



Rembert | Pendleton | Jackson

Financial Advisors

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QUARTERLY NEWSLETTER

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"Investing is managing available assets prudently. Investing does NOT require holding equity positions to be appropriate and effective."

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

2011 First Quarter: Investment Benchmarks

MARKET COMMENTARY – The capital markets performed extremely well during the first quarter of 2011. As we enter the third year since the official end of the recession, there are many signs that indicate the markets are recovering and expanding. Investor caution brought on by the extreme market volatility of 2008 and 2009 is gradually easing. Our overall investment outlook remains guarded but positive.

The first quarter witnessed increasing geopolitical upheaval in the Middle East and Northern Africa as well as Japan's devastating earthquake and tsunami. There is continuing recognition that governments around the world are being forced to deal with generous public programs and policies which have led them deeper into debt. We readily recognize that these critical issues must be dealt with politically and financially; however, they will not deter a growing world population that seeks more goods and services.

We continue to see both positive and negative indicators for the remainder of the year. No single indicator stands alone as the beacon for action. Therefore, portfolio diversification, focusing on allocation as opposed to market timing and selection is still our preferred method of managing risk.

* * NEWS YOU CAN USE * *

MANAGING CASH AND RESERVES - Funds used to support the day to day operation of your organization must be readily available to meet your normal obligations in a timely manner. As surplus funds become available, creating a tiered strategy to minimize the balances maintained in non-interest bearing accounts may be worth considering.

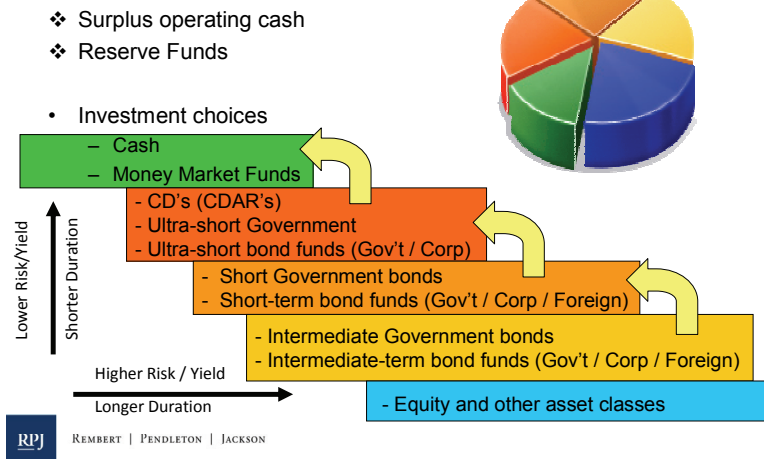
For those organizations that focus on fixed-income investment options because of their short investment time horizon and low tolerance for risk, additional risk management factors must be included in constructing the investment program.

- With rising interest rates (and a corresponding decline in bond prices), current yield must be weighed against a possible decline in price.
- The long-term safety and AAA-bond rating of U.S. Government securities is being challenged in Standard & Poor's outlook ratings.
- PIMCO, one of the largest bond managers in the world, is reducing their positions in U.S. Treasury securities.
- China may be nearing their capacity to add to the over \$3 Trillion of foreign debt they own.
- Sovereign debt issues around the globe add risk to all government bonds.

There is no one right answer for every client. There is no single fixed income asset class that addresses all risks. Diversification becomes one of the very best ways to manage the overall risk.

As can be seen from the following chart, the options for suitable investment types generally increase as the organizations investment time horizon and risk tolerance increases. It is also important to note that investing does NOT require holding equity positions to be appropriate and effective.

MANAGING CASH and RESERVES: A MULTI-TIER STRATEGY



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

The first tier may simply be an interest bearing account that is electronically linked to the general operating account. This account may be an overnight sweep, savings, money market, or other similar account at your existing bank or another financial institution that offers better rates. Bank money market rates around 1% can be found at several banks in the DC area.

The second tier of interest bearing account would be for funds that could be reasonably expected to NOT be needed for a period of 90 days or more. These funds may either be designated for a specific program or project or be part of a revolving pool of funds created by regular cash inflows.

Your organization may also have established a formal Operating Reserve fund to help maintain financial stability during times of unforeseen expenses or changes in revenue. These reserves likely have a longer investment time horizon and may include allocations to fixed income asset classes that have historically offered higher returns and had a higher risk of loss.

As the investment time horizon gets longer, it allows the investment strategy to consider an increasing number of fixed income asset classes and may well be able to include some equity asset classes.

Knowing which asset classes are appropriate and determining a suitable asset allocation percentage for each is generally documented in an Investment Policy Statement (IPS). Many organizations choose to use the services of an investment advisor to assist with the financial governance documentation and the implementation of the investment program.

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Here are 2011 first quarter returns of typical benchmarks for selected asset classes. A diversified portfolio may include some investments in many (or all) of these asset classes (sorted by % change during Q1.)

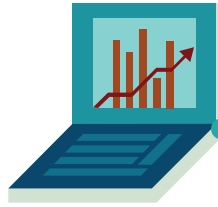


Asset Class Returns

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

Asset Class	1st Qtr. 2011	Benchmark Index
International Stock Funds - Large Blend	-2.59%	MCSI EAFE Index
International Fixed Income - Hedged	-0.77%	JP Morgan – Global Non US- Hedged
Domestic Fixed Income - Short Term Bond	0.27%	Barclays Capital 1-5 year Gov't /Credit Bond
Domestic Fixed Income - Intermediate Term Bond	0.34%	Barclays Capital Intermediate US Gov't /Credit Bond
Real Estate - Foreign	0.82%	FTSE EPRA / NAREIT Global RE
International Fixed Income - Un Hedged	0.87%	JP Morgan – Global Non US
Inflation	0.97%	Chained Consumer Price Index
Domestic Fixed Income - Treasury Inflation Protection	2.08%	Barclays TIPS Index
International Stock Funds - Small Blend	3.02%	MCSI EAFE Small Cap Index
Commodities	4.45%	Dow Jones Commodity Index (TR)
Domestic Stock Funds - Large Blend	5.92%	S&P 500 Composite (Total Return)
Real Estate - Domestic	6.35%	FTSE NAREIT Equity – Equity
Domestic Stock Funds - Large Value	6.46%	Russell 1000 Value Index
Domestic Stock Funds - Small Blend	7.94%	Russell 2000 Index

- 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 entities 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

<u>2011 Market Indicators</u>	<u>End of Q4 2010</u>	<u>End of Q1 2011</u>	<u>Q1 Change</u>
Federal Funds Rate	0.25%	0.25%	0%
Prime Rate	3.25%	3.25%	0%
Oil (Barrel)	\$91.38	\$106.72	16.79%
Gasoline (gallon)	\$3.05	\$3.60	18.03%
NASDAQ Composite	2542.87	2781.07	4.83%
S&P 500	1257.64	1325.83	5.42%
Dow Jones Industrial Average	11577.51	12319.73	6.41%

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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 cash management and/or investment policy statement or to assist with the prudent 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.

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