Rembert | Pendleton | Jackson

Financial Advisors

JULY 20, 2016

QUARTERLY PERFORMANCE REVIEW — SECOND QUARTER 2016

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®

Elizabeth S. Clough
CFP®, AIF®

Alice Huang

Dear Client:

We have enclosed your second 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 second quarter and 2016 year-to-date returns of the benchmarks for selected asset classes.

Asset Class Returns

Asset Class	2nd Qtr 2016	YTD 2016	Benchmark Index
Domestic Fixed Income	1.59%	4.07%	Barclays Intermediate Gov't / Corp Bond
Domestic Inflation Protected	1.71%	6.24%	Barclays TIPS Index
International Fixed Income	3.31%	7.72%	JP Morgan – Global Gov't - Non US (hedged)
Domestic Equity (Large)	2.46%	3.84%	S&P 500 with Dividends
Domestic Equity (Large Value)	4.58%	6.30%	Russell 1000 Value Index
Domestic Equity (Small)	3.79%	2.22%	Russell 2000
Domestic Equity (Small Value)	4.31%	6.08%	Russell 2000 Value
International Equity	-1.46%	-4.42%	MSCI EAFE Equity Index with Dividends
Real Estate	7.41%	13.68%	FTSE NAREIT Equity
Precious Metals	6.77%	24.60%	Gold
Natural Resources	13.48%	14.20%	Dow Jones UBS Commodity Index
Inflation (Chained CPI)	1.39%	2.00%	Chained Consumer Price Index

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).

The 20th Century

"In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts: the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. Yet, the Dow rose from 66 to 11,497."

- Warren Buffett
2008 NY Times op-ed

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.

So the question is, "Given all that has gone on this year, what do we do now?" We believe the answer is very consistent with all the other times we've answered this question. Stay invested on a well-diversified, well-allocated basis.

Quotable Quotes

"Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future."

- Warren Buffett

Keep money you need in the short term in cash or near-cash. We are on a roller coaster for sure, but we believe it will get you where you want to go in the long term, despite the harrowing dips and curves along the way. The worst thing you can do is jump off mid-ride.

Notwithstanding the roller coaster markets, domestic social unrest, and many ongoing world conflicts, there are reasons for us to be positive. Here are a few:

- Over the last 25 years, ending May 2016, one dollar invested in a global portfolio of stocks would have grown to more than five and half dollars. (1)
- Over the last 25 years, two billion people globally have moved out of extreme poverty. (2)
- Over the same time period, mortality rates among children under the age of five have fallen 53%. (3)

(1) As measured by the MSCI All Country World Index (gross dividends) in USD.
(2) "Human Development Report 2015: Work for Human Development," United Nations
(3) UNICEF Data: Monitoring the Situation of Children and Women

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 summer!

Regards,

Rembert Pendleton Jackson

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RPJ Investment Advisory Services

Rembert | Pendleton | Jackson
www.rpjadvisors.com (website)
(703) 821-6655