

Rinehart Wealth Management

First Quarter 2012 Economic Overview

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April 2012

Rinehart Wealth Management
Greater Trust


Positive Indications

- Unemployment


Late-Stage Recovery supports
Overweight Large Cap Equities

 - Unemployment suggests economic recovery
- Equity Market Momentum

Maintain an In-Line Asset
Allocation

 - Market move is encouraging, but certain stocks appear extended
- “Equities-as-a-Source-of-Yield Strategy”

Overweight Companies likely to
increase dividends and payout ratios

 - Within the S&P 500, companies increasing their payout ratios saw *less* multiple contraction in 2011 compared to those that *decreased* their payout ratios. Similarly, multiple expansion in 2012 has been greater, on average, for companies increasing their payout versus those decreasing their payout
(Source: Strategas Research Partners)
- Manufacturing Data

Considering slightly moving up our
weighting in Domestic Industrials

 - Activity levels remain above 50
 - Tax reform and lower domestic energy costs could support manufacturing activity

Negative Indications

- Potential Expiration of Bush-Era Tax Credits



Overweight Municipals Bonds and monitor Overweight in Dividend Paying Stocks

- The potential expiration of the Bush-era tax cuts and the negative implications for dividend income may alter company behavior toward increasing dividends

- Consumer Debt



Underweight Consumer Cyclicals and most risky asset classes

- High debt levels remain a secular headwind as government benefits still count for a high percentage of personal income

- Interest Rates Abnormally Low



Underweight Treasuries, but maintain some exposure, as well as TIPs

- Europe is still a Very Sick Patient

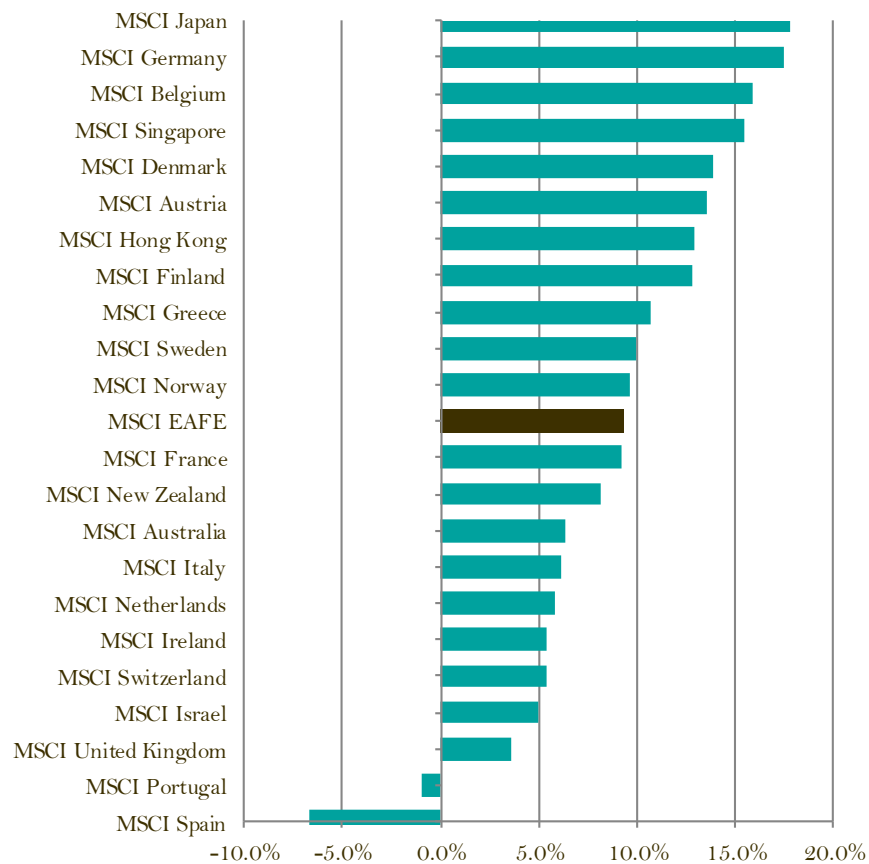


Defensive Posture in Europe with an Underweight in Financial Sector

- Spain is the new area of concern

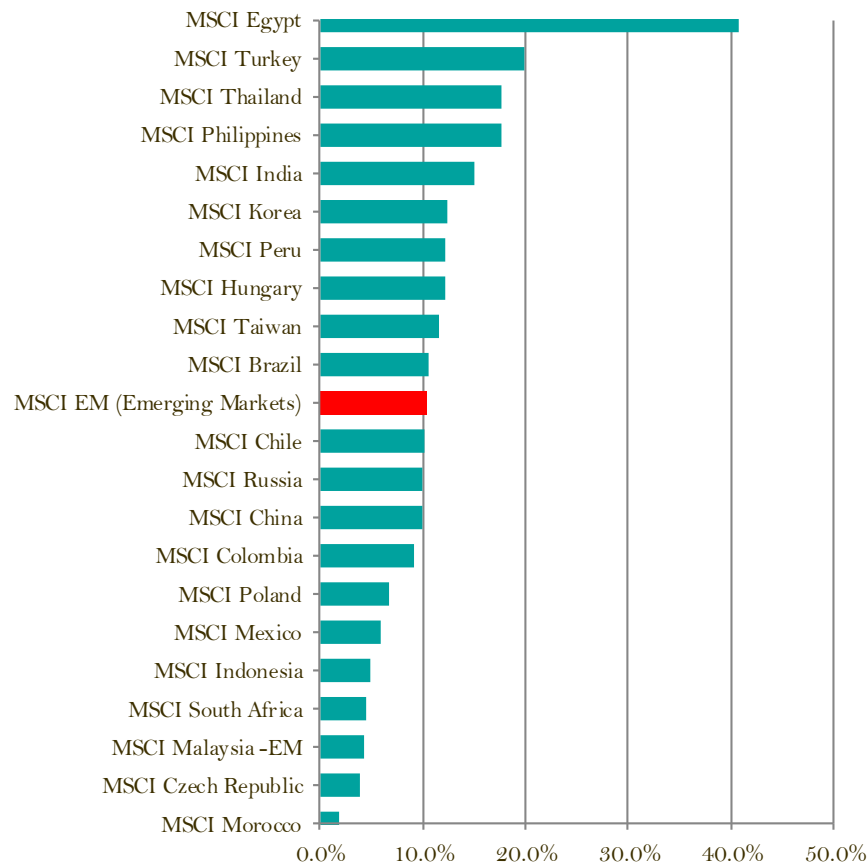
Around the Globe – International Breakdown of 1Q12

Developed Countries - 60% Allocation



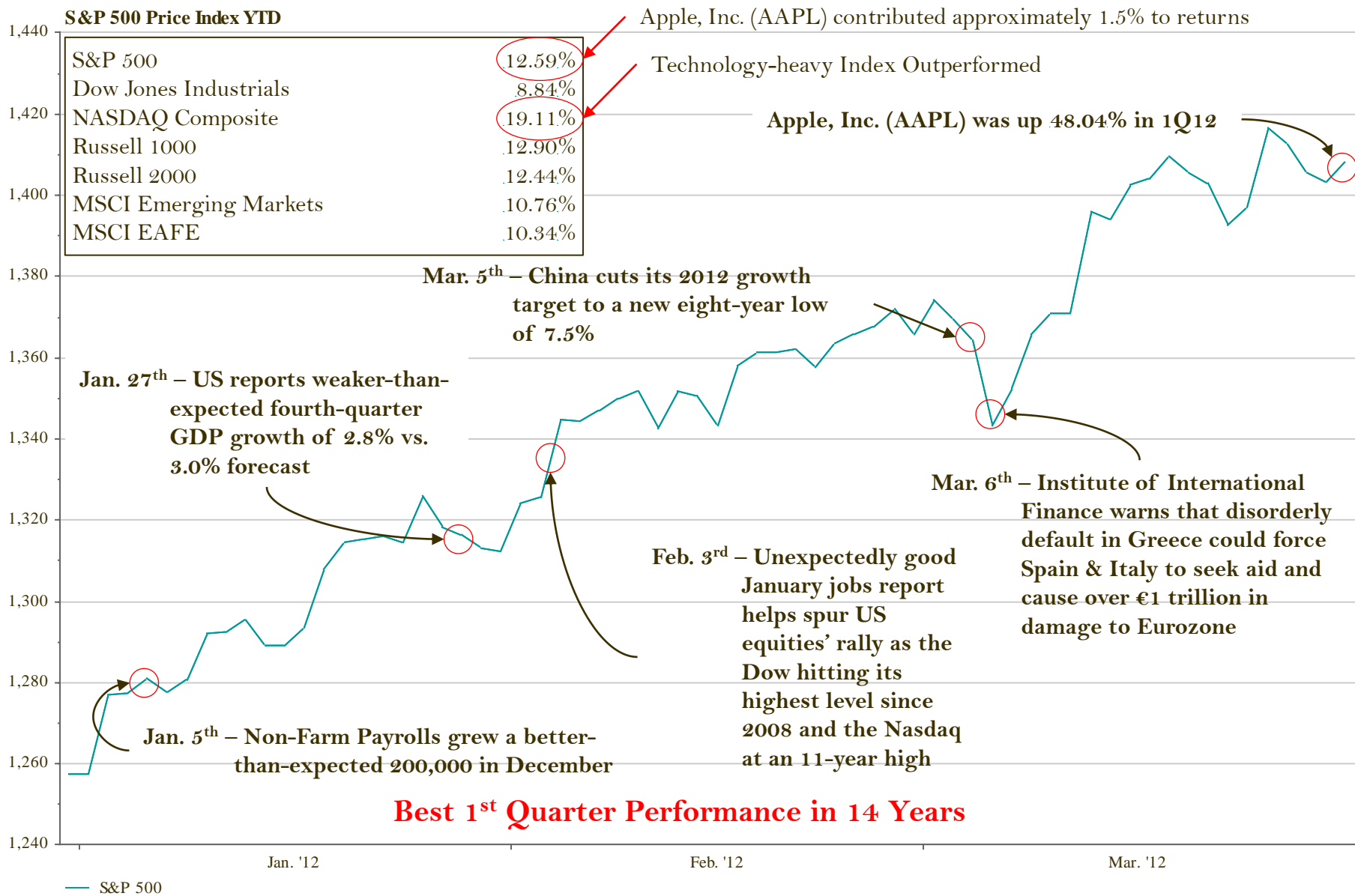
- Japan experienced a significant rally; we added Japanese exposure when certain equities became attractively valued after the earthquake last year
- Debt concerns in Spain & Portugal resulted in Underperformance

Emerging Market Countries - 40% Allocation



- Small, Emerging Market countries significantly outperformed; this has caused us to explore managers targeting the “Frontier” Markets

S&P 500 Price Index YTD



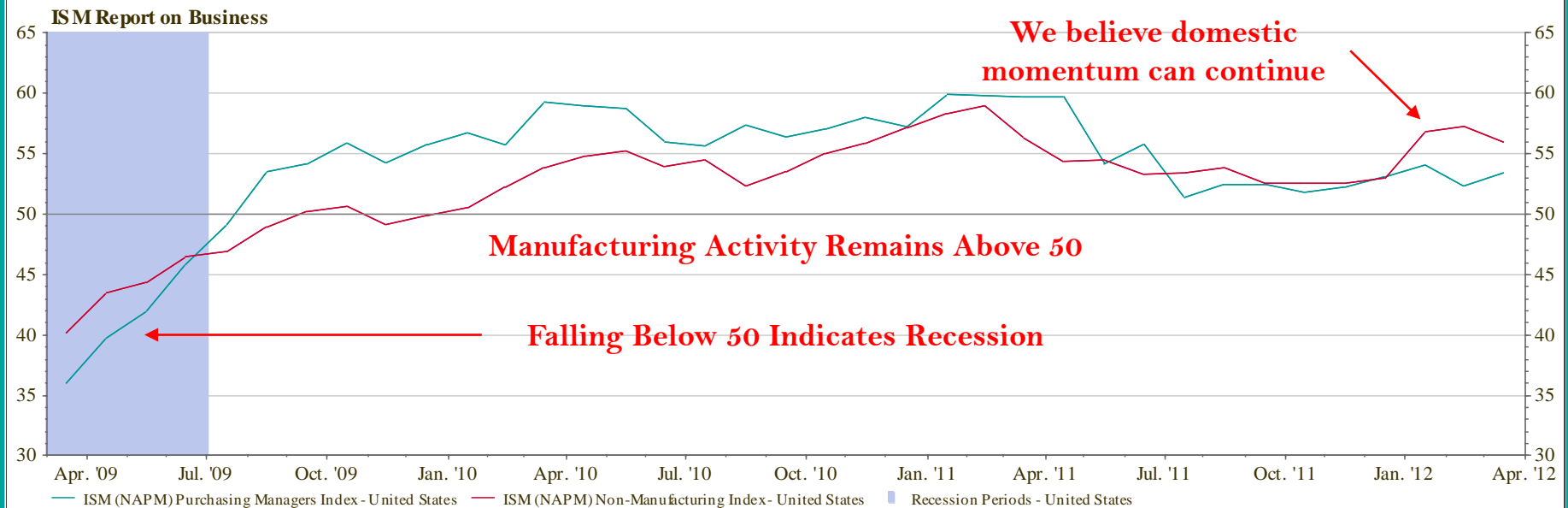
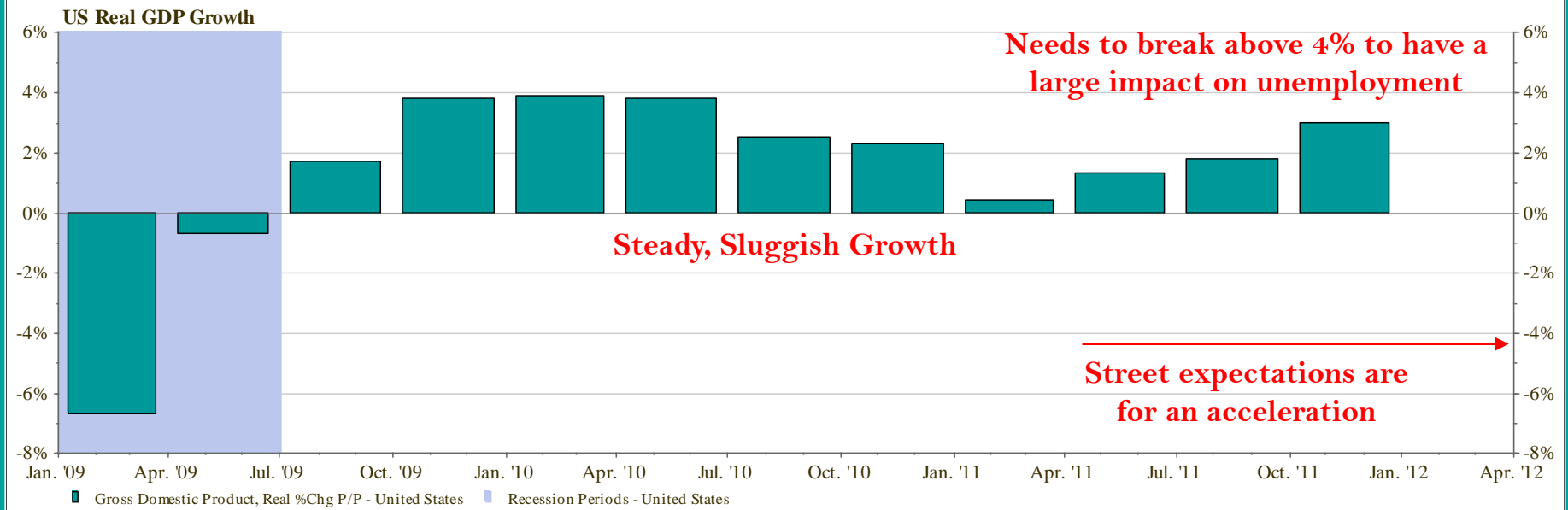
S&P 500 Sector Heat Map

S&P Sector Annualized Returns					S&P Sector Trailing 3-Month Relative Performance									
Sectors	2009	2010	2011	1Q12	7/30/2011	8/30/2011	9/30/2011	10/30/2011	11/30/2011	12/30/2011	1/30/2012	2/29/2012	3/30/2012	
Defensives														
Utilities	11.91%	5.46%	19.91%	-1.62%	2.28%	3.87%	6.42%	2.60%	0.79%	2.16%	-1.53%	-5.33%	-6.38%	
Telecom	8.93%	18.97%	6.27%	2.08%	-0.57%	0.76%	2.24%	0.66%	-1.42%	1.84%	-1.57%	-3.28%	-4.94%	
Health Care	19.70%	2.90%	12.73%	9.06%	0.90%	0.83%	1.66%	0.48%	-0.27%	3.10%	1.03%	-1.49%	-1.55%	
Staples	14.89%	14.11%	13.99%	5.54%	1.32%	2.33%	4.08%	1.16%	0.15%	3.14%	-0.15%	-3.32%	-3.15%	
Near Cyclical					The best and worst performers in 2011, Utilities & Financials, respectively, traded places in the first quarter									
Energy	13.82%	20.46%	4.72%	3.88%	-0.27%	-0.87%	-2.84%	-1.60%	0.78%	6.72%	-1.65%	-1.12%	-3.74%	
Financials	17.22%	12.13%	-17.06%	22.05%	-1.93%	-3.01%	-3.82%	-1.84%	-2.50%	3.48%	-1.05%	3.61%	4.12%	
Cyclical														
Technology	61.72%	10.19%	2.41%	21.46%	1.01%	1.33%	2.77%	1.42%	1.25%	2.70%	0.14%	1.99%	3.97%	
Discretionary	41.30%	27.66%	6.13%	15.96%	1.30%	0.77%	0.44%	0.28%	0.41%	4.27%	1.01%	0.47%	1.54%	
Industrials	20.93%	26.73%	-0.59%	11.31%	-2.31%	-2.13%	-3.12%	-0.29%	0.76%	5.89%	1.81%	0.79%	-0.58%	
Materials	48.59%	22.20%	-9.75%	11.19%	-0.61%	-0.38%	-4.62%	-1.98%	-1.98%	5.45%	0.69%	-0.02%	-0.61%	
S&P 500	26.46%	15.06%	2.11%	12.59%	-2.27%	-3.86%	-6.23%	-0.52%	1.22%	4.85%	0.94%	6.20%	5.22%	

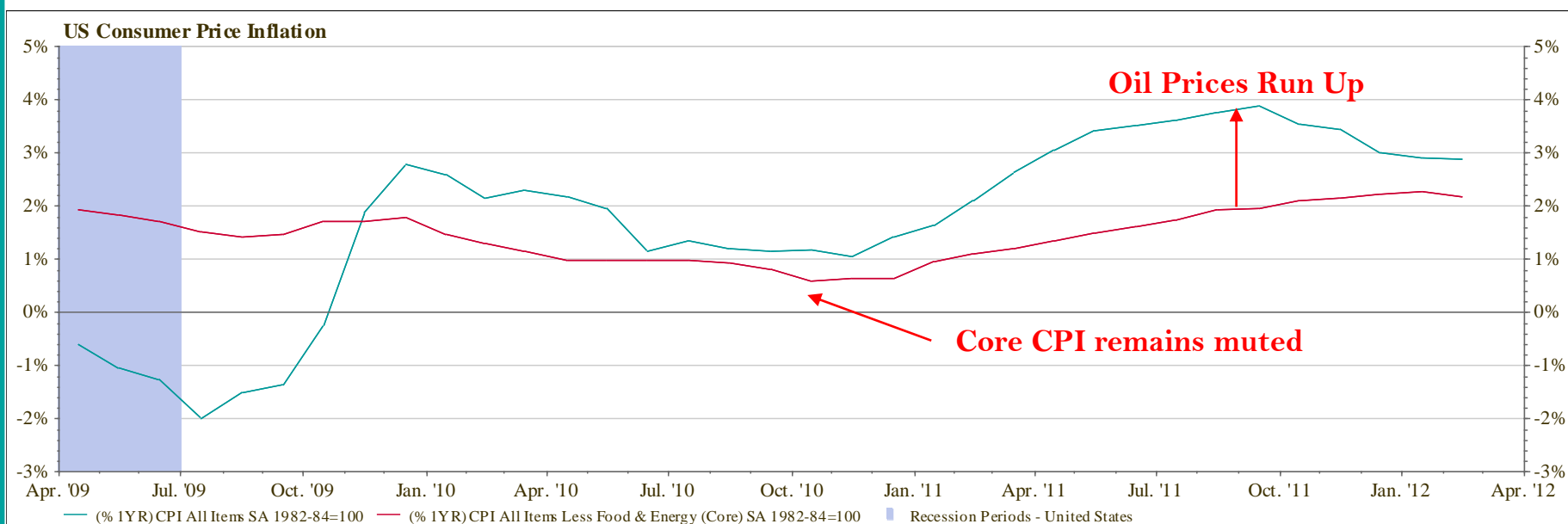
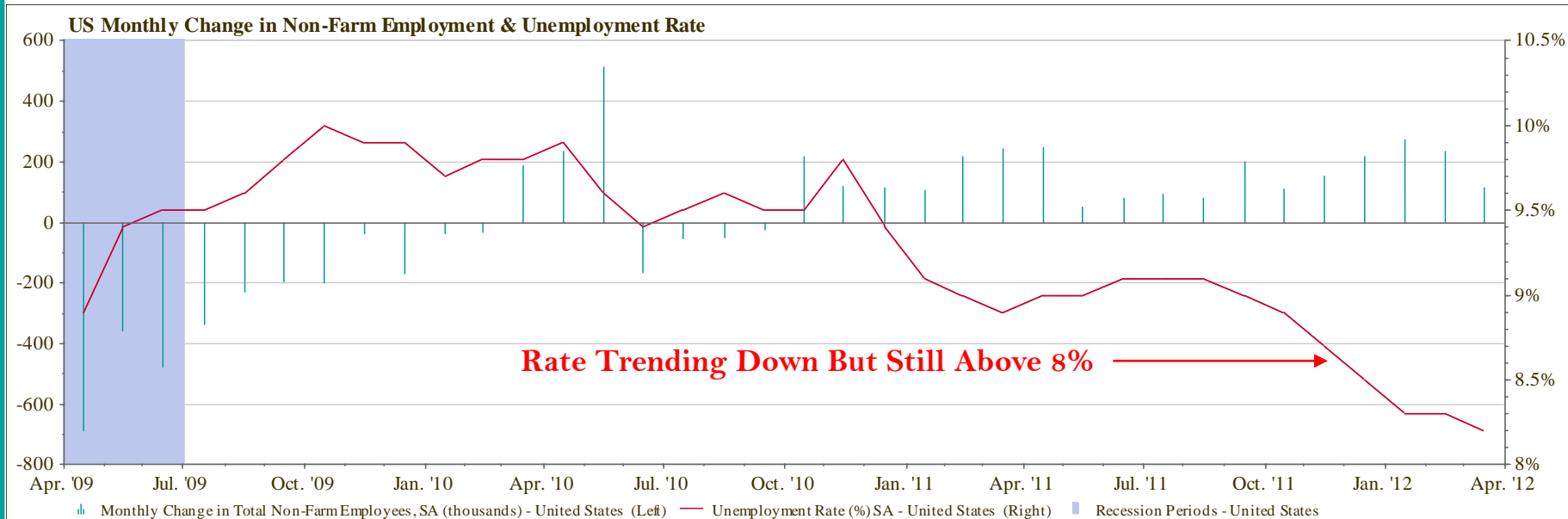
The best and worst performers in 2011, Utilities & Financials, respectively, traded places in the first quarter

- **Financials**, where we have been underweight given the extreme headwinds and lack of transparency, were the strongest performing sector
- Dividend yield and defensive sectors, such as **Staples** and **Utilities**, underperformed
- A particular bright spot in our portfolios has been our bias toward **Information Technology**, which outperformed in 2011 and continued exhibiting relative strength in the first quarter

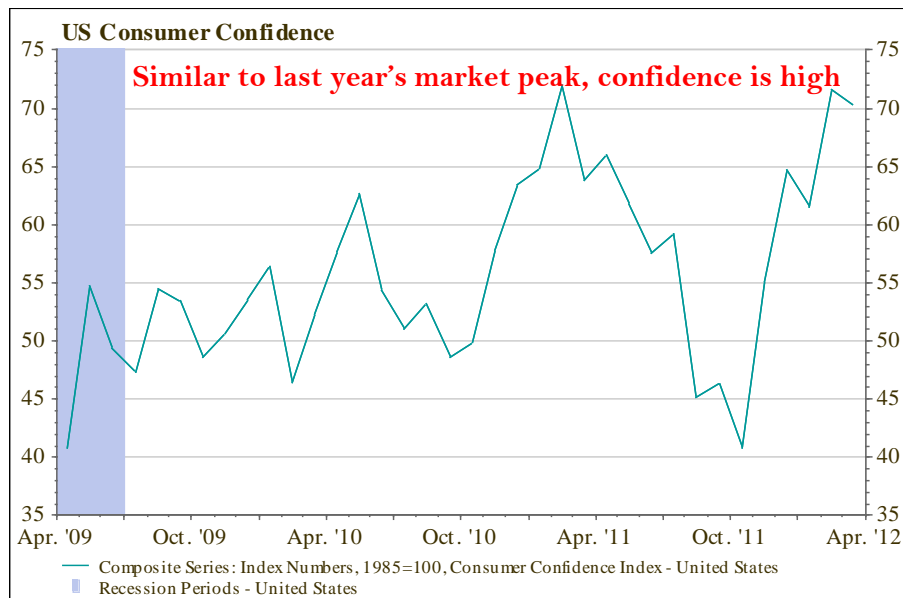
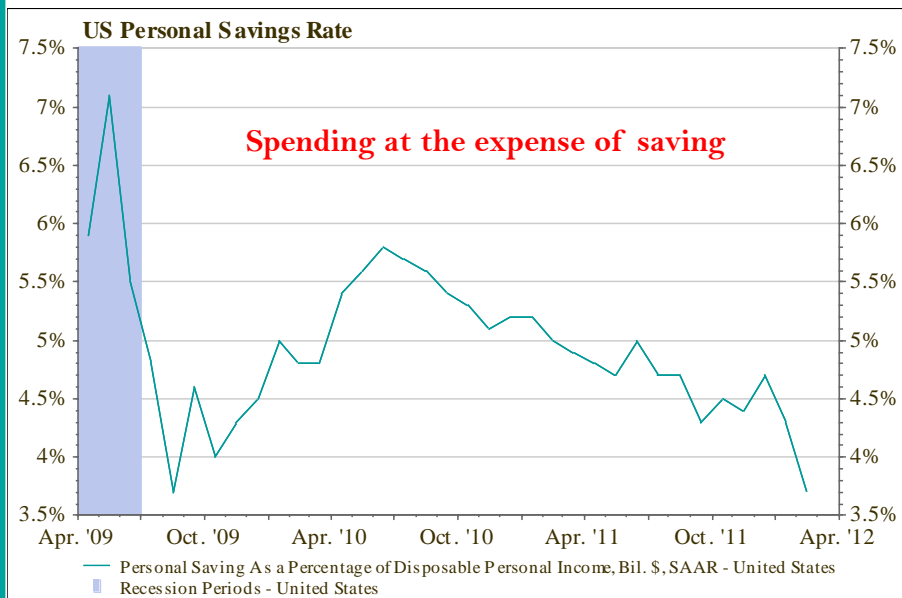
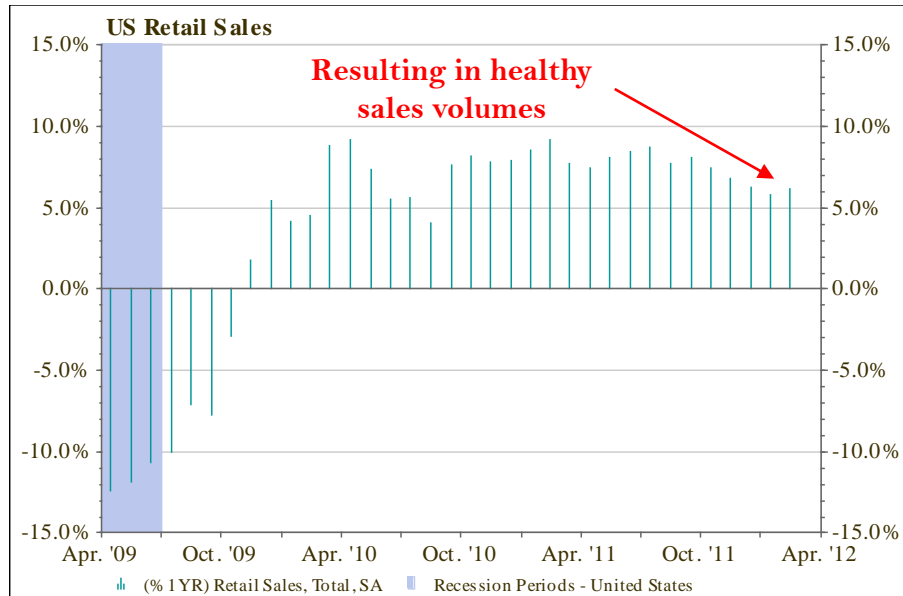
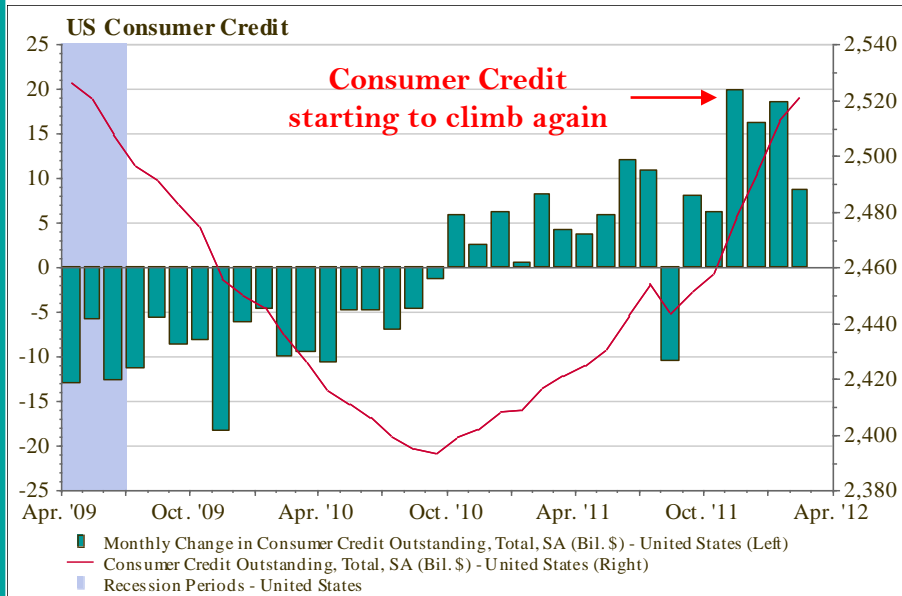
US Economic Snapshot



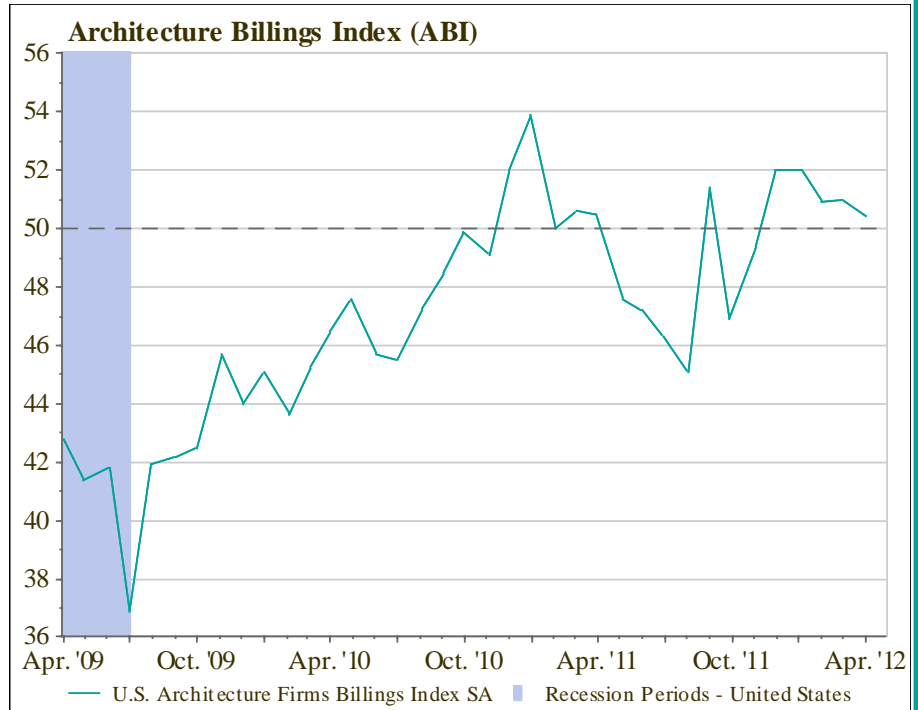
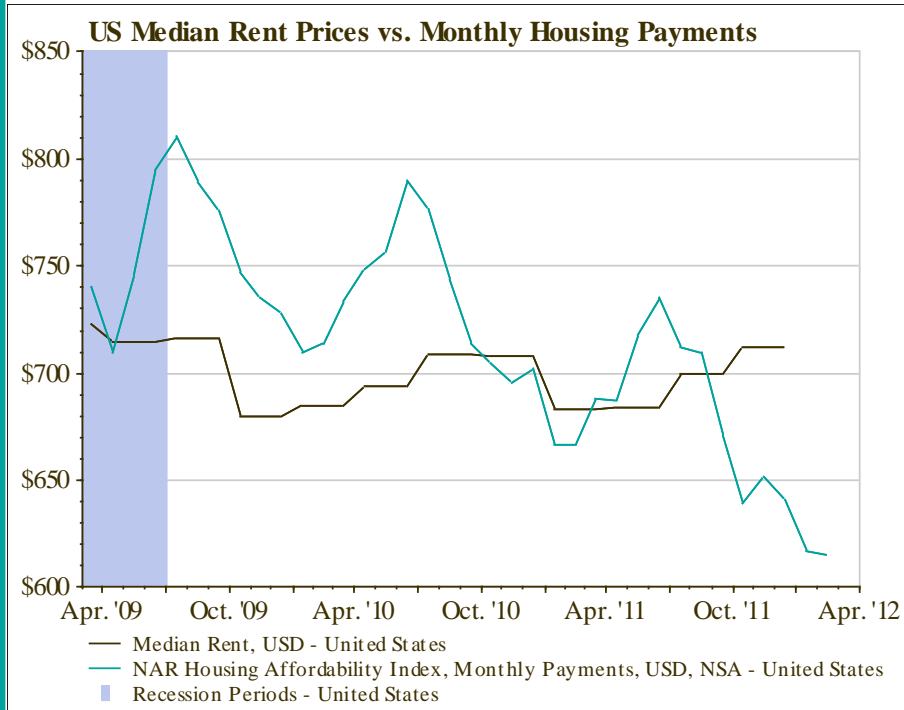
Unemployment & Inflation



Consumer



Housing



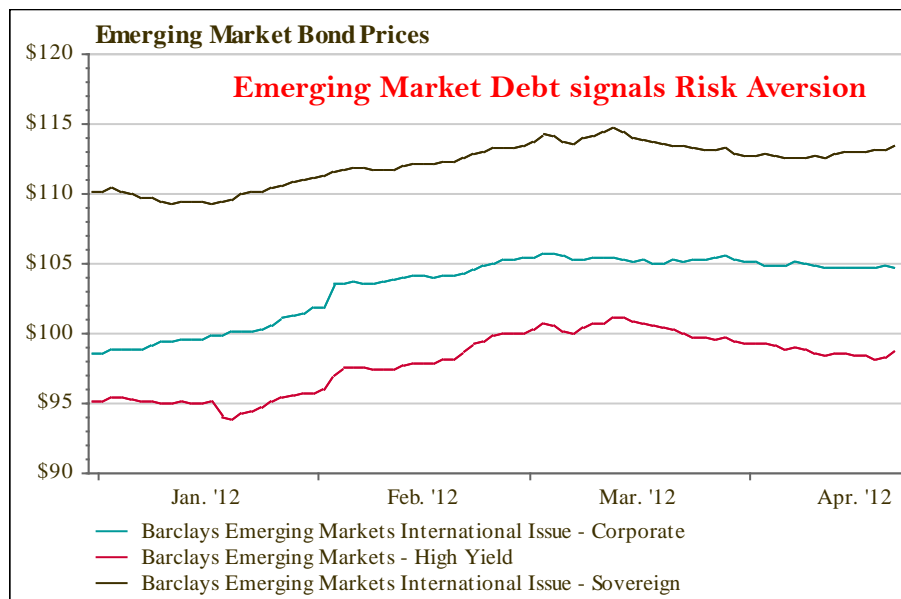
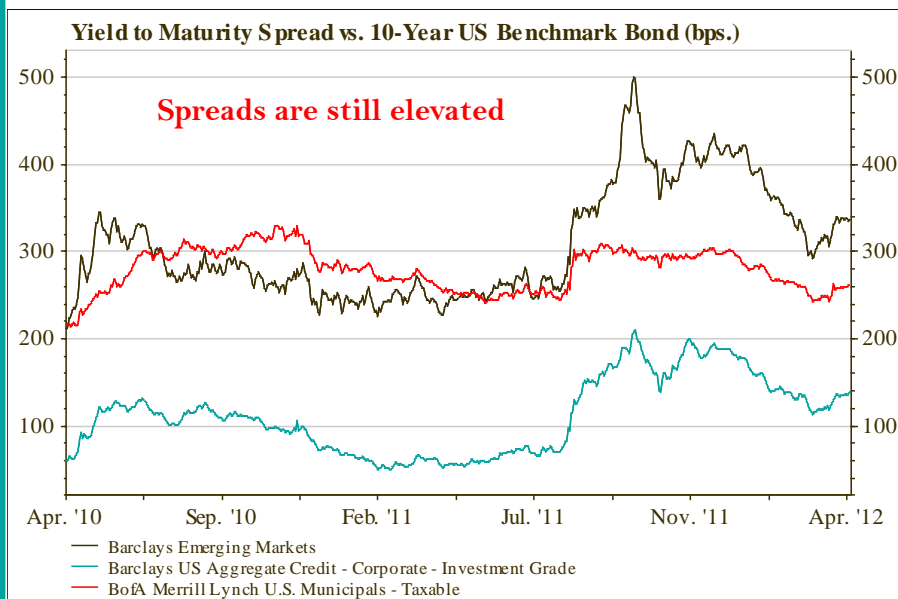
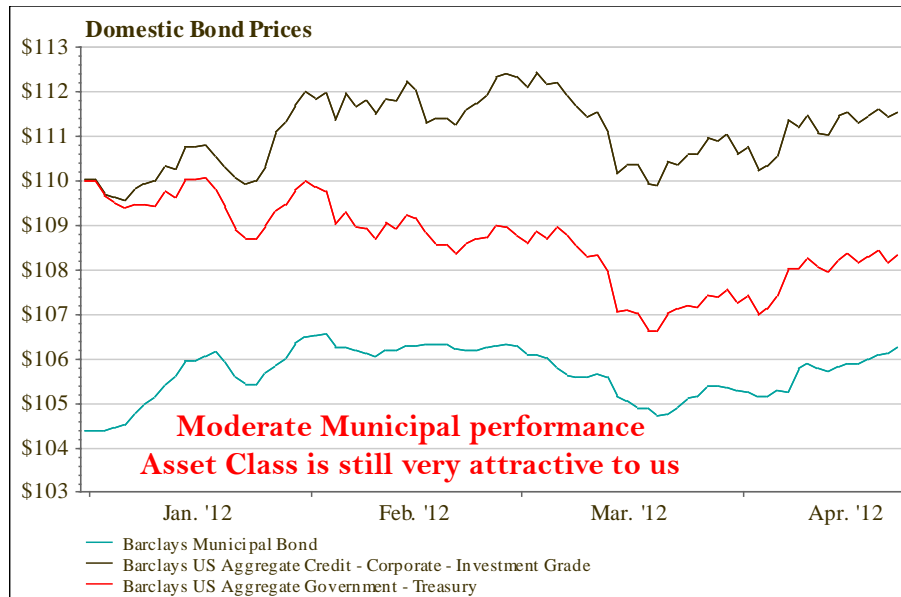
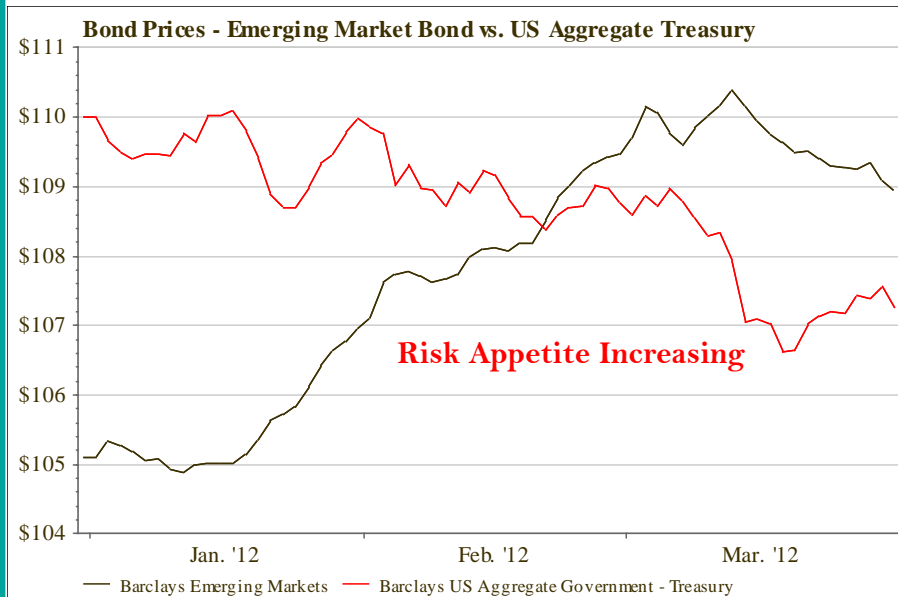
Residential

- Home Ownership continues to appear more attractive than renting

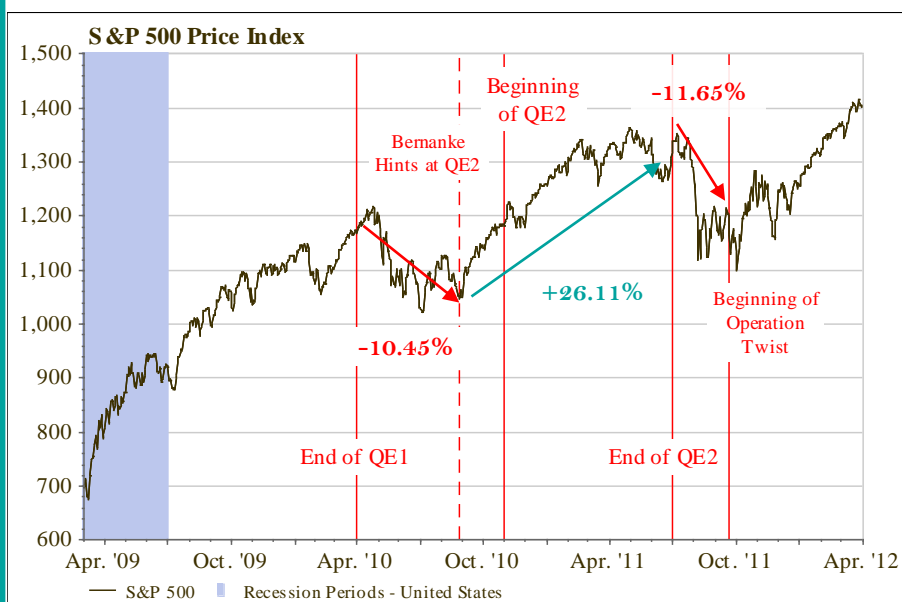
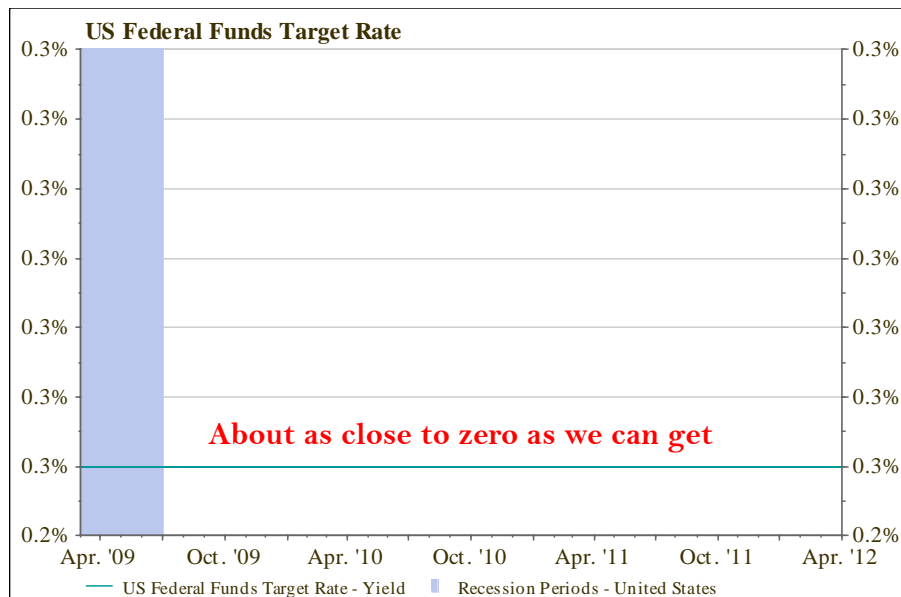
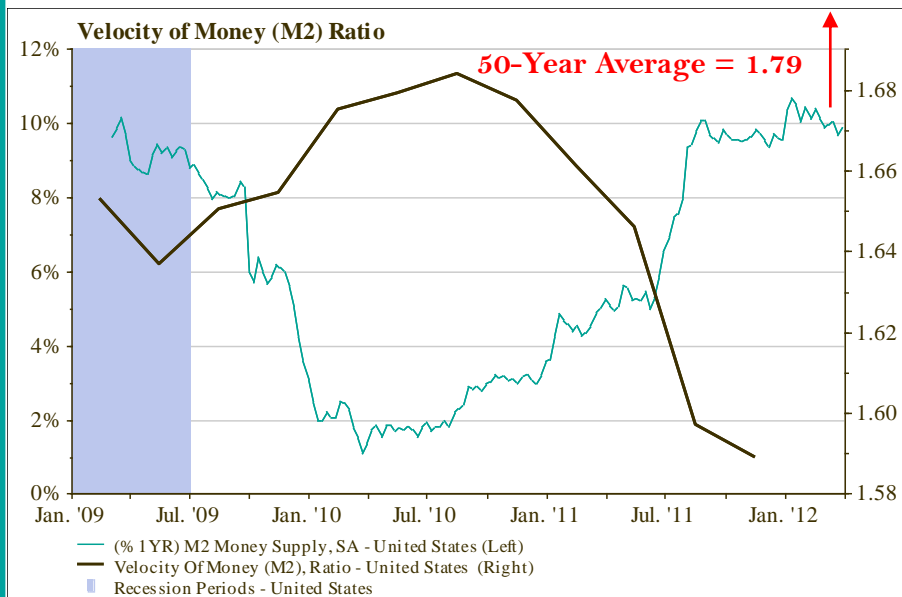
Commercial

- Recent spike in the Architecture Billings Index (ABI) could suggest an improved outlook for commercial real estate

Fixed Income



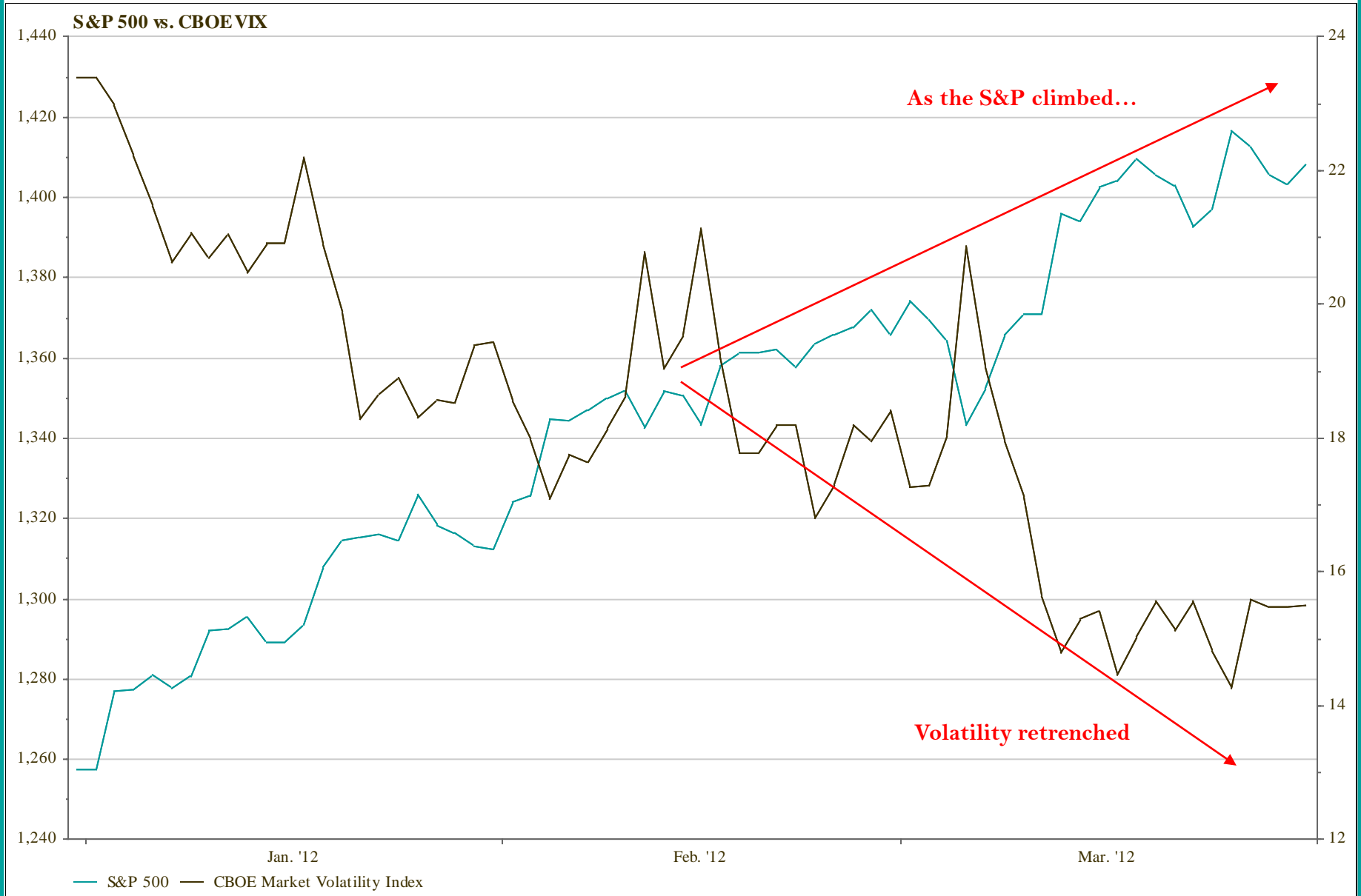
Monetary Policy



- End of QE1 to Bernanke's Jackson Hole Speech -10.45%
- Bernanke's Jackson Hole Speech to End of QE2 26.11%
- End of QE2 to Beginning of "Operation Twist" -11.65%

The market has *not* proven that it can sustain momentum without stimulus

Volatility



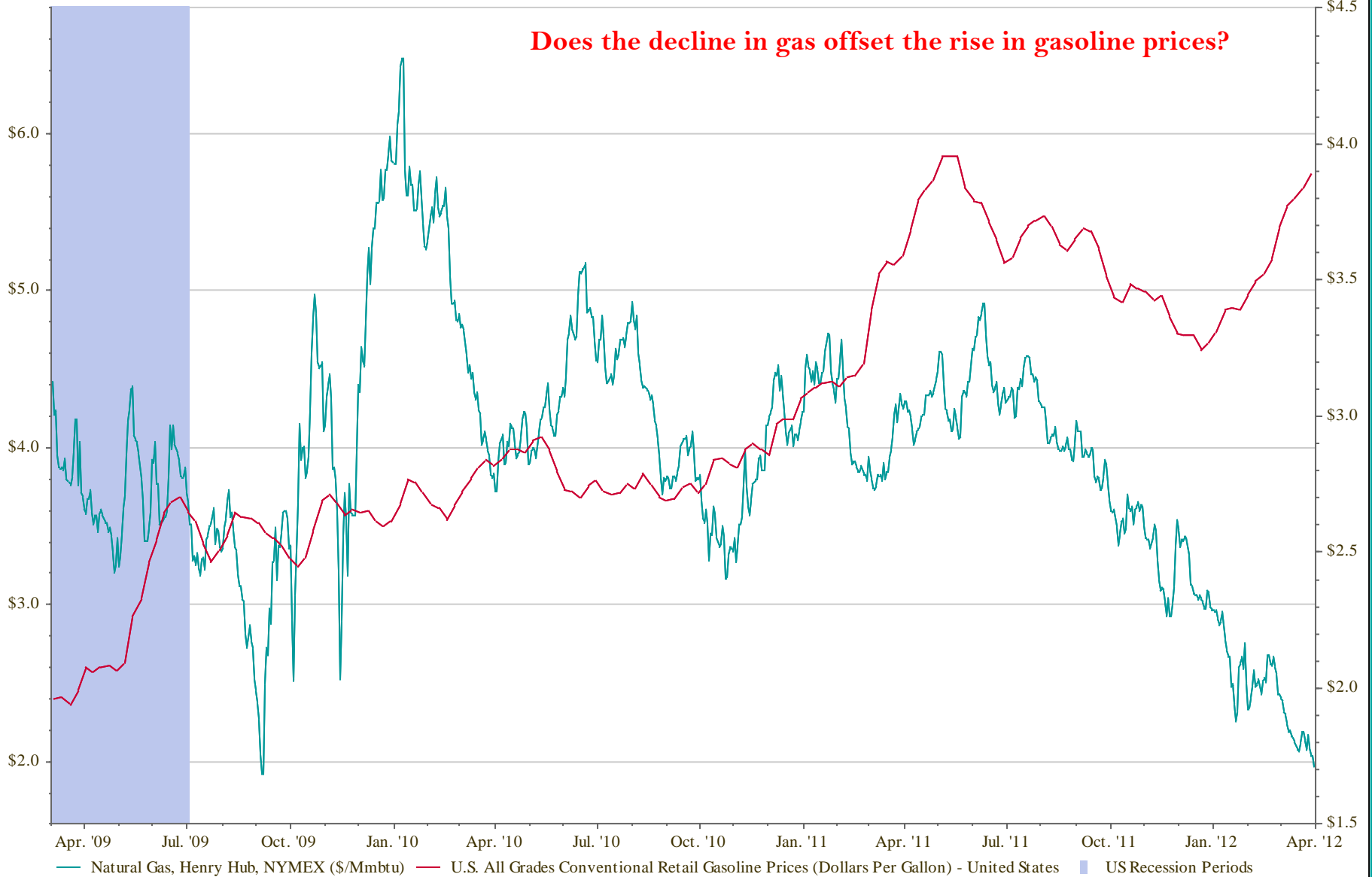
3-Year Anniversary of March 2009 Market Collapse

	March 9th, 2009	March 9th, 2012	Percentage Change
NY Gold (NYM \$/ozt)	\$ 918.00	\$ 1,698.10	84.98%
Dated Brent Crude Oil (\$/bbl)	\$ 44.39	\$ 125.67	183.10%
NASDAQ Composite Index	1,268.64	2,988.34	135.55%
S&P 500	676.53	1,370.87	102.63%
S&P 500 Operating EPS (TTM)*	\$ 49.51	\$ 96.44	94.79%
S&P 500 Operating Margin*	4.70%	9.10%	93.62%
S&P 500 Revenue per Share (TTM)*	\$ 1,042.50	\$ 1,052.90	1.00%
S&P 500 Trailing P/E*	13.7x	14.2x	3.65%
Total Government Debt (USD Bil.)	\$ 11,126.94	\$ 15,582.08	40.04%
Real GDP** (USD Bil.)	\$ 12,663.20	\$ 13,429.00	6.05%
US Unemployment Rate	9.8%	8.2%	-16.33%
US Benchmark Bond - 10 Year	2.86%	2.03%	-28.97%
*Source: Strategas Research Partners			
**As of quarter-end			

- Since the market bottom, the S&P has climbed over 102%: fueling this market recovery has been the combination of a 40% increase in government debt to over \$15.5 trillion and a 95% increase in S&P Operating EPS
- Interestingly, revenue growth has been a modest 1%, while Real GDP has been only 6%
- This calls into question what the drivers of the next leg up in the market will be

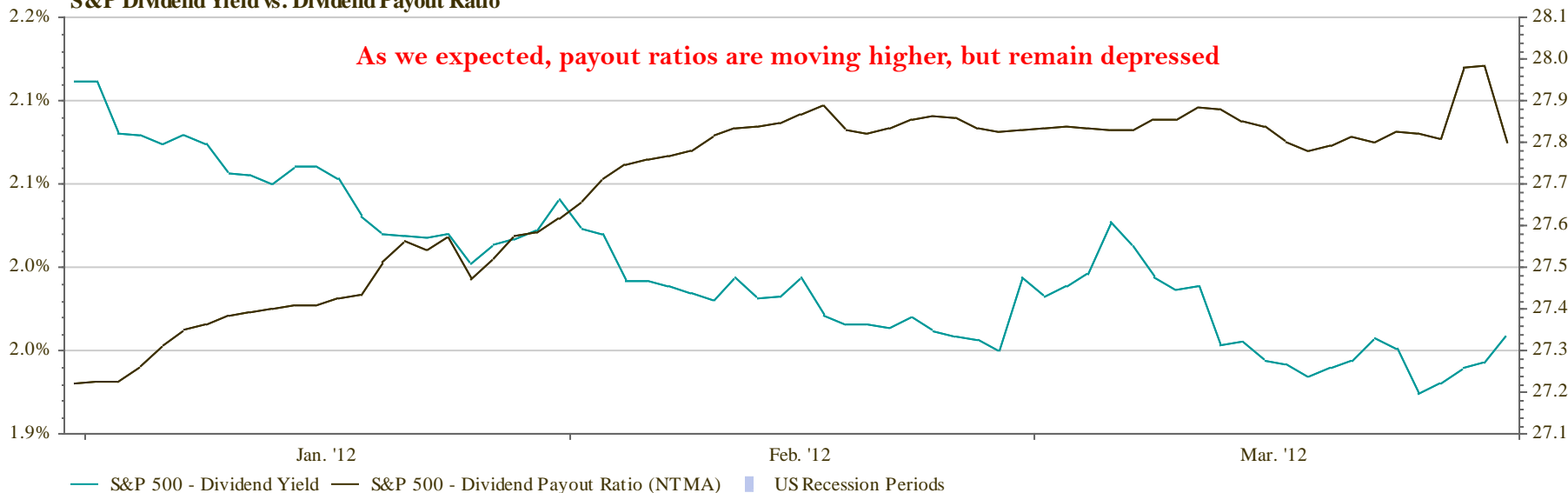
Commodities

Natural Gas vs. Conventional Gasoline

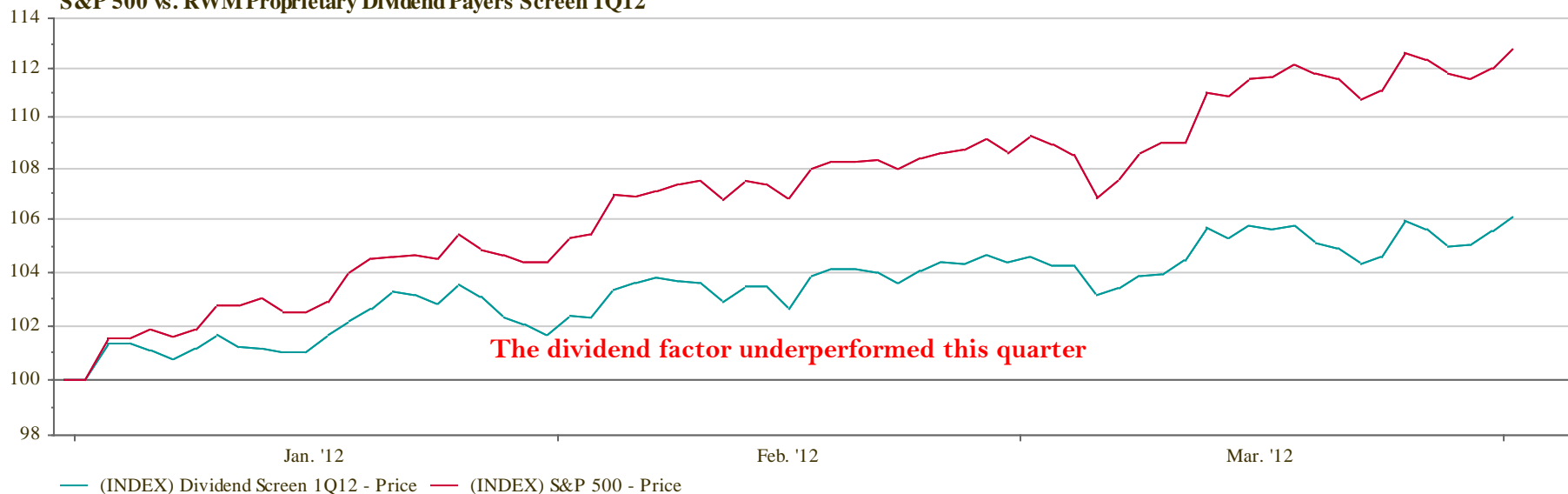


Dividends

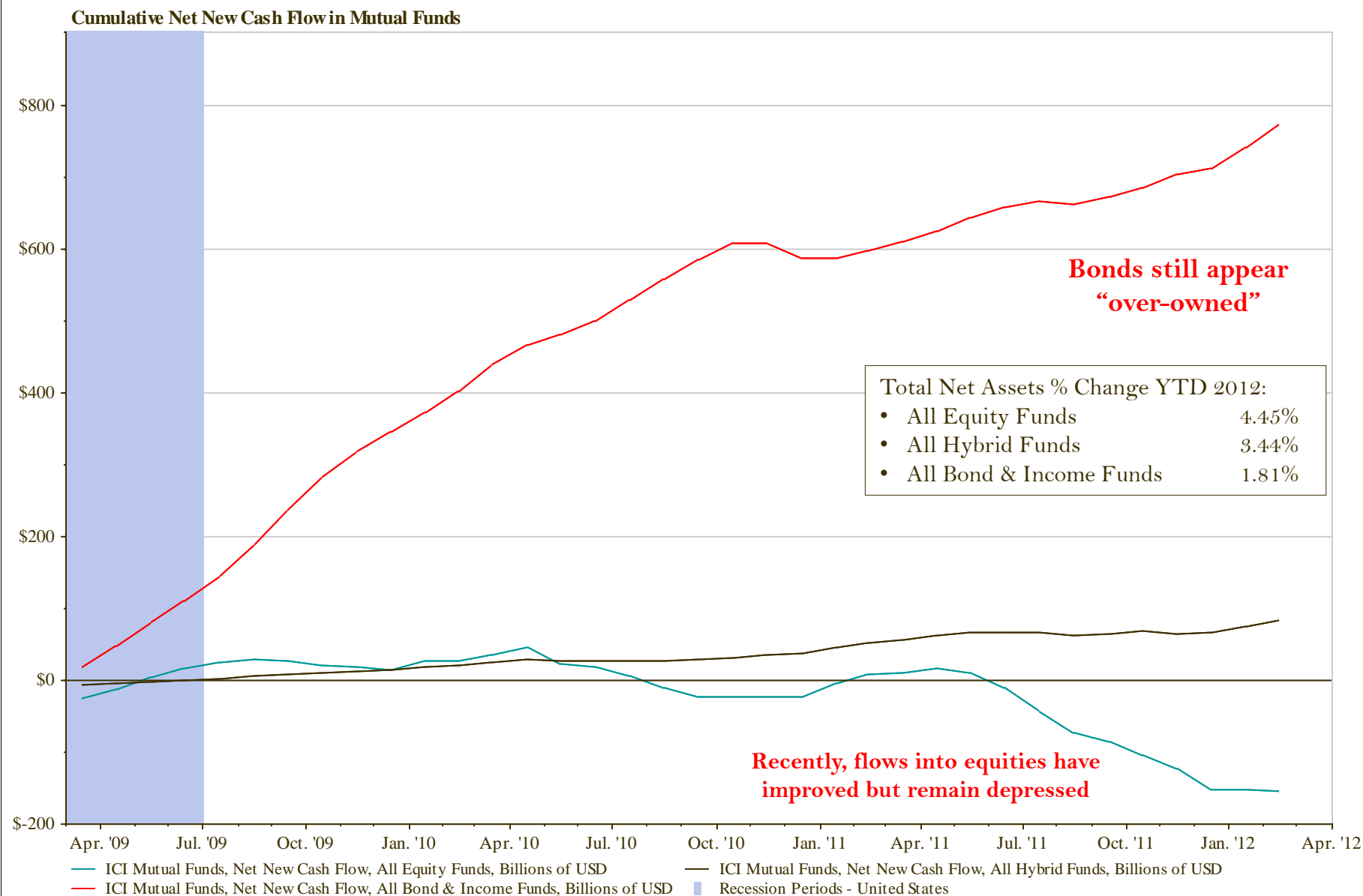
S&P Dividend Yield vs. Dividend Payout Ratio



S&P 500 vs. RWM Proprietary Dividend Payers Screen 1Q12



Fund Flows



S&P 500 Flat

-5% to +5%

Negative
(-15% to -5%)

- ✓ Underweight Low-Quality
- ✓ Underweight Beta
- ✓ Overweight Large Cap
Defensives
- ✓ Overweight Dividend Growth

Positive
(5% to 15%)

- ✓ Underweight Treasuries
- ✓ 40% of International in
Emerging Markets
- ✓ Add back to Small Cap
- ✓ Slight Increase in
Commodity Exposure

- ✓ Treasuries
- ✓ Large Cap, High-Quality
- ✓ Cash
- ✓ Hybrids

- ✓ Small Caps Rally
- ✓ Commodities Rise
- ✓ Inflation Becomes a
Concern
- ✓ Emerging Markets Rally

- Break up of EU
- Housing Correction
- Political gridlock and a
sloppy election

Cautiously Optimistic

- Unemployment trends below 7%
- Roll-off of 100% capital write-
off directs to corporate spending
- China soft-landing



Daniele M. Donahoe, CFA

Chief Investment Officer

Daniele Donahoe came to our firm in May 2010 from Columbia Management Group, previously owned by Bank of America, where as a Senior Portfolio Manager she co-managed the Columbia Small Cap Growth II fund. Prior to Columbia Management, Daniele served as an Associate Analyst on an *Institutional Investor Magazine* Ranked Equity Research Team following the Enterprise Software Industry at Salomon Smith Barney (Citigroup) in New York. She has also served as an associate at Thomas Weisel Partners in San Francisco, CA and J.C. Bradford in Nashville, TN.

Throughout her career, Daniele has focused on equity research across a broad range of industries ranging from multi-billion dollar corporations to small and micro capitalization equities, and she has co-authored industry publications such as *B2B eCommerce: A Vertical and Horizontal Perspective* and *E2E Commerce: How the Internet Redefines Enterprise Software*. Daniele is a CFA charterholder and a graduate of the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill.

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We would like to thank you all for joining and participating in our Quarterly Economic Overview Webinar today. We really appreciate your time and hope that you found it both interesting and informative.

If you have any further questions or would like any additional information regarding what we covered in today's presentation, please contact your Financial Advisor.

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