

**Dechert-Hampe & Company Employees' Savings and Profit Sharing Plan**  
**Compensation & Capital's Financial Planning Commentary as of September 30, 2012**

***“Security: Striking the Proper Balance between Current and Future”***

‘National Security’ has once again emerged as a hot button of the 2012 campaigns. And while National Security in this context is most frequently considered in terms of protection from terrorism, in its broader and more circumspect context National Security is actually at the core of the debates on health care, welfare, retirement benefits, job exportation, immigration, monetary policy, and global presence.

Issues of security always bear a close dependence to their economic cost. Most obviously, the more *current* security we demand of our government, the greater the direct *current* cost. But our decisions also carry indirect and *future* costs that, though usually less obvious, are always more pervasive, embedded, and permanent. That’s in large part what has led us to what Ben Bernanke has labeled ‘The Fiscal Cliff.’ While the magnitude of the federal budget clearly dwarfs your household budget, current vs future trade-offs implicit in most *national* political issues bear surprising parallels to many of our *personal* financial decisions.

In both national and personal venues, dollars spent on security NOW must either be borrowed, or re-allocated from another program, or raised by enhancing revenue sources. If we borrow, we shift the cost to our (or to our children’s) future. If we re-allocate from a program like education (either personal or national), we give up future productivity gains that could have resulted from that education. If we enhance current revenue by raising taxes (in the national venue) or taking on a second job (in the personal venue) we heighten the risk of depleting our engines of long-term economic growth. And though a certain level of current security is certainly an essential element of long-term growth, the ultimate trade-off is security now for security later – a mandatory consideration for each of us on both a national and a personal perspective.

Successful management of all personal financial decisions constantly mandates your attention to the future costs of your current security. Your goal must be to evolve into a lifestyle in balance between present and future. For instance:

- Enhancing ‘security’ of your current lifestyle by making less-than-necessary contributions to your 401(k) Plan, borrowing from your Plan account, or foregoing appropriate amounts of life or disability insurance all indicate that your current lifestyle is out of balance with your future security.
- Reducing risk of short-term loss in your retirement portfolio by employing only ‘low risk’ investments extracts an insidious cost in the form of your portfolio’s inability to overcome the erosion of long-term inflation. If your portfolio’s objective is long term (like it should be in most retirement plan portfolios), trading this appropriate long-term objective for short term security from market set-backs has historically not worked.
- Criticizing our political candidates for avoiding the perilous out-of-balance future of Social Security and Medicare while making less-than-appropriate contributions to your own retirement accounts is not only hypocritical but potentially a financial catastrophe in the making. Do whatever you can to limit the possibility of your own personal fiscal cliff.

Recognizing and respecting the relationship between current and future costs is as crucial to your personal future as it is to the future of the world’s most powerful nation. So scrutinize the candidates’ positions but turn an eye on your own positions too – the process could be very educational as well as a positive step for your future.

**Compensation & Capital's September 30, 2012 Retirement Saving and Investing Action Points**

**Assessing Current Market Performance from the Perspective of Long-Term Trends**

This past Summer proved the old stock market adage "Sell in May and Go Away" to be a woefully ill-timed move as both the stock and bond markets defied the conventional [pessimistic] wisdom prevalent in May. While most investors focused (and remain so) on seemingly insurmountable global and national fiscal problems, someone forgot to tell the markets that all these woes should keep them from posting outsized gains for the quarter and plentifully adding to the past 12 months of well above-average returns.

The U.S. stock market represented by the S&P500 Index gained 6.4%, 30.2%, 5.4%, 116.1% respectively for the trailing 3-month, 12-month, 5-year and 10-year periods ending 9/30/2012. That last period (10 years) equates to an average annualized return of 8.0%/year, about 1% shy of *very* long term historic stock market returns. The U.S. [aggregate] bond market has gained 1.6%, 5.2%, 37.2%, 68.0% respectively for the trailing 3-month, 12-month, 5-year and 10-year periods ending 9/30/2012. That bond market's 10 year return equates to average annualized gains of 5.3%/year, almost exactly in line with *very* long term historic bond market returns.

All this is truly fascinating when viewed from through the filter of the vast array of fundamental hurdles and tailwinds that our global economy has faced down over the past decade and continues to grapple as we head into 2013. Much the same fiscal and monetary fundamentals that existed last year continue to exist today. They're just closer to resolution, forced either by markets or taxpayers. Meanwhile many market watchers seem to have decided that getting *closer* to the uncertainties, *whatever* resolutions come, is better than viewing them from afar. Optimism thereby prevails. The U.S. fiscal cliff, the Eurozone's promises to hold the Euro together, Chinese and other emerging markets economic slowdowns, all continue to loom and all continue to threaten heightened volatility in the near term.

With all this happy surprise over market resilience to gloomy global fiscal and monetary concerns, there's no doubt that an overly giddy or gloomy perspective over past returns can get investors in trouble. It can be emotionally challenging to invest when so much seems uncertain. But over time uncertainty diminishes, markets digest the outcomes, and market valuations properly reflect the new circumstances they face.

That's why successful long-term investors stay focused on what they know:

- Acknowledge uncertainty and your own emotional tendencies by choosing an appropriate combination of asset classes (stocks vs bonds vs cash) for your Plan account. We've written frequently about the proper way to choose this asset allocation. Past quarterly memos are on [www.planspecs.com/dhc](http://www.planspecs.com/dhc) under the *Tools and Links* tab. Pointers for this allocation selection process are under the *Plan Investing >> Vanguard Select Funds* tab of [www.planspecs.com/dhc](http://www.planspecs.com/dhc).
- Avoid the pitfalls of timing market inflection points by directing your ongoing payroll contributions and annual profit sharing to that same appropriate asset allocation. This so-called "Dollar Cost Averaging" process allows you to spread market volatility risks across many small purchases creating a far truer valuation basis from which your lifetime savings can grow.
- Keep your account's mix reasonably in line with your previously determined appropriate mix to each of the Select Funds. You can view this comparison on the *Fund Balances* page of the secure *Participant Login* tab of [www.planspecs.com/dhc](http://www.planspecs.com/dhc). Rebalance by submitting a "Vanguard Funds Existing Balance Re-Mix Request" if any fund's percentage of your total account varies from your preceding directed mix by 2% or more.

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

(All for periods ended September 30, 2012)

(1) A fund with a 17<sup>th</sup> Ranking outperformed 83% 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:			
		5 Years	10 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
PRIME MONEY MARKET - VMMXX	Money Market	17th	15th	0.20%	0.0%	0.0%	0.1%	0.9%	1.9%	2.8%
<i>Money Market Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.21%	0.0%	0.0%	0.0%	0.7%	1.6%	2.5%
TOTAL BOND MARKET INDEX SIGNAL - VBTSX	Bonds	47th	47th	0.10%	1.6%	5.0%	6.1%	6.5%	5.3%	6.0%
<i>Intermediate Bond Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.91%	2.6%	7.7%	7.1%	6.3%	5.2%	5.7%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	30th	39th	0.20%	2.1%	8.9%	9.2%	7.6%	6.4%	N/A
<i>Inflation-Protected Bond Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		0.84%	2.1%	8.1%	8.3%	6.8%	6.1%	6.4%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	8th	4th	0.19%	4.7%	20.8%	10.4%	4.0%	8.9%	7.2%
<i>Moderate Allocation Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.00%	4.6%	17.8%	8.7%	1.9%	6.8%	5.0%
WINDSOR II ADMIRAL - VWNAX	Stocks	37th	19th	0.27%	5.7%	30.2%	11.9%	-0.1%	8.4%	5.6%
<i>Large-Cap U.S. Value Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.21%	6.0%	27.2%	10.4%	-0.9%	7.4%	4.6%
500 INDEX SIGNAL - VIFSX	Stocks	26th	26th	0.05%	6.3%	30.2%	13.2%	1.1%	8.0%	4.7%
<i>Large-Cap U.S. Blend Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.13%	6.1%	27.1%	10.9%	-0.0%	7.3%	4.5%
SELECTED VALUE - VASVX	Stocks	22nd	33rd	0.45%	6.1%	27.4%	12.9%	2.7%	10.3%	6.3%
<i>Mid-Cap U.S. Value Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.31%	5.5%	27.2%	11.5%	1.1%	9.5%	6.6%
MORGAN GROWTH ADMIRAL - VMRAX	Stocks	49th	23rd	0.27%	5.7%	27.4%	13.2%	1.2%	8.7%	4.9%
<i>Large-Cap U.S. Growth Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.27%	6.1%	26.8%	11.9%	1.1%	7.7%	4.4%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	32nd	36th	0.53%	4.0%	26.3%	14.9%	2.9%	10.4%	N/A
<i>Mid-Cap U.S. Growth Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.36%	4.6%	24.4%	12.7%	1.3%	9.4%	6.1%
EXPLORER ADMIRAL - VEXRX	Stocks	52nd	48th	0.34%	4.5%	27.0%	13.7%	1.9%	9.7%	6.7%
<i>Small-Cap U.S. Growth Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.47%	5.2%	28.6%	13.5%	1.7%	9.6%	5.6%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	43rd	32nd	0.34%	7.1%	19.3%	5.5%	-2.6%	10.0%	4.6%
<i>Foreign Large Blend Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.3%	6.6%	16.0%	2.7%	-5.1%	7.8%	3.6%
EMERGING MARKETS INDEX SIGNAL - VERSX	Foreign Stocks	40th	33rd	0.33%	6.5%	17.7%	5.1%	-1.7%	16.6%	7.5%
<i>Diversified Emerging Markets Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.62%	6.8%	16.0%	4.6%	-2.7%	15.7%	7.0%
ENERGY ADMIRAL - VGELX	Energy Stocks	7th	13th	0.34%	8.74%	20.4%	7.0%	-0.4%	15.6%	10.8%
<i>Energy Sector Stock Funds &gt;&gt;</i>		<i>Category Average &gt;&gt;</i>		1.63%	8.4%	16.5%	3.2%	-4.3%	13.3%	8.4%

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

(All for periods ended September 30, 2012)

(1) A fund with a 34<sup>th</sup> Ranking outperformed 66% 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 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:			
		1 Year	5 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	Target Date 2000-2010	34th	7th	0.17%	3.1%	11.7%	8.1%	5.1%	N/A	N/A
Target Date 2000-2010 Funds >>	Category Average >>			0.54%	3.9%	13.4%	7.7%	1.9%	6.0%	4.8%
TARGET RETIREMENT 2010 - VTENX	Target Date 2000-2010	12th	13th	0.17%	3.7%	14.7%	9.0%	3.5%	N/A	N/A
Target Date 2000-2010 Funds >>	Category Average >>			0.54%	3.9%	13.4%	7.7%	1.9%	6.0%	4.8%
TARGET RETIREMENT 2015 - VTXVX	Target Date 2011-2015	12th	19th	0.17%	4.3%	16.8%	9.2%	2.9%	N/A	N/A
Target Date 2011-2015 Funds >>	Category Average >>			0.54%	4.2%	14.9%	7.9%	1.1%	5.2%	3.1%
TARGET RETIREMENT 2020 - VTENX	Target Date 2016-2020	18th	17th	0.17%	4.7%	18.3%	9.4%	2.3%	N/A	N/A
Target Date 2016-2020 Funds >>	Category Average >>			0.55%	4.4%	16.8%	8.5%	1.0%	6.6%	4.4%
TARGET RETIREMENT 2025 - VTXVX	Target Date 2021-2025	15th	21st	0.18%	5.1%	20.0%	9.7%	1.7%	N/A	N/A
Target Date 2021-2025 Funds >>	Category Average >>			0.5%	5.0%	18.7%	8.7%	0.6%	N/A	N/A
TARGET RETIREMENT 2030 - VTENX	Target Date 2026-2030	15th	13th	0.18%	5.4%	21.4%	10.0%	1.1%	N/A	N/A
Target Date 2026-2030 Funds >>	Category Average >>			0.56%	5.1%	19.8%	8.9%	-0.1%	7.1%	4.4%
TARGET RETIREMENT 2035 - VTXVX	Target Date 2031-2035	10th	20th	0.19%	5.8%	23.0%	10.1%	0.8%	N/A	N/A
Target Date 2031-2035 Funds >>	Category Average >>			0.50%	5.6%	21.4%	9.0%	-0.1%	N/A	N/A
TARGET RETIREMENT 2040 - VTENX	Target Date 2036-2040	13th	10th	0.19%	6.0%	23.4%	10.1%	0.9%	N/A	N/A
Target Date 2036-2040 Funds >>	Category Average >>			0.56%	5.5%	21.6%	9.0%	-0.42%	7.3%	4.0%
TARGET RETIREMENT 2045 - VTXVX	Target Date 2041-2045	10th	21st	0.19%	5.9%	23.4%	10.1%	0.9%	N/A	N/A
Target Date 2041-2045 Funds >>	Category Average >>			0.51%	5.8%	22.7%	9.1%	-0.4%	N/A	N/A
TARGET RETIREMENT 2050 - VTENX	Target Date 2046-2050	11th	17th	0.19%	6.0%	23.5%	10.1%	0.9%	N/A	N/A
Target Date 2046-2050 Funds >>	Category Average >>			0.54%	5.6%	22.2%	9.0%	-0.6%	7.1%	N/A
TARGET RETIREMENT 2055 - VTXVX	Target Date 2051+	n/a	n/a	0.19%	6.0%	23.6%	N/A	N/A	N/A	N/A
Target Date 2051+ Funds >>	Category Average >>			0.50%	6.0%	23.0%	8.3%	-2.0%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	49th	70th	0.15%	3.1%	13.3%	7.8%	2.9%	6.5%	5.5%
Conservative Allocation Funds >>	Category Average >>			0.93%	3.6%	13.1%	7.6%	3.4%	6.0%	4.8%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	26th	53rd	0.17%	5.5%	21.6%	9.6%	0.3%	8.0%	5.0%
Aggressive Allocation Funds >>	Category Average >>			0.95%	5.3%	19.9%	8.6%	0.4%	7.1%	5.0%