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

Compensation & Capital's
Global Economics and Personal Financial Planning Commentary as of June 30, 2009

The Perils and Powers of Financial Planning Let's face it. The past year-and-a-half has made shambles of many well-designed, seemingly realistic financial plans – especially those of boomers in (or, in transitions to) their retirement. Even small design oversights or execution mistakes have been severely punished. Examples abound; you likely know several of your own. To illustrate our closing message, here are two:

Seemingly good plans gone bad

Recently empty-nestered couple "doing everything right:" Downsized from their family home in 2006 for efficiency; invested a tidy portion of the sale proceeds in an "appropriate" target maturity fund to bolster their already impressively accumulating retirement savings; planned to increase retirement contributions while continuing to work and save for the next 8 years. Targeted full retirement in 2014. Retirement fund lost 25% of its value – the equivalent of their projected annual savings over the next 5 years. The penalty? Put off retirement for at least an additional 5 years; hope they can stay fully employed for that extended period while their saving and investments recoup losses.

And seemingly bad plans turned good

An early age 40's couple: Have owned their very modest home for 20 years, both employed with sustainable careers. Two college-bound kids. Saving solely for college – no retirement savings. Have adopted a frugal lifestyle to accumulate college funds. Pre-2008, most professional planners would have used this couple on a poster campaign for bad planning. Mantra has (and remains) save first for yourselves, then for your kids. Fast forward to 2009; they are now the envy of their friends. College costs covered, no psychological baggage from investment losses, little debt, plenty of home equity, lots of time to save and invest for retirement, and a lifestyle conducive to succeeding in that effort.

All this brings to mind an old Army platitude: "If it was stupid but worked, it wasn't stupid." Why are people who seemingly did "the right thing" being punished when their counterparts aren't? Much of the support for this juxtaposition of fates lies in what economists have recently popularized as the "Black Swan event" – that is, an occurrence that deviates so far from the norm that it is extremely difficult to predict and therefore counterproductive to incorporate into a plan. Has the apparently increased frequency of "Black Swans" rendered all financial planning a bust?

We maintain not. Personal financial planning's underlying strategies and tactics remain (see our Page 2 *Strategies and Tactics* article) valid. That said, your own plan's success in "the war" is ultimately and dramatically dependent upon your personal precepts. That is, that same moral and procedural framework with which you must approach any objective in your life. Successful battle plans are engaged within the construct of axioms like these paraphrased from Napoleon's manual of war:

- Maintain positive morale even in the face of setbacks.
- Keep your plans as simple as needed to accomplish your task.
- Be organized for maximum efficiency.
- Economize your resources to reduce waste.
- Keep strategy flexible – stay adaptable so you can maximize opportunities – that is, luck.

Executing your well-conceived financial plan within the framework of these personal precepts will always increase your probability that you're around for the next battle. Remember, battles are not wars and for the vast majority of us the outcome of the war for our own lifetime financial security will be decided only after many more battles have been fought, no matter the color of the next Swan.

Compensation & Capital's
Retirement Saving and Investing "Action Points" as of June 30, 2009

Underlying Strategies and Tactics of Financial Plans That Work

Our Page 1 *Commentary* focused on the difficulties that many of us are having reconciling the viability of our financial plans. The *Commentary's* big-picture approach stressed the importance of viewing your financial plan as a dynamic process; one that is realistically capable of succeeding in the majority – but certainly not all – economic conditions and personal situations. Our focus on these broader precepts doesn't diminish our conviction that what's worked in the past in terms of the actual steps to build and maintain a financial plan will continue to work for the future. Creating a plan, initiating it, then maintaining it according to pre-determined but realistic goals remains the prudent way to increase your probability of eventually attaining your highest level of financial security. Here are the steps we consider vital to accomplishing that process:

- Build a plan that's simple, realistic, actionable, and flexible for your changing life.
- Focus primarily on saving and spending, then on investing.
- Apply appropriate asset allocations to each goal portfolio based upon time frame and risk aversion.
- Choose low-cost professionally managed investments easily tracked for comparative performance.
- Implement the investing plan gradually and without regard for the current market conditions.
- Balance your portfolio(s) back to appropriate asset allocations at least annually.
- Make changes to your plan and goals only as personal situations change and then only gradually.

Recent Performance of Financial Markets

2009 has so far provided a stock market performance snapshot to support just about any investor's conjecture as to market sentiment over the past 6½ months. Looking for heart-stopping drops? How about 27% from January 1 to March 9. How about a blistering gain? The following two months to May 8 melted the record books with a 37% gain from the March 9 low. But the truly relevant take-away's (at least for investors with long term objectives) from the stock market's recent performance smother these eye-popping headlines under a blanket of boredom.

- As of today's writing, the U.S. stock market as represented by the S&P 500 is now valued almost exactly where it stood on January 1, and
- Despite signs of global economic and capital markets stabilization, investors remain seriously uncertain of newly minted government-led solutions for economic recovery.

The statistics noted in our opening paragraph might lead some to surmise that these new norms of roller-coaster volatility begun early last Fall are with us until the economic and financial uncertainties are resolved. But over the past two months the U.S. stock market has enjoyed its lowest levels of volatility of the past twelve months, seemingly "stuck" in a range of plus/minus 5%. How could continued worsening economic conditions illustrated by:

- unemployment rising to 9.5% with job losses now over 3 million;
- consumers hoarding disposable income and reducing debt purchases;
- massive bankruptcies of GM and Chrysler; and
- political pressures on the effectiveness of the U.S. stimulus package

(to mention only a few bad-news items) actually be a salve for the bearish sentiments currently held by the majority of investors?

Fact is, stock market performance, if accurately describable by few other adjectives, is always *relative* to its past levels. As a recent publication by Morgan Stanley Smith Barney LLC put it, "Once dreadful financial and economic metrics are now merely bad." Obviously, in the eyes of stock market investors, 'less bad' is better than 'bad' but it's a long way from 'good.' Now that we have managed to return from the abyss of early March and find ourselves in relative market tranquility, real economic progress is needed to stage any sustainable advance. Though overseas economies – especially those less directly impacted by the credit crunch portion of the crisis – are currently illustrative of the rebound possible when uncertainty unwinds, restoring financial structures in the U.S. remains in a nascent state. As such, as always, patience must rule the psyche of the long term investor.

Dechert-Hampe & Co Employees' Savings and Profit Sharing Plan
Vanguard Select Funds Performance Specifics and Comparatives
(All for periods ended June 30, 2009)

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

Name and Ticker of Vanguard Select Fund / *Morningstar Category Name*	Securities Type(s)	Morningstar™ Category Percentile Ranking Past 5 Years	10 Years	Cumulative Total Return Performances for: 1 Qtr	YTD-2009	12 Mos	Average Annualized Total Returns for: 3 Yrs	5 Yrs	10 Yrs
Prime Money Market - VMMXX	Money Market	n/a	n/a	0.1%	0.4%	1.7%	3.7%	3.4%	3.3%
Money Market Funds >>		*Category Average >>*		*0.1%*	*0.1%*	*1.0%*	*3.2%*	*2.9%*	*2.9%*
Total Bond Market - Signal shares -VBTSX	**Bonds**	**12th**	**16th**	**1.8%**	**2.2%**	**6.2%**	**6.6%**	**5.0%**	**5.8%**
Intermediate Bond Funds >>		*Category Average >>*		*5.7%*	*5.9%*	*1.6%*	*3.6%*	*3.2%*	*4.8%*
Inflation Protected Securities - VIPSX	**Gov't Bonds**	**23rd**	**n/a**	**0.3%**	**5.5%**	**-2.5%**	**5.3%**	**4.6%**	**n/a**
Inflation-Protected Bond Funds >>		*Category Average >>*		*1.2%*	*5.3%*	*-3.1%*	*4.1%*	*4.2%*	*5.9%*
Wellington – Admiral shares - VWENX	**Bonds & Stocks**	**4th**	**5th**	**13.2%**	**5.2%**	**-13.5%**	**-0.5%**	**3.4%**	**4.4%**
Moderate Allocation Funds >>		*Category Average >>*		*13.2%*	*6.5%*	*-17.8%*	*-4.2%*	*0.2%*	*1.3%*
500 Index – Signal shares - VIFSX	**Stocks**	**51st**	**55th**	**16.0%**	**3.3%**	**-26.1%**	**-8.2%**	**-2.3%**	**-2.3%**
Large-Cap U.S. Blend Stock Funds >>		*Category Average >>*		*16.8%*	*4.9%*	*-26.4%*	*-8.3%*	*-2.1%*	*-1.5%*
Windsor II – Admiral Shares - VWNAX	**Stocks**	**36th**	**39th**	**17.8%**	**2.6%**	**-24.3%**	**-9.0%**	**-1.3%**	**0.4%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*16.7%*	*1.7%*	*-26.6%*	*-9.9%*	*-2.2%*	*0.0%*
Selected Value - VASVX	**Stocks**	**21st**	**27th**	**17.6%**	**7.1%**	**-19.6%**	**-7.3%**	**0.3%**	**5.1%**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*19.4%*	*6.2%*	*-26.3%*	*-9.3%*	*-1.0%*	*4.4%*
Morgan Growth – Admiral Shares - VMRAX	**Stocks**	**40th**	**30th**	**15.6%**	**10.5%**	**-29.0%**	**-7.4%**	**-1.4%**	**-1.2%**
Large-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*15.7%*	*10.5%*	*-27.1%*	*-6.9%*	*-1.8%*	*-2.4%*
Mid Cap Growth - VMGRX	**Stocks**	**22nd**	**23rd**	**16.2%**	**12.0%**	**-25.6%**	**-6.1%**	**1.0%**	**3.5%**
Mid-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*17.5%*	*12.3%*	*-30.6%*	*-8.1%*	*-1.1%*	*1.0%*
Explorer - VEXRX	**Stocks**	**45th**	**24th**	**19.9%**	**10.8%**	**-26.8%**	**-9.8%**	**-1.9%**	**3.6%**
Small-Cap U.S. Growth Stock Funds >>		*Category Average >>*		21.0%	*10.7%*	*-26.9%*	*-9.5%*	*-2.3%*	*1.4%*
International Growth - VWILX	**Stocks**	**18th**	**18th**	**27.1%**	**14.1%**	**-29.6%**	**-5.6%**	**4.1%**	**2.4%**
Foreign Large-Cap Blend Stock Funds >>		*Category Average >>*		*24.0%*	*7.5%*	*-32.4%*	*-8.2%*	*2.1%*	*1.1%*
Energy– VGENX	**Stocks**	**12th**	**25th**	**20.9%**	**14.7%**	**-42.6%**	**-2.7%**	**13.1%**	**13.8%**
Equity Energy Sector Stock Funds >>		*Category Average >>*		23.3%	*15.9%*	*-51.5%*	*-7.9%*	*8.9%*	*10.3%*
Emerging Markets Stock Index - VEIEX	**Stocks**	**26th**	**36th**	**34.1%**	**34.2%**	**-28.3%**	**2.4%**	**14.0%**	**9.0%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*35.2%*	*33.1%*	*-31.5%*	*0.5%*	*12.6%*	*8.5%*