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

Compensation & Capital's
Perspectives on Financial Planning in the Wake of Turbulent Markets as of June 30, 2010

Each of us views our world through filters. They mold perception from reality. They form the basis for our actions. Our financial decisions emanate from these biased perceptions of reality. And to the extent that those biases are born of fear or greed instead of a circumspect and objective perspective, well-conceived long-term financial plans can be twisted off course by short-term bias.

Right now, gloomy pundits are at the top of their celebrity, especially those who predicted our capital crises and associated woes. Behavioral psychologists tell us that in the face of seemingly failing strategies based upon cautiously optimistic assumptions, human nature motivates us to afford greater credibility to "devils 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 as the lab scientists said we would, eh?)

No one can be right about everything every time. And even when our biases align with reality, oftentimes we lack the personal conviction to follow through with productive responses. For example, several of the handful of economists who foresaw our current dislocation from the "Old Normal" have refreshingly admitted that they neglected to personally act upon their published predictions with respect to their own finances. 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 realization, but primarily due to its broad scope of outcomes. But given the gloomy mood of the vast majority of investors today, their negative bias will focus upon its less probable "tail" outcomes than its more probable "core" outcomes.

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 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 imports.

Does this defensibly probable "core" outcome get media play today? No; it's just not currently popular wisdom. Is it one of *many* moderate outcomes that are more probable occurrences than the onerous tails? Yes; there are certainly as many viable arguments supporting relatively positive outcomes as there are those predicting the dark side. They just don't get the press right now.

So, distilled to its essence, the economic question we must each continually confront is: "To what extent is our current apparent success or failure the result of a short-lived dislocation or a long-term shift to a "New Normal"?" Those who blindly project their status quo (whether good or bad) into the future without recognition of the biases that are driving their acceptance of that conclusion run a heightened risk of falling victim to those 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, at every level of entity and 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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Compensation & Capital's
Recent and Future Performance of Financial Markets and Actionable Recommendations

Stocks may look ugly but they are essential to long term investing. Bonds are also an essential component of a successful portfolio and may seem the place to be right now. But since they have over-performed their historical norms they may be over-valued right now and therefore due for a fall. Money markets? Great place to go if you can't stomach market losses. But current returns are anemic and longer term? Well, you may keep pace with inflation but forget any real growth. Gold? Precious metals? Certainly available within the Schwab Venue of your Plan but can these commodities continue to shine as they have over the past two years?

If each of these asset classes available to you through your Plan has viable downsides, how can a diversified "team" of such seemingly mediocre options be better than the sum of the parts? The answer lies in Old Man Time. Face it: One of the most difficult facets of retirement investing is waiting through the ups and downs of the 40+ accumulation years for it to be "over"! A "team" of truly diversified investments produces a much narrower *range* of returns and in many past medium-term periods (say 10 to 20 years) has duplicated the annualized returns of the more volatile stock component. For example, a 60/40 mix of stocks/bonds mix over the 15 years ended 12/31/2009 produced an annualized 7.8% compared to 8.1% for stocks and 6.6% for bonds. And the 60/40 portfolio experienced just over ½ the volatility of all-stock; psychologically, a much easier path.

The first half of 2010 has left no doubt that last year's optimism for a growth-led global economic recovery is but a distant memory in the minds of most investors. Major U.S. and global stock indices lost more than 11% for the quarter, wiping out comfortable first quarter gains and leaving 2010 year-to-date stock index losses in the 6% range. Bonds (as measured by the BARCAP Aggregate Index) continued their steady march towards another impressive year, now up over 5% for 2010, as many investors said "Adios!" to anything they considered "risky" investments.

This juncture of the current economic cycle has been fraught with cross-currents: Inflation vs Deflation. Recession vs Growth. Globalization vs Nationalization. Credit Contraction vs Expansion. The list seems endless. That's why we all need to always employ diversification to dampen the negative impact on our personal finances caused by a prolonged downturn in any major facet of the economy. Our employer, its industry, our profession, our geographic region, housing, health; each facet has its own set of risks that can be diminished by diversification.

We've seen this act of the investing drama before. Don't ever forget that economies and markets run in cycles. Investments that seem overly risky (like stocks do now) can be some of the best values available at the time. Conversely, bonds are not always a conservative "secure" investment. They can get over-bought too. To be clear, in our opinion, running away from risk during turbulent times is NOT a valid course of action for any retirement plan participant with a long-term objective. Taking the diversification discussion back to controlling investment portfolio risk, employing a "team" of complementary investments is the best available means of controlling the downside volatility of your Plan account balance while benefiting from the historically supported long term growth attributes of risky assets like stocks. Don't ever forget that over appropriately long investment timeframes, diversified portfolios have produced far more consistent and higher quality performance than portfolios of stocks or bonds alone.

When DH/MW initiated your Plan's Vanguard Funds Venue 14 years ago, we developed three Sample Portfolios designed to be appropriate for three distinct investing time horizons. Granted, the past 14 years have not been "wonderful" to Plan participants with larger stock allocations. But 14 years is not even the *maximum* time horizon period for the *Medium Term* Sample Portfolio's time horizon of 8 to 15 years. Successful investing demands that we stay true to our objectives. Accepting portfolio risk appropriate to your investing time horizon is essential to investing success.

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Vanguard Select Funds Performance Specifics and Comparatives

(All for periods ended June 30, 2010)

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

Name and Ticker of Vanguard Select Fund	Securities	Morningstar™ Category Percentile Ranking Past		Cumulative Total Return Performances for:			Average Annualized Total Returns for:		
Morningstar Category Name	Type(s)	5 Years	10 Years	1 Qtr	YTD-2010	12 Mos	3 Yrs	5 Yrs	10 Yrs
Prime Money Market - VMMXX	Money Market	**7th**	**9th**	**0.0%**	**0.0%**	**0.1%**	**1.9%**	**3.0%**	**2.7%**
Money Market Funds >>		*Category Average >>*		*0.0%*	*0.0%*	*0.0%*	*1.5%*	*2.6%*	*2.3%*
Total Bond Market - Signal shares -VBTSX	**Bonds**	**27th**	**30th**	**3.6%**	**5.4%**	**9.4%**	**7.6%**	**5.6%**	**6.2%**
Intermediate Bond Funds >>		*Category Average >>*		*2.7%*	*5.2%*	*13.1%*	*6.0%*	*4.5%*	*5.8%*
Inflation Protected Securities - VIPSX	**Gov't Bonds**	**34th**	**36th**	**3.9%**	**4.3%**	**9.5%**	**7.2%**	**4.7%**	**7.2%**
Inflation-Protected Bond Funds >>		*Category Average >>*		*3.2%*	*4.0%*	*9.7%*	*6.3%*	*4.0%*	*6.4%*
Wellington – Admiral shares - VWENX	**Bonds & Stocks**	**4th**	**2nd**	**-6.8%**	**-3.3%**	**12.5%**	**-2.0%**	**4.0%**	**6.0%**
Moderate Allocation Funds >>		*Category Average >>*		*-6.6%*	*-3.1%*	*12.9%*	*-4.6%*	*1.3%*	*1.9%*
500 Index – Signal shares - VIFSX	**Stocks**	**46th**	**57th**	**-11.4%**	**-6.7%**	**14.5%**	**-9.8%**	**-0.8%**	**-1.6%**
Large-Cap U.S. Blend Stock Funds >>		*Category Average >>*		*-11.6%*	*-7.1%*	*13.4%*	*-9.9%*	*-1.0%*	*-0.8%*
Windsor II – Admiral Shares - VWNAX	**Stocks**	**46th**	**27th**	**-13.8%**	**-8.7%**	**13.2%**	**-11.7%**	**-1.5%**	**3.4%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*-11.8%*	*-6.9%*	*13.6%*	*-11.6%*	*-1.6%*	*2.1%*
Selected Value - VASVX	**Stocks**	**37th**	**19th**	**-9.5%**	**-2.5%**	**24.1%**	**-7.8%**	**0.9%**	**8.4%**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*-10.1%*	*-2.7%*	*23.8%*	*-9.4%*	*0.4%*	*6.5%*
Morgan Growth – Admiral Shares - VMRAX	**Stocks**	**38th**	**27th**	**-11.1%**	**-6.5%**	**15.3%**	**-8.5%**	**0.3%**	**-1.7%**
Large-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*-12.1%*	*-8.2%*	*12.1%*	*-8.1%*	*-0.2%*	*-3.4%*
Mid Cap Growth - VMGRX	**Stocks**	**32nd**	**56th**	**-9.8%**	**-4.9%**	**17.6%**	**-7.2%**	**2.7%**	**-1.4%**
Mid-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*-9.6%*	*-3.5%*	*19.6%*	*-7.9%*	*1.1%*	*-0.8%*
Explorer - VEXRX	**Stocks**	**55th**	**27th**	**-9.9%**	**-2.1%**	**20.5%**	**-8.8%**	**0.1%**	**1.9%**
Small-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*-9.1%*	*-2.5%*	*19.1%*	*-8.7%*	*0.3%*	*-0.3%*
International Growth - VWILX	**Stocks**	**16th**	**23rd**	**-12.2%**	**-9.9%**	**12.0%**	**-9.9%**	**3.9%**	**1.3%**
Foreign Large-Cap Blend Stock Funds >>		*Category Average >>*		*-13.4%*	*-12.2%*	*7.1%*	*-13.0%*	*1.1%*	*-0.4%*
Energy– VGENX	**Stocks**	**22nd**	**23rd**	**-13.8%**	**-14.3%**	**3.4%**	**-8.0%**	**5.5%**	**12.5%**
Equity Energy Sector Stock Funds >>		*Category Average >>*		*-14.7%*	*-15.6%*	*4.9%*	*-11.4%*	*3.4%*	*8.2%*
Emerging Markets Stock Index - VEIEX	**Stocks**	**26th**	**38th**	**-9.1%**	**-6.9%**	**22.1%**	**-3.1%**	**11.8%**	**10.1%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*-8..9%*	*-6.3%*	*21.8%*	*-5.3%*	*10.6%*	*9.2%*