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

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

"Back from the Brink – What's the New Normal?"

While these vivid cross-currents blur the status of our economic recovery:

- Slowing but continuing monthly job losses,
- Dramatically improved albeit lopsided credit availability,
- Improving housing sales but unprecedented "For Sale" inventories, and
- Stocks up 62% from March lows but still off 30% from October 2007 highs,

our Federal government (principally through its central banker, the Federal Reserve) has recently begun to depart from its crisis mode by employing these policy moves:

- Allowing "Cash for Clunkers" to expire,
- Inducing banks to pay back (TARP) loans they received during the banking crisis, and
- Reducing monetary stimulus by decreasing the Fed's Treasury bond purchases,

to begin their transition to what they see as the U.S. economy's "new normal."

Is the Fed's transition to *their* "new normal" a sign of imminent return to "normal" for *us*? Hardly. While the Fed's transition would seem at first blush to be a good sign, a quick check of our personal finances will draw many of us to a different view of homespun reality.

Actually, the Federal Reserve's "new normal" is the challenge of keeping *both* inflation and deflation at bay. Its success at this job will personally affect each and every one of us. And while we may allow our political convictions to conclude that the outcome of our Government's policies is obvious, cross-currents in the financial markets (that is, how we actually invest our money) demonstrate far less clarity to those convictions. Truth is, though inflation - or deflation - will be critical to short and medium term investing outcomes, economic systems have historically come to balance over the longer timeframes. And since for most of us retirement investing is long term investing, best to let the lessons of history and a balanced approach be our guide. Remember: The fundamental principals of successful long term investing require that we accept only the level of risk appropriate to our investing time horizon, that we stay diversified across a variety of asset classes and securities, re-balance back to that mix at least annually, and keep saving and investing in that same mix unless a change to our time horizon dictates otherwise. Attempting to game economic cycles is not a means to success.

That said, for those of us with a short-to-medium (say, up to 7 years) timeline to consider, the issue is more pressing. The following primer should help clarify how the prospect of inflation versus one of deflation might impact our shorter-term financial and investing decisions.

<u>Inflation</u>: Inflation reduces the value of our dollars; it increases the price of the things we need to live. If you felt that the Federal government's monetary and fiscal policies would lead to inflation, then you would want to invest in hard assets like gold, commodities, real estate, and to a lesser extent, stocks (provided that you believe that the inflation rate would not be excessive.) You would want to extend your mortgage at [low] current fixed rates with the longest possible maturities. Likewise, you would avoid bond investments because they would be repaid to you in dollars of lesser value than you lent.

<u>Deflation</u>: During deflation, prices fall and economic growth is anemic to negative. This condition occurs when consumers shun spending for saving, businesses keep inventories lean and hiring to a minimum, and demand for risky investments and capital is low. If you felt that the Federal government's policies would lead to deflation, then you would want to concentrate your investments in cash and long term bonds, accelerate the pay-off of your mortgage, and limit your borrowing.

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

Compensation & Capital's
Recent Performance of Financial Markets and Actionable Recommendations

The optimism of 2009's second quarter gave way to near euphoria in the third quarter. Risky investments of all types rose in value – stocks, corporate bonds, municipal bonds, high yield bonds, commodities and gold all showed nearly unprecedented short-term strength. The only real loser was the U.S. dollar which fell against both the Euro and the Yen. Long-term investing has historically rewarded only the optimists. Investors operating on economic fundamentals had a difficult time buying into this quarter's market trends. Investors maintaining bear-market sentiments were repeatedly washed out of the markets as the quarter screamed on.

Remember, under "normal" economic and market conditions, the overall bond market's value moves in the opposite direction of stocks. That's why well-diversified portfolios include both of these investment classes. Abnormal relationships between these two investment classes generally indicate that we are at the end or the beginning of out-of-balance economic conditions. No doubt that the "end" (that is the tsunami of crises we experienced over the past two years) in large part accounts for the current disruption of the relationships. But it could also be harbinger for another beginning.

How long the abnormal relationships will last is anyone's guess. Companies' successful cost-cutting efforts and stabilized (albeit significantly lower) revenue levels are allowing them to meet earnings expectations and thereby buoying stocks in the near term. The major (that is, large corporate and government) bond markets continue to behave as if the credit crisis of 2008 never happened even in the face of limited follow-through in lending by banks to small businesses and consumers. In short, "abnormal" looks to be an integral part of the "new normal" for the foreseeable future. When the relationships revert, we will be better equipped to surmise the true "new normal."

Closer to your "home" turf, the 13 mutual funds that make up your Plans' Vanguard Select Funds Venue investment options have weathered the recent economic and financial markets crises in remarkable form. Not only do their 3-year period Morningstar Category rankings (3rd column in the chart above) aggregate to a 32nd Percentile (inside the top one-third) relative to their competition in each investing category (2nd column of the chart), their aggregate rankings for the trailing 5, 10 and 15 year periods are all in the top quarter of their categories. This is phenomenal performance from your "fund team" and further demonstrates the virtues of broad-based diversifying across a carefully-selected, small group of consistently managed, high-quality, cost-effective mutual funds. If you haven't familiarized yourself with an overview of each of your these funds, take some time to do so at www.planspecs.com/dhc - Plan Investing - Select Funds.

Finally, for those of you who employ the Select Funds' Sample Portfolios (available at the Plan's dedicated website at https://www.planspecs.com/dhc/pdf/DEC1GuidePorts.pdf) for counsel in directing your future contributions and/or existing balances into the Select Funds, remember that it's not enough to just apply one of these sample mixes once and then forget it. Responsible investing requires that your portfolio should be rebalanced any time that the any single fund's existing mix deviates (+ or -) from your original directive for that fund by more than 2%. To review your portfolio's current balance deviations from original directive, log in to the website's secure portal, access the Fund Balances page and compare the %'s in the Mkt Val (%) column with your original mix. If your original mix directive was the same as your directive for Future Contributions, then a quick comparison of the Mkt Val (%) column with the Contributions (%) column says it all!

If it's time to re-balance, access and complete a Vanguard Funds Existing Balance Remix Request under the Plan Forms tab. Better yet, mark your calendar to rebalance once a year regardless of deviations from your original mix and you will never be caught off track!

Dechert-Hampe & Co Employees' Savings and Profit Sharing Plan
Vanguard Select Funds Performance Specifics and Comparatives
(All for periods ended September 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 3 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	10th	9th	0.1%	0.5%	1.2%	3.2%	3.3%	3.2%
Money Market Funds >>		*Category Average >>*		*0.0%*	*0.2%*	*0.5%*	*2.7%*	*2.8%*	*2.7%*
TOTAL BOND MARKET - SIGNAL SHARES -VBTSX	**Bonds**	**21st**	**21st**	**3.7%**	**5.9%**	**10.6%**	**6.5%**	**5.1%**	**6.1%**
Intermediate Bond Funds >>		*Category Average >>*		*6.1%*	*12.5%*	*11.8%*	*4.5%*	*3.8%*	*5.4%*
INFLATION PROTECTED SECURITIES - VIPSX	**Gov't Bonds**	**30th**	**n/a**	**3.1%**	**8.7%**	**4.5%**	**5.2%**	**4.5%**	**n/a**
Inflation-Protected Bond Funds >>		*Category Average >>*		*3.6%*	*9.0%*	*4.8%*	*4.3%*	*4.2%*	*6.3%*
WELLINGTON – ADMIRAL SHARES - VWENX	**Bonds & Stocks**	**9th**	**4th**	**11.4%**	**17.1%**	**4.7%**	**1.4%**	**5.3%**	**6.1%**
Moderate Allocation Funds >>		*Category Average >>*		*12.2%*	*19.6%*	*1.4%*	*-1.6%*	*2.6%*	*2.9%*
500 INDEX – SIGNAL SHARES - VIFSX	**Stocks**	**53rd**	**55th**	**15.6%**	**19.4%**	**-6.8%**	**-5.4%**	**1.0%**	**-0.2%**
Large-Cap U.S. Blend Stock Funds >>		*Category Average >>*		*15.6%*	*21.3%*	*-5.5%*	*-5.1%*	*1.2%*	*0.7%*
WINDSOR II – ADMIRAL SHARES - VWNAX	**Stocks**	**43rd**	**31st**	**16.2%**	**19.3%**	**-6.5%**	**-6.2%**	**1.6%**	**3.4%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*16.5%*	*18.5%*	*-7.2%*	*-6.7%*	*0.9%*	*2.5%*
SELECTED VALUE - VASVX	**Stocks**	**39th**	**26th**	**19.6%**	**28.0%**	**3.1%**	**-3.8%**	**4.0%**	**8.0%**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*20.4%*	*28.0%*	*-2.8%*	*-4.3%*	*2.8%*	*7.3%*
MORGAN GROWTH – ADMIRAL SHARES - VMRAX	**Stocks**	**58th**	**31st**	**14.8%**	**26.9%**	**-4.1%**	**-3.8%**	**2.3%**	**0.6%**
Large-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*14.8%*	*27.0%*	*-2.7%*	*-3.3%*	*1.8%*	*-0.6%*
MID CAP GROWTH - VMGRX	**Stocks**	**34th**	**22nd**	**16.4%**	**30.3%**	**-0.8%**	**-1.3%**	**5.4%**	**5.3%**
Mid-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*17.1%*	*31.6%*	*-3.1%*	*-2.8%*	*3.1%*	*2.9%*
EXPLORER - VEXRX	**Stocks**	**54th**	**21st**	**17.7%**	**30.4%**	**-3.7%**	**-4.2%**	**2.4%**	**5.8%**
Small-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*16.5%*	*29.3%*	*-5.3%*	*-4.0%*	*1.9%*	*3.0%*
INTERNATIONAL GROWTH - VWILX	**Stocks**	**17th**	**17th**	**19.3%**	**36.1%**	**4.6%**	**-1.2%**	**7.7%**	**4.2%**
Foreign Large-Cap Blend Stock Funds >>		*Category Average >>*		*18.8%*	*27.7%*	*1.1%*	*-4.0%*	*5.8%*	*2.5%*
ENERGY– VGENX	**Stocks**	**21st**	**26th**	**14.0%**	**30.8%**	**-5.8%**	**4.3%**	**13.7%**	**15.4%**
Equity Energy Sector Stock Funds >>		*Category Average >>*		*17.8%*	*36.8%*	*-12.0%*	*1.2%*	*10.4%*	*12.2%*
EMERGING MARKETS STOCK INDEX - VEIEX	**Stocks**	**24th**	**39th**	**21.2%**	**62.6%**	**17.4%**	**7.7%**	**16.7%**	**11.7%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*21.1%*	*61.3%*	*13.8%*	*5.3%*	*15.1%*	*11.5%*