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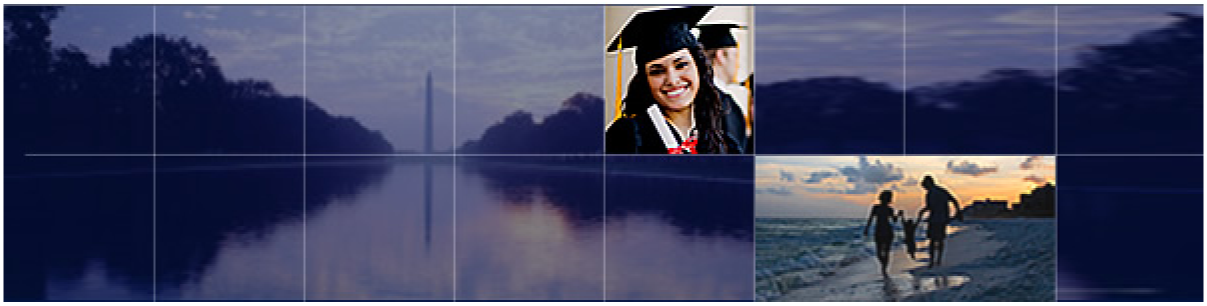


Quarterly Newsletter April 2017 Volume 10 Number 1

NON-PROFIT INVESTMENT REPORT
FIRST QUARTER 2017

In This Issue:

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

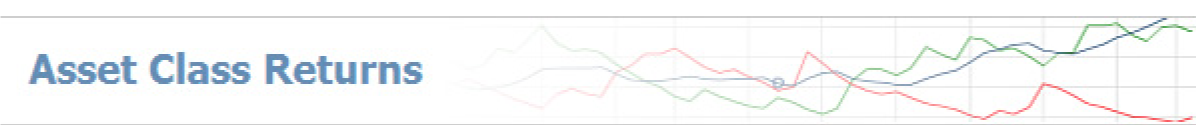
Portfolio performance for the first quarter of 2017 was led by both U.S. and International equity asset classes. The U.S. and Eurozone economies continue to grow at a slow, but steady pace. Unemployment rates have been steadily falling in both geographies for over 4 years. Real estate and precious metals 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 When the initiative was finally withdrawn from consideration, the markets again showed little reaction.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.

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 invest 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.



Here are the 1st quarter 2017 returns and full year 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 (1st quarter 2017) percentage return.

Asset Class	CY 2016	Q1 2017	Benchmark Index
International Stock Small Cap Blend	2.18%	7.97%	MSCI EAFE Small Cap Net Total Return
International Stock Large Cap Blend	1.00%	7.25%	MSCI EAFE Net Total Return
Real Estate International	1.78%	6.64%	FTSE EPRA/NAREIT Global Real Estate excl. US
Domestic Stock Large Cap Blend	11.96%	6.07%	S&P 500 Composite Total Return
Domestic Stock Large Cap Value	17.34%	3.27%	Russell 1000 Value
Real Estate United States	8.63%	2.55%	FTSE EPRA/NAREIT Equity
Domestic Stock Small Cap Blend	21.31%	2.47%	Russell 2000 Index
Annual Inflation Rate	2.10%	2.40%	Consumer Price Index
International Fixed Income Un-Hedged	1.86%	1.96%	J.P. Morgan Global Non-US Un-Hedged
Domestic Fixed Income Treasury Inflation Protected (TIPS)	4.68%	1.26%	Barclays TIPS Index
Domestic Fixed Income Intermediate Term Bond	2.08%	0.78%	Barclays Intermediate US Government/Credit Bond
Domestic Fixed Income Short Term Bond	1.56%	0.57%	Barclays 1-5 Year Government/Credit Bond
International Fixed Income Hedged	5.46%	-0.37%	J.P. Morgan Global Non-US Hedged
Commodities Natural Resources	13.27%	-2.00%	Dow Jones UBS Commodity 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.

2017 Market Indicators	Q4 2016	Q1 2017	Q1 2017 Change
Federal Funds Rate	0.75%	1.00%	33.33%
Prime Rate	3.75%	4.00%	6.67%
Oil (Barrel)	$53.72	$50.60	-5.81%
Gasoline (Gallon)	$2.33	$2.43	4.29%
Unemployment Rate	4.90%	4.50%	-8.16%
Dow Jones Industrial Average	19762.60	20663.22	4.56%
S&P 500 (Price)	2238.83	2362.72	5.53%
NASDAQ Composite	5383.12	5911.74	9.82%

DOL Fiduciary Rule

The Department of Labor delayed the effective date of their proposed fiduciary rule until June 9, 2017. It had been scheduled to go into effect on April 10, 2017. The new administration was responsible for this 60 day delay action by instructing the DOL to examine the rule. The examination may take much longer than 60 days, so it is likely that part, or all, of the rule will still go into effect in June.

The rule will have little impact on non-profit organizations or their retirement plans (i.e., 401k, 403b). It is more focused on protecting individuals who may be considering the rollover of their company retirement accounts into an IRA.

Those individuals currently have many choices from many different financial institutions. The rule requires any person or institution that is offering investment advice on retirement assets, in this case an IRA, to do so as a fiduciary, placing the client's best interest first at all times. The rule attempts to curb a conflict of interest, as firms have a financial incentive to recommend rolling over retirement assets to an account managed by that firm which likely increases the firm's compensation, regardless of the benefits to the client.

The simple message to offer your employees that may be considering such a rollover is to seek assurance that they are working with a fiduciary on this type of transaction before making a final decision to act.

Selecting an Investment Advisor:

Proposal or Interview?

A common practice with non-profit organizations that are seeking a new investment advisor is to ask other non-profits for the names of organizations/advisors they know and trust. Armed with a list of candidate firms, the next step may be to issue an RFP and receive written proposals from several firms. After reviewing all proposals, two or three firms are invited in for a face-to-face interview before a final selection is made.

You may wish to consider the merits of modifying this process. A successful investment advisory relationship requires that you ensure that the experience and competency of the firm's investment advisory processes are appropriate. It should also evaluate the personal chemistry between the non-profit leadership and the advisor. The written proposal can be a very effective means of determining the competency and experience of the organization, but has little ability to communicate how well you might interact with the individual advisor.

It is not likely that you would hire a new employee strictly based upon their resume. You conduct interviews (sometimes multiple interviews) with each candidate to verify the experience written on the resume as well as to gain a sense of how the person would fit into the organization, interact with other staff members, and what "intangible" qualities you believe they possess that would be of value. It is often surprising how the interview process discovers great candidates that are not obvious from a resume alone.

Similarly, interviewing a potential investment advisor can provide an important layer of perspective that can help ensure a productive working relationship can be established. In fact, interviewing BEFORE requesting a written proposal response may be a better model in the selection process.

Issuing an RFP to a firm/advisor who you do not believe understands your organization's needs or whom you do not believe would be easy to work with (based upon a face-to-face interview) seems to be unproductive for both you and the candidate firm.

Instead, use the resume or recommendation approach to identify several firms and schedule an interview with each. Interviews may take an hour. Compare this to the time required for proposal preparation (for each candidate firm) and proposal evaluation (you have to read ALL submitted proposals) which generally takes many hours or days. All of this time is expended before an interview and before you discover that you might be uncomfortable with the interaction with the potential advisor. Changing the process may lead to more efficiency and better outcomes for all parties.

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 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.

The S&P 500 index is presented as a general representation of the behavior of the domestic equity markets. 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 plan contributions also remains unchanged.

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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