# Rembert | Pendleton | Jackson

***Financial Advisors***

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QUARTERLY PERFORMANCE REVIEW — FIRST QUARTER 2017


*Donald Mosby Rembert*
*CFP®, AIF®*

*Newton G. Pendleton III*
*CFP®, AIF®*

*Charles E. Rembert*
*CFP®, AIF®*

*Dwayne A. Jackson*
*CFP®, AIF®*

*Brett W. Roper*
*CFP®, AIF®*

*Leslie D. Irby*
*CFP®, AIF®*

*Elizabeth D. Verdi*
*CFP®, AIF®*

*Elizabeth S. Clough*
*CFP®, AIF®*


Dear Client:

We have enclosed your first quarter 2017 Portfolio Performance Report. Please review the materials and insert them behind the green "Performance" tab in your "Planbook."

This table presents the 2017 first quarter returns of the benchmarks for selected asset classes.

## Asset Class Returns

| Asset Class | 1st Qtr 2017 | Benchmark Index |
|---|---|---|
| Domestic Fixed Income | 0.78% | Barclays Intermediate Gov't / Corp Bond |
| Domestic Inflation Protected | 1.26% | Barclays TIPS Index |
| International Fixed Income | -0.37% | JP Morgan – Global Gov't - Non US (hedged) |
| Domestic Equity (Large) | 6.07% | S&P 500 with Dividends |
| Domestic Equity (Large Value) | 3.27% | Russell 1000 Value Index |
| Domestic Equity (Small) | 2.47% | Russell 2000 |
| Domestic Equity (Small Value) | -0.13% | Russell 2000 Value |
| International Equity | 7.25% | MSCI EAFE Equity Index with Dividends |
| Real Estate | 2.55% | FTSE NAREIT Equity |
| Precious Metals | 8.64% | Gold |
| Natural Resources | -2.00% | Dow Jones UBS Commodity Index |

Portfolio performance for the first quarter of 2017 was led by both U.S. and international equity asset classes. The U.S. and Eurozone economies continue to grow at a slow, but steady pace. Unemployment rates have been steadily falling in both geographies for over 4 years. Real estate and precious metals also had a positive quarter. The domestic fixed-income asset classes were positive, even in light of Federal Reserve interest rate hikes in late December and again in March. However, yields remain quite modest. International fixed income was near neutral. Commodities had a modest decline for the quarter.

Much of the news in the first quarter was focused on the new Trump administration and their evolving policy directions on many issues. One of the most notable was the push to change the Affordable Care Act (ACA) and the potential impact on citizens, employers, and the businesses in the health care sector. During the quarter, the markets seemed to view the ACA changes as neither strongly positive nor negative. When the initiative was finally withdrawn from consideration, the markets again showed little reaction. This is the first clear example from the new administration that having a majority in both houses of Congress does not mean that new legislation can be easily passed. The message here is that politics and markets are often not highly correlated.

***Household Debt***

*Debt payments as a percent of disposable personal income are currently estimated to be about 10 percent.*

*This is the lowest level since 1980.*

*The highest level was 13.2 percent at the end of 2007.*

- *Source: JP Morgan Guide to the Markets; March 31, 2017: Slide 20*

We believe there are two domestic economic issues that could have an impact on portfolios for the balance of 2017.

The first is the Federal Reserve's stated intention to raise interest rates additional times this year and continuing in 2018. This action will have the positive effect of gradually rising returns for money market accounts, certificates of deposit, and new bond issues. At the same time, the price of existing bond holdings may fall. The net result of these two forces may be that traditional fixed-income allocations, which are a very important part of managing risk in diversified portfolios, are likely to have very modest returns.

The second is the potential for income tax reform. The debate for reform, which may include lower rates for businesses and individuals, will be watched closely by the markets. Reduced tax rates could be a benefit to American businesses, allowing them to increase profits, dividends, and investment for their own future. A healthy corporate environment can support current and increasing stock prices. For individual taxpayers, lower taxes should lead to more disposable income, more consumer spending, and more opportunities to save for the future. A healthy consumer environment will also sustain and increase the growth of the U.S. economy. The one note of caution is the unknown impact on the federal annual deficit and overall debt level from any tax reduction reforms that are enacted.

Internationally, the Brexit process has officially gotten underway. The details are scheduled to take at least two years before a definitive plan is approved and the formal exit can begin. During this time, there will be countless versions of what will happen and how it will be good or bad for all the European participants and their global trading partners. It has been estimated that over four million people that now move freely between Britain and the continent to live and work could face new challenges to where they work and where they call home.[*1] For now, the general economic health of the developed European countries seems to be strong enough to avoid any near-term negative impact.

[*1] Source: Karla Adams, Washington Post London Bureau, April 3, 2017

***Quotable Quotes***

*"Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves."*

*- Peter Lynch*

Our investment philosophy continues to advocate participation in the markets with a globally diversified portfolio as a prudent strategy for the long journey. We welcome your comments and value the relationship we have with each of you. Stay safe and enjoy the spring!

Regards,

Rembert Pendleton Jackson

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*Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings correspond directly to any comparative indices. An investor may not directly invest in an index.*

## RPJ Investment Advisory Services

If you know of an individual, family, small business or nonprofit organization that is considering using the services of an investment advisor, we would consider it a privilege to have the opportunity to speak with them about our knowledge and services. For more information about our firm and our services, please visit our website or give us a call.

**Rembert | Pendleton | Jackson**
7647 Leesburg Pike
Falls Church, VA 22043
(703) 821-6655
(703) 821-2928 – (fax)
info@rpjadvisors.com (email)
www.rpjadvisors.com (website)