

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

Compensation & Capital's Financial Planning Commentary as of September 30, 2014

“Ouch! Stock Market Drops BIG! Does Anyone Win When Stocks Sell Off??”

History has it that Octobers are a very scary month for stock market investors. Fact is, we haven't experienced a frightening October since 2008. That long, placid interlude has lulled investors. Well, *Booo!* Triggered by what the financial media has dubbed “The Four E's of Fear” (Economic downturn, Euro-Russian tensions, Eurasian civil wars, and Ebola in the U.S.) frightening Octobers are back. As of this Oct 16th writing, all global stock markets except one have given back all of their previously comfortable 2014 gains. Only the U.S. S&P500 index (tracking the largest 500 corporations domiciled in the U.S.) remains in positive territory, and then, only fractionally so.

That long period of easy-going Octobers and strong consistent gains throughout the past five years had comforted most retirement plan investors to feel that the stock market was “back on their side.” Remember, stalwart retirement plan investors who chose to stay invested throughout the 2008-09 stock market crash, had generally recovered all of their paper losses by late 2012. The markets then amicably added around another 30% to their plan accounts through August, 2014. Talk of “rigged” markets and “lost decades” had seemingly succumbed to the trash heap of mass media hyperbole.

But that loving feeling has a way of quickly evaporating when our chips are going South. It feeds a fresh inclination to believe that *your* loss has got to be someone else's gain. Makes us think that someone has figured out a way to game the system against committed (though possibly naïve?) 401(k) plan savers. Maybe some super-rich hedge fund tycoon on his yacht off the French Riviera? So who does win when stocks sell off? Please stick with us; the answer will likely surprise you.

First off, it's not all hedge fund guys. Though there is certainly some “zero-sum game” gambling activity in every financial market, all stock markets exist principally to facilitate the ability of individual companies to create value by operating their businesses. Remember, the shares of company stock that you buy in your 401(k) plan's mutual funds are very small portions of the ownership of many, many individual corporations. Those shares were originally purchased directly from those corporations by investors that entrusted their dollars to each corporation's management. Those original dollars financed the creation and sale of their products. And, if successful, those efforts resulted in profits, increasing market share, and ultimately provided stock dividends and a higher market value of the stock shares for the investors. The original transaction is essentially the only time that the corporation received any of the purchase proceeds of their stock.

Which leads to the second, albeit no less important, function of stock markets. That is to provide an orderly means by which those stock shares can be valued (or priced) minute-by-minute according to the opinion of all investors. That opinion is driven both by micro factors related purely to each corporation's ability to create value through their operations, and by macroeconomic factors such as “The Four E's of Fear.” That consensus opinion determines how much you pay per share to purchase a piece of these corporations (as packaged into a mutual fund) each time that your ongoing payroll deduction contributions get invested by your Plan. When fear grips the markets, you pay less – sometimes a lot less! When all seems rosy, you pay more.

So: Does anyone win when stocks sell off? Yes: Any 401(k) plan investor that has chosen a mix of mutual funds that's appropriate to their personal risk profile. If you have based that mix upon how far in the future your retirement savings will begin to be spent, then Fear is your friend. Fear drives down stock prices. And the largest profits in any portfolio are always generated by your payroll deduction contribution purchases that were made at the lowest prices.

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Compensation & Capital's September 30, 2014

Retirement Saving and Investing "Action Points"

Current Market Performance Through a Long-Term Lens – Your Weapons Against Risk:

It can clearly be emotionally challenging to invest when so much seems uncertain. That said, it's important to always remember that an overly giddy or gloomy perspective can get investors into trouble. And that over time uncertainty diminishes, markets digest the outcomes, new concerns replace the old ones, and market valuations adjust to reflect the new circumstances that investors feel 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 "Strategic Asset Allocation" or your "SAA." As we alluded to in the last paragraph of our opposite page *Commentary*, your SAA should be primarily determined by the length of time you expect to continue contributions to your retirement savings, prior to drawdown of those savings to help fund retirement living expenses. In short, the longer you expect to be saving, the more market fluctuations (risk) you will be able to absorb without negatively impacting your financial well-being. And therefore the more stock exposure you should build into your investment mix. For example, savers with timeframes of about two market cycles (say 10-14 years or so) should have no more than 70% of their account in stocks. More comprehensive pointers for SAA determination are on the *Plan Investing >> Vanguard Select Funds Venue* tab of www.planspecs.com/dhc.
- Keep your account balance's fund mix reasonably in line with your previously determined appropriate SAA mix to each of the Select Funds. You can view this comparison on the *Fund Balances* page under the secure *Participant Login* tab of www.planspecs.com/dhc. Rebalance by submitting a "Vanguard Funds Existing Balance Re-Mix Request" form if any fund's percentage of your total account varies from your SAA-determined mix by 3% or more.
- Avoid the pitfalls of trying to time bull or bear markets by directing your ongoing payroll contributions and annual profit sharing to that same appropriate SAA. This process of so-called "Dollar Cost Averaging" allows you to spread market volatility risks across many small purchases during a wide variety of market conditions. And that process creates a far more realistic base of initial purchase prices from which your lifetime savings can grow.
- Rely on the Plan's independent investment advisor (engaged by the Trustees) to select, monitor, and recommend replacements as necessary to your Vanguard Select Funds options. The advisor's responsibility is to make available a well-diversified set of mutual funds with industry-low investing costs run by high-quality portfolio management teams. The track record of this fund mix (detailed in the tables of these quarterly participant memos) consistently produces, on average, trailing returns in the upper third of its constituent funds' category peer rankings.

Ken Burns' recent documentary profiling the Roosevelts closed an episode with this quote from FDR's 1945 inaugural speech: "Things in life will not always run smoothly. Sometimes we will be rising toward the heights, then all will seem to reverse itself and start downward. The great fact to remember is that the trend of civilization itself is forever upward; that a line drawn through the middle of the peaks and the valleys of the centuries always has an upward trend." As with modern day investing...

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

(All for periods ended September 30, 2014)

(1) A fund with a 15th Ranking outperformed 85% 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 ⁽¹⁾ Ranking Past | | OER ⁽²⁾ | Total Return Performance for | | Average Annualized Total Return for: | | | |
|--|-----------------------|---|----------|--------------------|---------------------------------|--------|---|-------|--------|--------|
| | | 1 Year | 10 Years | | Past Qtr | 12 Mos | 3 Yrs | 5 Yrs | 10 Yrs | 15 Yrs |
| PRIME MONEY MARKET - VMMXX | Money Market | 15th | 16th | 0.16% | 0.0% | 0.0% | 0.0% | 0.0% | 1.7% | 2.1% |
| <i>Money Market Funds >></i> | | <i>Category Average >></i> | | 0.17% | 0.0% | 0.0% | 0.0% | 0.0% | 1.4% | 1.8% |
| TOTAL BOND MARKET INDEX ADMIRAL - VBTXX | Bonds | 62nd | 45th | 0.08% | 0.2% | 3.9% | 2.3% | 4.0% | 4.6% | 5.4% |
| <i>Intermediate Bond Funds >></i> | | <i>Category Average >></i> | | 0.88% | -0.1% | 4.3% | 3.4% | 4.8% | 4.5% | 5.3% |
| INFLATION PROTECTED SECURITIES ADM - VAIPX | Bonds | 23rd | 20th | 0.10% | -2.0% | 1.5% | 1.2% | 4.4% | 4.5% | N/A |
| <i>Inflation-Protected Bond Funds >></i> | | <i>Category Average >></i> | | 0.79% | -2.2% | 0.9% | 0.9% | 3.7% | 4.0% | 5.9% |
| WELLINGTON ADMIRAL - VWENX | Bonds & Stocks | 8th | 5th | 0.18% | 0.1% | 13.3% | 15.9% | 11.6% | 8.4% | 7.9% |
| <i>Moderate Allocation Funds >></i> | | <i>Category Average >></i> | | 0.94% | -1.3% | 9.8% | 13.3% | 9.8% | 6.3% | 5.4% |
| WINDSOR II ADMIRAL - VWNAX | Stocks | 32nd | 28th | 0.28% | -0.2% | 17.7% | 22.8% | 14.8% | 8.0% | 7.1% |
| <i>Large-Cap U.S. Value Stock Funds >></i> | | <i>Category Average >></i> | | 1.15% | -0.6% | 16.4% | 21.4% | 13.7% | 7.2% | 6.3% |
| 500 INDEX ADMIRAL - VFIAX | Stocks | 18th | 26th | 0.05% | 1.12% | 19.7% | 23.0% | 15.7% | 8.1% | 4.9% |
| <i>Large-Cap U.S. Blend Stock Funds >></i> | | <i>Category Average >></i> | | 1.10% | -0.1% | 16.8% | 21.6% | 14.1% | 7.5% | 5.2% |
| SELECTED VALUE - VASVX | Stocks | 54th | 11th | 0.43% | -4.1% | 13.6% | 24.3% | 16.7% | 10.2% | 10.9% |
| <i>Mid-Cap U.S. Value Stock Funds >></i> | | <i>Category Average >></i> | | 1.25% | -3.4% | 13.6% | 22.9% | 15.0% | 8.7% | 9.4% |
| MORGAN GROWTH ADMIRAL - VMRAX | Stocks | 42nd | 37th | 0.25% | 1.3% | 17.0% | 21.7% | 15.5% | 8.7% | 5.4% |
| <i>Large-Cap U.S. Growth Stock Funds >></i> | | <i>Category Average >></i> | | 1.22% | 0.7% | 16.2% | 21.3% | 14.6% | 8.3% | 4.6% |
| MID-CAP GROWTH INVESTOR - VMGRX | Stocks | 39th | 18th | 0.51% | -1.5% | 11.4% | 20.7% | 16.1% | 10.6% | 8.7% |
| <i>Mid-Cap U.S. Growth Stock Funds >></i> | | <i>Category Average >></i> | | 1.33% | -2.3% | 10.1% | 20.1% | 14.8% | 9.1% | 7.5% |
| EXPLORER ADMIRAL - VEXRX | Stocks | 18th | 37th | 0.34% | -4.6% | 6.9% | 22.6% | 16.4% | 9.2% | 9.2% |
| <i>Small-Cap U.S. Growth Stock Funds >></i> | | <i>Category Average >></i> | | 1.40% | -5.8% | 2.8% | 20.1% | 14.8% | 8.6% | 7.4% |
| INTERNATIONAL GROWTH ADMIRAL - VWILX | Foreign Stocks | 38th | 19th | 0.35% | -4.9% | 4.5% | 15.2% | 8.5% | 8.1% | 5.6% |
| <i>Foreign Large Growth Stock Funds >></i> | | <i>Category Average >></i> | | 1.23% | -5.6% | 3.8% | 13.1% | 6.2% | 6.3% | 4.3% |
| EMERGING MARKETS INDEX ADMIRAL - VEMAX | Foreign Stocks | 28th | 30th | 0.15% | -2.4% | 6.2% | 7.7% | 4.3% | 10.4% | 9.2% |
| <i>Diversified Emerging Markets Stock Funds >></i> | | <i>Category Average >></i> | | 1.59% | -3.5% | 4.8% | 7.9% | 4.3% | 9.8% | 9.2% |
| ENERGY ADMIRAL - VGELX | Energy Stocks | 35th | 10th | 0.32% | -10.1% | 8.5% | 13.1% | 8.0% | 10.9% | 12.9% |
| <i>Energy Sector Stock Funds >></i> | | <i>Category Average >></i> | | 1.54% | -10.2% | 7.9% | 13.8% | 7.1% | 9.5% | 10.9% |

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

(1) A fund with a 43rd Ranking outperformed 57% of its peers.

(All for periods ended September 30, 2014)

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 ⁽¹⁾ Ranking Past | | OER ⁽²⁾ | 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 | 43rd | 44th | 0.16% | -0.4% | 6.5% | 7.4% | 7.0% | 5.5% | N/A |
| <i>Retirement Income Funds >></i> | | <i>Category Average >></i> | | 0.51% | -1.2% | 5.9% | 7.8% | 6.9% | 4.5% | 4.0% |
| TARGET RETIREMENT 2010 - VTENX | Target Date 2000-2010 | 23rd | 30th | 0.16% | -0.5% | 7.6% | 9.6% | 8.2% | N/A | N/A |
| <i>Target Date 2000-2010 Funds >></i> | | <i>Category Average >></i> | | 0.55% | -1.34% | 6.4% | 8.9% | 7.3% | 5.0% | 3.7% |
| TARGET RETIREMENT 2015 - VTXVX | Target Date 2011-2015 | 6th | 11th | 0.16% | -0.7% | 9.1% | 11.7% | 9.2% | 6.3% | N/A |
| <i>Target Date 2011-2015 Funds >></i> | | <i>Category Average >></i> | | 0.47% | -1.4% | 6.9% | 9.8% | 7.8% | 5.4% | 3.5% |
| TARGET RETIREMENT 2020 - VTENX | Target Date 2016-2020 | 4th | 8th | 0.16% | -0.8% | 10.1% | 13.3% | 10.0% | N/A | N/A |
| <i>Target Date 2016-2020 Funds >></i> | | <i>Category Average >></i> | | 0.54% | -1.6% | 7.5% | 10.9% | 8.4% | 5.5% | 3.7% |
| TARGET RETIREMENT 2025 - VTXVX | Target Date 2021-2025 | 6th | 18th | 0.17% | -1.0% | 10.8% | 14.6% | 10.6% | 6.7% | N/A |
| <i>Target Date 2021-2025 Funds >></i> | | <i>Category Average >></i> | | 0.47% | -1.7% | 8.7% | 13.1% | 9.6% | 6.4% | N/A |
| TARGET RETIREMENT 2030 - VTENX | Target Date 2026-2030 | 5th | 12th | 0.17% | -1.2% | 11.5% | 15.9% | 11.2% | N/A | N/A |
| <i>Target Date 2026-2030 Funds >></i> | | <i>Category Average >></i> | | 0.54% | -1.9% | 9.0% | 13.7% | 9.7% | 6.0% | 3.9% |
| TARGET RETIREMENT 2035 - VTXVX | Target Date 2031-2035 | 6th | 10th | 0.18% | -1.4% | 12.2% | 17.2% | 11.8% | 7.2% | N/A |
| <i>Target Date 2031-2035 Funds >></i> | | <i>Category Average >></i> | | 0.47% | -2.1% | 9.9% | 15.5% | 10.7% | 6.7% | N/A |
| TARGET RETIREMENT 2040 - VTENX | Target Date 2036-2040 | 6th | 7th | 0.18% | -1.5% | 12.7% | 17.9% | 12.1% | N/A | N/A |
| <i>Target Date 2036-2040 Funds >></i> | | <i>Category Average >></i> | | 0.53% | -2.1% | 9.9% | 15.4% | 10.5% | 6.3% | 3.6% |
| TARGET RETIREMENT 2045 - VTXVX | Target Date 2041-2045 | 7th | 9th | 0.18% | -1.5% | 12.7% | 17.9% | 12.1% | 7.6% | N/A |
| <i>Target Date 2041-2045 Funds >></i> | | <i>Category Average >></i> | | 0.47% | -2.2% | 10.4% | 16.9% | 11.1% | 7.6% | N/A |
| TARGET RETIREMENT 2050 - VTENX | Target Date 2046-2050 | 6th | 9th | 0.18% | -1.5% | 12.7% | 17.9% | 12.1% | N/A | N/A |
| <i>Target Date 2046-2050 Funds >></i> | | <i>Category Average >></i> | | 0.52% | -2.2% | 10.3% | 16.0% | 10.7% | 6.7% | N/A |
| TARGET RETIREMENT 2055 - VTXVX | Target Date 2051+ | 10th | n/a | 0.18% | -1.5% | 12.7% | 17.9% | N/A | N/A | N/A |
| <i>Target Date 2051+ Funds >></i> | | <i>Category Average >></i> | | 0.46% | -2.2% | 10.8% | 17.2% | 10.7% | N/A | N/A |
| LIFE STRATEGY CONSERVATIVE - VSCGX | Conservative Allocation | 20th | 36th | 0.15% | -0.4% | 8.1% | 9.3% | 7.6% | 5.6% | 5.2% |
| <i>Conservative Allocation Funds >></i> | | <i>Category Average >></i> | | 0.86% | -1.5% | 6.5% | 8.3% | 7.1% | 5.2% | 5.0% |
| LIFE STRATEGY GROWTH - VASGX | Aggressive Allocation | 27th | 30th | 0.17% | -1.3% | 11.8% | 16.2% | 11.2% | 7.0% | 5.1% |
| <i>Aggressive Allocation Funds >></i> | | <i>Category Average >></i> | | 0.91% | -1.9% | 10.7% | 15.6% | 10.6% | 6.5% | 5.3% |