

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

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### Compensation & Capital's Financial Planning Commentary as of June 30, 2011 "The Perils of Myopia and Other Conditions of Human Nature"

As vision impairments go, myopia, or nearsightedness as it's commonly known, isn't exactly perilous. But when myopia's psychological counterpart, myopic or shortsighted *behavior*, infects investor psychology the impact is far less benign. Our *Quarterly Commentary* has repeatedly held that financial markets are the collective psychology of all investors. Given recent news-driven price action across all asset class markets, from bonds to stocks to commodities to currencies, it's becoming increasingly clear that current collective investor psychology has turned myopic.

Focused on the irrational (that is, not driven by profit motives) actions of non-commercial players (predominately central banks and politicians), markets are exhibiting classic attention deficit disorder. As a long-term retirement plan investor, protecting your psyche (and thereby your long term target return and acceptance of investment risk) from a contagious bombardment of negative news is tantamount to your investing success as well as your psychological well-being.

To be clear, politicians and central banks play a powerful role in our financial futures. Their ability to wreak havoc on short-term and even intermediate-term market stability by creating artificial pricing is potent. That said, longer term, commercial players driven purely by profit incentives and participating in regulated markets will always be the final arbiters of what prices are appropriate for every good, service, or asset available on global markets.

So, in the wake of negativity borne of Greek, Italian, Irish, Portuguese (and oh yes, U.S.) debt and deficit "crises" and related fear-driven news, we thought this would be a good time to step back and re-focus perspective our to a far more relevant time frame for the vast majority of our readers: that is, the next 5, 10, or 20 years. Mind you, these are clearly NOT predictions. They are, however, arguably plausible outcomes and therefore certainly worthy of consideration for realigning your investing psyche to a more balanced view of what our future could hold. Simply speaking: Food for thought.

1. Baby boomers' longer lives and income needs and the lingering funding crises in Social Security and Medicare keep the U.S. unemployment rate above 7% throughout the current decade. Wage inflation is non-existent but the scarcity of secure, high-paying jobs is increasingly apparent.
2. The Eurozone survives and thrives amid new integration strategies spawned by a new age of fiscal responsibility. After surviving near-death experiences, weaker national economies face their debt and deficit crises head-on, restructuring debt, paring budgets and thereby allowing their banking system to recapitalize. Europeans adapt and change well ahead of the U.S. which, finally bowing to capital market and electorate pressure, capitulates to a similar regimen.
3. In the wake of a mid-decade (that is four+ years hence) decline in foreclosures to historically normal levels and pent-up echo-boom generation demand, the U.S. real estate market stabilizes and soon thereafter begins to lift real estate prices.
4. China, recognizing its rapidly aging worker population and deficient social safety-net programs, actively encourages renewed family formation and re-orientes from an export-based to a consumer-based economy. Transition shocks weigh on their intermediate term economic and stock market valuation growth but the structural shifts set the stage for strong, long-term domestic growth for decades to come. Trading partners prosper.

Investor myopia may alert us to dangers imminently ahead. But for long-term investors, such hazards are simply less relevant than a myriad of more distant economic drivers. There's an adage in fighter pilot squadrons: Don't fixate on the hazards you see. They likely won't be the ones that kill you.

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**Compensation & Capital's June 30, 2011**

### **Retirement Saving and Investing "Action Points"**

#### **Affixing an Appropriate Perspective to Your Plan Account's Strategic Asset Allocation:**

Human psychology dictates that the investing decision is always a combination of intuition (potentially irrational) and analytical (hopefully rational) behaviors. Our job as financial advisors is to objectively lead clients to make their investing decisions with as little intuitive and as much analytical input as possible. Therefore, it's absolutely imperative to clearly state that our view of the 20+ year future of global economies and therefore asset values (stocks, bonds, commodities, and real estate) over that timeframe is, simply stated, cautiously positive but positive nonetheless. Since this basic premise (that is, are YOU positive, neutral, or negative on the outlook for long term global economic growth?) must dictate YOUR portfolio's Strategic Asset Allocation (its "SAA" being its allocation to cash vs. bonds vs. stocks) then "What Say You?"

DHC/MWC Plan participants who echo our positive sentiment AND can consistently marginalize the emotional impact of short-term disruptions like those discussed in our Page 1 *Commentary* are well-served by incorporating the Plan's Vanguard Select Funds Venue Sample Portfolios into their Plan account's SAA's. These Sample Portfolios properly match your investing timeframe with appropriate levels of investment risk using appropriate fund mixes of well-diversified assets in the form of mutual funds managed by high-quality, time-tested portfolio managers.

On the other hand, Plan participants who can't quite come to a whole-hearted affirmation of our long-term positive sentiment must personally temper their SAA's with the fact that exposure to more risky assets like stocks must be reduced from our Sample Portfolio SAA's, complemented by increased concentration in less risky assets like bonds and money markets.

We believe the majority of DHC/MWC Plan participants already utilizing the Vanguard Select Funds Venue "get" this fact. The foregoing message is directed not only to those Plan participants who do not utilize the Sample Portfolios to guide their Plan account mixes, but also to those of you who may occasionally question if seemingly dramatic short-term events temper our underlying positive, seemingly "Steady-Eddie" premise. The answer to that question is a resounding "No."

That said, infrequent fine-tuning adjustments to fund mixes within the various Sample Portfolios are sometimes warranted, and executed as we deem necessary. Such adjustments are the carefully considered result of our continually evolving long-term perspectives on secular global changes in capital markets and economies as well as the availability of mutual funds from time-tested portfolio managers that can provide further diversification for your Plan accounts. The adjustments are NOT in response to risk reassessments of stocks versus bonds versus cash. Therefore, each of the four Sample Portfolio's mixes of the available Vanguard Select Funds Venue do, from time to time, change. But their SAA's (underlying allocation to cash vs. bonds vs. stocks) never change from their originally pegged proportions. Currently prescribed Sample Portfolio details are always available at <https://www.planspecs.com/dhc/pdf/DEC1GuidePorts.pdf>.

In summary, if your goals and time horizon are unchanged, then it's a good idea to simply revisit your mix of stocks and bonds, say once annually. See if your investments are still close (say, not more than +/-2% deviation per fund) from your originally determined SAA's Sample Portfolio. A rebalancing is accomplished by completing and submitting a *Vanguard Funds Existing Balance Re-Mix Request* form available under the Plan's secure participant portal at [www.planspecs.com/dhc](http://www.planspecs.com/dhc). As always, help with any plan-related question is always just a web click away at [info@planspecs.com](mailto:info@planspecs.com).

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

*(All for periods ended June 30, 2011)*

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

| NAME OF SELECT FUND<br>Morningstar Category Name         | Securities<br>Type(s)     | Morningstar™ Category<br>Percentile Ranking Past |             | Cumulative Total Return<br>Performances for |              |              | Average Annualized<br>Total Returns for: |              |              |              |
|--|---------------------------|--|-------------|---|--------------|--------------|--|--------------|--------------|--------------|
|  |                           | 5 Years  | 10 Years    | 1 Qtr                                       | YTD-2011     | 12 Mos       | 3 Yrs                                    | 5 Yrs        | 10 Yrs       | 15 Yrs       |
| <b>PRIME MONEY MARKET - VMMXX</b>                        | <b>Money Market</b>       | <b>9th</b>                                       | <b>8th</b>  | <b>0.0%</b>                                 | <b>0.0%</b>  | <b>0.1%</b>  | <b>0.6%</b>                              | <b>2.2%</b>  | <b>2.2%</b>  | <b>3.2%</b>  |
| <i>Money Market Funds &gt;&gt;</i>                       |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>0.0%</i>                                 | <i>0.0%</i>  | <i>0.0%</i>  | <i>0.3%</i>                              | <i>1.8%</i>  | <i>1.8%</i>  | <i>2.9%</i>  |
| <b>TOTAL BOND MARKET - SIGNAL SHARES - VBT SX</b>        | <b>Bonds</b>              | <b>37th</b>                                      | <b>43rd</b> | <b>2.3%</b>                                 | <b>2.5%</b>  | <b>3.7%</b>  | <b>6.4%</b>                              | <b>6.5%</b>  | <b>5.5%</b>  | <b>6.1%</b>  |
| <i>Intermediate Bond Funds &gt;&gt;</i>                  |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>1.8%</i>                                 | <i>2.8%</i>  | <i>5.3%</i>  | <i>6.7%</i>                              | <i>6.0%</i>  | <i>5.3%</i>  | <i>5.7%</i>  |
| <b>INFLATION PROTECTED SECURITIES - VIP SX</b>           | <b>Gov't Bonds</b>        | <b>28th</b>                                      | <b>41st</b> | <b>3.4%</b>                                 | <b>5.3%</b>  | <b>7.2%</b>  | <b>4.6%</b>                              | <b>6.5%</b>  | <b>6.7%</b>  | <b>n/a</b>   |
| <i>Inflation-Protected Bond Funds &gt;&gt;</i>           |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>3.0%</i>                                 | <i>5.0%</i>  | <i>7.0%</i>  | <i>4.3%</i>                              | <i>5.8%</i>  | <i>6.1%</i>  | <i>5.2%</i>  |
| <b>WELLINGTON – ADMIRAL SHARES - VWENX</b>               | <b>Bonds &amp; Stocks</b> | <b>7th</b>                                       | <b>3rd</b>  | <b>0.9%</b>                                 | <b>5.1%</b>  | <b>20.7%</b> | <b>5.5%</b>                              | <b>6.0%</b>  | <b>6.5%</b>  | <b>8.6%</b>  |
| <i>Moderate Allocation Funds &gt;&gt;</i>                |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>0.4%</i>                                 | <i>4.3%</i>  | <i>20.4%</i> | <i>2.5%</i>                              | <i>1.6%</i>  | <i>3.6%</i>  | <i>6.5%</i>  |
| <b>500 INDEX – SIGNAL SHARES - VIFSX</b>                 | <b>Stocks</b>             | <b>36th</b>                                      | <b>44th</b> | <b>0.1%</b>                                 | <b>6.0%</b>  | <b>30.7%</b> | <b>3.4%</b>                              | <b>3.0%</b>  | <b>2.7%</b>  | <b>6.5%</b>  |
| <i>Large-Cap U.S. Blend Stock Funds &gt;&gt;</i>         |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>-0.2%</i>                                | <i>5.5%</i>  | <i>29.7%</i> | <i>2.6%</i>                              | <i>2.5%</i>  | <i>2.7%</i>  | <i>6.2%</i>  |
| <b>WINDSOR II – ADMIRAL SHARES - VWNAX</b>               | <b>Stocks</b>             | <b>39th</b>                                      | <b>31st</b> | <b>0.4%</b>                                 | <b>6.9%</b>  | <b>29.6%</b> | <b>3.6%</b>                              | <b>2.1%</b>  | <b>4.2%</b>  | <b>7.5%</b>  |
| <i>Large-Cap U.S. Value Stock Funds &gt;&gt;</i>         |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>-0.4%</i>                                | <i>5.7%</i>  | <i>28.9%</i> | <i>2.5%</i>                              | <i>1.6%</i>  | <i>3.6%</i>  | <i>6.5%</i>  |
| <b>SELECTED VALUE - VASVX</b>                            | <b>Stocks</b>             | <b>24th</b>                                      | <b>31st</b> | <b>0.0%</b>                                 | <b>6.9%</b>  | <b>30.9%</b> | <b>9.3%</b>                              | <b>5.3%</b>  | <b>8.9%</b>  | <b>8.0%</b>  |
| <i>Mid-Cap U.S. Value Stock Funds &gt;&gt;</i>           |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>-0.8%</i>                                | <i>6.2%</i>  | <i>32.9%</i> | <i>6.4%</i>                              | <i>4.0%</i>  | <i>7.2%</i>  | <i>9.2%</i>  |
| <b>MORGAN GROWTH – ADMIRAL SHARES - VMRAX</b>            | <b>Stocks</b>             | <b>42nd</b>                                      | <b>22nd</b> | <b>0.7%</b>                                 | <b>6.7%</b>  | <b>35.7%</b> | <b>3.6%</b>                              | <b>4.4%</b>  | <b>3.6%</b>  | <b>7.1%</b>  |
| <i>Large-Cap U.S. Growth Stock Funds &gt;&gt;</i>        |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>0.1%</i>                                 | <i>5.7%</i>  | <i>33.1%</i> | <i>3.0%</i>                              | <i>4.1%</i>  | <i>2.2%</i>  | <i>6.1%</i>  |
| <b>MID CAP GROWTH - VMGRX</b>                            | <b>Stocks</b>             | <b>31st</b>                                      | <b>55th</b> | <b>1.9%</b>                                 | <b>10.5%</b> | <b>43.8%</b> | <b>7.9%</b>                              | <b>7.0%</b>  | <b>4.5%</b>  | <b>n/a</b>   |
| <i>Mid-Cap U.S. Growth Stock Funds &gt;&gt;</i>          |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>0.3%</i>                                 | <i>8.1%</i>  | <i>39.5%</i> | <i>5.2%</i>                              | <i>5.6%</i>  | <i>4.8%</i>  | <i>7.6%</i>  |
| <b>EXPLORER - VEXRX</b>                                  | <b>Stocks</b>             | <b>53rd</b>                                      | <b>36th</b> | <b>0.4%</b>                                 | <b>9.7%</b>  | <b>43.1%</b> | <b>8.1%</b>                              | <b>4.9%</b>  | <b>5.8%</b>  | <b>8.2%</b>  |
| <i>Small-Cap U.S. Growth Stock Funds &gt;&gt;</i>        |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>0.1%</i>                                 | <i>9.4%</i>  | <i>42.5%</i> | <i>7.8%</i>                              | <i>5.1%</i>  | <i>5.1%</i>  | <i>7.3%</i>  |
| <b>INTERNATIONAL GROWTH - VWILX</b>                      | <b>Stocks</b>             | <b>9th</b>                                       | <b>13th</b> | <b>1.6%</b>                                 | <b>4.9%</b>  | <b>34.9%</b> | <b>2.1%</b>                              | <b>4.9%</b>  | <b>7.2%</b>  | <b>6.4%</b>  |
| <i>Foreign Large-Cap Blend Stock Funds &gt;&gt;</i>      |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>1.2%</i>                                 | <i>4.2%</i>  | <i>30.8%</i> | <i>-1.7%</i>                             | <i>1.7%</i>  | <i>5.1%</i>  | <i>5.0%</i>  |
| <b>ENERGY - VGENX</b>                                    | <b>Stocks</b>             | <b>25th</b>                                      | <b>18th</b> | <b>-4.6%</b>                                | <b>10.0%</b> | <b>45.6%</b> | <b>-4.7%</b>                             | <b>6.8%</b>  | <b>15.6%</b> | <b>14.1%</b> |
| <i>Equity Energy Sector Stock Funds &gt;&gt;</i>         |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>-5.7%</i>                                | <i>5.8%</i>  | <i>44.4%</i> | <i>-9.2%</i>                             | <i>4.9%</i>  | <i>12.1%</i> | <i>12.7%</i> |
| <b>EMERGING MARKETS STOCK INDEX - VEIEX</b>              | <b>Stocks</b>             | <b>26th</b>                                      | <b>41st</b> | <b>-1.0%</b>                                | <b>0.8%</b>  | <b>28.6%</b> | <b>4.1%</b>                              | <b>11.0%</b> | <b>15.6%</b> | <b>8.5%</b>  |
| <i>Diversified Emerging Markets Stock Funds &gt;&gt;</i> |                           | <i>Category Average &gt;&gt;</i>                 |             | <i>-0.9%</i>                                | <i>-0.4%</i> | <i>26.8%</i> | <i>2.0%</i>                              | <i>9.5%</i>  | <i>14.9%</i> | <i>8.2%</i>  |