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

Compensation & Capital's Financial Planning Commentary as of December 31, 2012
"Cliff Deals: What a Relief?"

Much to the fascination of a cliff-weary electorate, Congress and the White House noisily parachuted from their fiscal cliff New Year's Eve bash awaking we, the people, with the "American Taxpayer Relief Act of 2012" (ATRA). Never mind that the law actually passed in 2013 or the truly artful advertising spin in the law's name suggesting that taxpayers should be *relieved* with a hefty increase in their payroll taxes. By creating at least two or three more rounds of crisis-initiated lawmaking ahead for 2013, could it be that our leaders are more artful than we give them credit for? One look at the stock markets' relief rally immediately following the deal and one has to wonder: Did they actually "give the people what they want" by delivering only a very little of the needed resolution of our 'cliff' budget woes? Was *that* the "Relief" in the law's name?

To put ATRA's limp swing at our fiscal cliff crisis into perspective, consider this household analogy. Assume that your family of four is being forced by VISA to construct a budget for the next ten years to forestall VISA's unpleasant action forcing your repayment of your $25,000 credit card balance. Your budget includes your anticipated family income, necessary expense items (food, gas, rent, car and mortgage payments, etc.) as well as house remodeling, semi-annual vacations, and other discretionary items to which you have all grown accustomed. Completing the budget, you realize that you will be $100,000 more in debt in 10 years than you are now! So each family member agrees to reconvene the following Friday at noon (sharp!) with specific commitments to either reduce their spending or increase their income each by a total of $2,500/year to offset their part of your family's $10,000/year shortfall. Everyone returns the following Friday (albeit late.) Two of your family members have each devised $400 of contributions toward alleviating the crisis. The other two come up empty. The $800 total annual savings still leaves a deficit or shortfall of $9,200/year solving only 8% of the deficit with no reduction of the $25,000 debt you owe. Being the head of household you are delegated to call VISA to convince them of your continuing commitment to finding a solution to your family's fiscal mess – even though you've missed your deadline once again.

Now there are big differences between the U.S. budget and a family budget. But make no mistake; our politicians are in sync with our example in one very important way: The Congressional Budget Office (CBO) is a non-partisan analytical agency which is intended to objectively support Congress in setting policy. According to the CBO, ATRA's $650 billion of combined savings and taxes represents only about 8% of the CBO's projection for the U.S.'s $7.9 trillion budget shortfall over the next 10 years with no reduction of our $16.4 trillion debt. Given this woefully inadequate policy response, what are long-term retirement investors to take away from the stock market's immediate *positive* response toward such a gigantic problem? Do the financial markets *want* the government of the world's largest economy to be fiscally irresponsible? Well, maybe…

Maybe the markets rallied on simple short-term relief from 'cliff anxiety'; that *someone* will continue spending. Who knows! The beauty of being a long-term investor is that we *expect* markets and economies to surprise us in the short-term but we don't have to respond to every surprise. Our best strategy is to remain <u>un</u>distracted by short-term market moves while staying focused on and respectful to our long-term goals. Many eminent economists and investment strategists worried throughout 2012 that the cliff's higher taxes and spending cuts would throw us back into recession. Well, it now seems that political procrastination combined with lower gas prices could mitigate that slump – at least for the coming months. And though we are by no means out of the woods with our 'bankers' and our children continue to bear the future brunt of our fiscal irresponsibility, no one truly knows what the future holds and economies often turn very differently than the consensus expects. We each know the right way to be fiscally 'straight.' Don't look to Washington for your example.

Compensation & Capital's December 31, 2012

Retirement Saving and Investing "Action Points"

The "Yeah But" World of Choosing Mutual Funds for Your Plan Account:

You may not be aware that just as in our world of national politics, the world of investing is becoming increasing polarized in its perception of the best kind of mutual funds – Passive "Indexed" or Active - that you should use for your 401(k) and profit sharing account's investments. Though this topic may not rock your core like ideological political battles, the truths of this debate can definitely make a significant difference in your Plan account's investment returns over the course of your career and beyond into retirement. The really good news here is that your DHC/MWC Plan's fund line-up makes it highly likely to employ the best of passive and active funds for your Plan account's investments.

To help frame the debate and form the basis for our conclusion, here's some foundation:

- Passive or "Indexed" fund management creates and maintains a fund's portfolio to track a specific market index. It's very cost effective because there is little human capital required to make securities trading decisions. The market index automates that process. Active management relies on analytical research, forecasts, and human judgment and experience in making investment decisions on what securities to buy, hold and sell and when to do so. Expertise can be expensive.
- Indexed mutual funds have historically outperformed the majority – but certainly not all, and during some timeframes and in some market segments, not nearly as many - of their actively managed counterparts. In fact, at any given time and in any given market segment there can easily be 20% to 35% of the active funds universe out-performing their appropriate index. The problem is: the same active funds are not always doing better than their comparable index. That is, many of the active funds beating their applicable index have a tendency to rotate in and out of out-performance.

That's where the "Yeah But" nature of this debate gets traction. For investors who take the time to truly *know* the active funds they deploy for their portfolio, or employ objective expert advisors to do that research for them then act on their recommendations, the passive vs. active debate is far more artificially polarized than it should be. Serious practitioners of fund investing know that their ultimate score in this game of fund selection is all about managing probabilities of their selections' out-performance relative to that fund's available indexed/passive competitor. In other words, if you are going to use active funds, they better be the ones that most consistently beat their index.

Let's assume that you are not inclined to spend a significant amount of time following an adequate universe of funds or to engage an expert fund picker to perform that task for you. Instead, selecting the passive/index fund for each of the market sectors you feel appropriate to your investment strategy will certainly place you in a better position to best the majority of the pros – all the time. That's the corollary of the probabilities we cited in our second bullet.

But investors spending adequate time and/or resources to follow active managers across many market segments and time frames can significantly improve the odds of their actively managed selections consistently beating their passive/index competition. Recently mandated disclosures mailed to each of you this past summer demonstrate this point for your Plan's actively managed funds. (See the disclosure at the Plans' website www.planspecs.com/dhc >> *Tools and Links.*) Of the Plan's twelve (excluding the Money Market Fund) Vanguard Select Funds, nine are actively managed. The disclosure cited performance against each fund's appropriate index for 1, 5, and 10 year trailing periods ending 6/30/2012. For the 1 year period, 5 of your 9 active funds beat their index and average net out-performance across all 9 funds was 0.40% for the year. For the 5 year period, 7 of your 9 active funds beat their index and average net out-performance across all 9 funds was 1.02% per year. And for the 10 year period, 5 of your 9 active funds beat their index with average net out-performance across all 9 funds of 0.53% per year.

These facts support the validity of expending resources attempting to select winning active vs. passive/index funds especially when DHC/MWC is subsidizing the cost of providing those resources.

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

(All for periods ended December 31, 2012)

Remember: Past performance is absolutely NOT a guarantee of future performance!

(1) A fund with a 19th Ranking outperformed 81% of its peers.

(2) "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

Name of VANGUARD Select Venue Fund / *Morningstar Category Name*	Securities Type(s)	Morningstar™ Category Percentile (1) Ranking Past: 5 Years	10 Years	OER(2)	Total Return Performance for: Past Qtr	12 Mos	Average Annualized Total Return for: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
PRIME MONEY MARKET - VMMXX	**Money Market**	**19th**	**16th**	**0.16%**	**0.0%**	**0.0%**	**0.1%**	**0.7%**	**1.8%**	**2.7%**
Money Market Funds >>		*Category Average >>*		*0.17%*	*0.0%*	*0.0%*	*0.0%*	*0.5%*	*1.5%*	*2.4%*
TOTAL BOND MARKET INDEX SIGNAL - VBTSX	**Bonds**	**73rd**	**56th**	**0.10%**	**0.1%**	**4.2%**	**6.1%**	**5.9%**	**5.1%**	**5.8%**
Intermediate Bond Funds >>		*Category Average >>*		*0.89%*	*0.8%*	*7.0%*	*7.0%*	*6.1%*	*5.1%*	*5.6%*
INFLATION PROTECTED SECURITIES ADM - VAIPX	**Bonds**	**29th**	**21st**	**0.11%**	**0.6%**	**6.9%**	**8.8%**	**6.8%**	**6.5%**	**N/A**
Inflation-Protected Bond Funds >>		*Category Average >>*		*0.83%*	*0.6%*	*6.5%*	*8.0%*	*6.0%*	*6.1%*	*7.0%*
WELLINGTON ADMIRAL - VWENX	**Bonds & Stocks**	**6th**	**3rd**	**0.19%**	**1.0%**	**12.7%**	**9.2%**	**4.4%**	**8.3%**	**7.1%**
Moderate Allocation Funds >>		*Category Average >>*		*1.00%*	*1.1%*	*11.7%*	*7.7%*	*2.3%*	*6.4%*	*5.0%*
WINDSOR II ADMIRAL - VWNAX	**Stocks**	**30th**	**15th**	**0.27%**	**1.2%**	**16.8%**	**9.9%**	**1.4%**	**7.9%**	**5.4%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*1.21%*	*1.0%*	*14.6%*	*9.0%*	*0.3%*	*6.7%*	*4.5%*
500 INDEX SIGNAL - VIFSX	**Stocks**	**26th**	**32nd**	**0.05%**	**-0.4%**	**16.0%**	**10.9%**	**1.7%**	**7.1%**	**4.4%**
Large-Cap U.S. Blend Stock Funds >>		*Category Average >>*		*1.13%*	*0.5%*	*15.0%*	*9.1%*	*0.7%*	*6.6%*	*4.5%*
SELECTED VALUE - VASVX	**Stocks**	**30th**	**32nd**	**0.38%**	**2.6%**	**15.3%**	**11.5%**	**4.1%**	**10.1%**	**6.9%**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*1.30%*	*3.4%*	*16.6%*	*10.8%*	*2.9%*	*9.1%*	*7.0%*
MORGAN GROWTH ADMIRAL – VMRAX	**Stocks**	**47th**	**27th**	**0.26%**	**-1.0%**	**15.3%**	**10.2%**	**1.4%**	**7.9%**	**4.9%**
Large-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.26%*	*-0.7%*	*15.3%*	*9.3%*	*1.1%*	*7.1%*	*4.5%*
MID-CAP GROWTH INVESTOR - VMGRX	**Stocks**	**27th**	**26th**	**0.54%**	**0.8%**	**14.8%**	**12.9%**	**3.8%**	**10.4%**	**9.2%**
Mid-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.37%*	*1.2%*	*14.1%*	*11.1%*	*1.7%*	*9.0%*	*6.5%*
EXPLORER ADMIRAL - VEXRX	**Stocks**	**40th**	**47th**	**0.32%**	**2.8%**	**15.1%**	**13.0%**	**3.3%**	**9.4%**	**7.3%**
Small-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.47%*	*-0.0%*	*13.2%*	*11.7%*	*2.6%*	*9.1%*	*6.2%*
INTERNATIONAL GROWTH ADMIRAL - VWILX	**Foreign Stocks**	**39th**	**33rd**	**0.36%**	**6.8%**	**20.2%**	**6.4%**	**-1.2%**	**9.8%**	**5.7%**
Foreign Large Blend Stock Funds >>		*Category Average >>*		*1.31%*	*6.5%*	*18.3%*	*3.9%*	*-3.6%*	*7.9%*	*4.7%*
EMERGING MARKETS INDEX SIGNAL - VERSX	**Foreign Stocks**	**34th**	**33rd**	**0.18%**	**6.8%**	**18.8%**	**4.8%**	**-0.9%**	**16.3%**	**9.5%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*1.64%*	*6.1%*	*18.2%*	*4.3%*	*-2.2%*	*15.4%*	*8.7%*
ENERGY ADMIRAL - VGELX	**Energy Stocks**	**6th**	**9th**	**0.28%**	**-1.1%**	**2.7%**	**4.7%**	**-1.9%**	**14.7%**	**11.4%**
Energy Sector Stock Funds >>		*Category Average >>*		*1.54%*	*-1.1%*	*1.2%*	*2.0%*	*-5.5%*	*12.4%*	*9.8%*

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

(All for periods ended December 31, 2012)

[(1)] A fund with a 23rd Ranking outperformed 77% 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.

VANGUARD INDEXED AUTO-BALANCED FUND		**Morningstar™ Category Percentile [(1)] Ranking Past**			**Total Return Performance for**		**Average Annualized Total Return for:**			
Morningstar Category Name	**Securities Type(s)**	**1 Year**	**5 Years**	**OER[(2)]**	**Past Qtr**	**12 Mos**	**3 Yrs**	**5 Yrs**	**10 Yrs**	**15 Yrs**
TARGET RETIREMENT INCOME - VTINX	**Target Date 2000-2010**	**23rd**	**6th**	**0.17%**	**0.7%**	**8.2%**	**7.6%**	**4.9%**	**N/A**	**N/A**
Retirement Income Funds >>	*Category Average >>*			*0.51%*	*0.8%*	*9.0%*	*6.8%*	*2.9%*	*5.0%*	*4.5%*
TARGET RETIREMENT 2010 - VTENX	**Target Date 2000-2010**	**12th**	**10th**	**0.17%**	**1.0%**	**10.1%**	**8.3%**	**3.7%**	**N/A**	**N/A**
Target Date 2000-2010 Funds >>	*Category Average >>*			*0.53%*	*1.2%*	*9.6%*	*7.0%*	*2.5%*	*5.7%*	*4.7%*
TARGET RETIREMENT 2015 - VTXVX	**Target Date 2011-2015**	**13th**	**17th**	**0.17%**	**1.2%**	**11.4%**	**8.4%**	**3.3%**	**N/A**	**N/A**
Target Date 2011-2015 Funds >>	*Category Average >>*			*0.50%*	*1.4%*	*10.7%*	*7.2%*	*2.0%*	*4.7%*	*3.7%*
TARGET RETIREMENT 2020 - VTENX	**Target Date 2016-2020**	**22nd**	**16th**	**0.17%**	**1.4%**	**12.4%**	**8.5%**	**2.8%**	**N/A**	**N/A**
Target Date 2016-2020 Funds >>	*Category Average >>*			*0.55%*	*1.4%*	*11.7%*	*7.9%*	*1.9%*	*6.2%*	*4.4%*
TARGET RETIREMENT 2025 - VTXVX	**Target Date 2021-2025**	**18th**	**21st**	**0.18%**	**1.5%**	**13.3%**	**8.7%**	**2.3%**	**N/A**	**N/A**
Target Date 2021-2025 Funds >>	*Category Average >>*			*0.49%*	*1.8%*	*13.0%*	*7.9%*	*1.4%*	*N/A*	*N/A*
TARGET RETIREMENT 2030 - VTENX	**Target Date 2026-2030**	**23rd**	**16th**	**0.18%**	**1.7%**	**14.2%**	**8.9%**	**1.9%**	**N/A**	**N/A**
Target Date 2026-2030 Funds >>	*Category Average >>*			***0.55**%*	*1.8%*	*13.6%*	*8.1%*	*1.0%*	*6.6%*	*4.4%*
TARGET RETIREMENT 2035 - VTXVX	**Target Date 2031-2035**	**15th**	**23rd**	**0.19%**	**1.8%**	**15.2%**	**9.0%**	**1.7%**	**N/A**	**N/A**
Target Date 2031-2035 Funds >>	*Category Average >>*			*0.49%*	*2.1%*	*14.6%*	*8.1%*	*0.8%*	*N/A*	*N/A*
TARGET RETIREMENT 2040 - VTENX	**Target Date 2036-2040**	**19th**	**12th**	**0.19%**	**1.9%**	**15.6%**	**9.1%**	**1.7%**	**N/A**	**N/A**
Target Date 2036-2040 Funds >>	*Category Average >>*			*0.55%*	*2.0%*	*14.6%*	*8.2%*	*0.6%*	*N/A*	*N/A*
TARGET RETIREMENT 2045 - VTXVX	**Target Date 2041-2045**	**14th**	**22nd**	**0.19%**	**1.8%**	**15.6%**	**9.1%**	**1.7%**	**N/A**	**N/A**
Target Date 2041-2045 Funds >>	*Category Average >>*			*0.50%*	*2.1%*	*15.1%*	*8.3%*	*0.5%*	*N/A*	*N/A*
TARGET RETIREMENT 2050 - VTENX	**Target Date 2046-2050**	**17th**	**18th**	**0.19%**	**1.9%**	**15.6%**	**9.1%**	**1.7%**	**N/A**	**N/A**
Target Date 2046-2050 Funds >>	*Category Average >>*			*0.53%*	*2.1%*	*15.1%*	*8.3%*	*0.5%*	*N/A*	*N/A*
TARGET RETIREMENT 2055 - VTXVX	**Target Date 2051+**	**n/a**	**n/a**	**0.19%**	**1.8%**	**15.6%**	**N/A**	**N/A**	**N/A**	**N/A**
Target Date 2051+ Funds >>	*Category Average >>*			*0.50%*	*2.3%*	*15.5%*	*7.6%*	*-0.8%*	*N/A*	*N/A*
LIFE STRATEGY CONSERVATIVE - VSCGX	**Conservative Allocation**	**45th**	**70th**	**0.15%**	**0.9%**	**9.2%**	**7.3%**	**3.1%**	**6.1%**	**5.4%**
Conservative Allocation Funds >>	*Category Average >>*			*0.93%*	*0.9%*	*9.4%*	*6.9%*	*3.6%*	*5.7%*	*4.8%*
LIFE STRATEGY GROWTH - VASGX	**Aggressive Allocation**	**25th**	**48th**	**0.17%**	**1.7%**	**14.4%**	**8.8%**	**1.1%**	**7.4%**	**5.1%**
Aggressive Allocation Funds >>	*Category Average >>*			*0.90%*	*1.8%*	*13.4%*	*7.8%*	*1.0%*	*6.7%*	*4.8%*