Ranking Past		OER ⁽²⁾	Total Return Performance for		Average Annualized Total Return for:			
		5 Years	10 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
PRIME MONEY MARKET - VMMXX	Money Market	18th	16th	0.16%	0.0%	0.0%	0.1%	0.5%	1.8%	2.6%
<i>Money Market Funds >></i>		<i>Category Average >></i>		0.17%	0.0%	0.0%	0.0%	0.4%	1.5%	2.3%
TOTAL BOND MARKET INDEX SIGNAL - VBT SX	Bonds	66th	47th	0.10%	-0.1%	3.8%	5.5%	5.4%	5.0%	5.7%
<i>Intermediate Bond Funds >></i>		<i>Category Average >></i>		0.89%	0.3%	5.7%	6.2%	6.0%	5.0%	5.5%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	25th	23rd	0.10%	-0.3%	5.8%	8.5%	5.6%	6.2%	N/A
<i>Inflation-Protected Bond Funds >></i>		<i>Category Average >></i>		0.82%	-0.3%	4.8%	7.3%	4.9%	5.7%	6.8%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	10th	3rd	0.17%	7.1%	12.1%	10.3%	6.6%	9.4%	7.0%
<i>Moderate Allocation Funds >></i>		<i>Category Average >></i>		0.99%	5.7%	9.2%	8.4%	4.8%	7.2%	4.8%
WINDSOR II ADMIRAL - VWNAX	Stocks	22nd	20th	0.27%	10.3%	14.7%	11.4%	5.9%	9.5%	5.3%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.21%	11.2%	14.9%	11.0%	4.5%	8.4%	4.6%
500 INDEX SIGNAL - VIFSX	Stocks	27th	32nd	0.05%	10.6%	13.9%	12.7%	5.8%	8.5%	4.2%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		1.12%	10.4%	13.0%	10.8%	4.8%	8.1%	4.3%
SELECTED VALUE - VASVX	Stocks	22nd	28th	0.38%	12.5%	17.6%	13.2%	9.2%	12.1%	7.1%
<i>Mid-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.30%	12.9%	17.2%	12.2%	7.5%	11.1%	7.2%
MORGAN GROWTH ADMIRAL - VMRAX	Stocks	49th	28th	0.26%	9.0%	7.2%	11.5%	5.6%	9.0%	4.6%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.26%	8.8%	8.4%	10.8%	5.4%	8.2%	4.2%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	23rd	30th	0.54%	11.4%	11.4%	15.0%	8.6%	11.5%	N/A
<i>Mid-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.36%	10.7%	10.4%	12.5%	6.6%	10.4%	6.5%
EXPLORER ADMIRAL - VEXRX	Stocks	45th	46th	0.32%	12.6%	13.5%	14.4%	8.6%	11.2%	7.5%
<i>Small-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.46%	12.1%	11.6%	13.4%	8.2%	11.0%	6.3%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	42nd	32nd	0.36%	3.1%	8.7%	6.5%	1.3%	11.0%	5.1%
<i>Foreign Large Blend Stock Funds >></i>		<i>Category Average >></i>		1.29%	3.7%	9.6%	4.7%	-1.0%	9.2%	3.9%
EMERGING MARKETS INDEX SIGNAL - VERSX	Foreign Stocks	47th	41st	0.18%	-2.7%	1.5%	3.0%	0.8%	16.7%	8.8%
<i>Diversified Emerging Markets Stock Funds >></i>		<i>Category Average >></i>		1.63%	-0.3%	3.7%	3.1%	0.2%	16.1%	8.3%
ENERGY ADMIRAL - VGELX	Energy Stocks	11th	14th	0.26%	5.7%	4.0%	6.8%	0.4%	15.2%	11.4%
<i>Energy Sector Stock Funds >></i>		<i>Category Average >></i>		1.58%	11.2%	8.1%	5.8%	-2.6%	13.6%	10.1%

Dechert-Hampe & Co Employees' Savings and Profit Sharing Plan Vanguard Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2013)

(1) A fund with a 28th Ranking outperformed 72% 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 <i>Morningstar Category Name</i>	Securities Type(s)	Morningstar™ Category Percentile ⁽¹⁾ Ranking Past		OER ⁽²⁾	Total Return Performance for		Average Annualized Total Return for:			
		3 Years	5 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	Target Date 2000-2010	28th	10th	0.16%	2.5%	6.8%	7.6%	5.6%	N/A	N/A
Target Date 2000-2010 Funds >>	Category Average >>			0.53%	3.1%	7.0%	7.0%	4.2%	6.1%	4.3%
TARGET RETIREMENT 2010 - VTENX	Target Date 2000-2010	13th	14th	0.16%	3.5%	7.8%	8.3%	5.3%	N/A	N/A
Target Date 2000-2010 Funds >>	Category Average >>			0.53%	3.1%	7.0%	7.0%	4.2%	6.1%	4.3%
TARGET RETIREMENT 2015 - VTXVX	Target Date 2011-2015	11th	10th	0.16%	4.6%	8.8%	8.7%	5.3%	N/A	N/A
Target Date 2011-2015 Funds >>	Category Average >>			0.49%	3.6%	7.9%	7.4%	4.0%	5.4%	3.1%
TARGET RETIREMENT 2020 - VTENX	Target Date 2016-2020	19th	16th	0.16%	5.4%	9.5%	9.0%	5.2%	N/A	N/A
Target Date 2016-2020 Funds >>	Category Average >>			0.56%	4.2%	8.4%	8.1%	4.2%	6.9%	4.0%
TARGET RETIREMENT 2025 - VTXVX	Target Date 2021-2025	20th	14th	0.17%	6.0%	10.1%	9.3%	5.0%	N/A	N/A
Target Date 2021-2025 Funds >>	Category Average >>			0.49%	5.1%	9.3%	8.4%	4.1%	N/A	N/A
TARGET RETIREMENT 2030 - VTENX	Target Date 2026-2030	22nd	13th	0.17%	6.7%	10.8%	9.6%	4.9%	N/A	N/A
Target Date 2026-2030 Funds >>	Category Average >>			0.56%	5.5%	9.6%	8.7%	3.9%	7.5%	4.0%
TARGET RETIREMENT 2035 - VTXVX	Target Date 2031-2035	18th	16th	0.18%	7.3%	11.4%	9.9%	4.9%	N/A	N/A
Target Date 2031-2035 Funds >>	Category Average >>			0.49%	6.4%	10.3%	9.0%	3.9%	N/A	N/A
TARGET RETIREMENT 2040 - VTENX	Target Date 2036-2040	20th	12th	0.18%	7.7%	11.8%	10.1%	5.0%	N/A	N/A
Target Date 2036-2040 Funds >>	Category Average >>			0.56%	6.4%	10.3%	9.1%	3.8%	7.8%	3.6%
TARGET RETIREMENT 2045 - VTXVX	Target Date 2041-2045	15th	15th	0.18%	7.7%	11.8%	10.1%	5.0%	N/A	N/A
Target Date 2041-2045 Funds >>	Category Average >>			0.49%	6.9%	10.8%	9.1%	3.8%	N/A	N/A
TARGET RETIREMENT 2050 - VTENX	Target Date 2046-2050	20th	16th	0.18%	7.7%	11.8%	10.1%	5.0%	N/A	N/A
Target Date 2046-2050 Funds >>	Category Average >>			0.53%	6.7%	10.7%	9.2%	4.0%	7.9%	N/A
TARGET RETIREMENT 2055 - VTXVX	Target Date 2051+	n/a	n/a	0.18%	7.7%	11.8%	N/A	N/A	N/A	N/A
Target Date 2051+ Funds >>	Category Average >>			0.48%	7.3%	11.0%	8.9%	2.9%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	44th	64th	0.15%	3.4%	7.5%	7.3%	4.6%	6.6%	5.2%
Conservative Allocation Funds >>	Category Average >>			0.92%	3.3%	7.5%	7.1%	5.0%	6.2%	4.7%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	25th	47th	0.17%	6.8%	10.9%	9.5%	4.2%	8.5%	4.8%
Aggressive Allocation Funds >>	Category Average >>			0.94%	6.8%	10.3%	8.5%	4.0%	7.7%	4.5%