Rembert | Pendleton | Jackson

Financial Advisors

Dear Client:

We have enclosed your first quarter 2016 Portfolio Performance Report. Please review the materials and insert them behind the green "Performance" tab in your "Planbook."

This table presents the 2016 first quarter returns of the benchmarks for selected asset classes.

Asset Class Returns

Asset Class	1st Qtr 2016	Benchmark Index
Domestic Fixed Income	2.45%	Barclays Intermed. Gov't / Corp Bond
Domestic Inflation Protected	4.46%	Barclays TIPS Index
International Fixed Income	4.27%	JP Morgan – Global Gov't - Non US (hedged)
Domestic Equity (Large)	1.35%	S&P 500 with Dividends
Domestic Equity (Large Value)	1.64%	Russell 1000 Value Index
Domestic Equity (Small)	**-1.52%**	Russell 2000
Domestic Equity (Small Value)	1.70%	Russell 2000 Value
Int'l Equity (Large Blend)	**-3.01%**	MSCI EAFE Equity Index with Dividends
Real Estate	5.84%	FTSE NAREIT Equity REIT's (US only)
Precious Metals	16.70%	Gold
Commodities	0.64%	Dow Jones UBS Commodity Index
Inflation (Chained CPI)	0.60%	Chained Consumer Price Index

The first quarter of the year had modest gains in most fixed-income asset classes and mixed results in the equity asset classes. Real estate and precious metals experienced healthy gains. Overall results for diversified portfolios were generally positive and seemingly quite consistent with the global economic situation of slow growth.

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The fixed-income markets were virtually unperturbed by the Federal Reserve comments and actions (and inactions) on raising interest rates. The slow pace of rate changes is allowing portfolio managers to absorb and adjust their holdings to minimize the impact of rising interest rates. As the rates inch upward, the overall yields also improve, albeit in very small increments. At the same time, any rapid rise in interest rates seems improbable. According to JP Morgan, 66 percent of all global government bonds have current yields below 1 percent and 29 percent have yields below 0 percent!
[Source: JP Morgan Guide to the Markets, Q2 2016 using Bank of America ML Global Government Bond Index]

Domestic equity markets had mixed results. The U.S. economy is growing slowly. Unemployment continues to gradually drop. Wages are increasing ever so slightly, which helps keep inflationary pressures at a minimum. The price of a barrel of oil has steadied so gasoline prices remain around $2 per gallon. Even though we have pockets of uncertainty and areas of instability, there are few signs of any irrational exuberance or prognostications of impending doom that might create large market swings.

Internationally, the EuroZone is continuing to make progress against its high unemployment rate even while it is devoting a lot of its attention to the recent spike in terrorist activity. Japan is constantly trying new approaches to dealing with its aging population (and therefore shortage of skilled workers), meager growth, significant debt burden, and currency challenges. Their road is no doubt a long one, yet we believe their contribution to the world economy remains very important. China and China-watchers may be realizing that slower growth is the new normal for the region. That should help to dampen some of the market volatility caused by any new reports (positive or negative) from that part of the world.

The financial news media is gearing up for more talk and predictions about when the next U.S. recession will occur. They are fueled by the fact that it has now been 81 months since the start of the current expansion, which is the 4th longest since 1900. What is also true is that cumulative GDP growth of the current expansion is by far the lowest of any recovery since 1948. Consequently, there are fewer inherent economic pressure points building that need to be brought back into balance through a recession.
[Sources: JP Morgan Guide to the Markets, Q2 2016, JP Morgan Asset Management & National Bureau of Economic Research www.nber.org/cycles]

Finally, we cannot ignore that this is a presidential election year. The rhetoric on the campaign trail this primary season has been particularly acerbic, which unfortunately overshadows any substantive discussion about how each candidate would address domestic economic, tax, and entitlement program issues. However, since 1926, there has been no obvious correlation between the performance of the investment markets and the party that holds the presidency or controls either the House or the Senate.
[Source: 2016 Morningstar Andex Chart]

Estate Planning

Now that most people have filed their 2015 income tax return, the next financial planning task of the year should be prioritized.

Review your wills, financial powers of attorney, and health care powers of attorney to make sure they are up to date. Any document over 5 years old may be due for special attention.

Our investment philosophy continues to advocate participation in the markets with a global 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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Important Disclosures

The discussion of investment strategy and philosophy found in this advertisement 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 approach 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.

Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, asset class, or investment strategy (including the investments and/or investment strategies recommended by the adviser), will be profitable or equal to past performance levels.

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.

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 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.

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Quotable Quotes

"There are very few value investors that get involved in shorting because if you are a value investor, you are a long term investor. If you are a long term investor, you don't have to worry about market psychology."

- Jean-Marie Eveillard (2007)
First Eagle Funds
