

Rinehart Wealth Management

First Quarter 2013 Economic Overview

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May 2nd, 2013

Rinehart Wealth Management
Greater Trust

Positive Indications

Cash Remains on the Sidelines



Supportive of Equities Moving Higher

Unemployment Continues to Move Lower



Sustained Economic Recovery

Accommodative,
Unconventional Monetary
Policy



Supports US Equities

Housing



Next Recovery in Commercial Real Estate → US Equity

Inflation is Low



Supports Fixed Income, Equities, and Continued Monetary Policy

Negative Indications

Defensive Assets Outperformed
Risk Assets



Potential Harbinger of Summer
Correction

Low Interest Rates



Hard to Find Attractively Priced
“Safety Assets”

Growth Muted



Lower Long-Term Investment
Returns

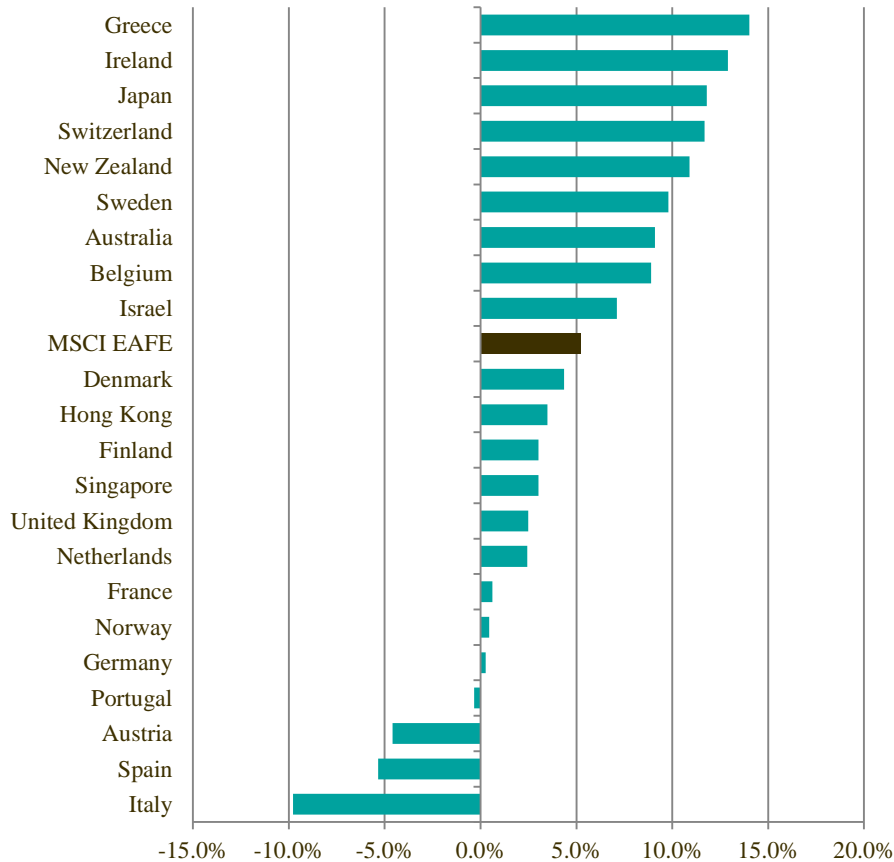
Commodities & Emerging Markets
Underperform



Previous move to Underweight
International Equity

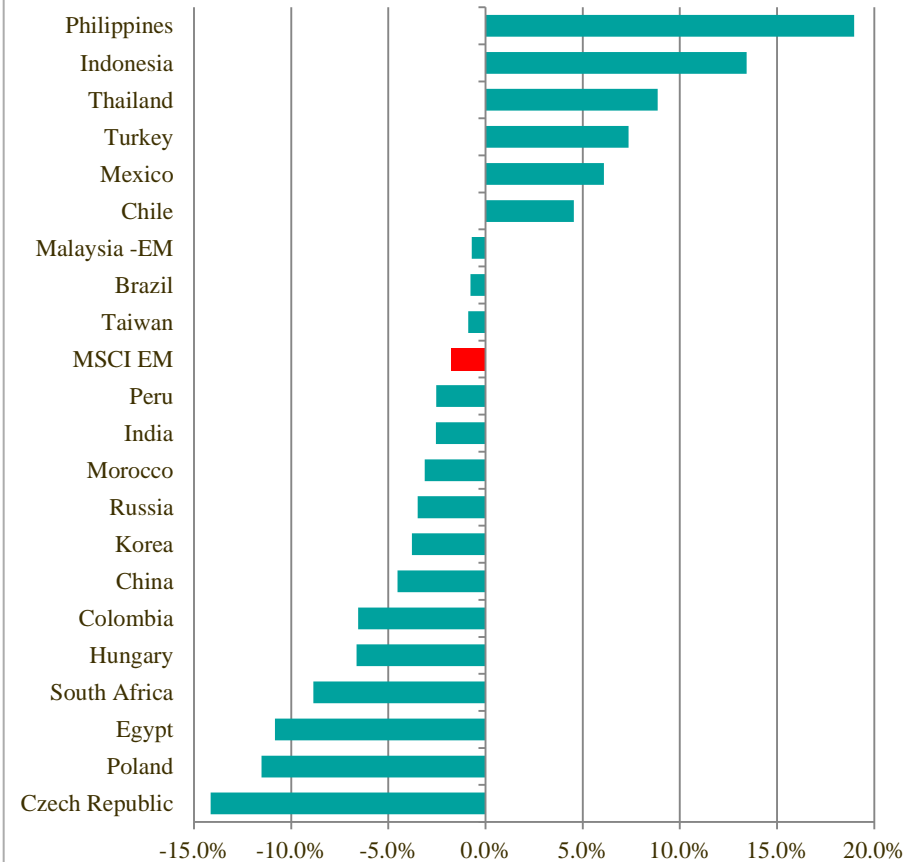
Around the Globe – International Breakdown of 1Q13

Developed Countries - 60% Allocation



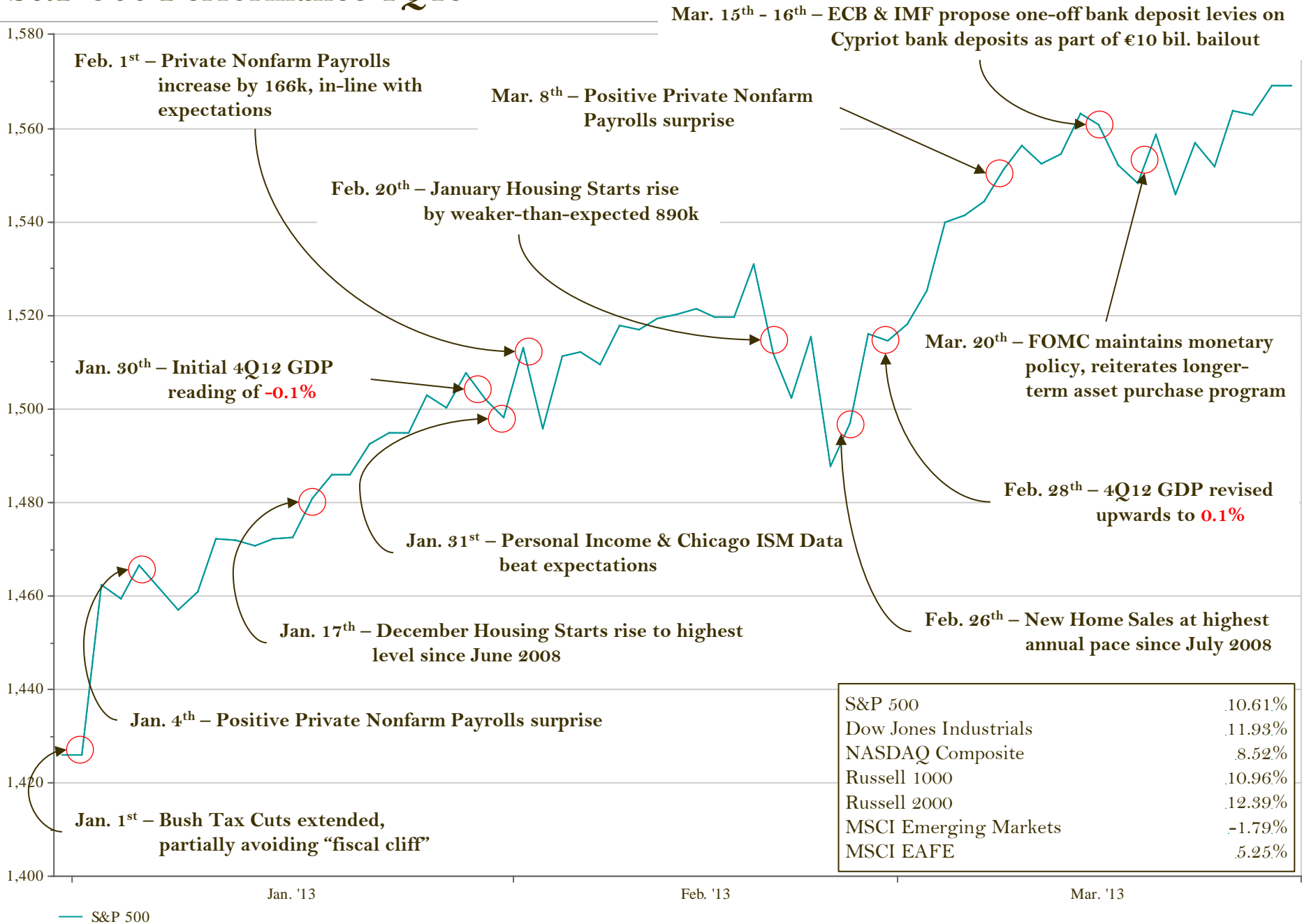
- Overall, Developed International performed in-line with the S&P 500
- Japan has benefited from accommodative monetary policy and a depreciating yen

Emerging Market Countries - 40% Allocation



- Emerging Markets exhibited significant underperformance
- Concerns Regarding China, India, and commodity-heavy regions
- Philippines surged after Fitch upgrades external debt credit rating to investment grade

S&P 500 Performance 1Q13

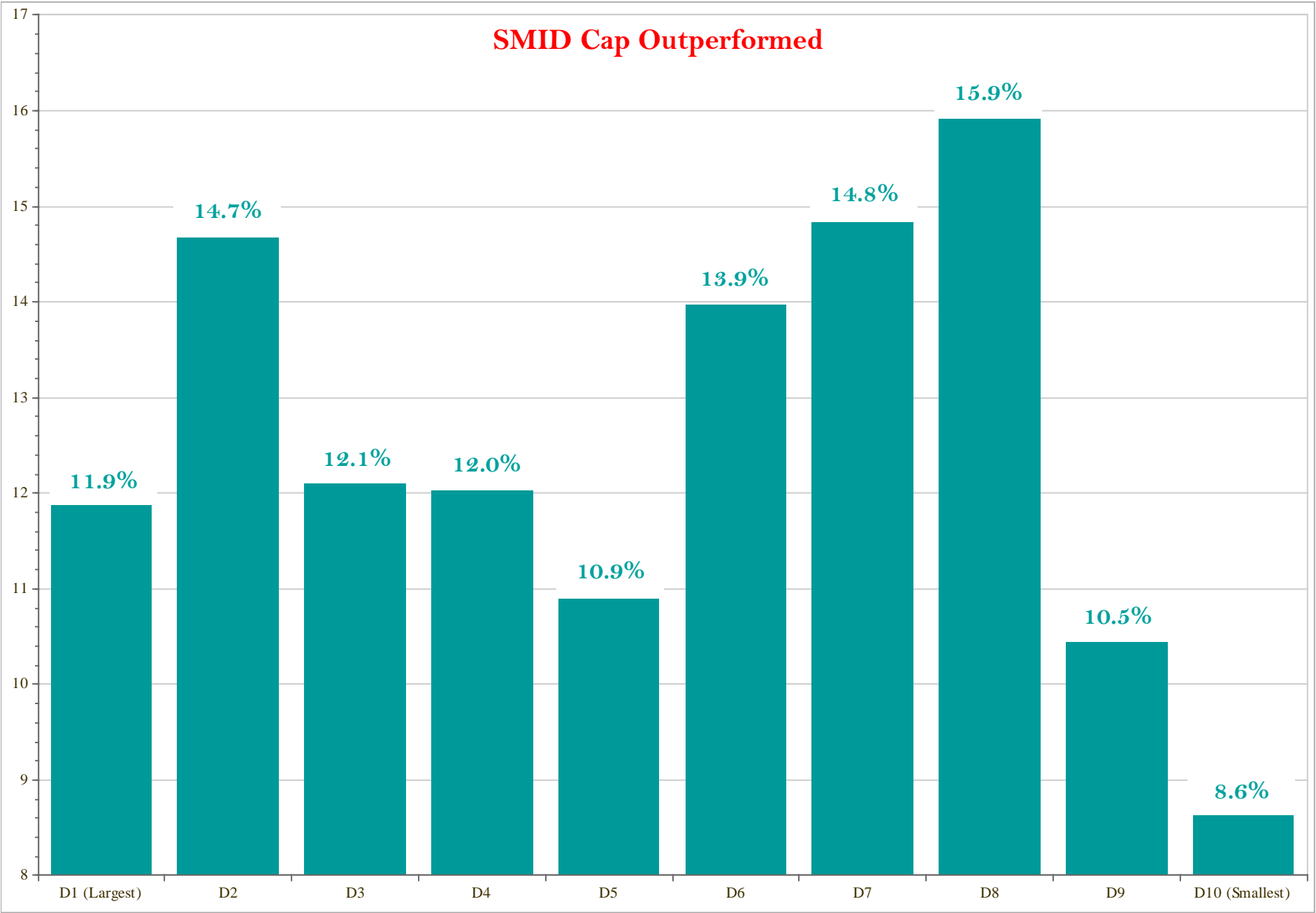


S&P 500 Sector Heat Map

S&P Sector Total Returns					S&P Sector Trailing 3-Month Relative Performance												
Sectors	2010	2011	2012	1Q13	4/30/12	5/31/12	6/29/12	7/31/12	8/31/12	9/28/12	10/31/12	11/30/12	12/31/12	1/31/13	2/28/13	3/29/13	
Defensives																	
Utilities	5.46%	19.91%	1.29%	13.02%	-3.13%	7.32%	9.30%	8.08%	-5.64%	-6.88%	-4.56%	-3.04%	-2.48%	-6.31%	-0.32%	2.42%	
Telecom	18.97%	6.27%	18.31%	9.45%	3.55%	12.96%	16.89%	16.16%	1.69%	1.70%	-5.92%	-2.61%	-5.64%	-5.36%	-2.67%	-1.15%	
Health Care	2.90%	12.73%	17.89%	15.81%	-1.53%	3.98%	4.50%	3.83%	0.07%	-0.19%	1.77%	2.98%	0.45%	1.13%	1.06%	5.21%	
Staples	14.11%	13.99%	10.76%	14.58%	0.40%	6.14%	5.63%	6.23%	-1.88%	-2.52%	-3.14%	0.67%	-1.37%	-1.54%	-0.71%	3.97%	
Near Cyclical					Helped by HNZ Acquisition												
Energy	20.46%	4.72%	4.61%	10.17%	-5.72%	-10.49%	-3.24%	-0.34%	4.68%	3.79%	0.72%	-1.34%	-2.37%	-0.01%	1.15%	-0.43%	
Financials	12.13%	-17.06%	28.82%	11.42%	3.12%	-1.10%	-4.08%	-3.62%	0.66%	0.60%	5.87%	3.32%	6.30%	3.36%	4.82%	0.81%	
Cyclical																	
Technology	10.19%	2.41%	14.82%	4.59%	3.66%	-1.26%	-3.93%	-3.18%	1.36%	1.10%	-3.74%	-5.81%	-5.34%	-4.28%	-5.55%	-6.01%	
Discretionary	27.66%	6.13%	23.92%	12.15%	3.86%	3.50%	0.15%	-3.38%	-1.84%	1.10%	3.15%	3.58%	2.48%	2.86%	-0.15%	1.55%	
Industrials	26.73%	-0.59%	15.35%	10.67%	-4.15%	-2.37%	-0.81%	-1.32%	-2.27%	-2.73%	-0.35%	1.61%	4.08%	3.41%	3.49%	0.07%	
Materials	22.20%	-9.75%	14.97%	4.79%	-7.97%	-4.75%	-1.44%	-3.70%	-1.81%	-1.25%	1.16%	2.08%	3.06%	2.21%	-2.05%	-5.81%	
S&P 500	15.06%	2.11%	16.00%	10.61%	7.08%	-3.53%	-2.75%	-0.78%	7.94%	6.35%	2.96%	1.27%	-0.38%	6.75%	7.58%	10.61%	

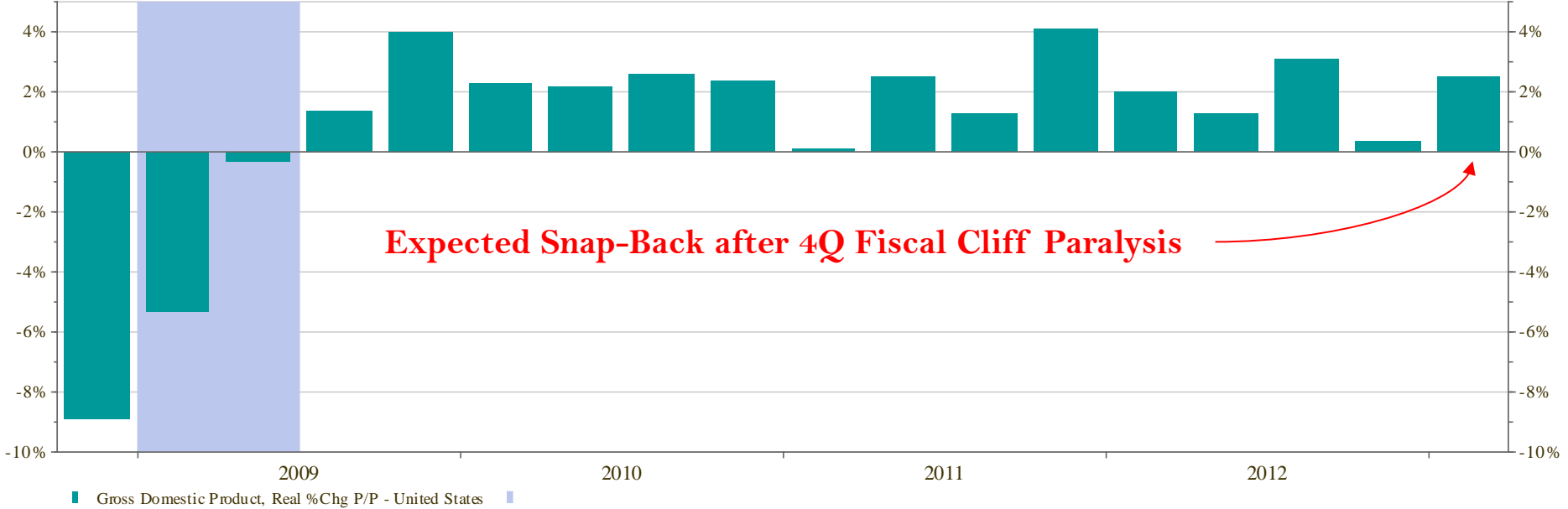
- Defensive Sectors outperformed in 1Q13, helping our portfolios performance relative to benchmarks
- Portfolios benefited from Overweight positioning in Utilities & Consumer Staples
- Opportunities in Materials (e.g., Commodities) & Technology Sectors
- The Acquisition of H.J. Heinz Co. (HNZ) by Warren Buffet & 3G helped boost Staples performance

S&P 500 Performance by Market Cap (Unweighted, 1Q13)

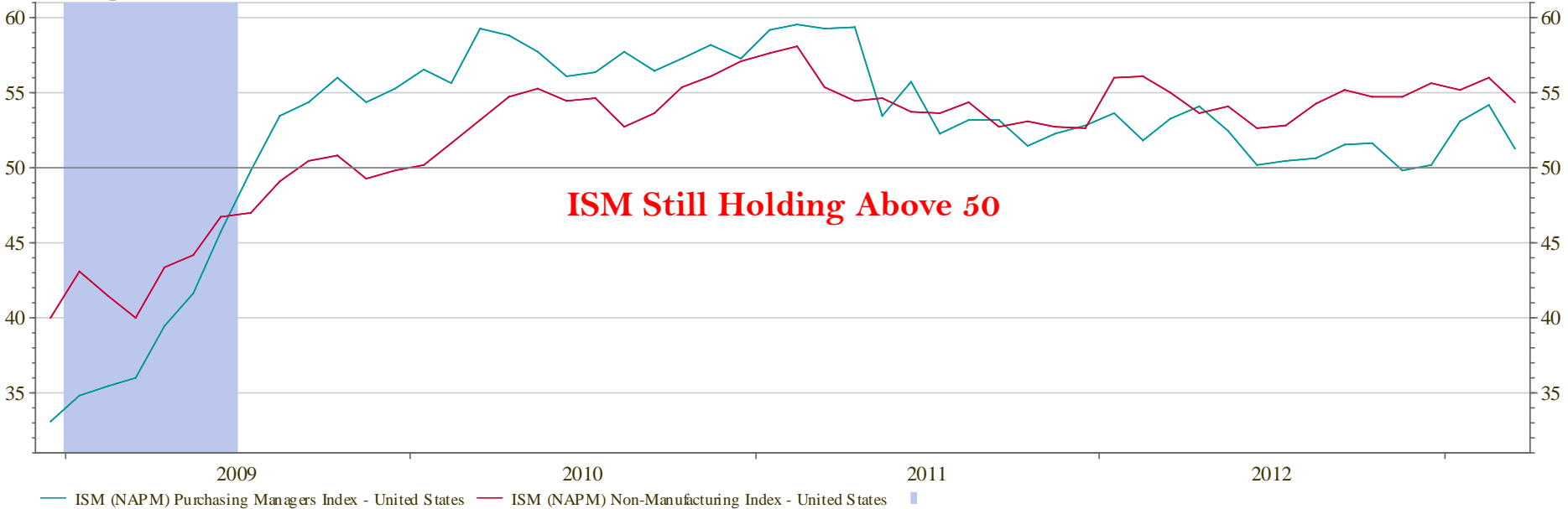


US Economic Snap Shot – 2.5% GDP Growth in 1Q13

US Real GDP Growth

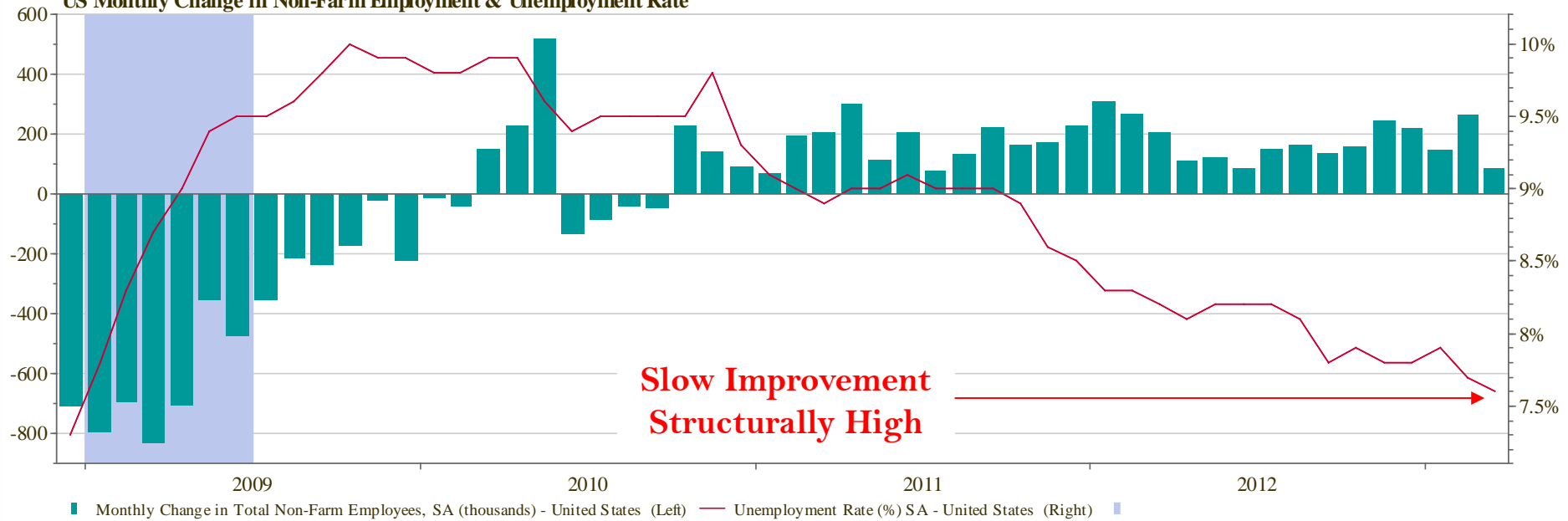


ISM Report on Business

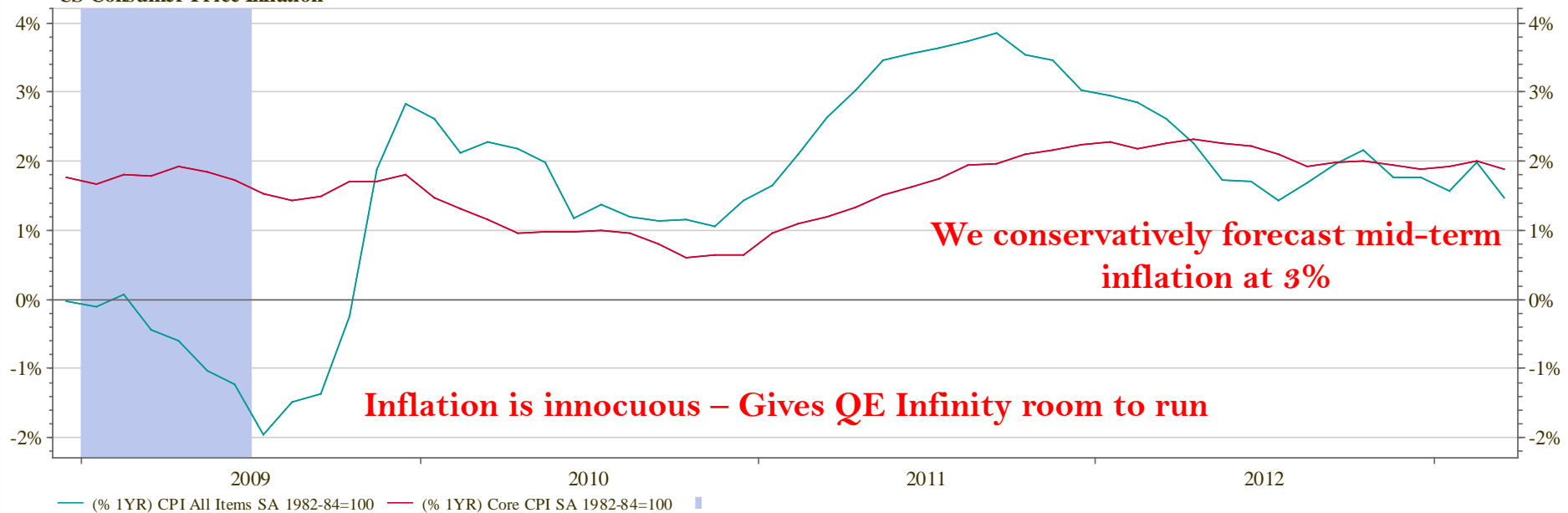


Unemployment & Inflation

US Monthly Change in Non-Farm Employment & Unemployment Rate



US Consumer Price Inflation

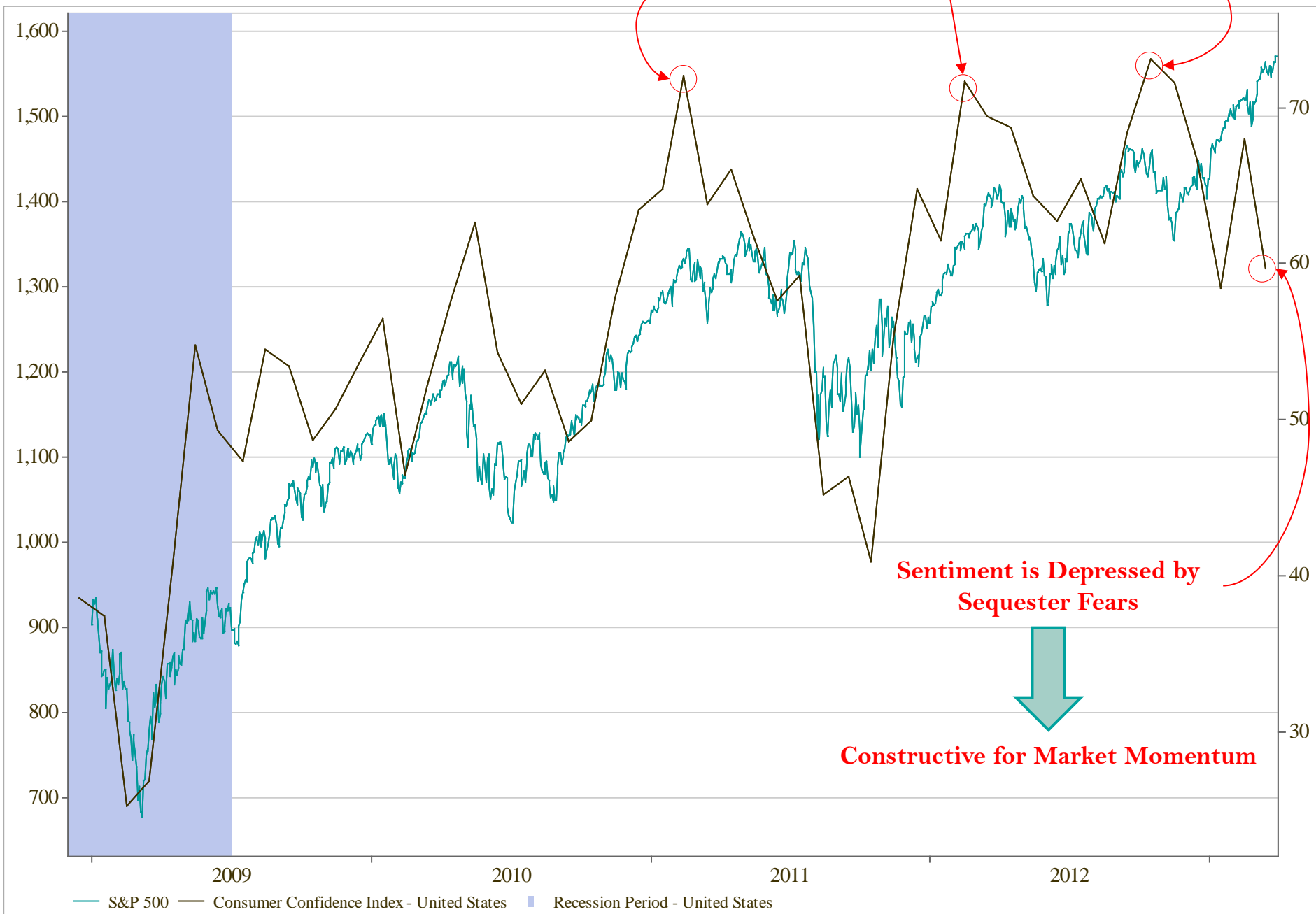


Key Assumptions Framing Target Return Expectations

Inflation	3.00%	Depressed near-term inflation rises moderately due to effects of stimulus
GDP Growth	2.50%	Growth continues at slower pace than historical; demographics & debt levels constrain domestic growth
Risk-Free Rate	1.00%	Fed depresses interest rates until 2015, but, over the longer-term, we assume a modest move toward normalization
Additional Equity Risk Premium	0.50%	Amount of added return required for increasing exposure to volatility and risk

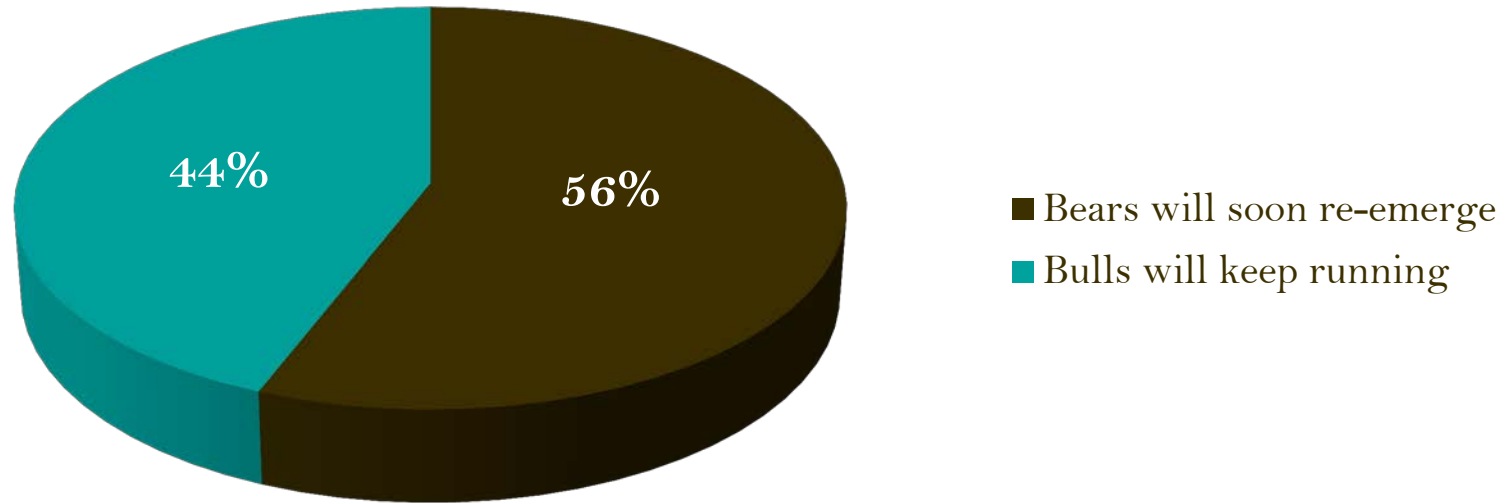
	Ultra		Conservative			
Risk Tolerance:	Conservative	Conservative	Balanced	Balanced	Growth	Aggressive Growth
Target Return:	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%

Consumer Confidence



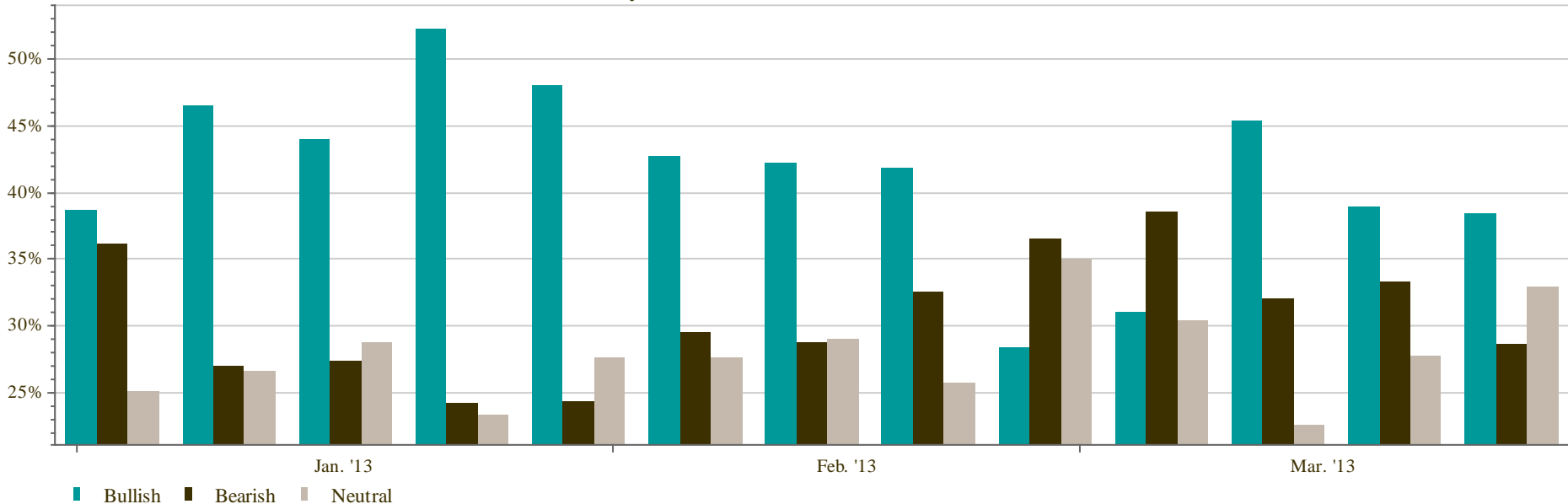
Investor Sentiment

CBJ's Weekly Survey Results – Investors in Charlotte are More Bearish



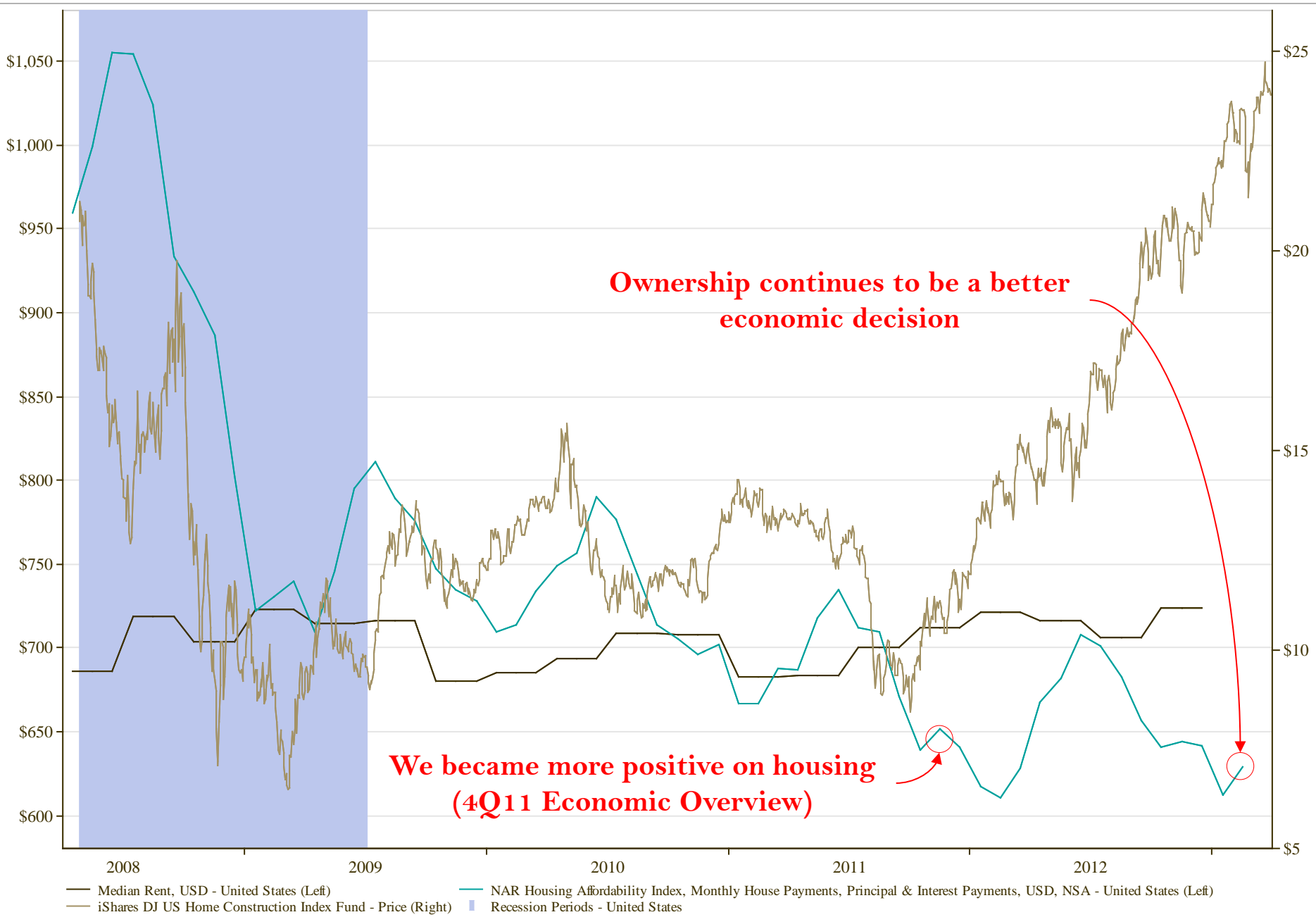
Source: Charlotte Business Journal, April 12th, 2013; Business Pulse – “Are you bullish or bearish on the stock market?”

American Association of Individual Investors Sentiment Survey

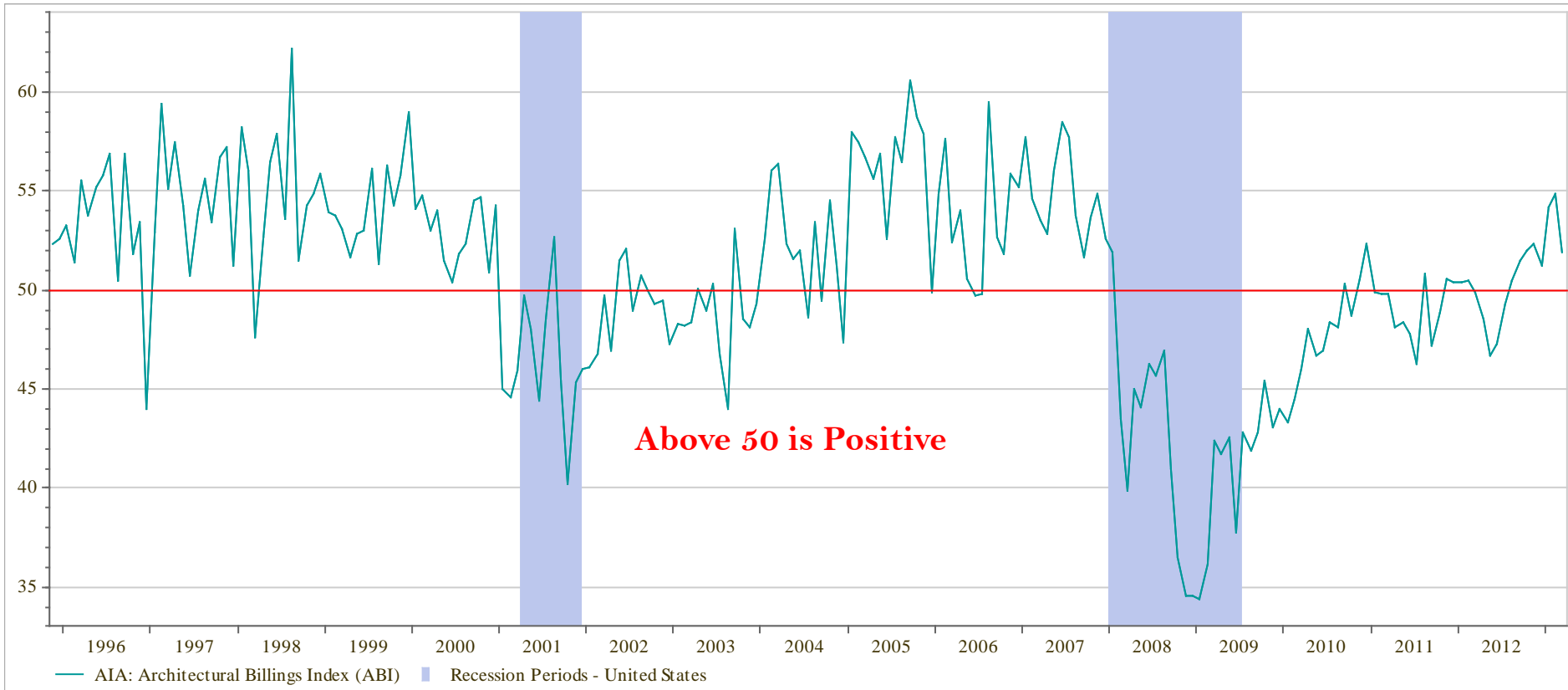


Source: FactSet Research Systems, Inc.

Housing

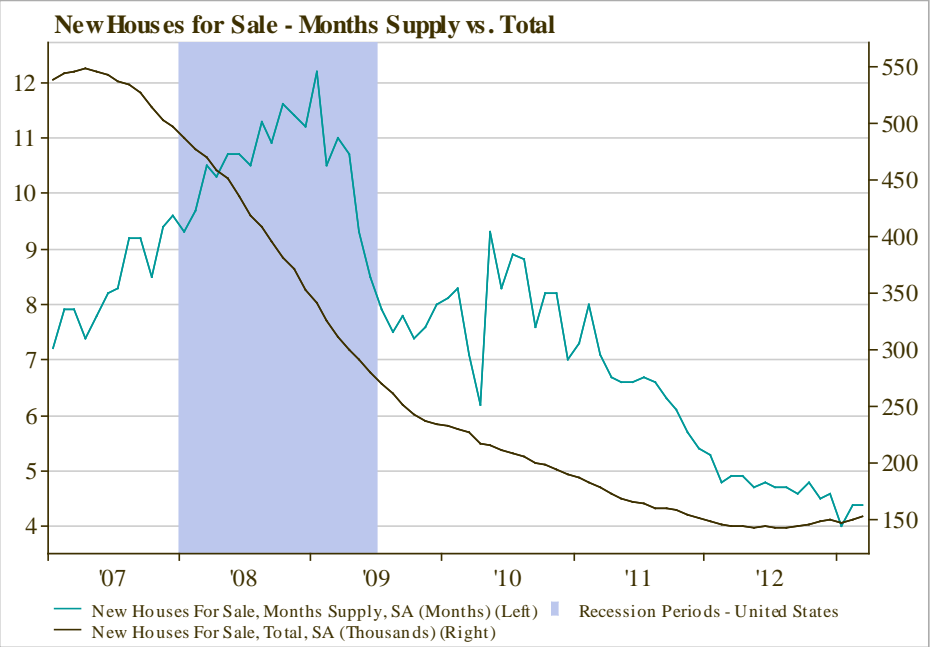
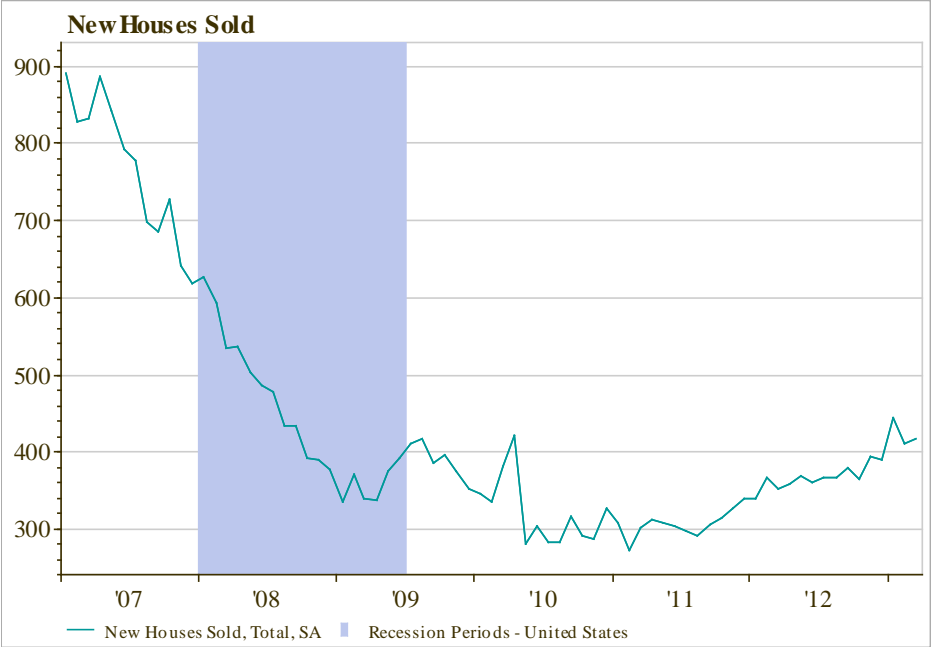


Commercial Real Estate

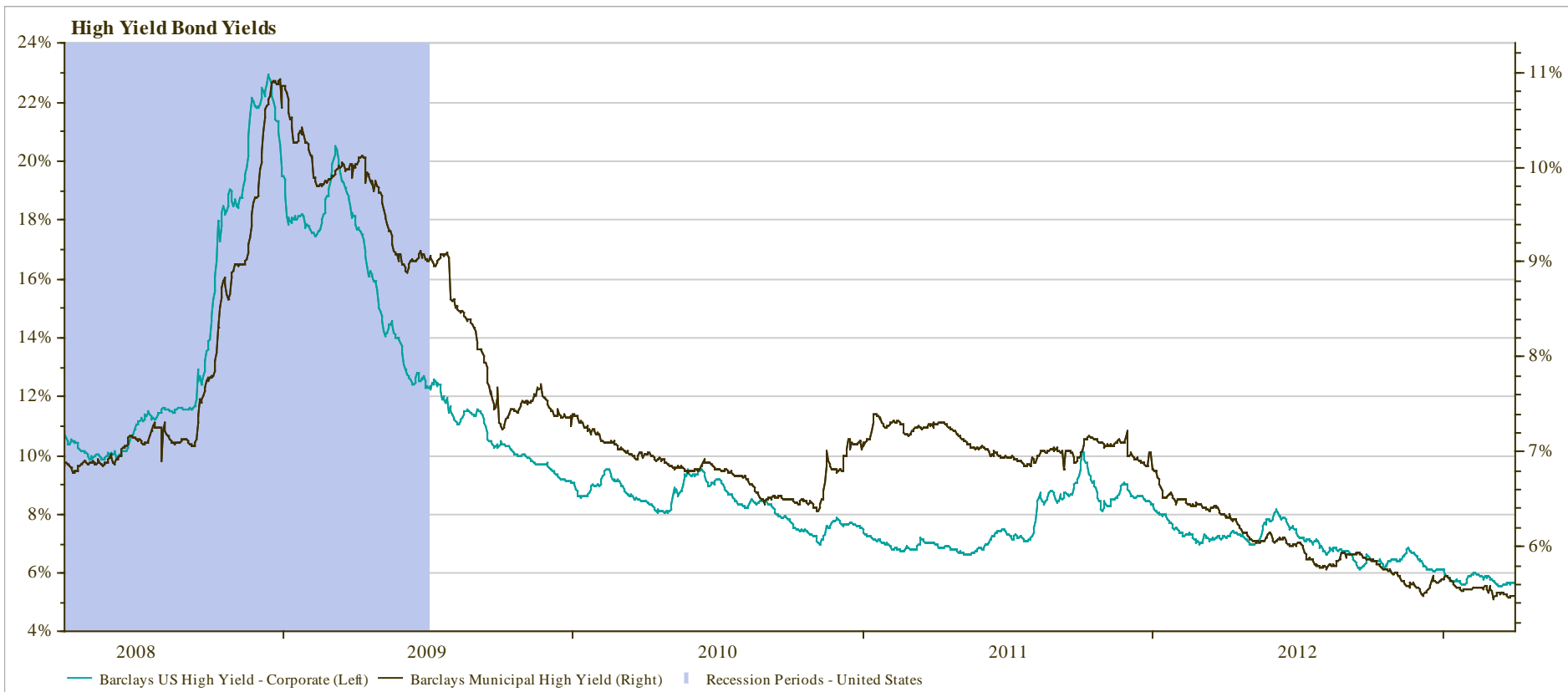


- Architecture Billings Index (ABI) – Indicates an upcoming pick-up in commercial construction
 - Commercial Real Estate recoveries lag Housing recoveries
 - Regional Bank exposure is a great way to play an improvement in commercial real estate

Housing Recovery Continues



Fixed Income = Risk On!

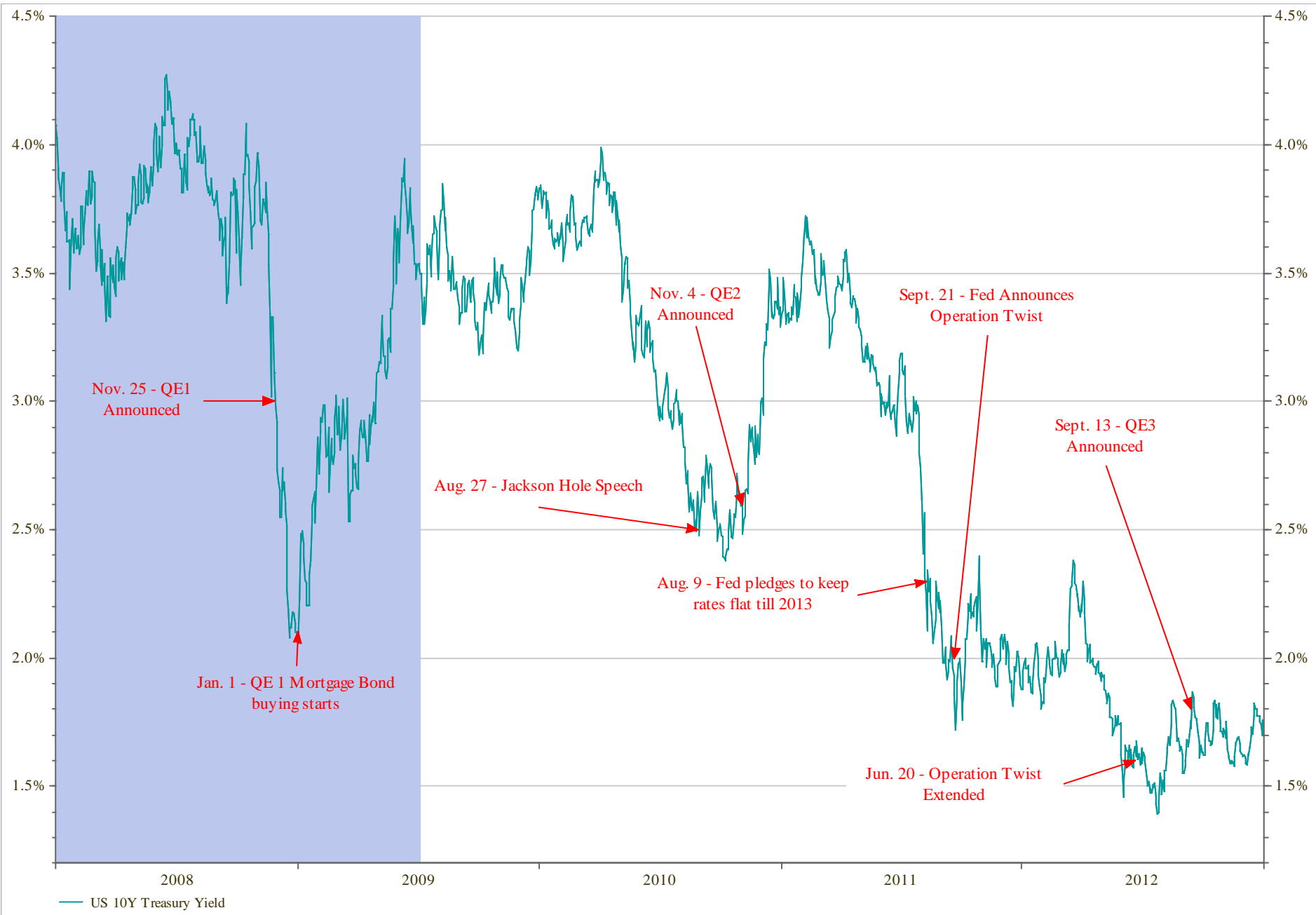


- Given the insatiable demand for yield, investors have flocked to higher-yielding, riskier bonds
- Junk Bond Issuance hit a record \$350 billion in 2012 (*Source: Wall Street Journal*)
- High-Yield Corporate Bond Rates are the lowest we have seen over the past 10 years
- CCC – B Historic Spread = 500 bps.
 - Currently at 325 bps.

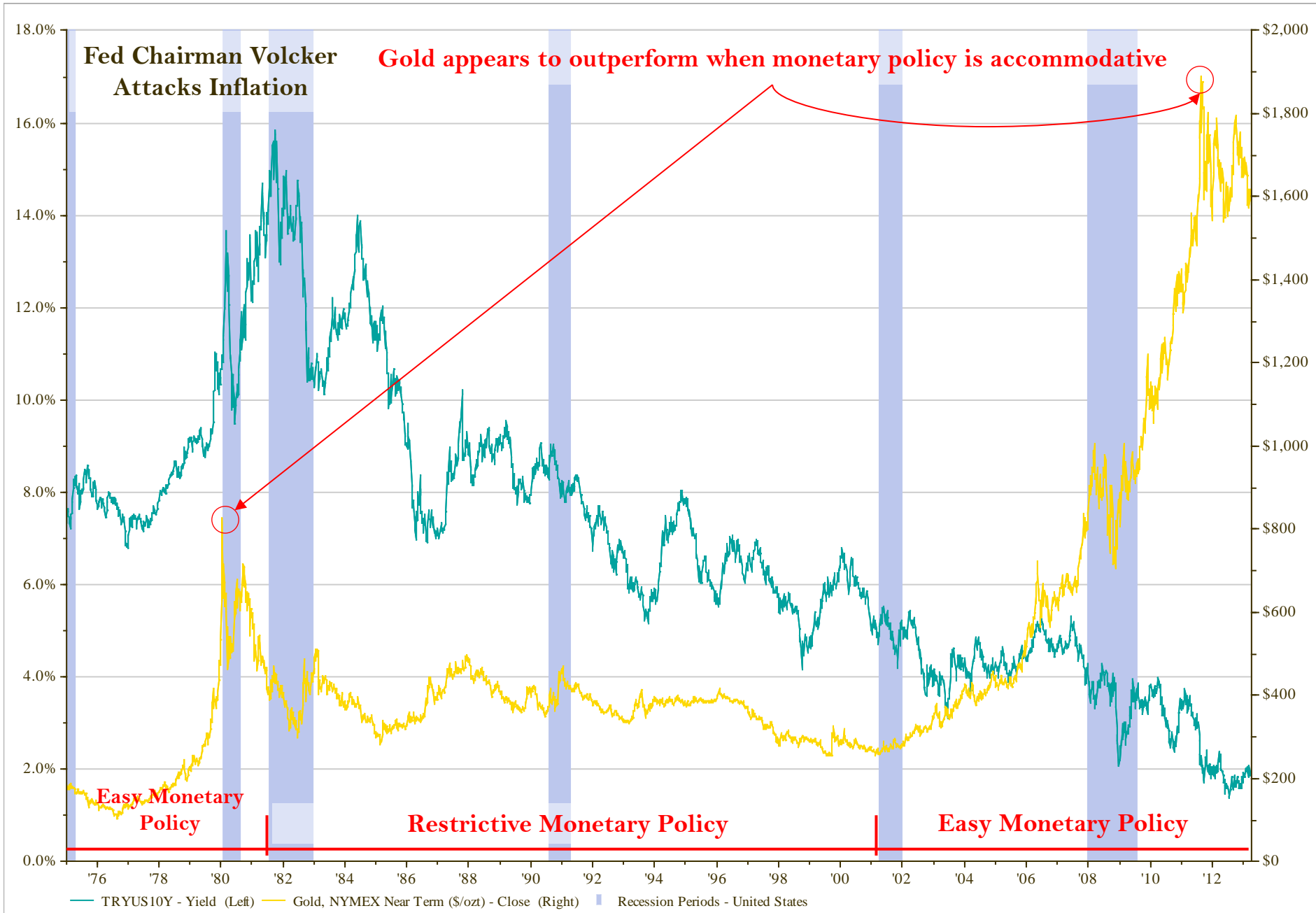
Monetary Policy – QE “To Infinity & Beyond”



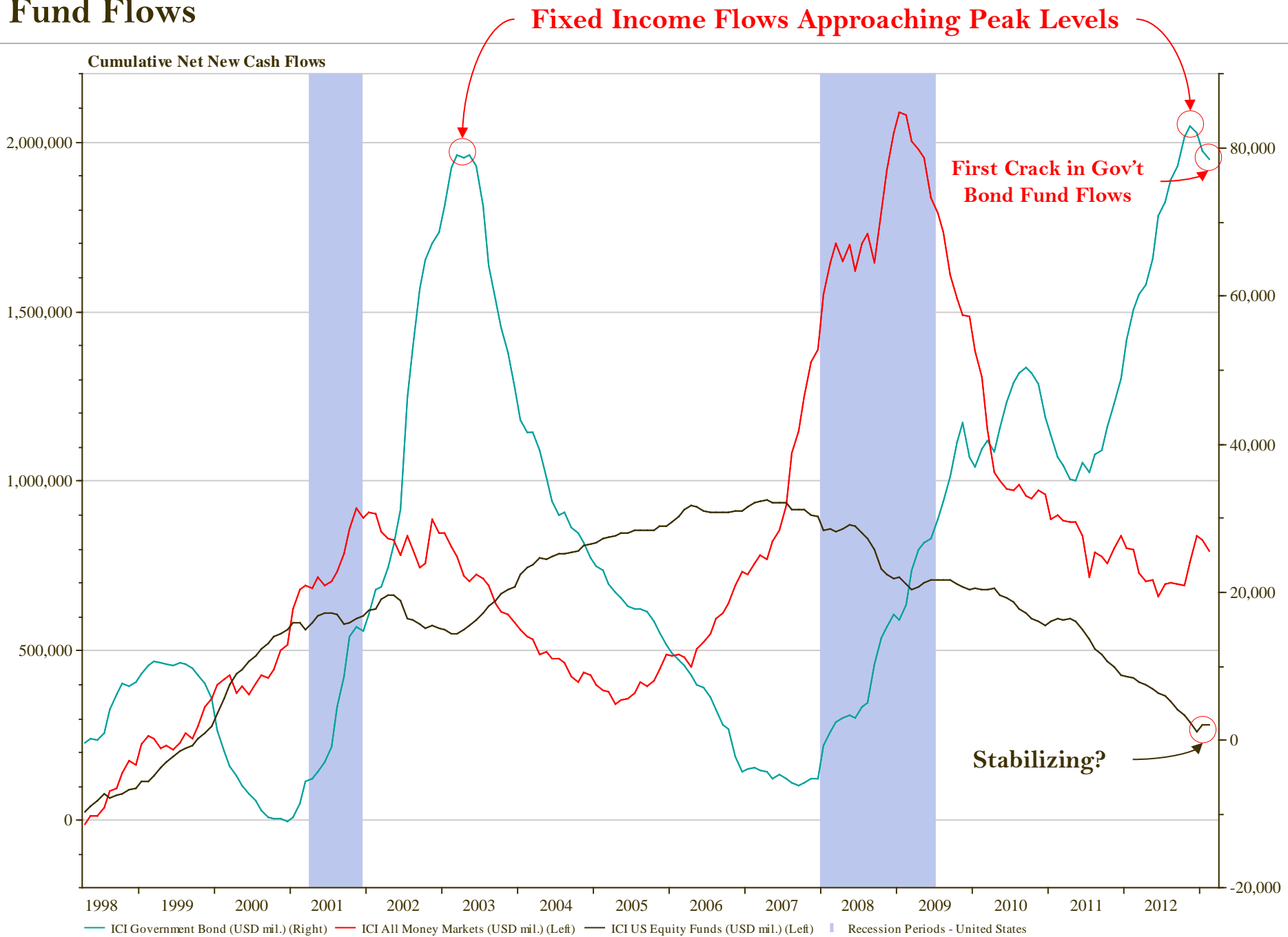
Monetary Policy: Treasury Yields Remain Low Despite QE3



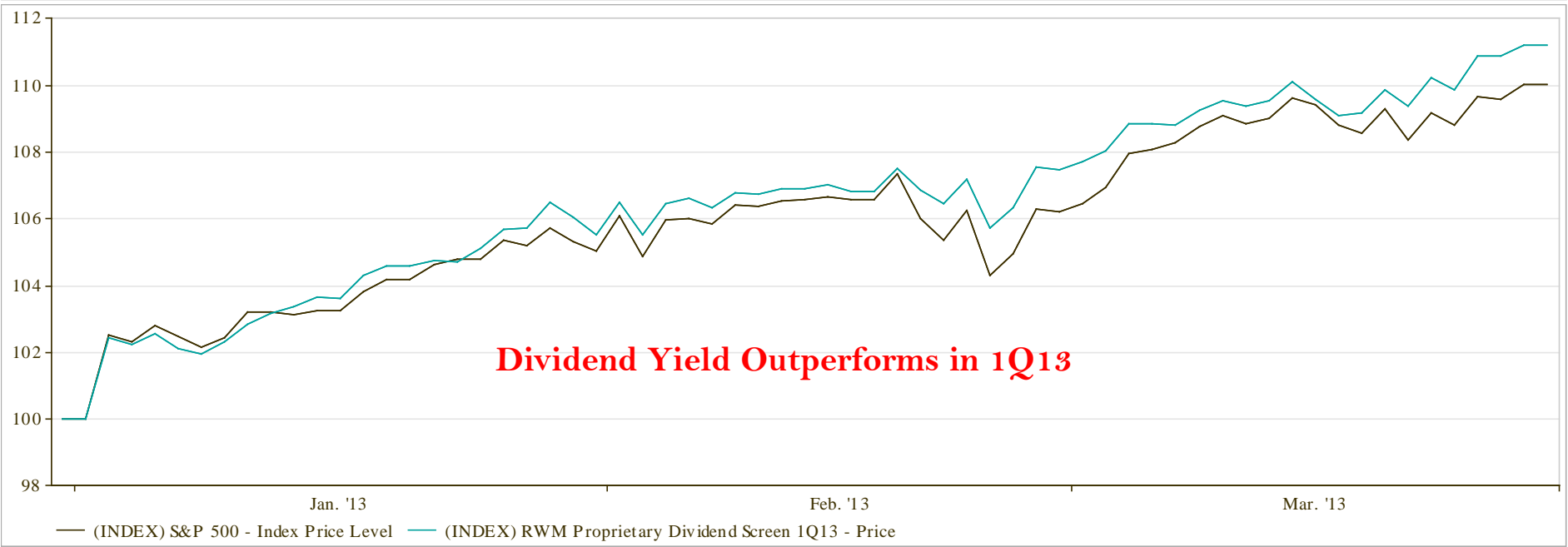
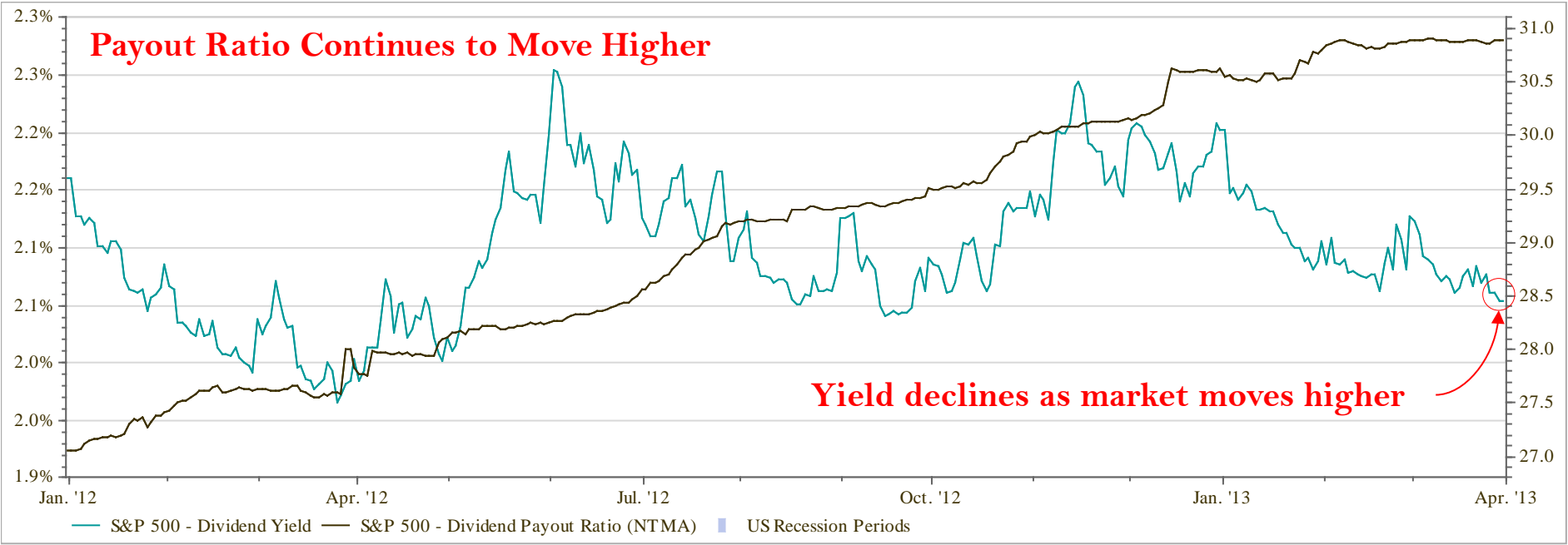
Monetary Policy – What Happens to Gold when Rates Rise?



Fund Flows



Dividends



RWM “Core 20” Tracker

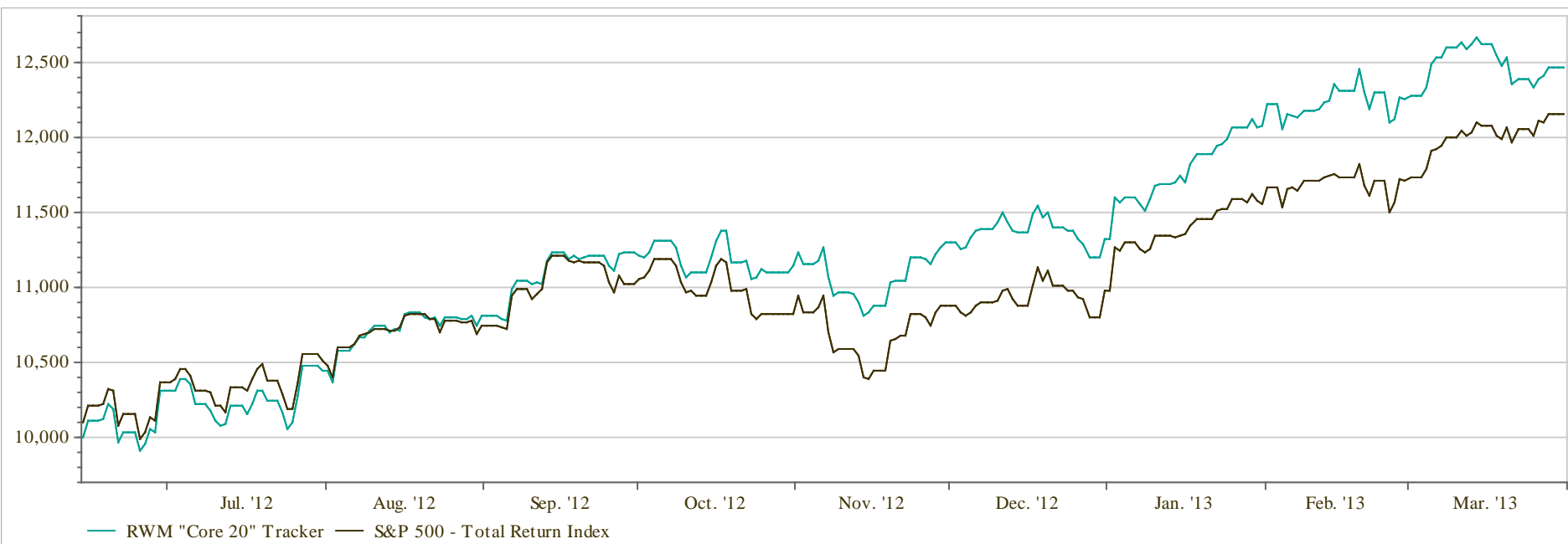
Quality

Valuation

“Core 20”

- Proprietary Screen of Large & Mid Cap Stocks
 - High Barriers-to-Entry
 - High ROIC
 - Defensive Characteristics in Volatile Markets
 - Propensity to Grow Dividends
- Growth at a Reasonable Price (GARP)
 - History of Above-Industry Revenue Growth
 - Attractive Relative Valuation Metrics
- Result = Top 20 Best Ideas

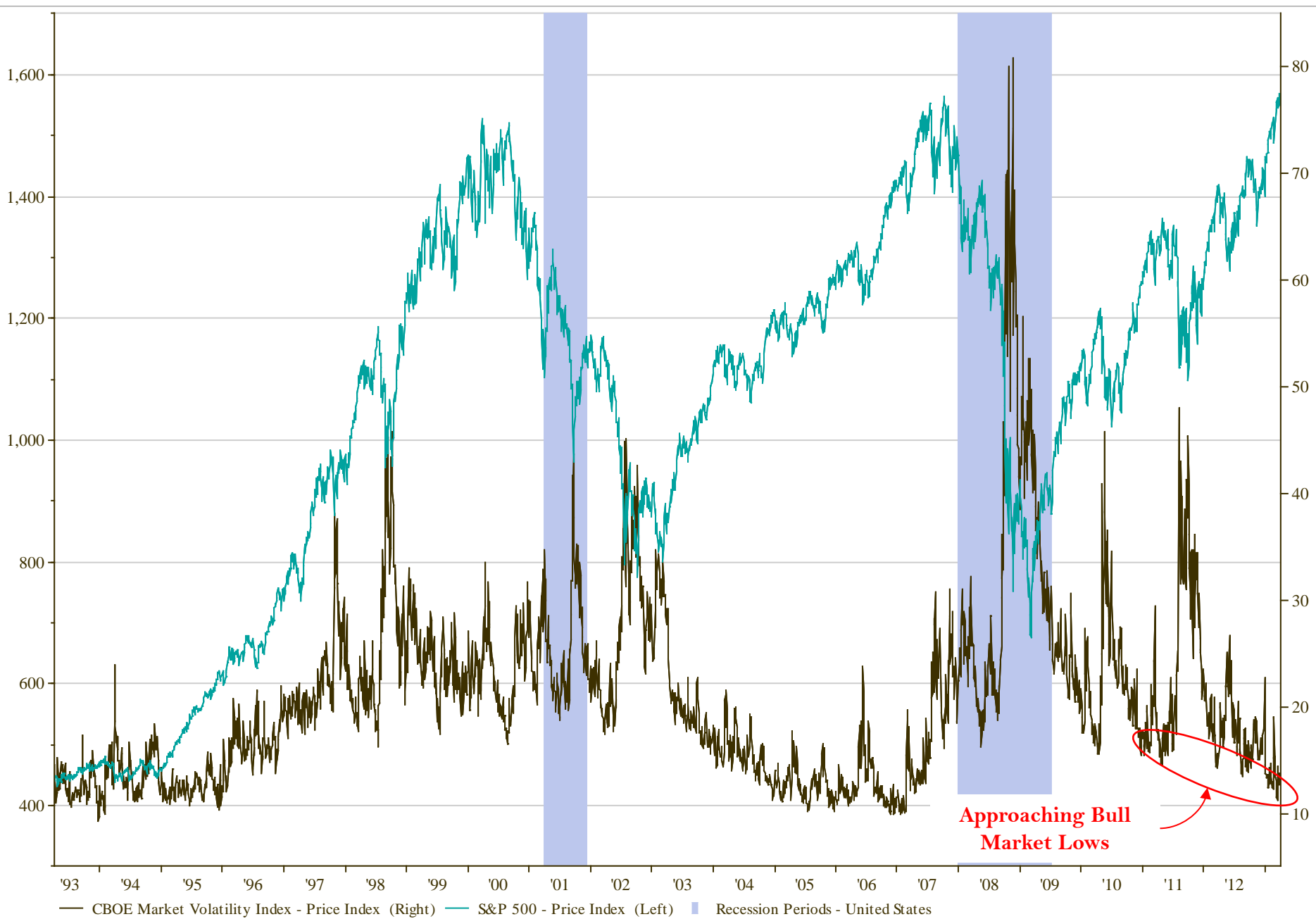
Performance Since Inception – June 15th, 2012*



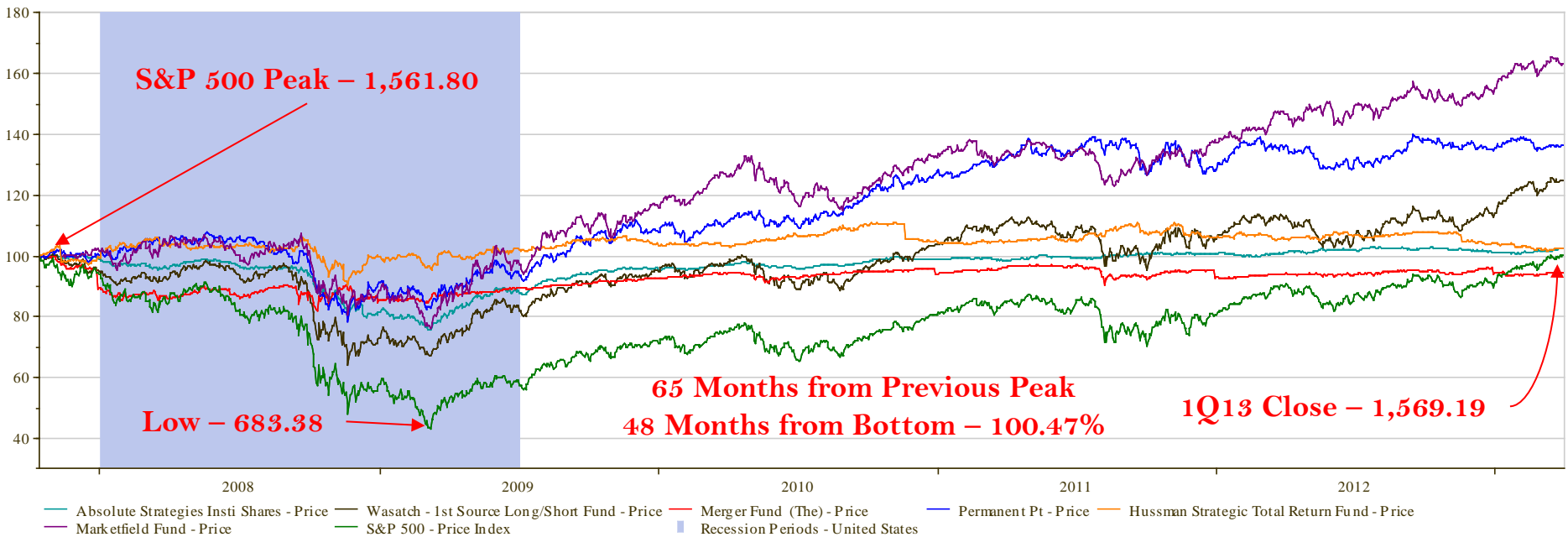
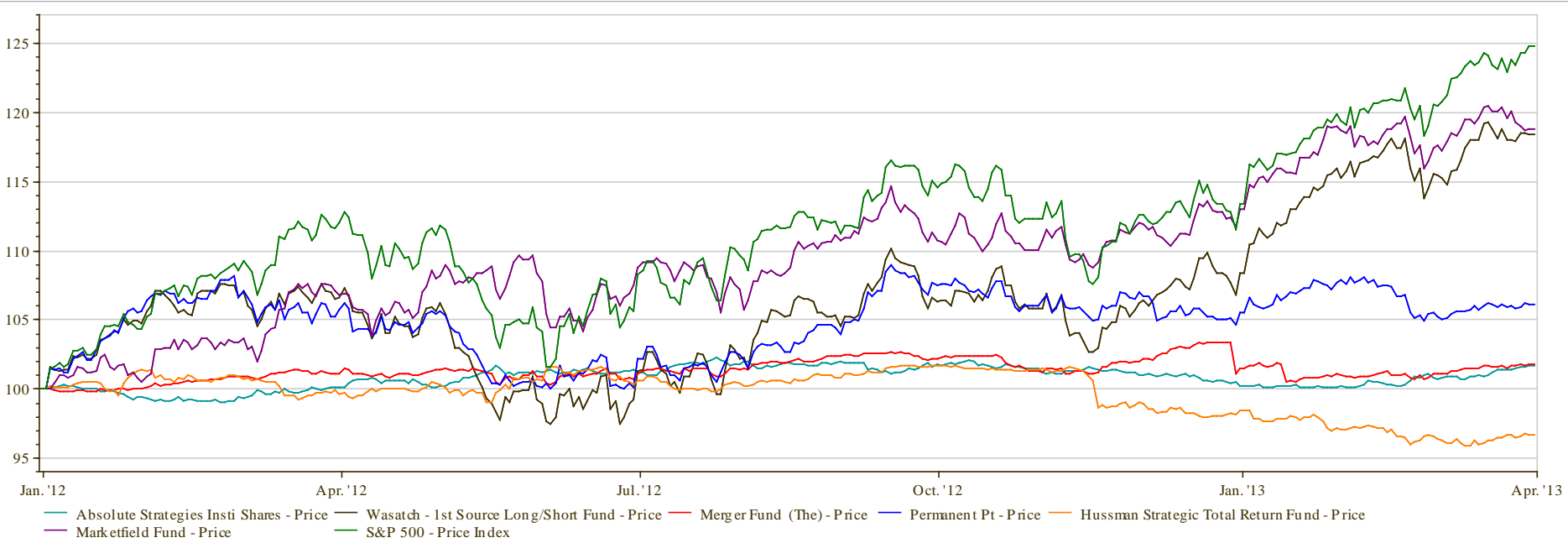
*These returns were sourced from Morningstar, Inc. and have not been audited. Past performance is not indicative of future performance. The above data is a simulation and does not represent client portfolio or composite performance.

Source: Morningstar®

Volatility



Hybrids – Insurance Sacrifices Outperformance



S&P 500 Flat

5% to +10%

Negative
(0% to 5%)

- ✓ Underweight Low-Quality
- ✓ Underweight Beta
- ✓ Overweight Large Cap
Defensives
- ✓ Overweight Dividend Growth
- ✓ Lowering International
Exposure
- ✓ Overweight Hybrids

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

Positive
(10% to 15%)

- ✓ Underweight Treasuries
- ✓ Add back to Small Cap
- ✓ Slight Increase in
Commodity & Energy
Exposure
- ✓ High Quality Industrials
- ✓ Overweight Technology

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

- Housing Recovery Stalls
- Debt Ceiling
- Unemployment Remains High
- Europe Takes Another Leg Down

- Unemployment trends below 7%
- QE Infinity
- GDP accelerates to 4%
- Emerging Markets rebound

Cautiously Optimistic



Daniele M. Donahoe, CFA

President & 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 in equity research, 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. In 2011, she passed Level I of the CAIA. Daniele was awarded the Charlotte Business Journal's Women in Business and 40 Under 40 Awards and serves on the Board of the NC CFA Society. She is a member of the Women's Impact Fund and the Women Executives (WE).

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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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