RPJ

Rembert | Pendleton | Jackson

Financial Advisors

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Q1 - 2010 Investment Benchmarks

The 2010 investing year started strong, as indicated by the Asset Class benchmark returns table included in this newsletter.

Internationally, the unprecedented global financial stimulus has had some positive effects. It appears that production and the rebuilding of inventories has increased. Interest rates remain at an all-time low and the world credit markets have stabilized. Corporations are now reporting profits and increased productivity. The closely-monitored annual inflation rate (Chained CPI) remains low at 2.45 percent. Personal savings rates are sharply increasing and personal debt is falling. While there are still many reasons to remain cautious, in our judgment, the prospects for a continued market recovery are good.

SHORT TERM INTEREST RATES AND CASH MANAGEMENT

Non-profits and other institutional investors are seeking innovative ways to manage their current cash balances in today's low interest rate environment. Goals include a strong desire to preserve principal, generate income and maintain the purchasing power of these important funds.

Four types of investments are worth considering:

- Money market funds (MMF) are readily available and have historically preserved the principal, but most now offer rates less than 0.50%.
- Certificates of deposit (CD) are easy to implement and offer FDIC protection up to $250,000. Using multiple banks or the CDARS program can extend this protection up to $50,000,000. CD's offer preservation of principal, but may have early withdrawal penalties and with current rates around 2% (2 year term) may not keep pace with inflation and preserve your purchasing power.
- Short-term bond funds may be worth considering for a portion of the cash holdings. These funds may offer the opportunity for higher yields. At the same time they carry a higher risk profile than MMF's or CD's and do not provide FDIC protection.
- Intermediate-term bond funds may also play an important role for managing cash balances. These funds will carry higher yields than the short-term bond funds. They also carry a higher risk profile and do not have FDIC protection.

Enhanced cash management strategies may encompass all 4 of these investment elements. Allocation will depend upon important criteria such as liquidity needs, income needs, risk tolerance and investment time horizon. These types of blended fixed income portfolios can often meet cash preservation goals, improve an organization's overall rate of return, and keep a relatively low risk profile.

"We only advise clients in our capacities as fiduciaries."

"The Uniform Prudent Management of Institutional Funds Act (UPMIFA) is must read for all members of the Board of Directors."

"An Investment Policy Statement (IPS) will define the investment objective, strategy, and process in sufficient detail to guide the actions of all parties."

HOW TO USE KEY MARKET INDICATORS

Many investors try to look at certain key market indicators to help guide their actions. Let's take a closer look at key market indicators (KMI's) and see how they might impact your investment program.

A KMI might be a major market index like the S&P 500 or the Barclays US Aggregate Bond index. Other examples of KMI's might include the unemployment rate, interest rates, housing starts, new car sales, commodity (gold, oil, etc) prices, consumer confidence, GDP growth, the savings rate, price to earnings ratio's, the value of the dollar against other currencies, and countless more.

Each offers a good barometer for how a particular component of the U.S. or global economy has performed in the past and MAY offer a perspective about what MIGHT happen in the future.

How can you establish rules for action based upon these KMI's? If a KMI goes up (or down), what action should ensue? If the KMI reverses course in its following report, should we reverse course as well? How does one translate these movements into action that will benefit our investment portfolio?

The simple answer is that it cannot be done. There are far too many KMI's, they change rapidly, and they have complex inter-relationships. No individual, group, or company can possibly absorb, interpret and act with any special insight or advantage. The investment marketplace is too unpredictable in the short term.

The point is that successful long-term investing is a process that must be planned, documented, monitored and sustained without being influenced by what may happen on any given day or what may happen with any one KPI or segment of the global economy. KMI's are simply not great tools for making short-term investment decisions.

At the same time, KMI's do serve a very useful purpose in monitoring a portfolio over the long-term. Asset class benchmarks (a form of KMI) are terrific indicators of how well your specific investment selections are performing compared to their peers over both short and long time periods. Your Investment Policy Statement (IPS) should specify a separate benchmark for each allowable asset class in your diversified portfolio.

You can, and should, take action when elements of your portfolio do not perform as well as their peer group. The rules for action can easily be documented in your IPS, allowing the investment process to govern any action instead of emotion or individual pieces of market news.

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"A comprehensive IPS will document an investment process that helps the organization sustain the founder's intent, organizational purpose and giving goals."

The following table presents the 2010 first quarter returns of typical benchmarks for selected asset classes. A diversified portfolio will include some investments in many (or all) of these asset classes. The table is sorted by percentage change.

Asset Class Returns

Asset Class	1st Qtr. 2010	Benchmark Index
Real Estate - Domestic	10.02%	FTSE NAREIT Equity – Equity
Domestic Stock Funds - Small Value	10.02%	Russell 2000 Value Index
Domestic Stock Funds - Small Blend	8.85%	Russell 2000 Index
Domestic Stock Funds - Large Value	6.78%	Russell 1000 Value Index
Domestic Stock Funds - Large Blend	5.39%	S&P 500 Composite (Total Return)
International Stock Funds - Small Blend	4.82%	MCSI EAFE Small Cap Index
Real Estate - Foreign	1.81%	FTSE EPRA / NAREIT Global RE
Domestic Fixed Income - Short Term Bond	1.19%	Barclays Capital 1-5 year Gov't /Credit Bond
International Fixed Income - Hedged	1.19%	JP Morgan – Global Non US- Hedged
International Stock Funds - Large Blend	0.94%	MCSI EAFE Index
Inflation	0.79%	Chained Consumer Price Index
Domestic Fixed Income - Treasury Inflation Protection	0.56%	Barclays TIPS Index
Domestic Fixed Income - Intermediate Term Bond	-1.54%	Barclays Capital Intermediate US Gov't / Credit Bond
International Fixed Income - Un Hedged	-1.94%	JP Morgan – Global Non US
Commodities	-5.03%	Dow Jones Commodity Index (TR)

- Asset Class Returns in this table are represented by Benchmark performance numbers derived from Thomson Financial, Investment View software research tool. Organizations cannot invest directly in an index. Index returns do not include investment advisory fees or trading expenses. An investment benchmark is a standard against which the performance of an individual security or group of securities is measured. For example, the average annual performance of a class of securities over time is a benchmark against which the current performance of members of that class and the class itself can be measured.

- Actual portfolios should be constructed based upon an individual or entitys specific financial resources, investment goals, risk tolerances, investing time horizons, tax situation, and other relevant factors. Not all recommendations will be suitable for all investors. Individual allocations and performance will vary.

- Performance results shown do not include a deduction for investment management fees or expenses. If management fees and expenses were included, the returns would likely be reduced by one percentage point or more for the annualized management fee, and there would also be additional trading commissions and expenses.

- Past performance is not a guarantee of future results. There is no guarantee that historical returns will be repeated, achieved, or met in the future. There is no guarantee that annual returns will be achieved or met in any year, especially during times of high market volatility.

Additional Market Indicators

2010 Market Indicators	End of Q4 2009	End of Q1 2010	Q1 2010 Change
Federal Funds Rate	0.25%	0.25%	0%
Prime Rate	3.25%	3.25%	0%
Oil (Barrel)	$79.36	$83.76	5.5%
Gasoline (gallon)	$2.67	$2.80	4.9%
NASDAQ Composite	2269.15	2397.96	5.7%
S&P 500	1115.10	1169.43	4.9%
Dow Jones Industrial Average	10428.05	10856.63	4.1%

Rembert Pendleton Jackson

7647 Leesburg Pike

Falls Church, VA 22043

(703) 821-6655

(877) 821-6655

info@rpjadvisors.com

www.rpjadvisors.com

RPJ Investment Advisory Services

If you are considering using the services of an investment advisor to assist in the preparation and/or review of your investment policy statement or to assist with the management of your funds, we would consider it a privilege to have the opportunity to serve you.

For more information about our firm and our services please visit our website or give us a call.