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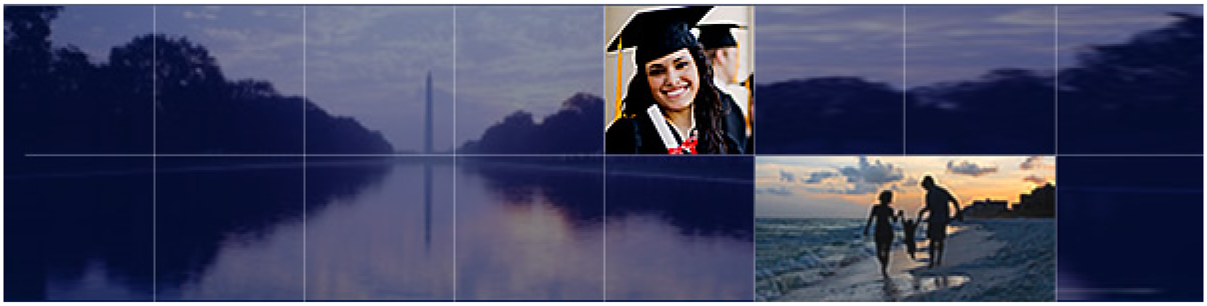

Quarterly Newsletter July 2016 Volume 9 Number 2

NON-PROFIT INVESTMENT REPORT

SECOND QUARTER 2016

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Attention Non-Profit CEOs and CFOs!

This newsletter contains timely information for your non-profit organization. The table of investment asset class returns may help you assess the performance of your investment program and portfolio.

Market Commentary

We believe "The Market," as defined by the S&P 500, is taking us for a roller coaster ride. On August 25, 2015, the S&P 500 fell to 1867 (down 12.4 percent) on the news of a global economic slowdown, China devaluing its currency, collapse of oil prices, and the Federal Reserve's action on interest rates. But after that steep ride down, the S&P 500 climbed back 9.5

percent by the end of the year. Despite the 2015 roller coaster ride, the market ended just about where it started, up 1.38 percent (total return).

But we weren't allowed to exit the ride as we headed into 2016. On February 11, 2016 the S&P 500 closed down 10.5 percent for the year. Why? The same theme of falling oil prices on world supply surpluses, US economic recession fears, and China's shrinking productivity. Every day we turned on the TV or radio and were greeted with news reporters spouting that this was one of the worst starts to the year in the market's history!

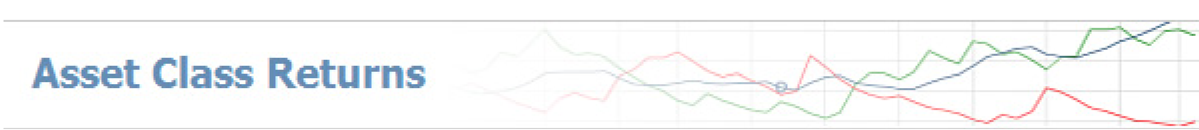
By March 18th, the roller coaster market raced up to 2,049, pushing the S&P 500 into positive territory for the first time in 2016. From there, the market limped to March 31st with a first quarter gain of 1.35 percent (total return). The first quarter saw many ups and downs and just a small gain.

The second quarter's ride was quite smooth in comparison. There was a dip of less than 3 percent between April 20th and May 19th with the market index falling from 2,102 to 2,040 then gaining ground again to close at 2,119 on June 8th. The ride had gotten more tolerable and much less scary.

However, one issue on the horizon (that was troublesome to the market) was Great Britain's upcoming referendum to determine if they were going to stay in the European Union. Again, the media, pollsters, and bookies had a field day forecasting the outcome of "Brexit" and its effect on the world's stock and bond markets. This anxiety attack caused a dip in the market to 2,071 by June 17th. On the other hand, the concerns that weighed on the market the first part of the year seemed to stabilize. China's slowdown seemed to calm, oil prices started to recover, and the world's markets were mostly positive by 2-4 percentage points. Interestingly, the Fed concluded that the US economy was still too anemic to raise rates. This, along with a strong indication of a "Stay" vote in Britain, propelled the markets back up to about 2,113 by the eve of the Brexit vote on June 24th.

Then the British citizenry sent the world's financial markets into a tailspin by voting to leave the European Union, thus executing the feared "Brexit." The British pound plummeted to record lows. The international stock markets fell 10 percent and the S&P 500 fell 5 percent in two days. By the end of the second quarter, the market was back up to 2098 for a 2.46 percent (total return) gain for the quarter. We stayed on the roller coaster.

But as we know, these numbers change daily and the ongoing impact of "Brexit" on the markets is unknown. It might take years or decades to know if it was, in fact, a good decision for the British and/or the world. This challenge to the European Union is far from over. There are now rumors and thoughts of other EU countries considering their options. The world is always changing and we believe we will cope just fine in the end.



Here are the 2nd quarter 2016 and year-to-date 2016 returns of typical benchmarks for selected asset classes. A diversified portfolio may include some investments in many (or all) of these asset classes. This table is sorted by (2nd Quarter 2016) percentage return.

Asset Class	Q2 2016	YTD 2016	Benchmark Index
Commodities Natural Resources	13.48%	14.20%	Dow Jones UBS Commodity Total Return
Real Estate United States	7.41%	13.68%	FTSE EPRA/NAREIT Equity
Domestic Stock Large Cap Value	4.58%	6.30%	Russell 1000 Value
International Fixed Income Un-Hedged	4.48%	13.97%	J.P. Morgan Global Non-US Un-Hedged
Domestic Stock Small Cap Blend	3.79%	2.22%	Russell 2000 Index
International Fixed Income Hedged	3.31%	7.72%	J.P. Morgan Global Non-US Hedged
Domestic Stock Large Cap Blend	2.46%	3.84%	S&P 500 Composite Total Return
Domestic Fixed Income Treasury Inflation Protected (TIPS)	1.71%	6.24%	Barclays TIPS Index
Domestic Fixed Income Intermediate Term Bond	1.59%	4.07%	Barclays Intermediate US Government/Credit Bond
Annual Inflation Rate	1.20%	1.90%	Consumer Price Index
Domestic Fixed Income Short Term Bond	0.98%	2.60%	Barclays 1-5 Year Government/Credit Bond
Real Estate International	0.89%	5.49%	FTSE EPRA/NAREIT Global Real Estate excl. US
International Stock Large Cap Blend	-1.46%	-4.42%	MSCI EAFE Net Total Return
International Stock Small Cap Blend	-2.60%	-3.18%	MSCI EAFE Small Cap Net Total Return

• Asset Class Returns in this table are represented by Benchmark Index performance numbers derived from Morningstar. 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

Interest rates, energy prices, unemployment rates, and major market benchmarks are some of the fundamental macro indicators about the health of the U.S. economy.

2016 Market Indicators	Q1 2016	Q2 2016	Q2 2016 Change
Federal Funds Rate	0.50%	0.50%	0.00%
Prime Rate	3.50%	3.50%	0.00%
Oil (Barrel)	$38.34	$48.33	26.06%
Gasoline (Gallon)	$2.17	$2.43	11.98%
Unemployment Rate	5.00%	4.90%	-2.00%
Dow Jones Industrial Average	17685.09	17949.37	1.49%
S&P 500 (Price)	2059.74	2098.86	1.90%
NASDAQ Composite	4869.85	4842.67	-0.56%

Are interest rates rising or falling?

In this country, we hear a great deal about how the Federal Reserve would like to continue to raise interest rates. They hope that low unemployment will lead to higher wages as companies begin to compete for the right set of skilled workers. Higher wages will lead to more consumer spending and perhaps more borrowing as well. This translates into a view that we have a healthy domestic economy. These are just a few of the factors that could lead to the Federal Reserve moving rates up slowly.

The benefit to savers and those with a low tolerance for risk is that the rate of return on money market accounts, Certificates of Deposit, and fixed income (or bond) mutual funds would start to rise as well. Rates for mortgages and consumer loans may also rise, but in broad economic terms they will remain relatively low. It would be nice if interest rates could at least match the rate of inflation so our purchasing power stays level.

But, the pace of any interest rate increase may be slow. The current yield on 10-year US Treasury Bonds is around 1.5 percent. This means the US government can borrow money at a very low rate for the next 10 years. They may not be in a hurry to raise them too fast!

We also hear about negative interest rates in other countries. According to JP Morgan, 36 percent of the developed world government bonds currently have a negative yield. The European Central Bank (ECB) and the Bank of Japan are two prominent examples.

This action is primarily aimed at the banks, encouraging them to loan excess cash to businesses and consumers that will pay the bank interest instead of parking the cash in government bonds that "costs" the bank money! These countries really need to find a way to stimulate their economies and this is a strategy that may help in that regard.

The US economy is on a slighty different trajectory for now, so negative interest rates for us don't seem likely.

Where is the money going?

There are some interesting statistics about how investor money moves into and out of broad asset categories. They are known as fund flows and give a high-level view of how investor money ebbs and flows among bond, equity, and money market funds.

It should be clearly noted that this is a look into what has happened in the past and is in no way indicative of what will happen in the future. Here is a quick look at the past couple of years. Each is in billions of US dollars. Not everything will add up to zero as there are other categories as well.

	YTD 2016	**2015**	**2014**
US Equity	(64)	(171)	(60)
World Equity	16	94	85
Taxable Bond	22	(40)	15
Tax-free Bond	27	15	28
Money Mkt	(47)	21	6

Source: Excerpted from - JP Morgan, Guide to the Markets, As of June 30, 2016, Fund Flows chart, slide 62

Conclusion? There is none, just some interesting statistics!

DISCLOSURES:

The discussion of investment strategy and philosophy found in this newsletter is not intended as any form of substitute for individualized investment advice. The discussion is general in nature, and therefore not intended to recommend or endorse any asset class, security, or technical aspect of any security for the purpose of allowing a reader to use the apporach on their own. Before participating in any investment program or making any investment, clients as well as all other readers are encouraged to consult with their own professional advisers, including investment advisers and tax advisors. Rembert Pendleton Jackson can assist in determining a suitable investment approach for a given individual, which may or may not closely resemble the strategies outlined herein This document does not constitute a complete description of our investment services and is for informational purposes only. It is in no way a solicitation or an offer to sell securities or investment advisory services. All investments involve risk, *including foreign currency exchange rates, political risks, market risk, different methods of accounting and financial reporting, and foreign taxes.*

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.

Information presented herein is based upon facts derived from publicly available information, and is also based on certain assumptions, including that there are no additional changes to current law, and that demographic information regarding retirement accounts also remains unchanged. Further, scenarios are presented solely for the purposes of demonstrating available retirement options, and do not include any information, analysis, or conclusions regarding other areas of an individual's financial future. Individuals are encouraged to seek advice from their own tax or legal advisors."

Some information in this presentation is gleaned from third party sources, and while believed to be reliable, is not independently verified."

RPJ Investment Advisory Services

If you are considering using the services of an investment advisor 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 at 703-821-6655.

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