

Compensation & Capital's Financial Planning Commentary as of December 31, 2018

“Diversification: It's a Constructive Tool for Investment Portfolios and for Life Itself!”

When contemplating personal finance, we normally relate the term “diversification” with portfolio design. In that realm, it's a tool that seeks to manage portfolio risk by holding significantly different investments. Here, “risk” means volatility – swings in the value of your Plan account. Diversification can help to stabilize your account's value. That's because different investments, like stocks versus bonds, generally move in opposite directions – but to differing degrees - during the same market cycles. Prior quarters' *Participant Quarterly Reports* have detailed the why's, how's, and when's of *portfolio* diversification. Financial market cycles throughout history have demonstrated its strengths.

But the broader *concept* of diversification – simply put: not putting all your eggs in one basket - can be productively applied to other personal decisions we make every day. In the following examples, while diversification reduces the risk of an undesirable outcome, it can also reduce the probability of a very desirable one. Balancing that “yin and yang” is about stabilizing progress toward your goals.

Managing your career and core competencies: Though specialization is often an avenue to higher pay, overly focusing your professional capabilities also enhances the probability that your specialty becomes obsolete. Conversely, broadened skill sets and professional reinvention stabilize employability throughout your career and thereby diversify your personal capital.

Managing your marital income sources: Dual income households are in a unique position to enhance a couple's income stability. In most cases couples employed by unrelated employers diversify the household's income flow against employer-based risk. Losing one of a dual-income household's paychecks can be painful but manageable; losing both can be devastating. Couples employed by Federal agencies during government shutdowns are a currently poignant case in point.

Uncertainty over insurable risks: Insurance is one of the purest forms of diversification. It requires that we accept a premium expense as a small known cost to prevent a far larger and possibly devastating loss. Households are often faced with difficult decisions over what risks to insure and/or how much insurance to buy (more insurance = higher premiums = lower risk.) By diversifying your “insurable risk portfolio” of accepted-versus-insured risks, you can strike a balance between foregone current savings spent on insurance premiums and the fear of unbearable financial loss.

Income replacement in retirement: Most retirees will attempt to replace paycheck income with Social Security benefits, distributions from 401(k) plans and after-tax investment portfolios, annuitized savings, reverse mortgages, or part-time work. The more diversified the income sources supplying their paycheck replacement in retirement, the more stable their flow of inflation-adjusted income. Long range planning to strike a balance between the accumulation of values in each income source is vital – and yet another reason why delaying Social Security is so important to long-lived retirees. Which leads to...

Managing the equity in your home: A popular reaction to the 2008-09 housing and capital crisis is homeowners accelerating their mortgage repayments. Paying down your mortgage principal is akin to investing your disposable income in residential real estate. Historically speaking, housing has been a low-return asset relative to financial securities when held for long periods. It may *feel* better to be paying down your mortgage than adding to your stock holdings in times of fiscal uncertainty. But don't let your emotions get in the way of maintaining an appropriate diversification between low risk / low return savings like your home's equity, and higher risk / higher return savings like your 401(k) account. To be clear, each has value in retirement (see the preceding paragraph). But your 401(k) has more growth potential. And it's available for paycheck replacement without further mortgaging.

The key to successfully applying diversification to reduce the risk of any occurrence is balancing its offset to future returns against the comfort of an avoided risk. Quite simply, it's all about finding the happy medium between returns (or cash) foregone and risks (or losses) avoided. In short, ensuring you achieve your financial goals while still getting a good night's rest!

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

Compensation & Capital's December 31, 2018

Retirement Saving and Investing "Action Points"

2018: Superlatives Make Great Entertainment. But Normal's WAY More Important.

If you were looking to 2018 for an entertaining year from financial markets, the past 12 months left nothing to the imagination. Monthly headlines told the story:

<u>January</u> <i>Best Start Since 1997 for S&P500 and DJIA!</i>	<u>April</u> <i>Tax Cuts Add 20% to S&P500 Profits!</i>	<u>July</u> <i>S&P500 and DJIA: Best Gains Since January!</i>	<u>October</u> <i>Stocks Give It All Back in October!</i>
<u>February</u> <i>First Full Correction for Global Markets in Two Years!</i>	<u>May</u> <i>Tech-heavy Nasdaq 100 soars 5.7%!</i>	<u>August</u> <i>US stocks surge! Foreign stocks slump!</i>	<u>November</u> <i>US Stocks Rebounds! Emerging Markets Surge!</i>
<u>March</u> <i>Volatility's Back! 23 Days with 1% Moves!</i>	<u>June</u> <i>Best Earnings Growth Since 2009!</i>	<u>September</u> <i>US Stocks Post Best Quarter in Years!</i>	<u>December</u> <i>Tech Stocks: Worst Quarter in a Decade!</i>

Headlines like these can make investing feel like gambling. But keeping the hyperbole from the financial media in perspective, successful investors bear in mind that public perception will always swing between fear and greed. When there is less fear, investors are less price sensitive (perhaps afraid to miss out on gains) and stocks get bid up. When stocks fall, they eventually become bargains. And though it may feel like there's no bottom during times like this past Christmas Eve sell-off, that's simply not true. When you own stocks, you own shares of great companies that produce cash flows in which you continually participate. Volatility is normal and causes investors to be more selective with how their money is invested. And that's ultimately a good thing because during sell-offs your contributions buy those cash flows at a discount.

So as entertaining as superlatives can be, let's move on to the truly important stuff of personal financial security: Why is an understanding of "Normal" so important?

It can feel discouraging to see investment losses in your Plan account – especially double digit negatives - after you worked so hard to deduct those contributions from your paycheck. It's been quite common this past year for long-term savers to lose two or three times the dollars they contributed to their accounts in 2018. If you started investing recently, your confidence and your resolve may be shaken by this sudden turnaround from the happy days of 2017. For those newer investors, up until recently, "investment losses" were just words. The last two months of 2018 made them real. But your efforts weren't for naught.

You may not realize it but you're likely a better investor than you were a year ago. You've seen how quickly markets can change. You've learned what volatility feels like; how it impacts your Plan account and, more importantly, your psyche. Hopefully you've faced a far more realistic version of investment risk than ever before. And hopefully that's made you revisit the reasons you chose the mutual fund(s) you did - about how much investment risk is right for you. If you've been humbled, know that humility (laced with optimism) is a key personality trait of successful investors.

So what's "Normal" at times like these? First off, past markets are never repeated. Every iteration is different. That said, as we start into 2019 with bear stock markets across many regions of the world, there are lessons from history that can be instructive: Bear markets are unpredictable; this past December's was long overdue. The next bear market won't be the same as the 2008-09 plunge. Always remember: The longer you stick to your long-term saving and investing plan, the less impact you'll feel from the superlatives and the more "Normal" your investing experience will become.

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

(All for periods ended December 31, 2018)

(1) A fund with a 2nd Ranking outperformed 98% 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	15 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TREASURY MONEY MARKET - VUSXX	Money Market	2nd	16th	0.09%	0.3%	1.0%	0.5%	0.3%	0.3%	1.2%
<i>Money Market Funds >></i>		<i>Category Average >></i>		0.33%	0.2%	0.7%	0.2%	0.2%	0.2%	1.1%
TOTAL BOND MARKET INDEX ADMIRAL - VBTIX	Bonds	31st	49th	0.05%	1.6%	-0.0%	2.0%	2.5%	3.4%	3.8%
<i>Intermediate Bond Funds >></i>		<i>Category Average >></i>		0.76%	0.9%	-0.5%	2.2%	2.3%	4.3%	3.8%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	47th	7th	0.10%	-0.5%	-1.4%	2.0%	1.7%	3.5%	3.7%
<i>Inflation-Protected Bond Funds >></i>		<i>Category Average >></i>		0.74%	-1.0%	-1.6%	1.9%	1.1%	3.1%	3.3%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	16th	5th	0.17%	-6.8%	-3.4%	7.2%	6.3%	10.0%	7.6%
<i>Allocation Funds – 50% to 70% Equity >></i>		<i>Category Average >></i>		1.13%	-8.6%	-5.8%	4.7%	3.7%	8.3%	5.6%
WINDSOR II ADMIRAL - VWNAX	Stocks	48th	29th	0.26%	-13.9%	8.5%	6.7%	5.5%	11.2%	7.2%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.01%	-12.5%	-8.5%	6.9%	5.4%	10.9%	6.5%
500 INDEX ADMIRAL - VFIAX	Stocks	27th	20th	0.04%	-13.5%	-4.4%	9.2%	8.5%	13.1%	7.8%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		0.96%	-13.5%	6.3%	7.7%	6.7%	12.0%	7.0%
SELECTED VALUE - VASVX	Stocks	94th	26th	0.39%	-16.1%	-19.7%	3.7%	2.7%	11.9%	7.9%
<i>Mid-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.12%	-15.7%	-12.9%	5.4%	3.9%	11.7%	6.9%
MORGAN GROWTH ADMIRAL – VMRAX	Stocks	43th	31st	0.28%	-16.2%	-1.6%	9.8%	9.5%	14.5%	8.5%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.09%	-15.4%	-2.1%	9.0%	8.2%	13.7%	7.9%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	26th	44th	0.26%	-18.0%	-3.3%	5.8%	5.7%	13.4%	8.4%
<i>Mid-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.20%	-17.6%	-6.7%	7.3%	5.6%	13.2%	8.0%
EXPLORER ADMIRAL - VEXRX	Stocks	27th	37th	0.32%	-19.5%	2.4%	10.6%	6.1%	14.4%	8.3%
<i>Small-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.24%	-20.8%	-5.8%	8.5%	5.1%	13.4%	7.9%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	31st	2nd	0.32%	-14.8%	-12.6%	8.4%	3.7%	9.7%	7.1%
<i>Foreign Large Growth Stock Funds >></i>		<i>Category Average >></i>		1.15%	-13.9%	-14.1%	3.2%	1.4%	7.4%	5.2%
EMERGING MARKETS INDEX ADMIRAL - VEMAX	Foreign Stocks	34th	49th	0.14%	-6.3%	-14.6%	7.8%	1.3%	7.5%	7.4%
<i>Diversified Emerging Markets Stock Funds >></i>		<i>Category Average >></i>		1.37%	-7.5%	-16.1%	7.0%	0.5%	7.6%	7.3%
ENERGY ADMIRAL - VGELX	Energy Stocks	10th	4th	0.33%	-23.3%	-17.1%	4.5%	-5.1%	3.7%	6.8%
<i>Energy Sector Stock Funds >></i>		<i>Category Average >></i>		1.38%	-31.1%	-27.3%	-4.4%	-13.3%	0.4%	3.8%

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

(1) A fund with a 21st Ranking outperformed 79% of its peers.

(All for periods ended December 31, 2018)

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	3 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	Target Date Retire Income	21st	32nd	0.13%	-3.2%	-2.0%	3.8%	3.4%	5.9%	N/A
<i>Retirement Income Funds >></i>		<i>Category Average >></i>		0.77%	-3.8%	-3.2%	3.4%	2.6%	5.7%	N/A
TARGET RETIREMENT 2015 - VTXVX	Target Date 2015	20th	38th	0.13%	-4.7%	-3.0%	4.7%	4.0%	7.8%	N/A
<i>Target Date 2015 Funds >></i>		<i>Category Average >></i>		0.73%	-5.4%	-3.9%	4.4%	3.4%	7.5%	N/A
TARGET RETIREMENT 2020 - VTWNX	Target Date 2020	42nd	18th	0.13%	-6.5%	-4.2%	5.3%	4.4%	8.5%	N/A
<i>Target Date 2020 Funds >></i>		<i>Category Average >></i>		0.79%	-6.1%	-4.5%	4.5%	3.4%	7.7%	N/A
TARGET RETIREMENT 2025 - VTTVX	Target Date 2025	42nd	18th	0.14%	-7.7%	-5.2%	5.7%	4.7%	9.1%	N/A
<i>Target Date 2025 Funds >></i>		<i>Category Average >></i>		0.77%	-7.5%	-5.3%	5.1%	3.7%	8.6%	N/A
TARGET RETIREMENT 2030 - VTHRX	Target Date 2030	37th	25th	0.14%	-8.9%	-5.9%	6.1%	4.8%	9.6%	N/A
<i>Target Date 2030 Funds >></i>		<i>Category Average >></i>		0.81%	-8.8%	-6.3%	5.5%	3.9%	8.9%	N/A
TARGET RETIREMENT 2035 - VTTHX	Target Date 2035	32nd	24th	0.14%	-9.9%	-6.6%	6.4%	5.0%	10.0%	N/A
<i>Target Date 2035 Funds >></i>		<i>Category Average >></i>		0.78%	-10.1%	-7.0%	5.8%	4.1%	9.4%	N/A
TARGET RETIREMENT 2040 - VFORX	Target Date 2040	37th	18th	0.15%	-11.0%	-7.3%	6.8%	5.1%	10.3%	N/A
<i>Target Date 2040 Funds >></i>		<i>Category Average >></i>		0.82%	-11.0%	-7.7%	6.0%	4.2%	9.5%	N/A
TARGET RETIREMENT 2045 - VTIVX	Target Date 2045	43rd	21st	0.15%	-11.8%	-7.9%	6.8%	5.1%	10.3%	N/A
<i>Target Date 2045 Funds >></i>		<i>Category Average >></i>		0.79%	-11.7%	-8.1%	6.1%	4.3%	9.8%	N/A
TARGET RETIREMENT 2050 - VFIFX	Target Date 2050	37th	22nd	0.15%	-11.8%	-7.9%	6.8%	5.1%	10.3%	N/A
<i>Target Date 2050 Funds >></i>		<i>Category Average >></i>		0.8.%	-11.9%	-8.4%	6.1%	4.3%	9.6%	N/A
TARGET RETIREMENT 2055 - VFFVX	Target Date 2055	37th	37th	0.15%	-11.8%	7.9%	6.8%	5.1%	N/A	N/A
<i>Target Date 2055 Funds >></i>		<i>Category Average >></i>		0.79%	-12.1%	8.4%	6.2%	4.4%	N/A	N/A
TARGET RETIREMENT 2060 - VTTSX	Target Date 2060+	34th	32nd	0.15%	-11.8%	-7.9%	6.8%	5.1%	N/A	N/A
<i>Target Date 2060+ Funds >></i>		<i>Category Average >></i>		0.80%	-12.3%	-8.5%	6.3%	4.2%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	14th	21st	0.12%	-4.4%	-3.0%	4.5%	4.0%	6.7%	5.0%
<i>Allocation – 30% to 50% Equity Funds >></i>		<i>Category Average >></i>		1.14%	-6.0%	-5.0%	3.7%	2.6%	6.7%	4.5%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	34th	19th	0.14%	-10.4%	-6.9%	6.3%	5.0%	9.5%	6.1%
<i>Allocation – 70% to 85% Equity Funds >></i>		<i>Category Average >></i>		1.23%	-11.4%	-7.9%	5.0%	3.6%	9.1%	5.8%