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Financial Advisors

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QUARTERLY PERFORMANCE REVIEW — FOURTH QUARTER 2020

Financial and Investment Advisors for Families, Businesses, Retirement Plans and Charitable Organizations

Dear Client:

We have enclosed your fourth quarter 2020 Portfolio Performance Report. Please review the materials and insert them behind the green "Performance" tab in your "Planbook."

This table presents the 2020 fourth quarter and full year returns of the benchmarks for selected asset classes.

Asset Class Returns

Asset Class	4th Qtr 2020	Full Year 2020	Benchmark Index
Domestic Fixed Income	0.48%	6.43%	Barclays Intermediate Gov't / Corp Bond
Domestic Inflation Protected	1.62%	10.99%	Barclays TIPS Index
International Fixed Income	0.84%	4.37%	JP Morgan – Global Gov't - Non US (hedged)
Domestic Equity (Large)	12.15%	18.40%	S&P 500 with Dividends
Domestic Equity (Large Value)	16.25%	2.80%	Russell 1000 Value Index
Domestic Equity (Small)	31.37%	19.96%	Russell 2000
Domestic Equity (Small Value)	33.36%	4.63%	Russell 2000 Value
International Equity	16.05%	7.82%	MSCI EAFE Equity Index with Dividends
Real Estate	8.15%	-5.12%	FTSE NAREIT Equity
Precious Metals	0.04%	24.61%	Gold
Natural Resources	14.03%	-2.98%	Dow Jones UBS Commodity Index

No doubt everyone has their own personal story about why 2020 was uniquely challenging to them. The markets are no exception. Each quarter provided us with a new set of facts, prognostications, and unknowns.

If we close our eyes and look at the year in hindsight, we would conclude that it was a successful investment year, even with all the bumps!

The three fixed-income categories in the table above show very strong performance for 2020. They benefited from both dividend yield and increase in price as interest rates fell. However, low interest rates are likely to persist through much of next year.

In US stocks, both large and small categories had very nice full year performance, but value-oriented categories lagged. Growth stocks fueled much of the 2020 gains, but we still believe value stocks are an important part of the US stock allocation.

International stocks had a very strong end-of-year rally that allowed that asset category to be respectably positive for the year. The pace of pandemic related economic recovery across the globe will be a critical factor for 2021 performance.

Real estate, precious metals, and commodities had mixed results. Real estate investment trusts continue to diversify beyond traditional retail, malls, and offices into many alternative sectors that have benefitted from this year's events (cell towers, data centers, distribution centers). We believe allocations to these asset categories will remain important, but modest.

The two primary investment asset categories are fixed income (bonds) and stocks. A diversified investment portfolio broadly consists of an allocation to each of these categories.

The role of fixed income is primarily to be the portfolio safety net. This is investment money that is expected to have a minimal risk of loss to support your living and lifestyle needs at any time, no matter what the broader equity markets may be doing. Therefore, these holdings are conservative with low rate of return expectations. The size of the worldwide fixed income market is larger than that of the worldwide equity markets. The range of fixed income investment options is very broad.

For 2021, there is a strong indication that interest rates will remain low. Therefore, dividend yields from fixed income investments will remain low and the price of bond holdings are likely to remain stable as well. We believe the contribution of fixed income to the overall performance of a diversified portfolio is likely to be quite modest, while still providing the key element of a safety net protection of assets that may be needed in the next one to three years.

The role of stocks is primarily to be the portfolio growth engine. This is investment money that is expected to grow beyond the rate of inflation to support your lifestyle needs in the future. Therefore, these holdings are more aggressive with both a higher average annual rate of return expectation AND the expectation that some holding periods will experience negative returns. The range of equity investment options is very broad.

Many equity asset options provided surprisingly strong returns in 2020, even after the early year market shock caused by the rapid spread of COVID-19. However, as is true every year, there was a wide variation in overall returns across the many different types of equity investment options.

Quotable Quotes

"Investing should never be about a moment in time, that's gambling. And gambling is just that."

- *Liz Ann Sonders Schwab Chief Investment Strategist*
- *Yahoo Finance TV August 18, 2020*

One way to view this variation is from the perspective of investment sectors. Which sector performed the best and why? Which sector performed the worst and why? What are the expectations for 2021 across the various sectors? Sectors rotate with the recognition that all investments have periods of strength and periods of weakness.

There are different definitions of "sector." For example, it could be Value vs Growth (as we discussed in our last newsletter), or US vs International, or Large Cap vs Small Cap, etc. For this newsletter, we are using the 11 primary industries in the US as defined by the GICS (Global Industry Classification Standard) sector indices. They are: Communication services, Consumer discretionary, Consumer staples, Energy, Financials, Health care, Industrials, Information technology, Materials, Real estate, and Utilities.

Please see the chart included as the last page of this newsletter. It was prepared by Charles Schwab and is titled the Schwab Asset Class Quilt. It shows the performance of each sector index for each month of 2020 as well as the performance of the S&P 500 index.

Thought of the Day

"Working hard for something we don't care about is called stress.

Working hard for something we love is called passion."

— Simon Sinek
Author, Optimist, Motivational Speaker

The notion of sector rotation is that over time, one sector will outperform another sector. In hindsight it is possible to identify the factors that contributed to an individual sector's results. Looking forward, general economic and fiscal outlooks may indicate a preference for one or more sectors. However, predicting the next sector to be the "big winner" is not possible.

Looking at the results for 2020, it is interesting to note that the very strong performance of the Information technology sector only led all other sectors in three of the twelve months.

Also interesting to note, is that for the 12 months of 2020, there were eight different sectors that had the best performance for at least one month during the year. Utilities, Communication services, Health care, Energy, Consumer discretionary, Materials, and Financials joined Information technology on the monthly "best performer" list.

This serves as a vivid reminder that diversification is key to portfolio success. Depending on an individual portfolio allocation to various investment sectors, year-end results for any individual year will vary. Looking at portfolios over longer periods of time will show a much more consistent average return, as the impact of diversification rotates across the investment options and boosts returns from categories that may have performed less well in prior periods.

We strive to work with each client to assess their personal goals, needs, and risk tolerance, and construct a portfolio that best suits their unique situation. We further strive to explain why we believe our recommendations for allocation weights and specific investment selections from the wide universe of investment options support the achievement of your goals over the long term. We encourage your active involvement in this process at all times.

Finally, we remain convinced that trying to time the market or guess what investment will do best in the short term cannot be achieved accurately or consistently. We believe the following chart from Hartford provides an interesting perspective on portfolio allocation over time.

3 Diversify Your Portfolio With Stocks and Bonds

A diversified portfolio can position your portfolio for both up markets and down markets: Stocks offer greater growth potential; bonds can provide income and help reduce risk. When your portfolio is truly diversified, there will be times when one part of it is doing great, but the other is underperforming—and vice versa.

Bonds Counterbalance Stocks in a Portfolio

Cumulative Returns on a $100,000 Initial Investment

Years	Stocks	Bonds	Balanced	Investor Mindset
2000-2002	-37.6%	33.5%	-6.4%	"Why do I own stocks?"
2003-2007	82.9%	24.2%	51.8%	"Why do I own bonds?"
2008	-37.0%	5.2%	-15.9%	"Why do I own stocks?"
2009-2017	258.8%	40.7%	129.8%	"Why do I own bonds?"
2018	-4.4%	0.0%	-2.2%	"Why do I own stocks?"
2019	31.5%	8.7%	20.1%	"Why do I own bonds?"
2000-2019	**224.2%**	**166.9%**	**222.9%**	
Growth of $100k	**$324,209**	**$266,866**	**$322,848**	

Bonds are represented by the Bloomberg Barclays US Aggregate Bond Index. Balanced portfolio is represented by a 50% stock/50% bond allocation.

Past performance does not guarantee future results. For illustrative purposes only. Data Sources: Morningstar and Hartford Funds, 1/20.

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. Our sincerest best wishes that you all stay safe!

Regards,

Rembert Pendleton Jackson

Rembert Pendleton Jackson

"I retire on Friday and I haven't saved a dime. Here's your chance to become a legend!"

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. In particular, debt and fixed income securities are subject to credit risk, which is the risk that a borrower will be unable to make principal and interest payments on its outstanding debt obligations when due. There can be no assurance that a borrower will service debt obligations, and, in any such case, you may suffer a partial or total loss of invested capital.

Each index used as proxy for a given asset class/investment category referenced in this newsletter is a commonly used benchmark for that asset class. 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 newsletter is gleaned from third party sources, and while believed to be reliable, is not independently verified.

Any charts, graphs, or visual aids presented herein are intended to demonstrate concepts more fully discussed in the text of this newsletter, and which cannot be fully explained without the assistance of a professional from Rembert Pendleton Jackson. Readers should not in any way interpret these visual aids as a device with which to ascertain investment decisions or an investment approach. Only your professional adviser should interpret this information.

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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Schwab Asset Class Quilt®

Sector monthly returns ranked in order of best to worst performance (2020)

Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20
Utilities 6.7%	Comm. Serv. -6.3%	Health Care -3.8%	Energy 29.8%	Info. Tech. 7.1%	Info. Tech. 7.1%	Cons. Discr. 9.0%	Info. Tech. 12.0%	Materials 1.3%	Utilities 5.0%	Energy 28.0%	Financials 6.3%
Info. Tech. 4.0%	Real Estate -6.3%	Cons. Staples -5.4%	Cons. Discr. 20.5%	Materials 7.0%	Cons. Discr. 5.0%	Utilities 7.8%	Cons. Discr. 9.5%	Utilities 1.1%	Comm. Serv. 0.8%	Financials 16.9%	Info. Tech. 5.7%
Real Estate 1.4%	Health Care -6.7%	Info. Tech. -8.6%	Materials 15.3%	Comm. Serv. 6.0%	Materials 2.2%	Materials 7.1%	Comm. Serv. 9.1%	Industrials -0.8%	Materials -0.8%	Industrials 16.0%	Energy 4.4%
Comm. Serv. 0.9%	Info. Tech. -7.3%	Utilities -10.0%	Comm. Serv. 13.8%	Industrials 5.5%	Industrials 2.0%	Cons. Staples 7.0%	Industrials 8.6%	Cons. Staples -1.5%	Financials -0.8%	Materials 12.5%	Health Care 3.9%
Cons. Discr. 0.6%	Cons. Discr. -7.6%	Comm. Serv. -12.1%	Info. Tech. 13.8%	Cons. Discr. 5.0%	S&P 500 2.0%	Comm. Serv. 6.8%	S&P 500 7.2%	Real Estate -2.0%	Industrials -1.4%	Info. Tech. 11.4%	S&P 500 3.8%
Cons. Staples 0.4%	Cons. Staples -8.1%	S&P 500 -12.4%	S&P 500 12.8%	S&P 500 4.8%	Real Estate 1.5%	S&P 500 5.6%	Cons. Staples 4.7%	Health Care -2.2%	S&P 500 -2.7%	S&P 500 10.9%	Comm. Serv. 3.1%
S&P 500 0.0%	S&P 500 -8.2%	Cons. Discr. -13.2%	Health Care 12.6%	Utilities 4.4%	Financials -0.3%	Info. Tech. 5.6%	Materials 4.4%	Financials -3.5%	Cons. Staples -2.8%	Comm. Serv. 9.6%	Materials 2.5%
Industrials -0.4%	Materials -8.4%	Materials -14.1%	Financials 9.6%	Health Care 3.3%	Cons. Staples -0.3%	Health Care 5.4%	Financials 4.3%	Cons. Discr. -3.6%	Cons. Discr. -2.9%	Cons. Discr. 8.6%	Cons. Discr. 2.5%
Financials -2.6%	Industrials -9.3%	Real Estate -15.0%	Real Estate 9.5%	Financials 2.7%	Comm. Serv. -0.5%	Industrials 4.3%	Health Care 2.7%	S&P 500 -3.8%	Real Estate -3.3%	Health Care 7.9%	Cons. Staples 1.8%
Health Care -2.7%	Utilities -9.9%	Industrials -19.2%	Industrials 8.7%	Real Estate 1.9%	Energy -1.3%	Real Estate 4.0%	Real Estate 0.0%	Info. Tech. -5.4%	Health Care -3.7%	Cons. Staples 7.5%	Real Estate 1.5%
Materials -6.2%	Financials -11.2%	Financials -21.3%	Cons. Staples 6.9%	Energy 1.9%	Health Care -2.4%	Financials 3.8%	Energy -1.0%	Comm. Serv. -6.5%	Energy -4.4%	Real Estate 7.0%	Industrials 1.2%
Energy -11.1%	Energy -14.6%	Energy -34.8%	Utilities 3.2%	Cons. Staples 1.5%	Utilities -4.7%	Energy -5.1%	Utilities -2.6%	Energy -14.5%	Info. Tech. -5.1%	Utilities 0.7%	Utilities 0.7%

Source: Schwab Center for Financial Research with data provided by Morningstar, Inc. Sector performance is represented by total monthly returns of the following 11 GICS sector indices: Consumer Discretionary Sector, Consumer Staples Sector, Energy Sector, Financials Sector, Health Care Sector, Industrials Sector, Information Technology Sector, Materials Sector, Real Estate Sector, Communication Services Sector, and Utilities Sector. As of 9/28/2018, GICS broadened the Telecommunications sector and renamed it Communications Services. This reclassified some companies from the Consumer Discretionary sector to the new Communications Services sector. Past data has been updated to reflect the changes. Returns of the broad market are represented by the S&P 500® Index. Returns assume reinvestment of dividends and interest. Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly. For additional information, please see Schwab.com/IndexDefinitions. Diversification strategies do not ensure a profit and do not protect against losses in declining markets.
Past performance is no guarantee of future results.