



JANUARY 12, 2018

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Financial Advisors

QUARTERLY PERFORMANCE REVIEW

FOURTH QUARTER 2017

Dear Client:

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



Asset Class indices: S&P 500 (S&P 500 with dividends); US Large Cap Value (Russell 1000 Value); US Small Cap (Russell 2000); US Small Cap Value (Russell 2000 Value); International Large Cap (MSCI EAFE Net Return); Real Estate (FTSE NAREIT All Equity REIT's TR); Commodities (Dow Jones Commodity TR); Global bonds (JP Morgan GBI Global Ex US TR); US TIPS (Barclays US Treasury US TIPS TR); US Intermediate-term Bonds (Barclays US Gov't/Credit Intermediate TR); Gold (LBMA Gold Price).

Fourth quarter returns were positive in all the major equity asset classes. The final three months of the year saw each of the major U.S. equity market indices hit new all-time highs multiple times.

The S&P 500 also experienced historically low volatility. On October 23, the S&P 500 reached the longest period in its history of consecutive trading days without a 3 percent intraday drawdown. [Source: LPL Research, FactSet: Oct 2017]. The previous record was 241 days, set in 1996. That streak continued through the end of calendar 2017.

The combination of above-average returns and below-average volatility makes investors happy, but are not the normal results to be used for long-term planning.

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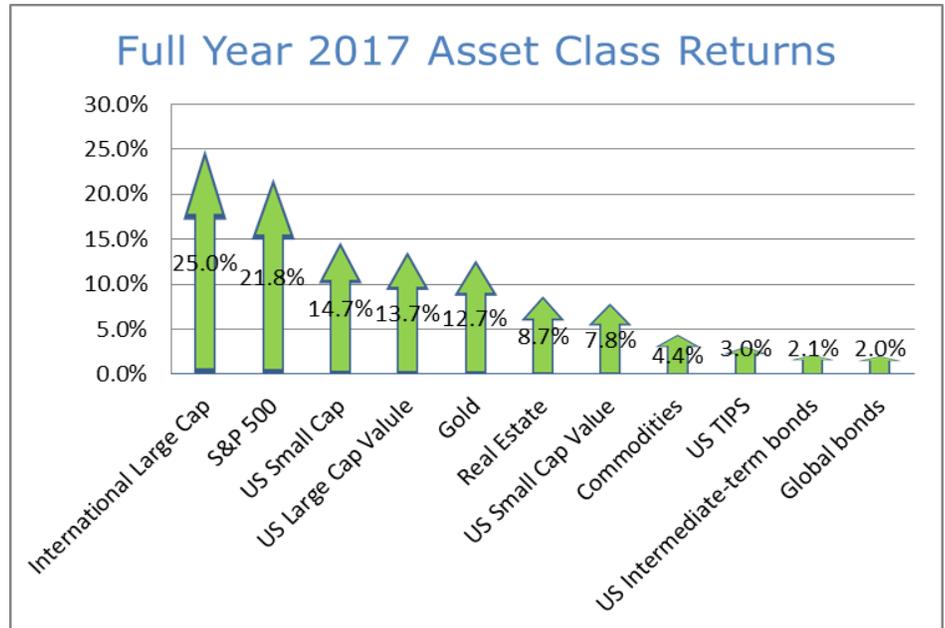
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Many investors are enjoying the benefits of 2017 composite portfolio gains and a growth of 378 percent in the S&P 500 since the bear market low on March 9, 2009, but also wonder when it will end and what will happen in 2018.

[Source: BTN (By the numbers) Research; January 2, 2018]

Looking at portfolio performance for the full year 2017, the chart below shows that most investors that had an allocation in International Large Cap equity, the S&P 500, US Small Cap equity and US Large Cap Value (as well as other equity asset classes) benefitted from the strong annual performance of these asset classes.



Asset Class indices are the same as disclosed below the graph on page 1.

During 2017, the markets were exposed to rising interest rates, record breaking natural disasters in the US and around the globe, domestic political uncertainty (i.e., a new President), international tensions (i.e., North Korea), and the growing barrage of sexual harassment revelations. These events created a negative sentiment across our society, but all this noise did not distract the stock market.

These same issues could have impacted the fixed-income market as well, yet fixed-income delivered a modest overall total return. Keep in mind that the fixed-income allocation attempts to mitigate volatility and remains a desired component of portfolios.

We offer no predictions for 2018, but do agree with the broad-based view that the global economy seems to be on stable footing that could support modest sustained growth. Risk factors are always present and geo-political events could roil markets at any time. Yet there appear to be no obvious signs of fear or bubbles that would call for considering a change in long-term investment strategy.

2018 Contribution Limits

The maximum elective deferral amount increases for 2018 to \$18,500.

The maximum catch-up contribution for anyone age 50 and older remains unchanged for 2018 at \$6,000.

The maximum defined contribution limit for 2018 rises slightly from \$54,000 to \$55,000.

1099s for 2017

As a reminder, the IRS rules allow Schwab up to February 15th to deliver prior year 1099s. If Schwab receives any updated information after that time, a corrected 1099 may be sent later.

The year ended with a new set of tax laws for 2018. There were many complex changes and the full impact of each new provision will not be understood for some time. However, we believe it will have only minimal influence on our core financial planning areas and priorities as summarized below;

- Retirement Planning – No change in long-term planning strategy
- Education Funding – 529 funds now available for pre-college costs
- Estate Planning – Estate tax exemption doubles
- Tax Planning – Individual circumstances may require further consideration and planning (to include tax accounting professionals)
- Budget and Cash Flow – Mortgage interest and property tax deduction limitations may impact some future housing decisions
- Investments – Diversification, allocation, and long-term planning strategies will be largely unchanged.

Finally, a word about cryptocurrency (i.e. Bitcoin and others) in 2018. We note the following characteristics of Bitcoin. It has very few owners across the globe. It has a complex software technology that defines its value. The factors that impact the change in its daily value are not obvious or transparent. It has a short history available to assist in judging its potential role in a long-term diversified portfolio. We believe it is mainstream investment news, but not a mainstream investment option at this time.

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 winter!

Regards,



Rembert Pendleton Jackson

Even though the markets are constantly changing, good investing advice is timeless.

Quotable Quotes

Too many people spend money they earned;

to buy things they don't want;

to impress people they don't like.

-Will Rogers

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.

Certain information presented herein is based upon facts from publicly available information, and is also based on certain assumptions, including that there are no additional changes to current tax law, and that demographic information regarding retirement contributions also remained unchanged.

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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