

INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

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From: Bill Gela, Investment Consultants

Topic: Dechert-Hampe 401(k) Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 12-31-2008, covering your mix of funds. This past 3-month period ending December 31 was down dramatically for the overall U.S. stock market and down similarly for the aggregate international stock markets, and it was down substantially for the U.S. bond market. Within the U.S. stock market, virtually all categories (as defined by investment styles and capitalizations) were down 20%-27% for the fourth quarter. According to Lipper Fund Services, the average diversified U.S. stock mutual fund's fourth quarter 2008 total return was -23.8%, and the S&P 500 Index was down approximately -21.9% for the fourth quarter. For all of 2008 the S&P 500 Index was down -37.0%. According to MorningstarTM all of your funds have performed solidly-to-well for both 5 and 10 years relative to similar "peer group" funds.

Relative to similar "peer group" funds, your fund mix has continued to perform solidly – 2 of your funds were in the top quarter of their peer groups' funds and none were in the bottom quarter for 2008.¹ Your top performing stock-oriented fund was the Vanguard Selected Value Fund at a -35.5% total return for 2008, and your Vanguard Total Bond Market Index Fund returned +5.2% for the same 12-month period.

[Note: To put your funds' returns into perspective during these unprecedented market conditions, your Vanguard S&P 500 Index Fund had an annualized total return (compounded each year) of -2.3% for the past 5 years ending 12/31/2008. For the same 5-year period your other 5 stock-oriented funds had total returns of between -2.9% & +2.1% -- 3 of your 5 stock-oriented funds exceeded the S&P 500 Index' return for this 5-year period.]

¹ For the past 12 months virtually all domestic funds (of all investment categories) had negative returns -- most domestic growth-oriented fund categories were down more than -40%. For 2008 most international stock fund categories were down between -41% and -55%. For the 5-year period ending 12/31/2008, as a group, value-oriented funds outperformed growth-oriented domestic funds – and all diversified U.S. stock fund investment categories except one had negative returns (according to Lipper).

4th QUARTER, 2008 PLAN SUMMARY REPORT – DECHERT-HAMPE

Prepared by: *Investment Consultants (an affiliate of Compensation & Capital)*

2008 – Good Riddance & Now What? According to the 1/5/2009 Wall Street Journal (source: Lipper), for 2008 the average U.S. stock mutual fund was down -38.7%, the average international stock fund returned -44.2%, and the average taxable bond fund was down -7.7% -- very grim! Obviously there are many continuing concerns in the news regarding domestic and global issues – from conflict in the Gaza Strip and unrest between India and Pakistan; to continuing credit crunches, unemployment rising, and growing (perhaps even staggering) deficits at all levels of government; to the tragedy in Mumbai, India, and further threats of terrorism, which could further destabilize already-teetering economies. Often things seem darkest before turning around, but without attempting to forecast events, it appears that more needs to be played out before the domestic and global economies turn around. So what now -- have the markets “adjusted” down and on top of the past year’s adjustment, will a further down cycle be experienced? Or given the lower stock prices, will investors move back into the stock market? The Economist magazine (12/6/2008) states “A recent analysis shows that, when American price-earnings ratios are low [*such as now*], returns on equities [*stocks*] over the next decade average 8%; when they are high [*such as at the end of 1999 before the “technology bubble” burst*], returns average 3%.” The article continues, “Caution is understandable, after the trauma of this year [2008]. ... But it is still perverse that investors were happy to buy shares nine years ago, when the ratio of share prices to profits was three times what it is today, and are now determined to keep their money in cash and bonds. ... Implausible as it may sound, right now equities and corporate bonds are a better long-term bet than cash.”

Obviously we are in unprecedented times regarding the financial markets – domestically and globally. Where is “the bottom”? Of course that is unknown. The prospect of dramatic financial market fluctuations can be very uncomfortable to both individual investors and to professionals, but it serves as *an opportunity to reflect on the cornerstones of a long-term investment approach*. There are a number of issues that each investor should objectively consider:

- 1 – In what timeframe do you need/want to spend the bulk of your investable assets?
- 2 – *If* your stock fund asset allocation¹ is currently below your strategic “target percentage allocation” for stocks, at what point would you consider buying more stock funds? For better or for worse, virtually all stocks are selling at deep discounts to where they were several quarters ago. This does not suggest that everyone should buy more stock funds, but nor should everyone “sit on piles of cash” forevermore.²
- 3 – For participants in 401(k) plans: if the stock market drops [as in 2008] and the prices of your fund investment alternatives drop, your payroll deductions will buy funds that are less costly than before (because of the market drop). Hopefully, as time goes by this “buying low” will make your funds’ average purchase prices smaller, and your long-term investment returns and account balances larger.
- 4 – Let’s consider the “other side” of #3 above – during “down” stock market periods such as 2000-2002 and 2008 – periods when some investors make a big mistake. Reading their retirement plan statements, participants see that the values of their 401(k) plan balances are going down. Some of them get nervous and say to themselves that it doesn’t make sense to buy stocks because the values are going down, so they stop buying stock funds (which they could be buying at depressed prices) with their future salary deductions. Then after the stock market starts to pick up, they begin buying higher-priced stock funds again. This approach of stopping stock fund purchases when stocks are dropping in price, and buying back in when stocks get more expensive is just the opposite of what most long-term investors should do.

¹ Asset allocation refers to what portions (usually in percentages) of an investor’s account balances are in stock (sometimes called “equity”) funds versus bond or money market funds. It also applies to the portions that may be in different types of stock funds.

² One way that many long-term investors adjust their overall portfolio’s riskiness during unpredictable markets is to lower the riskiness of their current assets (sell some stock funds) while increasing the amount of future stock fund purchases.

Dechert-Hampe Funds' Performances for Periods Ended December 31, 2008

The following report is intended to help you in evaluating your investments ¹, and in selecting your mix of funds for the future. The average diversified U.S. stock mutual fund's fourth quarter 2008 total return was -23.8%; and for the 12-month period ending December 31, 2008, the total return was -38.7%. [For 12 months: the S&P 500 index returned -37.0%; the small-cap stock index returned -33.8% ²; & the average international stock fund returned -44.2%]. The 3-month total return for taxable bond mutual funds averaged -4.3%, taking the average taxable bond fund total return to -7.7% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +1.9% for the previous 12 months. Remember that one quarter does *not* make your retirement investing a success or a failure, nor does it insure success or failure for the next quarter -- investing is a long-term proposition.

Fund Type	Periods Ended December 31, 2008:		Fund Ranking ⁴	
	1-Year Total Return (Growth of \$1,000) ³	5-Year Average Return	5 Years	10 Years
Stock-oriented, Vanguard Funds:				
Aggressive Growth Fund				
(Explorer Admiral Fund)	-40.3%	-2.9%	44	26
[NASDAQ Code = VEXRX] [SG] ⁵	(\$597)			
Long-term Growth Fund				
(Morgan Growth Admiral Fund)	-41.3%	-2.5%	33	27
[NASDAQ Code = VMRAX] [LG]	(\$587)			
Growth & Income Funds				
(500 Index Signal Fund)	-37.0%	-2.3%	43	50
[NASDAQ Code = VIFSX] [LB]	(\$630)			
(Windsor II Admiral Fund)	-36.6%	-0.5%	27	41
[NASDAQ Code = VWNAX] [LV]	(\$634)			
International Equity Fund				
(International Growth Admiral Fund)	-44.8%	2.1%	31	37
[NASDAQ Code = VWILX] [LB]	(\$552)			
Mid-Cap Fund				
(Selected Value Fund)	-35.5%	0.4%	28	51
[NASDAQ Code = VASVX] [MV]	(\$645)			
Balanced, Vanguard Fund: ⁶				
(Wellington Admiral Fund)	-22.2%	3.0%	4	5
[NASDAQ Code = VWENX] [LV]	(\$778)			
Bond-oriented, Vanguard Fund:				
High Quality Bond Fund				
(Total Bond Mrkt Index Sig Fund)	+5.2%	4.6%	6	10
[NASDAQ Code = VBT SX]	(\$1,052)			
Money Market, Vanguard Fund:				
Money Market Fund				
(Prime Money Market Fund)	+2.8%	3.4%	N/A	
[NASDAQ Code = VMMXX]	(\$1,028)			

¹ Remember that past performance is absolutely *not* a guarantee of future performance.

² Russell 2000 Index. All statistics in this paragraph are from the Wall Street Journal (Source: Lipper).

³ If you had put \$1,000 into each fund on December 31, 2007, one year later (on December 31, 2008), each fund would have been worth the amount in italics and parentheses below.

⁴ Example -- "35" below means that the fund ranked in the top 35% in investment performance, as compared to funds with a similar investment style or objective, for the 5-year period or for 10 years ending December 31, 2008. This is commonly stated as "the fund ranked in the 35th percentile of its peer group." For percentile rankings, lower is better -- a 35th percentile fund outperformed 65% of peer group funds for the timeperiod stated. Data supplied by Morningstar.

⁵ For your stock funds (and the stock holdings of your balanced fund): [first letter] L = Large Cap, M = Mid Cap, S = Small Cap; [second letter] G = Growth, V = Value, B = Blend (Value/Growth). Example -- [LV] means a large cap, value style.

⁶ Under the current Morningstar category structure, this fund is designated as being in the "Moderate Allocation" category. These funds invest in both stocks and bonds, and maintain a relatively higher position in stocks. They typically have 50%-70% of assets in equities and the remainder in fixed income and cash. The statistics to the right measure this fund within the "Moderate Allocation" category.