

Dechert-Hampe & Company Employees' Savings and Profit Sharing Plan
Compensation & Capital's Financial Planning Commentary as of March 31, 2018
"Investing Success: Buy Low. Sell High. - It's Easy??"

There's a time-tested maxim for investing success. It's simple. It's straight-forward. It's undeniable. You've probably heard it: "Buy low. Sell high." It's also usually delivered with a wink and a grin. That's because as you have probably also heard, most investors believe that it's pretty much impossible to execute successfully combined with any consistency.

But long-term savers/investors in 401(k) plans have multiple advantages over short-term traders when it comes to actually making this "Buy low. Sell high." adage work. To name but a few of these advantages:

- **Flexibility:** We get to update our saving and investing plan throughout our adult life.
- **Rationality:** We have a means by which to effectively eliminate irrational investment decisions.
- **Probability:** We have a timeline extending over scores of years and many more economic cycles.
- **Positive Trend:** We have an arguably high probability that our entire investing period will exist within an era of long-term economic trends favoring unprecedented global growth.

The first three of these advantages focus on execution of the "Buy low. Sell high." process in the context of long-term investing. The last advantage is admittedly our proprietary projection of modern global trends unfolding on a stage set for impressive global market expansions spurred by productivity gains and global demographics. [And we are certainly not a singular voice for this constructive view.] In short, for long-term savers/investors, the means to making "Buy low. Sell high." work for you is this: *Control the controllable and trust in the trend.* To put some bigger feet under this notion...

Flexibility: *Establish and continually adapt your saving and investing plan:* We've written of this repeatedly in past *Quarterly Commentaries*. You need to save a minimum of 10% of gross pay from the time you start working through the end of your paycheck days. The later you start, the higher the rate. Whatever the rate, it must be maintained through thick and thin. The investing part is equally straight-forward: Invest the vast majority (80% to 90%) of your Plan account in a widely-diversified set of stocks (the rest in bonds and money markets) until about 15 years before retirement. Then move to a progressive migration to ultimately arrive at a mix of 55% stocks and 45% bonds and "cash" through, and well into, retirement.

Rationality: *Use your saving and investing plan to allay your emotions:* A long term investing plan that evolves from an aggressive risk profile into a moderate one over many years (as described above) takes advantage of the dominant normal pattern of modern market performance over the long term. It thereby prevents you from being thrown off course by confusing daily events that present themselves with such emotional force in the short term. Remember, the best investing decisions are made from a rational, not an emotional, perspective.

Probability: *You'll have lots of chances to get it right:* Time is the best protection against global market risks and disruptions. Factors that are the focus of everyone's attention today will be replaced by new – currently unknown – factors tomorrow, just as they have for the past 100 years. No doubt, the past decade (and the past 100 years for that matter) has been interlaced with moments of "terror." But time and appropriate diversification within rationally allocated portfolios has managed for stability and growth through those unnerving moments, so you didn't have to!

The Trend: *Have faith that the global economic trend is your friend:* There's no doubt that America's continued global economic supremacy is in doubt. But a *relative* change in our global relationships does not foreshadow an *absolute* decline in our living standards. Much to the contrary. As current emerging markets grow, so too will America – just not as fast as them. And diversifying the positive effects of economic growth and political stability across a far broader mix of cultures could well set the stage for unprecedented global prosperity. America, and your diversified portfolio, would share in that trend.

In short, long-term savers in 401(k) plans are playing with a deck stacked in their favor with literally thousands of opportunities over scores of years to get the lesson of the maxim right. "Buy low. Sell high." Its fruits aren't so unattainable after all.

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

Compensation & Capital's March 30, 2018

Retirement Saving and Investing "Action Points"

Yikes! What's Dragging Down Returns In My Bond Funds? Is It Time To Abandon Bonds?

Our lead in last quarter's "Action Points" memo recommended that you incorporate a review of each memo's "Performance Specifics and Comparisons" Tables (on the following two pages) as an integral part of your quarterly Plan account review. To improve your takeaways from that exercise, we suggested some "code" you could employ to unlock insights from these Tables, helping keep your perspectives and your expectations grounded in reality. As we wrote those suggestions this past mid-January, we had no idea how quickly they would prove pointedly helpful to that end.

Fast forward three short months, there's little doubt that Mr. Market decided to re-set our investments table. Over the ensuing 2+ months since late January, the stock market's received the bulk of media attention for its abrupt 10%+ sell-off and return to what seems as tantrum-like volatility after an historic run of stable, upward trending performance since November, 2016. But lurking behind this sudden change in attitude has been another, more significant – at least in relative terms - change to the conventional wisdom of long term investing. It's the insidious, long-anticipated, fits-and-starts, downward trend in medium-to-longer-term total returns for bond funds that started in mid-2016 when rates bottomed after a 30+ year descent from early 1980's highs.

Readers of our *Quarterly Commentary* and *Action Points* memos are already tuned in to the axiom of investing that's finally clarifying in this trend. Rising interest rates eventually result in lower total returns for bonds. But if we asked an "average investor" if they think they can they lose money in a bond fund, there's empirical evidence they would say "No." What these "average investors" are missing is that total returns for bonds are a combo of that obvious interest income piece plus the lesser understood component, valuation gain/loss. That "average investor's" mistaken perspective of bonds as a loss-proof portfolio foundation component of conservative, stable, interest-earning investments will become even more critical to their investing outcomes as interest rates climb and bond fund total returns recede to seemingly meager (but historically more "normal") levels last seen in the late 1970's.

Sure, over the past several years our Tables have sporadically reported negative bond fund returns for the most recent quarter or even one-year lookback periods. In periods of market and economic cycle transition, such short-term negatives are to be expected. But the comparative statistic that clarifies the longer-term downward trend is this: Just a "short" five years back (as of March 31, 2013) the Intermediate-Term Bonds Morningstar™ category's average annual returns for the then-past 15 years was 5.5%. That statistic is now 4.0%. Given that global interest rates haven't yet climbed back to what's considered "normal" levels, there's fundamental support for the position that this statistic will continue its downward trend well into the next decade before it stabilizes at presumably around 3%.

So why continue to hold bonds in your Plan account? (Our answer presumes that your Plan account is invested for long-term retirement planning objectives, not for short-term trading goals.) Over the past 3+ decades since the 1982 peak in inflation and interest rates, bonds have generated historically outsized returns. At many times over the past 10 years since the Great Recession, bond gurus have foreshadowed the beginning of a dramatic downturn in bond total returns. A downturn has indeed transpired (as we illustrated by our 15-year trailing returns comparison above) but it's been more insidious than "dramatic!" Though it's not inconceivable that we'll need to endure even lower total returns, that's not assured. What is almost guaranteed is that bond returns will be less volatile than stock returns, and will most often trend in the opposite direction from stocks. So owning bonds in your Plan account will promote portfolio stability to dampen the volatility of your Plan account's necessary allocation to stocks, the true long-term growth engine of your Plan account. Remember, bonds' potential short-term losses are minor relative to stocks.

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

(All for periods ended March 31, 2018)

(1) A fund with a 5th Ranking outperformed 95% 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
TREASURY MONEY MARKET - VUSXX	Money Market	5th	5th	0.09%	0.3%	1.0%	0.5%	0.3%	0.3%	1.2%
<i>Money Market Funds >></i>		<i>Category Average >></i>		0.33%	0.2%	0.7%	0.2%	0.2%	0.2%	1.1%
TOTAL BOND MARKET INDEX ADMIRAL - VBTIX	Bonds	49th	52nd	0.05%	-1.5%	1.1%	1.1%	1.7%	3.6%	3.9%
<i>Intermediate Bond Funds >></i>		<i>Category Average >></i>		0.77%	-1.3%	1.3%	1.3%	1.7%	3.8%	4.0%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	33rd	36th	0.10%	-0.9%	0.6%	1.2%	-0.1%	2.7%	4.1%
<i>Inflation-Protected Bond Funds >></i>		<i>Category Average >></i>		0.70%	-0.7%	0.8%	1.0%	-0.2%	2.4%	3.6%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	6th	9th	0.16%	-1.9%	8.9%	7.5%	9.0%	7.8%	9.3%
<i>US Allocation – 50% to 70% Equity Funds >></i>		<i>Category Average >></i>		1.15%	-1.3%	7.8%	4.9%	6.6%	6.1%	7.4%
WINDSOR II ADMIRAL - VWNAX	Stocks	50th	28th	0.26%	-2.9%	8.3%	7.7%	10.5%	8.2%	9.8%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.19%	-1.7%	12.3%	4.8%	5.5%	2.1%	8.1%
500 INDEX ADMIRAL - VFIAX	Stocks	12th	21st	0.04%	-0.8%	14.0%	10.8%	13.3%	9.5%	10.1%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		1.07%	-0.9%	15.2%	5.8%	6.2%	2.6%	8.4%
SELECTED VALUE - VASVX	Stocks	19th	20th	0.39%	-4.3%	8.1%	8.1%	11.4%	10.3%	11.9%
<i>Mid-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.02%	-2.6%	9.1%	7.7%	10.3%	7.7%	9.2%
MORGAN GROWTH ADMIRAL – VMRAX	Stocks	28th	26th	0.28%	3.1%	22.6%	12.3%	15.3%	10.3%	11.1%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.11%	2.3%	20.4%	10.6%	13.8%	9.9%	10.2%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	65th	38th	0.36%	4.1%	19.7%	6.1%	11.3%	9.9%	11.4%
<i>Mid-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.20%	2.2%	18.3%	8.3%	11.9%	9.4%	11.0%
EXPLORER ADMIRAL - VEXRX	Stocks	29th	43rd	0.32%	4.2%	20.8%	9.1%	13.0%	10.8%	11.8%
<i>Small-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.27%	2.3%	18.1%	8.8%	11.9%	10.3%	11.5%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	6th	5th	0.32%	4.4%	31.4%	12.4%	11.1%	6.1%	11.1%
<i>Foreign Large Growth Stock Funds >></i>		<i>Category Average >></i>		1.20%	0.2%	20.1%	7.4%	7.6%	3.9%	9.1%
EMERGING MARKETS INDEX ADMIRAL - VEMAX	Foreign Stocks	55th	61st	0.14%	2.1%	21.0%	7.5%	4.5%	2.6%	12.5%
<i>Diversified Emerging Markets Stock Funds >></i>		<i>Category Average >></i>		1.41%	2.0%	22.9%	8.2%	4.5%	3.0%	12.5%
ENERGY ADMIRAL - VGELX	Energy Stocks	1st	20th	0.33%	-2.4%	5.0%	2.3%	0.2%	0.3%	10.0%
<i>Energy Sector Stock Funds >></i>		<i>Category Average >></i>		1.38%	-6.7%	-5.6%	-6.9%	-7.0%	-3.2%	7.3%

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

(All for periods ended September 30, 2016)

(1) A fund with a 27th Ranking outperformed 73% 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	10 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	Target Date Retire Income	27th	23rd	0.13%	-0.5%	5.4%	3.7%	4.3%	4.9%	N/A
<i>Retirement Income Funds >></i>		<i>Category Average >></i>		0.80%	-1.0%	5.0%	3.2%	3.8%	4.3%	N/A
TARGET RETIREMENT 2015 - VTXVX	Target Date 2015	35th	23rd	0.14%	-0.5%	7.3%	4.7%	6.2%	5.7%	N/A
<i>Target Date 2015 Funds >></i>		<i>Category Average >></i>		0.74%	-0.7%	6.9%	4.4%	5.6%	5.1%	N/A
TARGET RETIREMENT 2020 - VTWNX	Target Date 2020	11th	7th	0.14%	-0.5%	9.0%	5.7%	7.3%	6.2%	N/A
<i>Target Date 2020 Funds >></i>		<i>Category Average >></i>		0.81%	-0.8%	7.6%	4.7%	5.7%	5.2%	N/A
TARGET RETIREMENT 2025 - VTTVX	Target Date 2025	14th	20th	0.15%	-0.6%	10.2%	6.3%	8.0%	6.5%	N/A
<i>Target Date 2025 Funds >></i>		<i>Category Average >></i>		0.79%	-0.8%	9.1%	5.4%	6.7%	5.7%	N/A
TARGET RETIREMENT 2030 - VTHRX	Target Date 2030	22nd	20th	0.15%	-0.6%	11.2%	6.8%	8.6%	6.7%	N/A
<i>Target Date 2030 Funds >></i>		<i>Category Average >></i>		0.83%	-0.8%	10.4%	6.1%	7.4%	5.9%	N/A
TARGET RETIREMENT 2035 - VTTHX	Target Date 2035	24th	24th	0.15%	-0.6%	12.2%	7.4%	9.2%	7.0%	N/A
<i>Target Date 2035 Funds >></i>		<i>Category Average >></i>		0.81%	-0.6%	11.7%	6.7%	8.2%	6.4%	N/A
TARGET RETIREMENT 2040 - VFORX	Target Date 2040	23rd	20th	0.15%	-0.5%	13.3%	7.9%	9.7%	7.3%	N/A
<i>Target Date 2040 Funds >></i>		<i>Category Average >></i>		0.85%	-0.7%	12.4%	7.0%	8.5%	6.3%	N/A
TARGET RETIREMENT 2045 - VTIVX	Target Date 2045	19th	16th	0.15%	-0.6%	13.7%	8.1%	9.9%	7.4%	N/A
<i>Target Date 2045 Funds >></i>		<i>Category Average >></i>		0.82%	-0.5%	13.2%	7.4%	8.9%	6.6%	N/A
TARGET RETIREMENT 2050 - VFIFX	Target Date 2050	22nd	20th	0.15%	-0.6%	13.7%	8.1%	9.9%	7.4%	N/A
<i>Target Date 2050 Funds >></i>		<i>Category Average >></i>		0.85%	-0.6%	13.3%	7.4%	8.9%	6.6%	N/A
TARGET RETIREMENT 2055 - VFFVX	Target Date 2055	32nd	n/a	0.15%	-0.6%	13.7%	8.1%	9.9%	N/A	N/A
<i>Target Date 2055 Funds >></i>		<i>Category Average >></i>		0.82%	-0.5%	13.6%	7.6%	9.2%	N/A	N/A
TARGET RETIREMENT 2060 - VTTSX	Target Date 2060+	49th	n/a	0.15%	-0.5%	13.7%	8.1%	9.9%	N/A	N/A
<i>Target Date 2060+ Funds >></i>		<i>Category Average >></i>		0.82%	-0.6%	13.7%	8.0%	9.6%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	21st	45th	0.12%	-0.7%	6.9%	4.5%	5.6%	5.1%	6.3%
<i>Allocation – 30% to 50% Equity Funds >></i>		<i>Category Average >></i>		1.16%	-1.2%	5.4%	3.7%	4.7%	5.0%	6.0%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	17th	44th	0.14%	-0.6%	12.3%	7.4%	9.1%	6.6%	8.7%
<i>Allocation – 70% to 85% Equity Funds >></i>		<i>Category Average >></i>		1.25%	-1.1%	9.8%	5.6%	7.7%	6.2%	7.9%