

**Dechert-Hampe & Company Employees' Savings and Profit Sharing Plan**  
**Compensation & Capital's Financial Planning Commentary as of June 30, 2020**  
**"Economy versus Markets. Reality versus Hope?"**

The central message of our most recent *Commentary* published this past April turns out to be the perfect kick-off point to our thoughts this time around. In short, we closed with what proved to be sage advice given what's transpired over the past three months. "Work only on the issues you can realistically hope to control. The rest will clarify and resolve – either with or without your effort – in time." [The Q120 memo continues to be a credible use your time; it's available at [www.planspecs.com/dhc](http://www.planspecs.com/dhc) > *Tools and Links*.]

Much to our relief (and surprise) our advice worked so well because in this historically unprecedented time for humanity, economies and markets, we've stumbled upon a perfect case study in the disconnect between economies versus markets. In other words: How the stock market differs from, and can perform differently than, the economy while remaining highly dependent on the economy for its success.

Clearly we're not the first to explore this phenomenon. Economics and finance experts have documented the lack of causality between economies and their markets for decades. The *fact* of disconnect, however, stands in stark contrast to the *fiction* of their connection in the American psyche dating back to the 1929 market crash and the Great Depression that followed. With that backdrop of conventional common-man wisdom, the clarity of the recent divorce of grim economic reality from stock market bounce-back over the past three months has caught everyone's attention. Pretty much a first-time-ever event in such obvious form. Most people see the phenomenon as we titled this *Commentary*: "Reality versus Hope." So let's explore that idea and see if we can support a case for which of these markers deserves our bets.

Since mid-March, stock markets worldwide have logged many of their best performances in multiple decades. Meanwhile U.S. unemployment is at a 4-times multiple of pre-COVID rates – over 20M jobs vaporized. The vast majority of corporations' profits have crumbled. The U.S. projects 4M cases with 150k deaths by month-end July. In short, the United States continues to stumble along a path of feeble health and economic recovery from the worst economic collapse since the Hoover administration. Other less-knowledgeable investors would cite the commonly held premise that since the stock market is a forward-looking valuation mechanism, it's recovered SO quickly relative to the economy because investors are placing their bets on a relatively rapid recovery of the economy beginning this Fall. That premise has been further bolstered by the Federal Reserve (and ALL global central banks) and politicians' unbridled enthusiasm at showering money on the problem, seemingly convincing investors that governments won't let the bottom fall out of their stock markets.

And though there's certainly some validity to these arguments, the fact is that over the past 40-50 years the U.S. stock markets have structurally become increasingly detached from mainstream American life and its primary driver of financial security, the economy. Consider these facts that support the chasm between corporations in the S&P500 and the rest of American business: The top five companies in the S&P500 account for about 18% its market value, about 60% of its recent rebound performance, but less than 1% of U.S. jobs. The S&P500's 500 corporations account for about 75% of all U.S. stock market value but employ only 17% of U.S. workers. In comparison, a combined 25% of U.S. workers were employed in hospitality and self-employment jobs decimated by the pandemic, jobs that are largely not with S&P500 corporations. So much for the causality connection between economies and markets.

So which one's predictive of our comprehensive rebound from COVID-19? In our eyes, hope (that is, the markets performance) is well founded. And since these Quarterly Memos are distributed to retirement plan participants, the fact that their Plan accounts are now for the most part back close to pre-COVID high valuations, we take great relief from the fact that the disconnect is alive and well. Now let's do our best to stay safe, sane and accountable for our actions to our families and our fellow Americans so we can ALL win back our prospering economy, our freedoms - and our health too!

**Developing and Maintaining YOUR Perfect Portfolio:**

Our recurring readers are well aware that the topic of determining and executing appropriate strategic asset allocation (your "SAA" for short) is our most frequent choice for our "Action Points" segment. That's by design, not random selection. It's based upon the fact that an impressive array of studies sponsored by esteemed and objective academic institutions worldwide over the past four or five decades have decisively concluded that the most important determinant of retirement investing success is the investor's selection of an SAA that's appropriate to their emotional and financial ability to withstand downside risk. Hands down. Not market timing. Not hiring the right broker. Not buying the top-rated mutual fund each year.

SAA's represent how much of a portfolio is in each of the major "asset classes." Those classes are generally considered to be stocks, bonds, and money markets – also referred to as "cash." (As an aside, asset classes can be further divided into "categories" such as government bonds or large company U.S. value stocks. Fine tuning of asset classes both complicates and customizes portfolios. That said, executing a complicated SAA doesn't necessarily improve its chances of reaching its goal).

So increasing your stocks portion increases the risk of a severe loss. Bonds/cash reduce that risk. But what SAA is right for you? And how (or whether) to modify it over time? Two approaches follow:

Target Date Funds: In an effort to simplify the SAA decision (and to market mutual funds) the financial services industry created "Target Date Funds." These funds start young investors with approx. 90/10 stock/bond mixes, stay at that SAA until about 20 years from normal (assumed age 65) retirement when they "glideslope" the SAA down (and remain close) to around 50/50 at age 65, then continue to reduce risk ultimately about 30/70 around age 75. The concept works best the closer you are to a "typical" career / retirement / investment portfolio investor. To determine your fit, read the funds' literature at [www.planspecs.com/dhc](http://www.planspecs.com/dhc) > *Plan Investing* carefully before making your selection.

Select Funds Guideline Portfolios: When DHC initiated your Select Funds Venue over 20 years ago, we developed four Sample Guideline Portfolios using a continually monitored, and replaced as warranted, set of around 13 cost-effective, high-quality mutual funds. We constructed each of these four portfolios using mixes of these funds to result in static SAA's ranging from 80/20 (stock/bond) to 30/70 as suitable for very long (over 15 years) to very short (less than 3 years) investing horizons.

Understandably, the majority of retirement plan participants tend to stay in the "very long term" investing phase the longest. Therefore, most participants employ the 80/20 SAA's Guideline Portfolio, making adjustments only as fine-tuning "rebalancing" each year or two to bring their fund mix back into line with the Guideline Portfolio's. So, compared with Target Date Funds, this approach is not dynamic and automatic like the Target Date Funds and therefore requires a bit more effort.

That said, our Guideline Portfolios using the Plans' Select Funds allow you to personalize (as compared with Target Date Funds) your SAA to your actual (and sometimes changing) time horizon for employing your investments for retirement income. Decide to work a few more years? No problem: Just maintain your current SAA a bit longer. Feeling uncomfortable with risk in general or as you get closer to retirement? Dial your SAA down as you see fit.

In summary, your perfect portfolio is always a work in process throughout your accumulation, then into your withdrawal stages of retirement investing. You are always best served by choosing an SAA that combines a balance of risk of loss you can tolerate (both emotionally and financially), with a program that suits your motivations to be actively or passively involved at each phase of your investing "career."

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

(All for periods ended June 30, 2020)

(1) A fund with a 2<sup>nd</sup> Ranking outperformed 98% 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 <sup>(1)</sup> Ranking Past		OER <sup>(2)</sup>	Total Return Performance for		Average Annualized Total Return for:			
		1 Year	15 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TREASURY MONEY MARKET - VUSXX	Money Market	2nd	13th	0.09%	0.1%	1.4%	1.6%	1.1%	0.6%	1.3%
<i>Money Market Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.46%	0.0%	1.0%	1.3%	0.8%	0.4%	1.1%
INTERMEDIATE TERM BOND INDEX ADM - VBILX	Bonds	4th	2nd	0.07%	4.7%	10.4%	6.2%	5.0%	4.8%	5.2%
<i>Intermediate Core Bond Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.66%	3.9%	7.9%	4.8%	3.9%	3.7%	4.2%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	32nd	12th	0.10%	4.1%	8.1%	4.9%	3.7%	3.4%	3.9%
<i>Inflation-Protected Bond Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.73%	4.9%	6.8%	4.3%	3.1%	2.9%	3.5%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	31st	5th	0.17%	12.0%	4.9%	7.4%	7.8%	10.0%	7.9%
<i>US Allocation – 50% to 70% Equity Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.10%	13.1%	2.3%	5.0%	5.2%	7.9%	5.9%
WINDSOR II ADMIRAL - VWNAX	Stocks	7th	24th	0.26%	19.6%	0.1%	4.9%	6.3%	11.2%	6.8%
<i>Large-Cap U.S. Value Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.99%	15.7%	-7.6%	2.2%	4.5%	9.8%	6.0%
500 INDEX ADMIRAL - VFIAX	Stocks	23rd	17th	0.04%	20.5%	7.5%	10.7%	10.7%	14.0%	8.8%
<i>Large-Cap U.S. Blend Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.92%	19.6%	3.7%	8.2%	8.4%	12.2%	7.8%
SELECTED VALUE - VASVX	Stocks	62nd	45th	0.33%	25.2%	-14.5%	-3.5%	1.2%	8.9%	6.2%
<i>Mid-Cap U.S. Value Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.08%	19.4%	-13.6%	-1.6%	2.1%	8.9%	5.9%
U.S GROWTH ADMIRAL – VWUAX	Stocks	10th	24th	0.28%	35.7%	29.9%	22.2%	16.6%	17.9%	11.2%
<i>Large-Cap U.S. Growth Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.06%	27.4%	17.3%	16.0%	12.8%	15.1%	10.0%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	58th	46th	0.36%	30.7%	6.9%	13.4%	8.8%	13.8%	10.0%
<i>Mid-Cap U.S. Growth Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.17%	30.3%	9.7%	12.6%	9.9%	13.6%	9.5%
EXPLORER ADMIRAL - VEXRX	Stocks	48th	49th	0.34%	32.8%	4.4%	11.4%	9.2%	13.9%	9.1%
<i>Small-Cap U.S. Growth Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.24%	32.2%	4.5%	10.1%	8.3%	12.9%	8.9%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	4th	1st	0.32%	33.0%	24.6%	14.2%	11.9%	11.3%	8.8%
<i>Foreign Large Growth Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.11%	21.4%	6.4%	6.1%	5.6%	7.8%	5.7%
EMERGING MARKETS INDEX ADMIRAL - VEMAX	Foreign Stocks	43rd	50th	0.14%	19.9%	-2.9%	2.1%	2.2%	3.1%	6.0%
<i>Diversified Emerging Markets Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.31%	20.7%	-3.7%	1.2%	2.5%	3.3%	6.1%
ENERGY ADMIRAL - VGELX	Energy Stocks	13th	1st	0.30%	16.1%	-31.6%	-9.7%	-6.6%	-0.6%	1.4%
<i>Energy Sector Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.38%	36.6%	-39.4%	-19.8%	-17.4%	-6.8%	-1.6%

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

(1) A fund with a 20<sup>th</sup> Ranking outperformed 80% of its peers.

(All for periods ended June 30, 2020)

**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 <sup>(1)</sup> Ranking Past		OER <sup>(2)</sup>	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	20th	23rd	0.12%	7.8%	5.7%	5.4%	4.9%	5.8%	5.1%
<i>Retirement Income Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.75%	8.0%	4.1%	4.5%	4.2%	5.1%	4.2%
TARGET RETIREMENT 2015 - VTXVX	Target Date 2015	26th	35th	0.13%	8.9%	5.5%	5.8%	5.5%	7.6%	5.8%
<i>Target Date 2015 Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.65%	10.2%	4.0%	5.4%	6.1%	7.1%	5.7%
TARGET RETIREMENT 2020 - VTWNX	Target Date 2020	18th	14th	0.13%	11.4%	5.1%	6.1%	6.0%	8.3%	N/A
<i>Target Date 2020 Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.73%	10.2%	4.1%	5.3%	5.0%	7.1%	N/A
TARGET RETIREMENT 2025 - VTTVX	Target Date 2025	22nd	17th	0.13%	13.2%	4.8%	6.3%	6.3%	8.9%	6.3%
<i>Target Date 2025 Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.72%	12.0%	4.0%	5.6%	5.5%	8.0%	5.7%
TARGET RETIREMENT 2030 - VTHRX	Target Date 2030	26th	21st	0.14%	14.6%	4.4%	6.4%	6.5%	9.4%	N/A
<i>Target Date 2030 Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.76%	13.7%	3.6%	5.8%	5.8%	8.4%	N/A
TARGET RETIREMENT 2035 - VTTHX	Target Date 2035	27th	19th	0.14%	15.9%	3.9%	6.5%	6.6%	9.8%	6.7%
<i>Target Date 2035 Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.74%	15.6%	3.2%	5.9%	6.0%	9.0%	6.2%
TARGET RETIREMENT 2040 - VFORX	Target Date 2040	20th	20th	0.14%	17.3%	3.5%	6.5%	6.8%	10.1%	N/A
<i>Target Date 2040 Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.78%	16.7%	2.4%	5.8%	6.1%	9.0%	N/A
TARGET RETIREMENT 2045 - VTIVX	Target Date 2045	25th	19th	0.15%	18.7%	3.0%	6.4%	6.8%	10.1%	7.0%
<i>Target Date 2045 Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.75%	17.8%	2.1%	5.8%	6.2%	9.3%	6.5%
TARGET RETIREMENT 2050 - VFIFX	Target Date 2050	24th	24th	0.15%	18.7%	3.0%	6.4%	6.8%	10.1%	N/A
<i>Target Date 2050 Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.79%	18.1%	1.8%	5.7%	6.1%	9.2%	N/A
TARGET RETIREMENT 2055 - VFFVX	Target Date 2055	26th	n/a	0.15%	18.6%	3.0%	6.4%	6.8%	N/A	N/A
<i>Target Date 2055 Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.76%	18.4%	1.8%	5.8%	6.2%	N/A	N/A
TARGET RETIREMENT 2060 - VTTSX	Target Date 2060+	30st	n/a	0.15%	18.6%	3.0%	6.4%	6.8%	N/A	N/A
<i>Target Date 2060+ Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.74%	18.5%	1.6%	5.8%	6.4%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	10th	23rd	0.12%	9.7%	6.0%	6.0%	5.7%	6.7%	5.4%
<i>Allocation – 30% to 50% Equity Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.06%	10.6%	1.8%	3.7%	4.0%	6.0%	4.9%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	22nd	23rd	0.14%	16.8%	3.7%	6.4%	6.6%	9.4%	6.5%
<i>Allocation – 70% to 85% Equity Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.12%	16.1%	-0.5%	4.1%	4.9%	8.4%	5.9%