

Rinehart Wealth Management

Second Quarter 2013 Economic Overview

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Everything discussed in this webinar represents the opinions of Rinehart Wealth Management, and should not be construed as a suggestion to buy or sell any specific investment. Please consult a financial professional before making any investment decisions to ensure they are appropriate for your particular financial and personal circumstances.

August 6th, 2013

Rinehart Wealth Management
Greater Trust

Positive Indications

Europe Becoming “Less-Bad”



Increasing European Exposure
Across Portfolios

Monetary Policy Remains
Accommodative



Maintain Equity Exposure
Increase Allocation to Cyclicals

Economic Indicators Trending
Positive



Slight Overweight in Equities

Cash Still Remains on Sidelines



Tailwind for Equities

Negative Indications

Traditional “Safe-Haven”
Assets Exhibiting Volatility
Gold Fell **23%** in 2Q13



Continue to Avoid Direct Gold
Exposure, but Monitor Closely

Municipal Bond Market Hit by
Rising Rates & Default Fears



Sell Off Excessive
High-Yield Municipal Bonds
Attractive Again

Emerging Markets Exhibit
Slowing Growth



Monitoring Commodities and
Avoiding BRIC Countries
(Brazil, Russia, India, China)

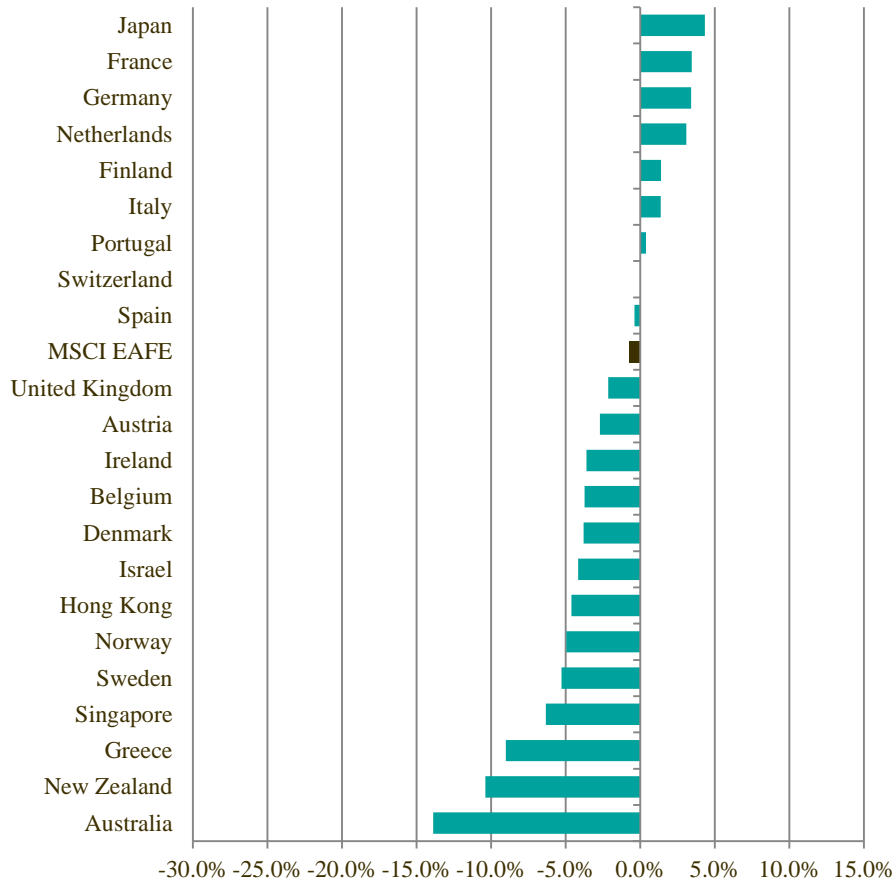
Political Discord Looming



Potential Increase in Volatility –
Overweight Hybrids

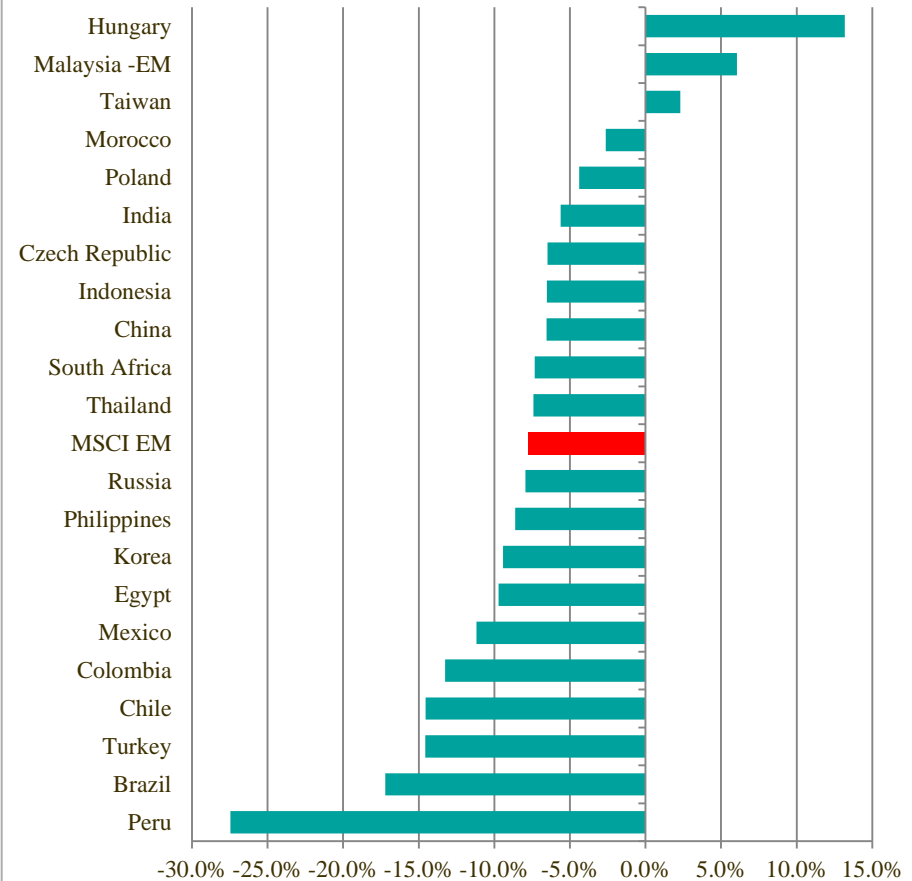
Around the Globe – International Breakdown of 2Q13

Developed Countries - 60% Allocation



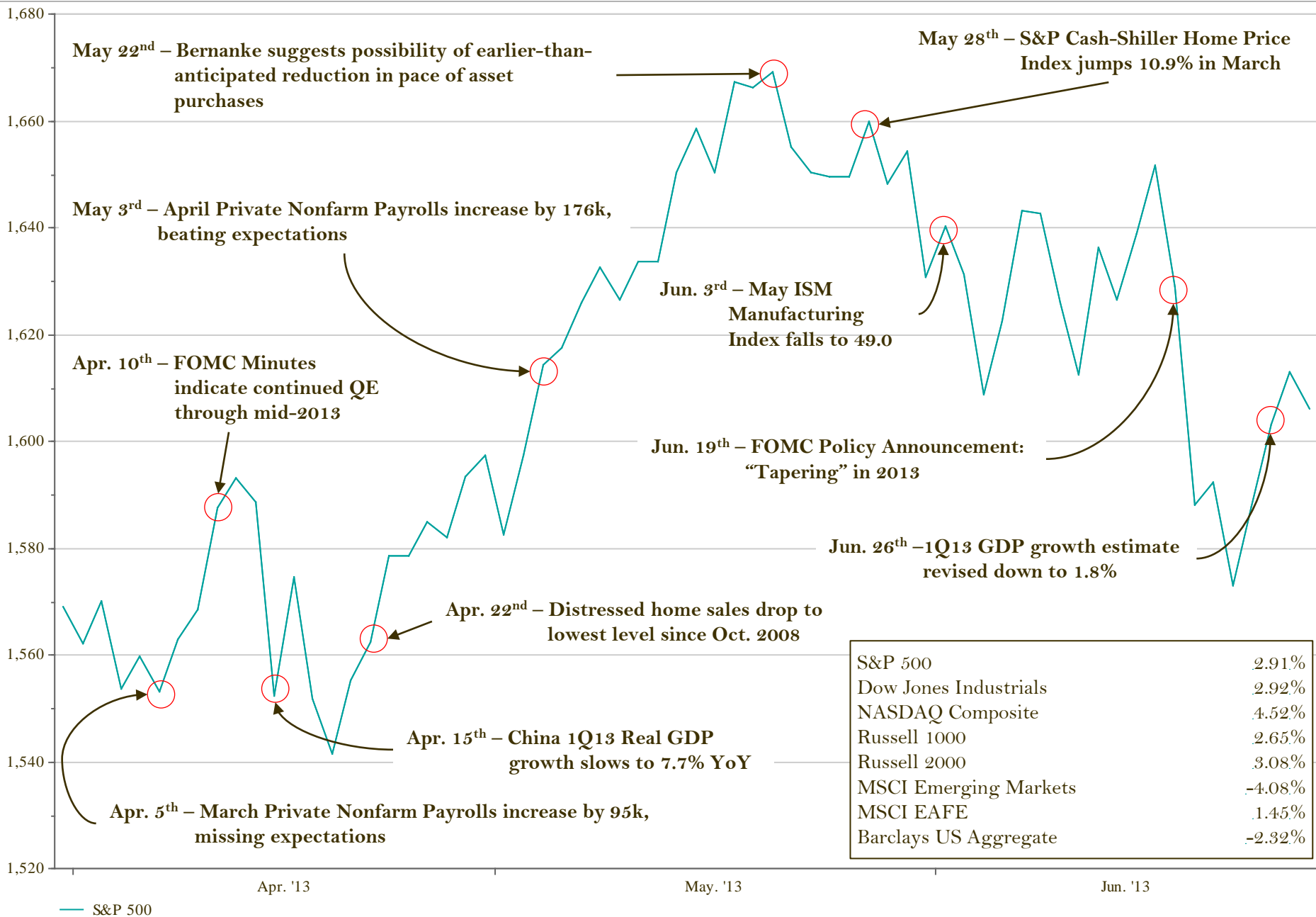
- For the 2nd Quarter in a row, Japan leads the index, fueled by the effects of “Abenomics”
- Commodity-intensive New Zealand & Australia lead on the downside
- Business & Consumer Confidence improving nicely in Germany & Italy, respectively

Emerging Market Countries - 40% Allocation



- Emerging Markets significantly underperformed due to commodity exposure, down **-9.4%** YTD vs. **+13.8%** for S&P 500
- Peru – Suffering from fiscal tightening
- Brazil – Brink of recession

S&P 500 Performance 2Q13

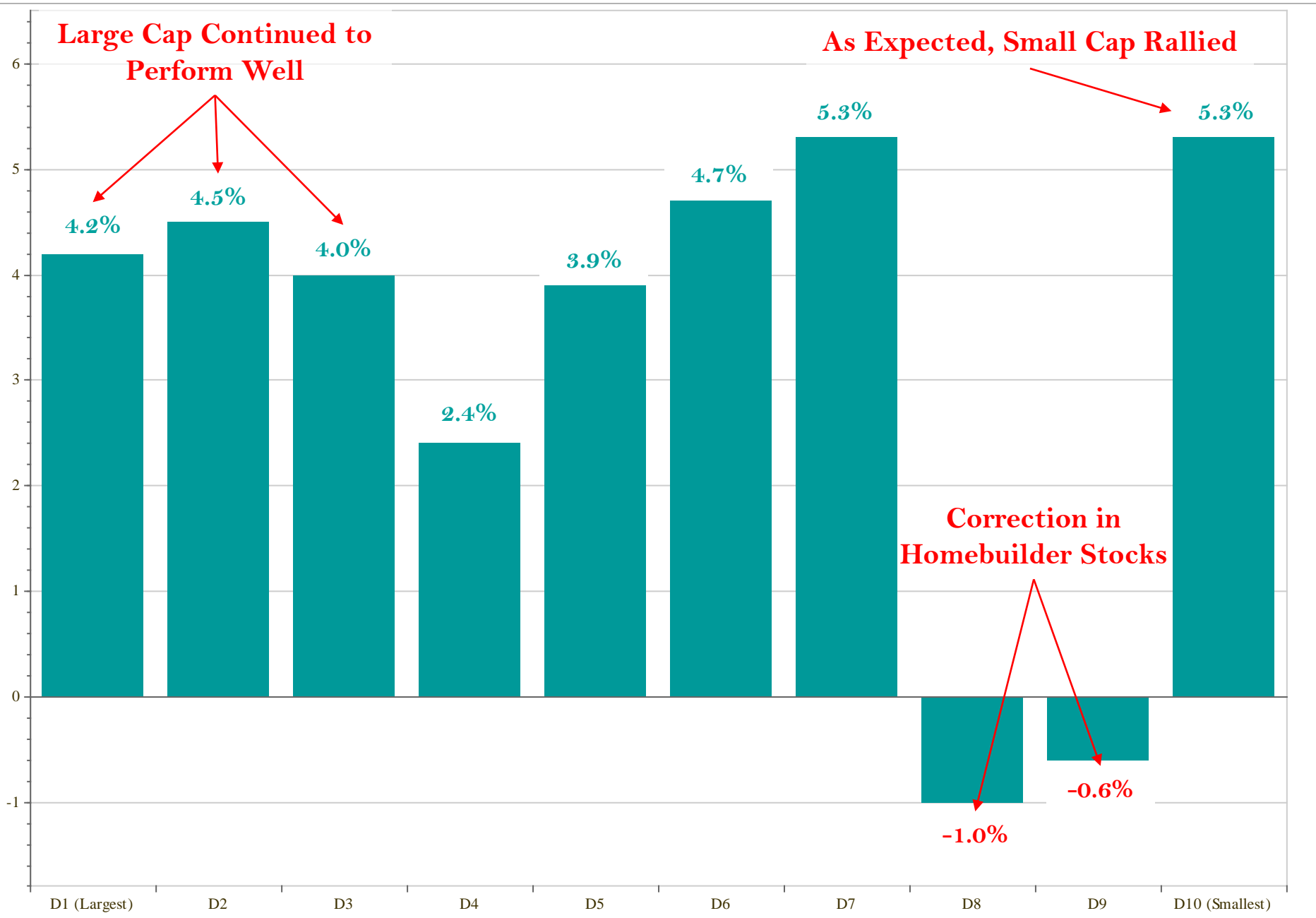


S&P 500 Sector Heat Map – Interest Rate Sensitivity Stings

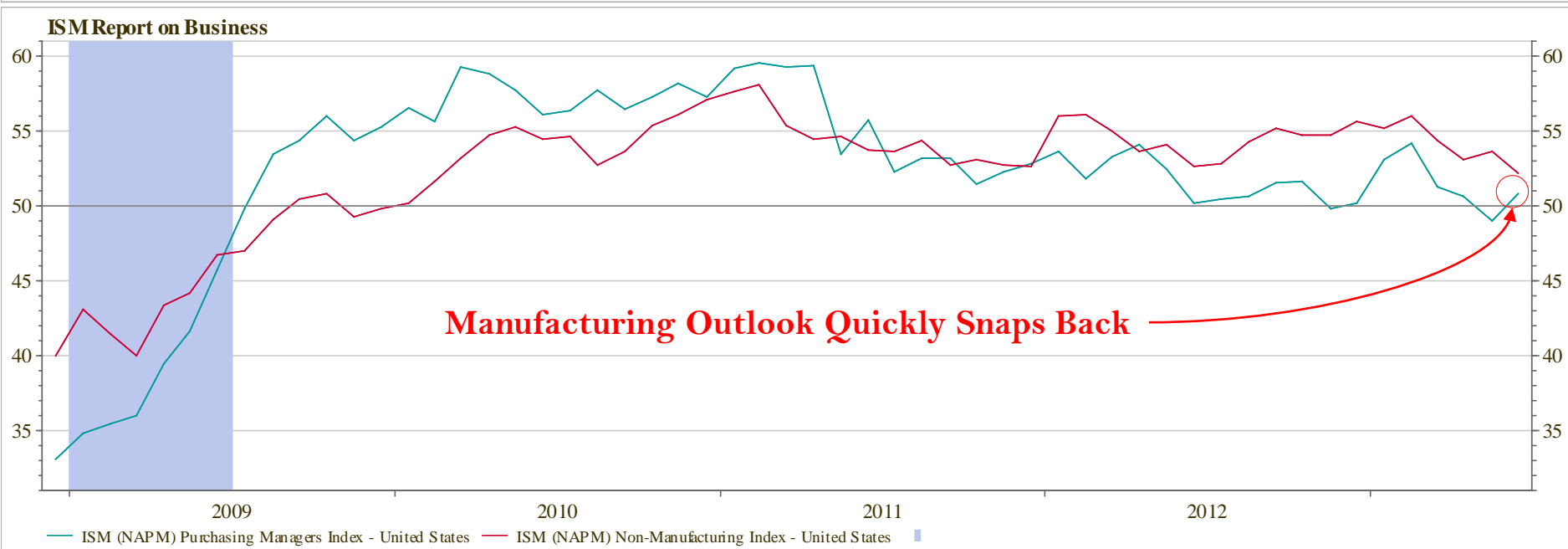
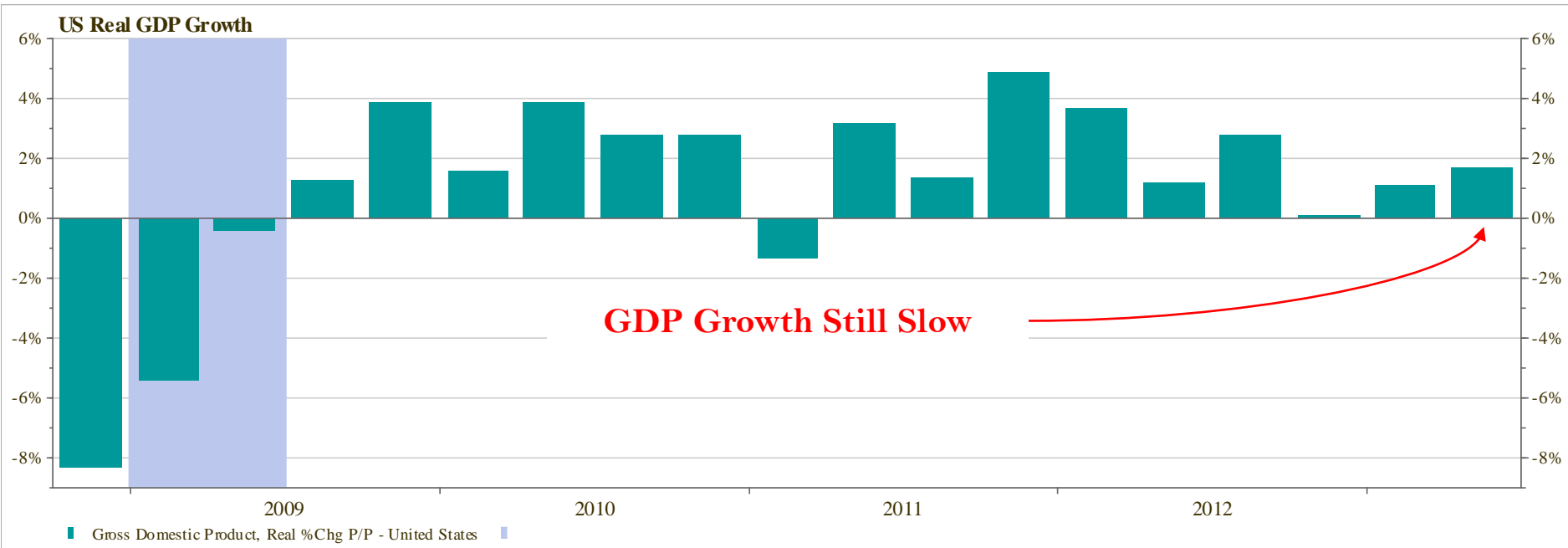
S&P Sector Total Returns						S&P Sector Trailing 3-Month Relative Performance												
Sectors	2010	2011	2012	1Q13	2Q13	7/31/12	8/31/12	9/28/12	10/31/12	11/30/12	12/31/12	1/31/13	2/28/13	3/29/13	4/30/13	5/31/13	6/28/13	
Defensives																		
Utilities	5.46%	19.91%	1.29%	9.93%	-2.73%	8.08%	-5.64%	-6.88%	-4.56%	-3.04%	-2.48%	-6.31%	-0.32%	2.42%	6.99%	-6.66%	-5.64%	
Telecom	18.97%	6.27%	18.31%	10.55%	1.00%	16.16%	1.69%	1.70%	-5.92%	-2.61%	-5.64%	-5.36%	-2.67%	-1.15%	6.25%	-5.77%	-1.91%	
Health Care	2.90%	12.73%	17.89%	20.26%	3.83%	3.83%	0.07%	-0.19%	1.77%	2.98%	0.45%	1.13%	1.06%	5.21%	3.70%	3.05%	0.92%	
Staples	14.11%	13.99%	10.76%	15.15%	0.50%	6.23%	-1.88%	-2.52%	-3.14%	0.67%	-1.37%	-1.54%	-0.71%	3.97%	4.42%	-2.53%	-2.41%	
Near Cyclicals																		
Energy	20.46%	4.72%	4.61%	9.77%	-0.37%	-0.34%	4.68%	3.79%	0.72%	-1.34%	-2.37%	-0.01%	1.15%	-0.43%	-5.69%	-4.62%	-3.28%	
Financials	12.13%	-17.06%	28.82%	19.50%	7.25%	-3.62%	0.66%	0.60%	5.87%	3.32%	6.30%	3.36%	4.82%	0.81%	0.89%	5.01%	4.34%	
Cyclicals																		
Technology	10.19%	2.41%	14.82%	6.35%	1.68%	-3.18%	1.36%	1.10%	-3.74%	-5.81%	-5.34%	-4.28%	-5.55%	-6.01%	-3.06%	-0.09%	-1.23%	
Discretionary	27.66%	6.13%	23.92%	19.79%	6.81%	-3.38%	-1.84%	1.10%	3.15%	3.58%	2.48%	2.86%	-0.15%	1.55%	2.11%	2.86%	3.90%	
Industrials	26.73%	-0.59%	15.35%	13.78%	2.81%	-1.32%	-2.27%	-2.73%	-0.35%	1.61%	4.08%	3.41%	3.49%	0.07%	-3.24%	-1.83%	-0.10%	
Materials	22.20%	-9.75%	14.97%	2.90%	-1.81%	-3.70%	-1.81%	-1.25%	1.16%	2.08%	3.06%	2.21%	-2.05%	-5.81%	-5.62%	-3.16%	-4.72%	
S&P 500	15.06%	2.11%	16.00%	13.82%	2.91%	-0.78%	7.94%	6.35%	2.96%	1.27%	-0.38%	6.75%	7.58%	10.61%	7.18%	8.22%	2.91%	

- Materials & Energy continue streak of underperformance due to deflationary pressures and excess supply concerns in Commodities
- Bright spots in the quarter were riskier sectors, such as Financials & Consumer Discretionary, where, unfortunately, we have had limited exposure
- Defensives, other than Health Care, broadly underperformed, with Utilities being hit by concerns over rising interest rates

S&P 500 Performance by Market Cap (Unweighted, 2Q13)

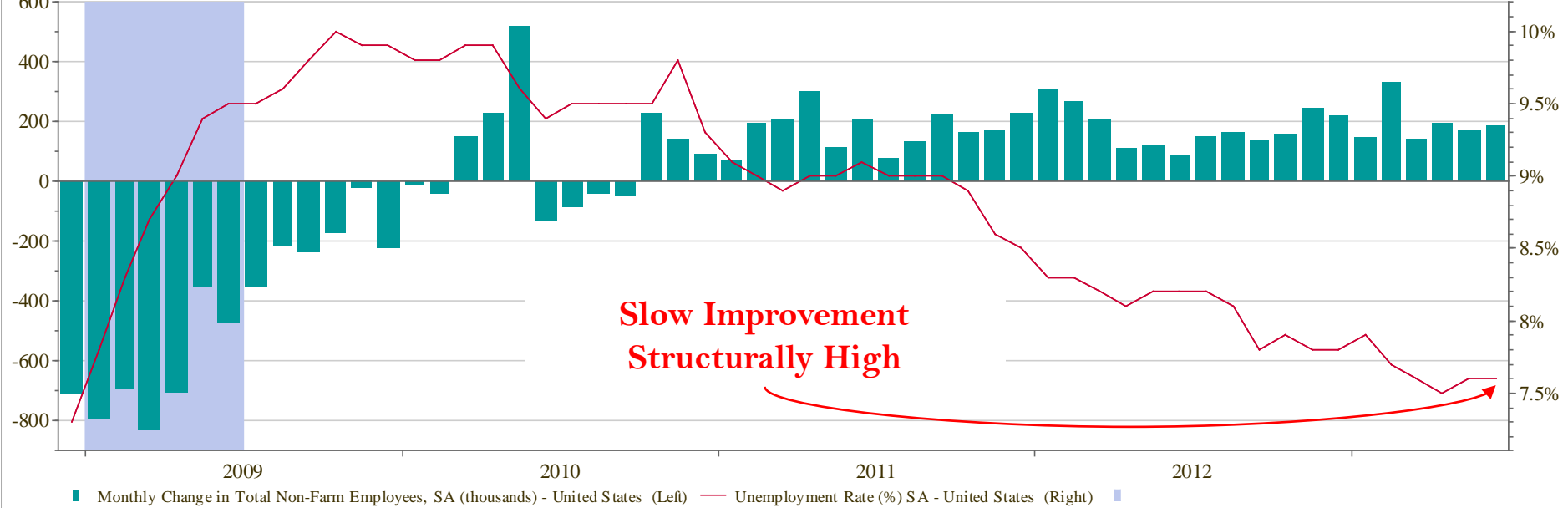


US Economic Snap Shot – 1.7% GDP Growth in 2Q13

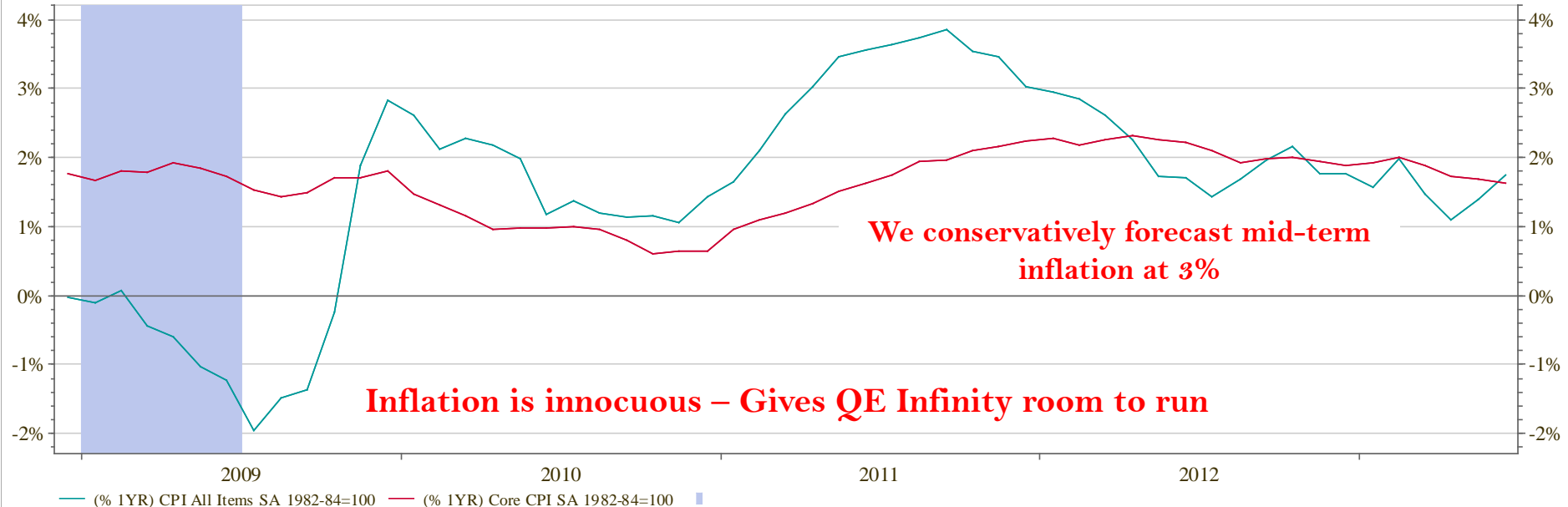


Unemployment & Inflation

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

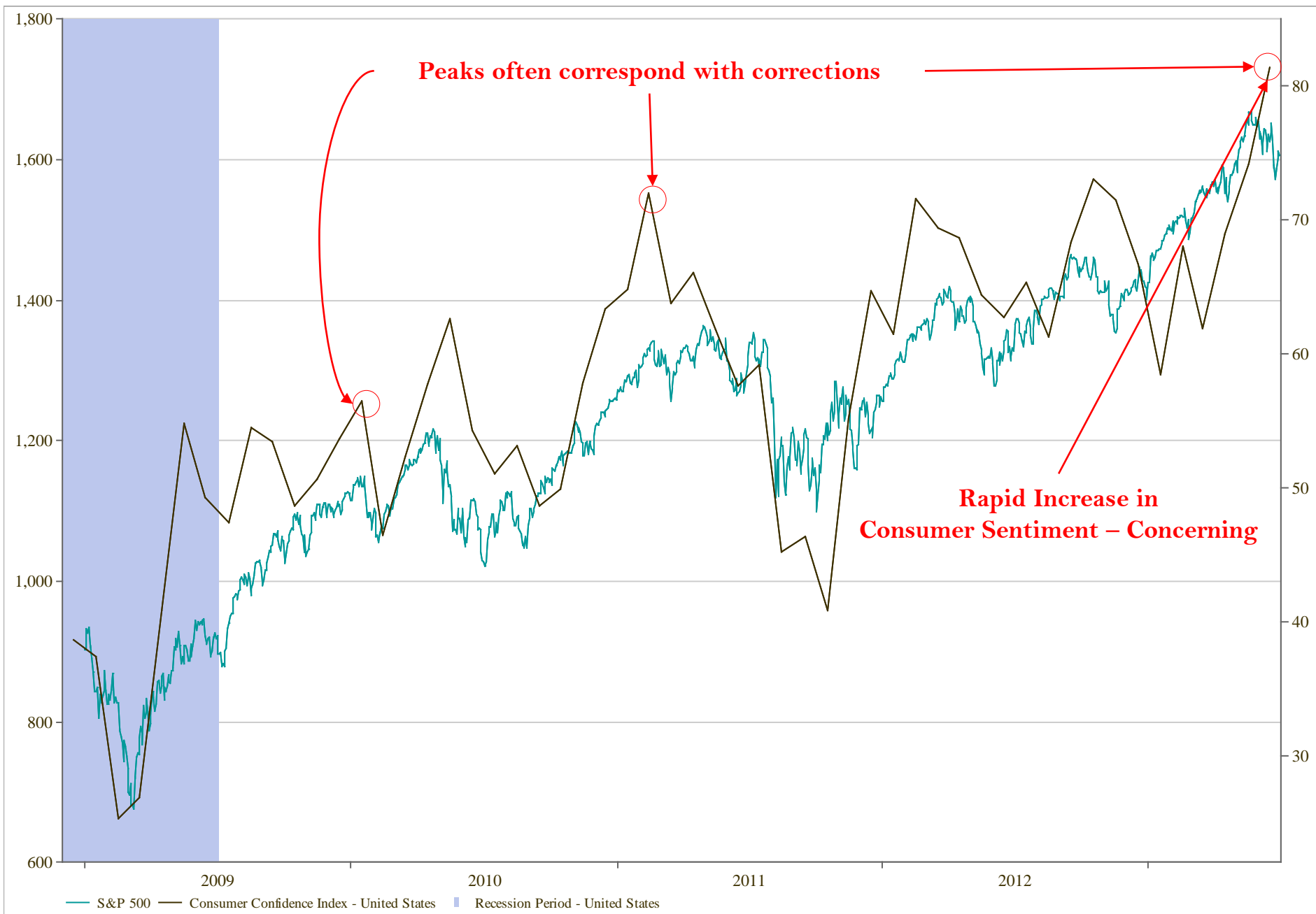
	Ultra		Conservative			
Risk Tolerance:	Conservative	Conservative	Balanced	Balanced	Growth	Aggressive Growth
Target Return:	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%

Portfolio Characteristics of Target Return Expectations

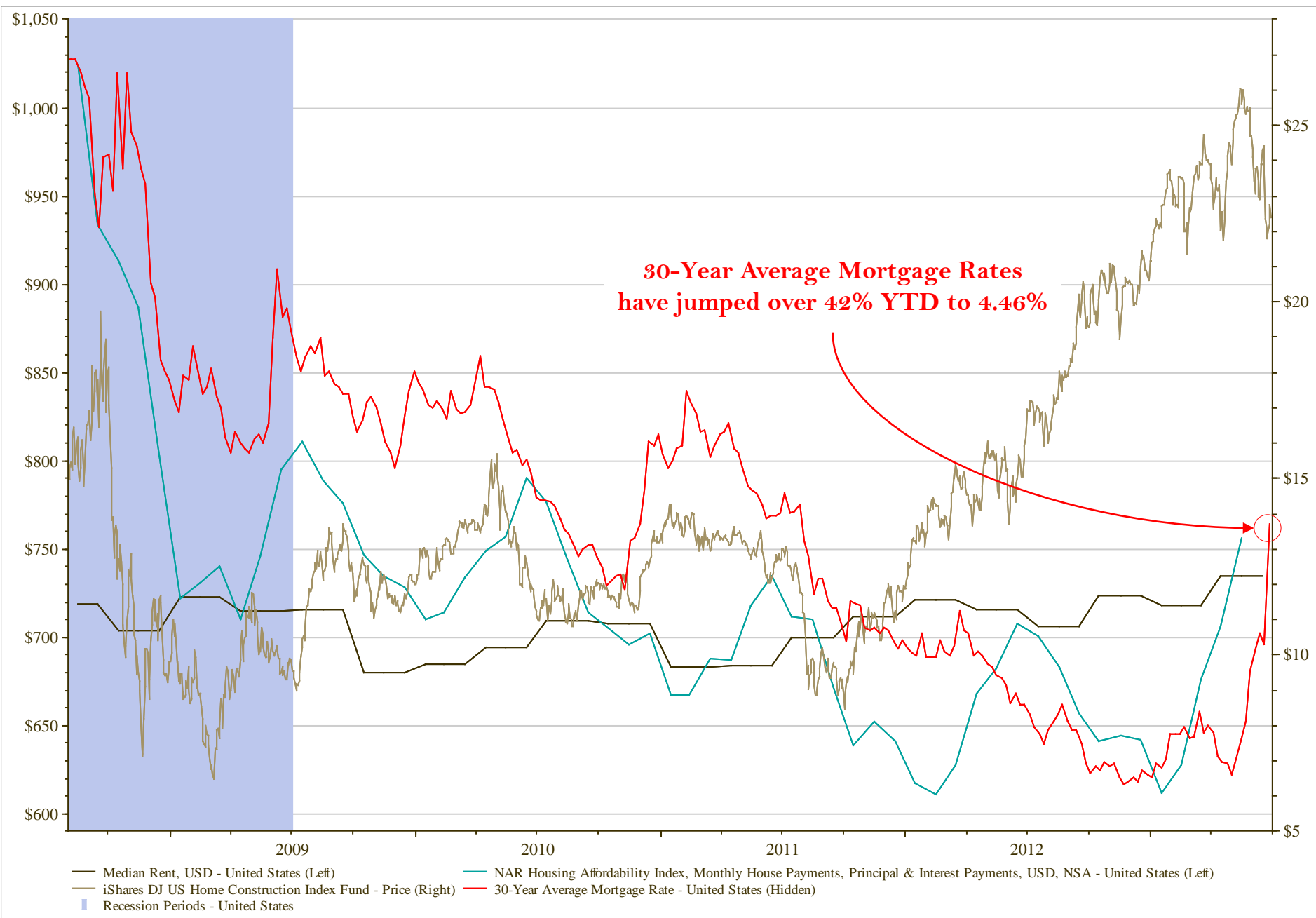
Asset Allocation	Principal Preservation	Inflation Protection	Growth	Beta (Market Risk)	Volatility	Interest Rate Exposure
Ultra Conservative	HIGH	LOW	LOW	LOW	LOW	HIGH
Conservative	HIGH	MODEST	LOW	LOW	LOW	HIGH
Conservative Balanced	MODEST	MODEST	MODEST	MODEST	MODEST	MODEST
Balanced	MODEST	HIGH	MODEST	MODEST	MODEST	MODEST
Growth	MODEST	HIGH	HIGH	MODEST	HIGH	LOW
Aggressive Growth	LOW	HIGH	HIGH	HIGH	HIGH	LOW

ULTRA CONSERVATIVE	➡	The primary goal of this portfolio is principal preservation with low inflation protection. This portfolio will have the most exposure to interest rates changes.
CONSERVATIVE	➡	The primary goal of this portfolio is principal preservation with modest inflation protection. This portfolio has modestly more exposure to equities than the ultra conservative asset allocation and thus the target should exceed inflation modestly.
CONSERVATIVE BALANCED	➡	The primary goal of this portfolio is modest principal preservation with modest inflation protection and a secondary goal of modest growth in excess of inflation. The increased equity exposure should result in incremental but controlled volatility.
BALANCED	➡	The primary goal of this portfolio is modest principal preservation with inflation protection and a secondary goal of modest growth in excess of inflation. The increased equity exposure will result in more day-to-day volatility and direct exposure to GDP growth and market cyclicality.
GROWTH	➡	The primary goal of this portfolio is growth with the secondary goal of principal preservation. The considerable equity exposure should result in higher long-term, inflation-adjusted returns at the expense of volatility mitigation. This portfolio will have considerable exposure to the market cycle and the inherent volatility.
AGGRESSIVE GROWTH	➡	The primary goal of this portfolio is high growth. The majority of performance will be directly tied to the market cycle and the associated volatility. This portfolio will exhibit significant volatility but should return superior inflation-adjusted returns over the long-term

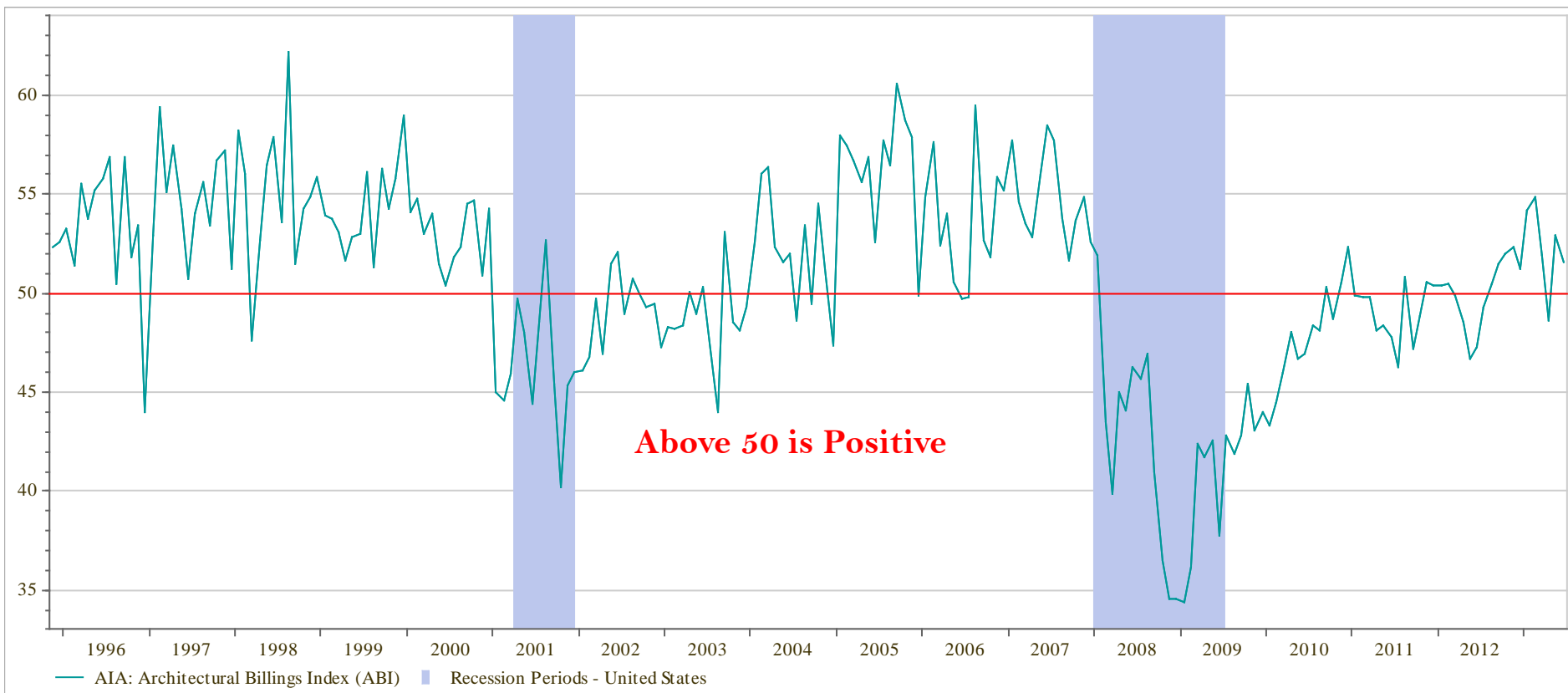
Consumer Confidence



Housing

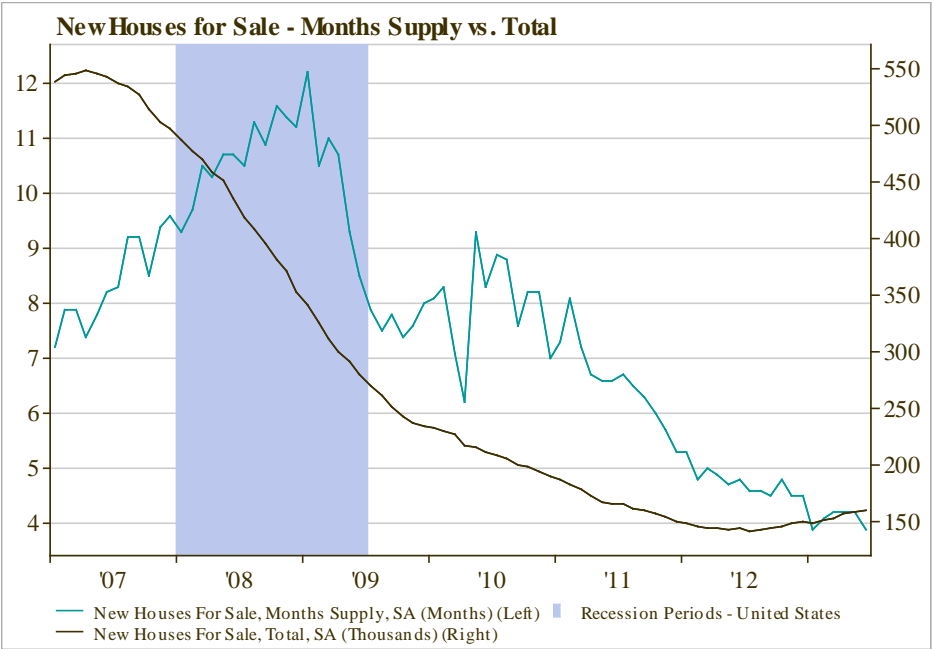
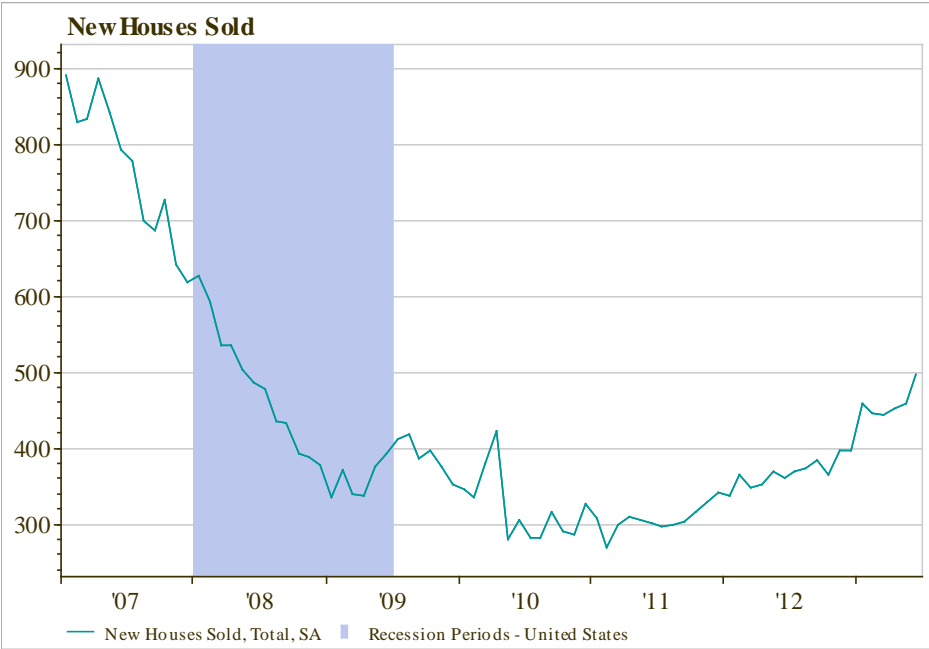


Commercial Real Estate

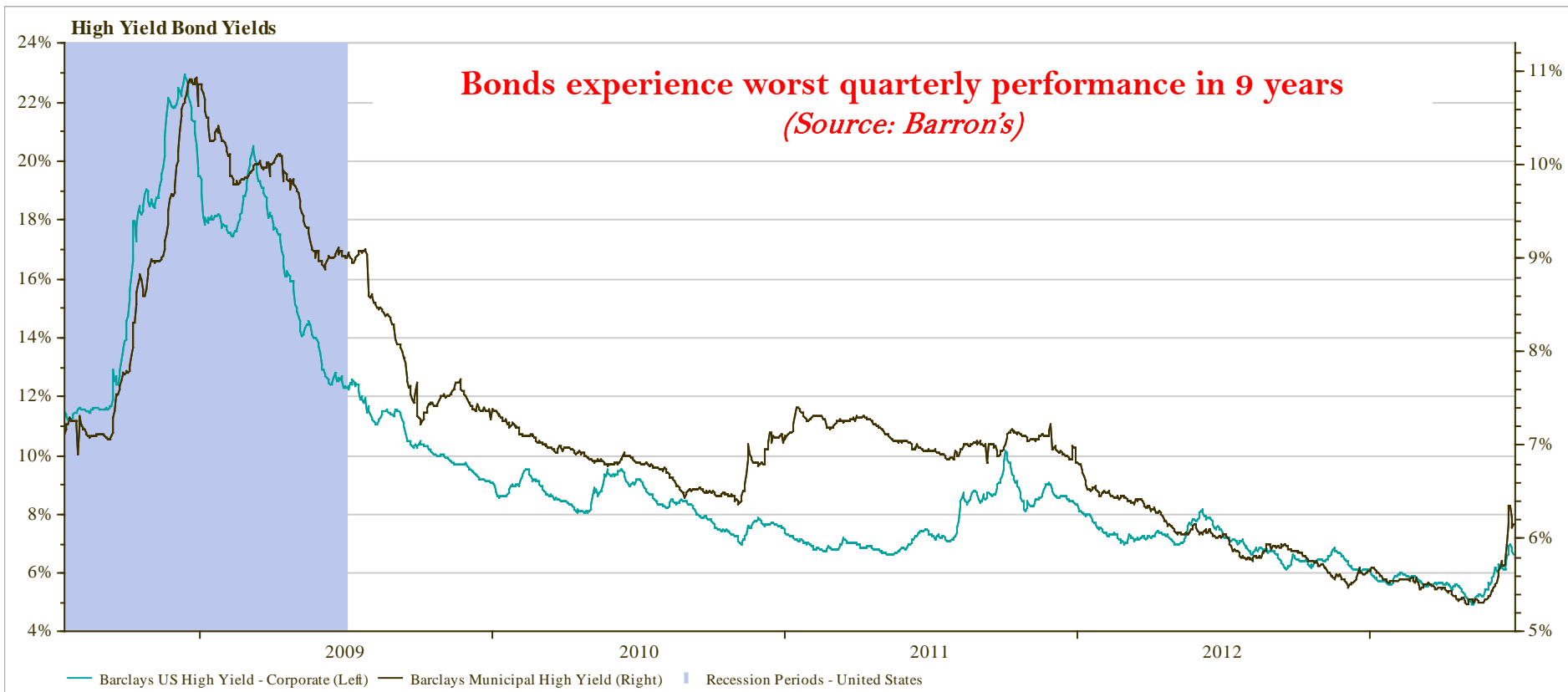


- Architecture Billings Index (ABI) – Indicates an upcoming pick-up in commercial construction
 - Commercial Real Estate recoveries lag Housing recoveries
 - Regional Bank Exposure – Great way to play an improvement in commercial real estate
 - ✓ SPDR S&P Regional Banking ETF (KRE) was up **+6.57%** during 2Q13 and up **+21.13%** YTD
- Non-residential Fixed Investment as a percentage of GDP is at a 50-year low (*Source: Barron's*)

Housing Recovery Continues

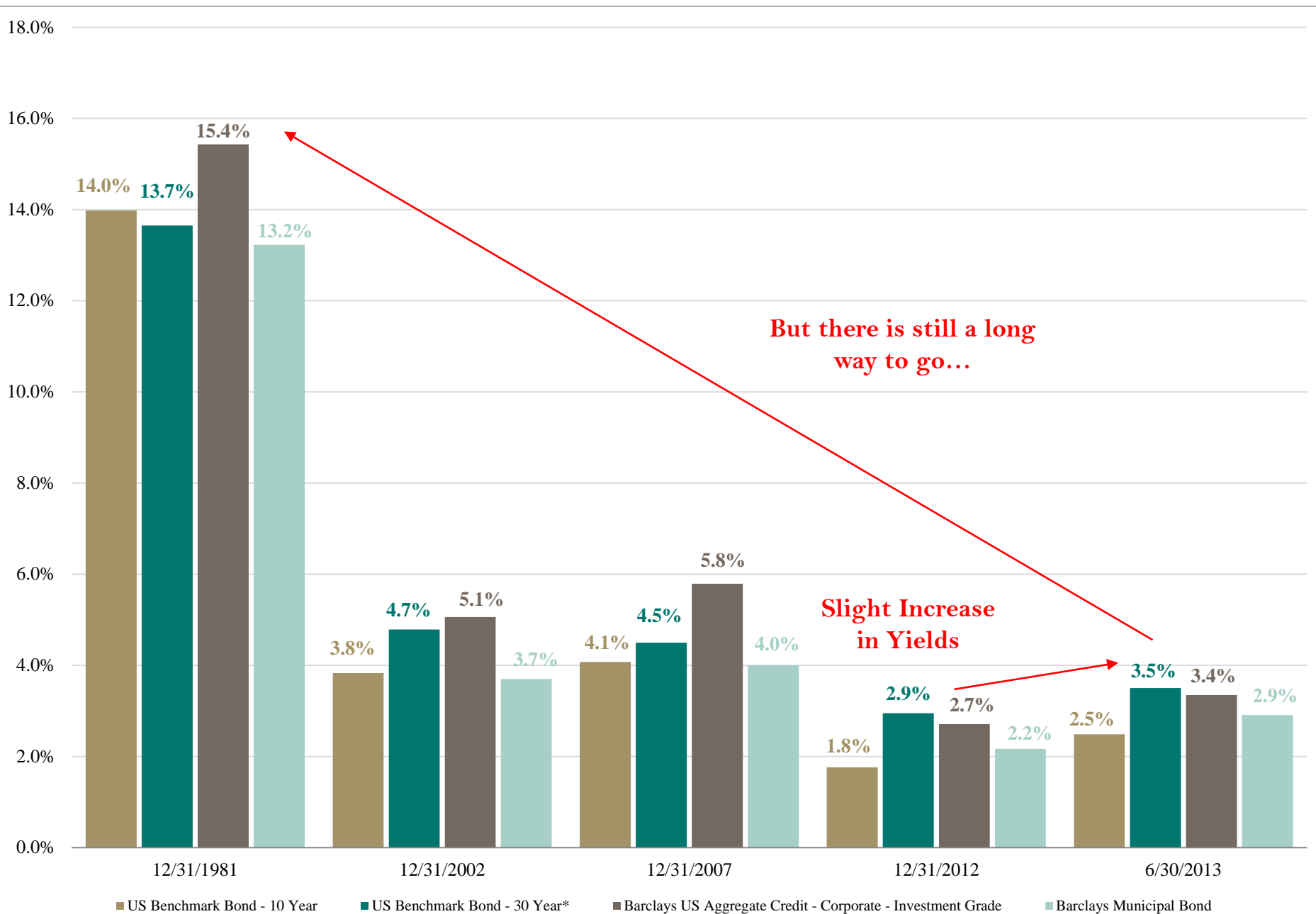


Fixed Income = Nowhere to Hide in 2Q13



- After hitting a record \$350 billion in 2012 (Source: *Wall Street Journal*), we became concerned & began reducing high-yield bond exposure
- In 2Q13, we saw spreads widen and rates jump 70 bps to 6.16%
- Barclays Municipal High Yield Index underperformed Barclays US Aggregate Bond Index by over **200 bps** (Based on Price Returns of Indexes)

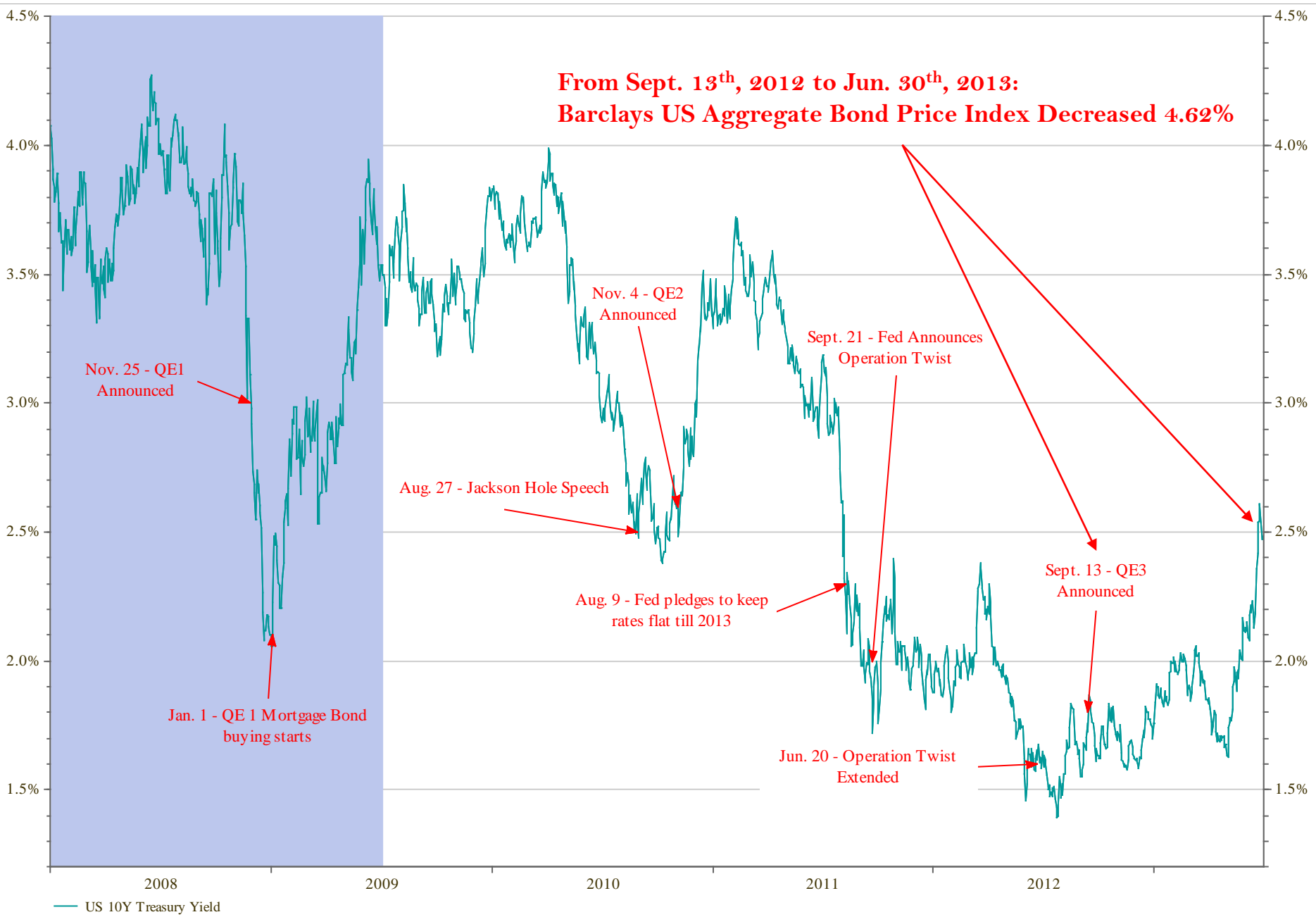
Yield: Its Not What It Used to Be



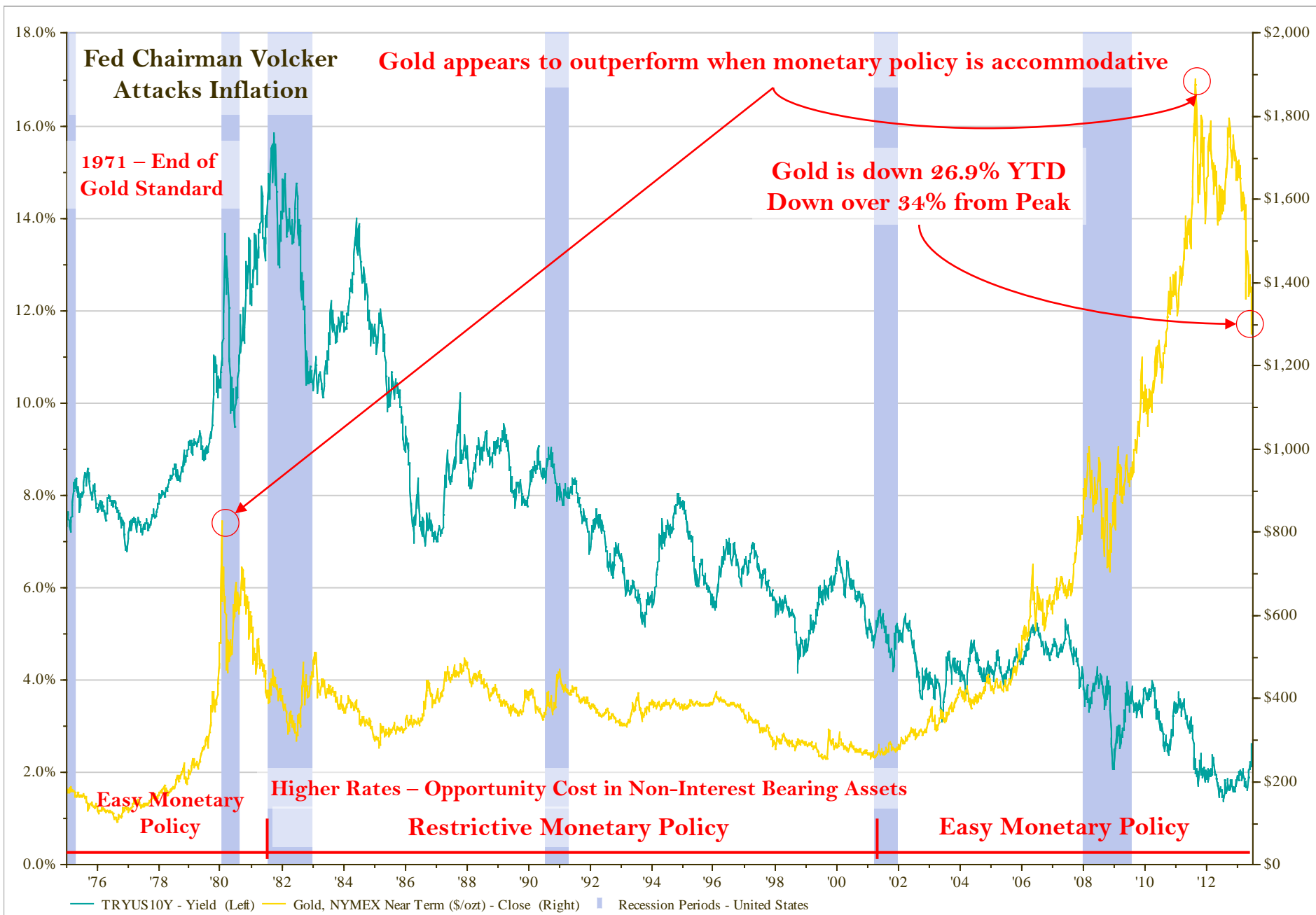
Monetary Policy – QE “To Infinity & Beyond”



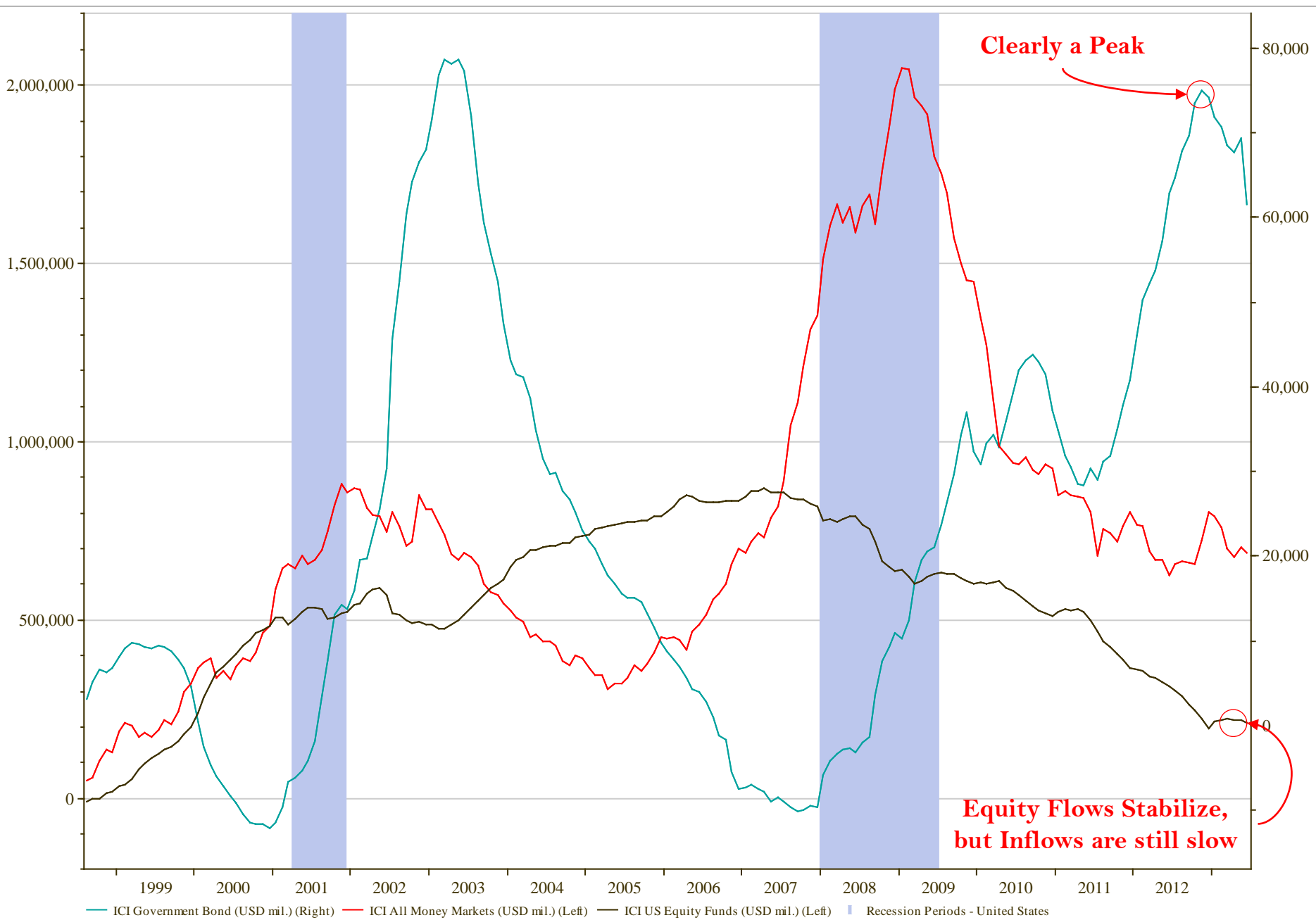
Monetary Policy: Treasury Yields Suddenly Expand in 2Q13



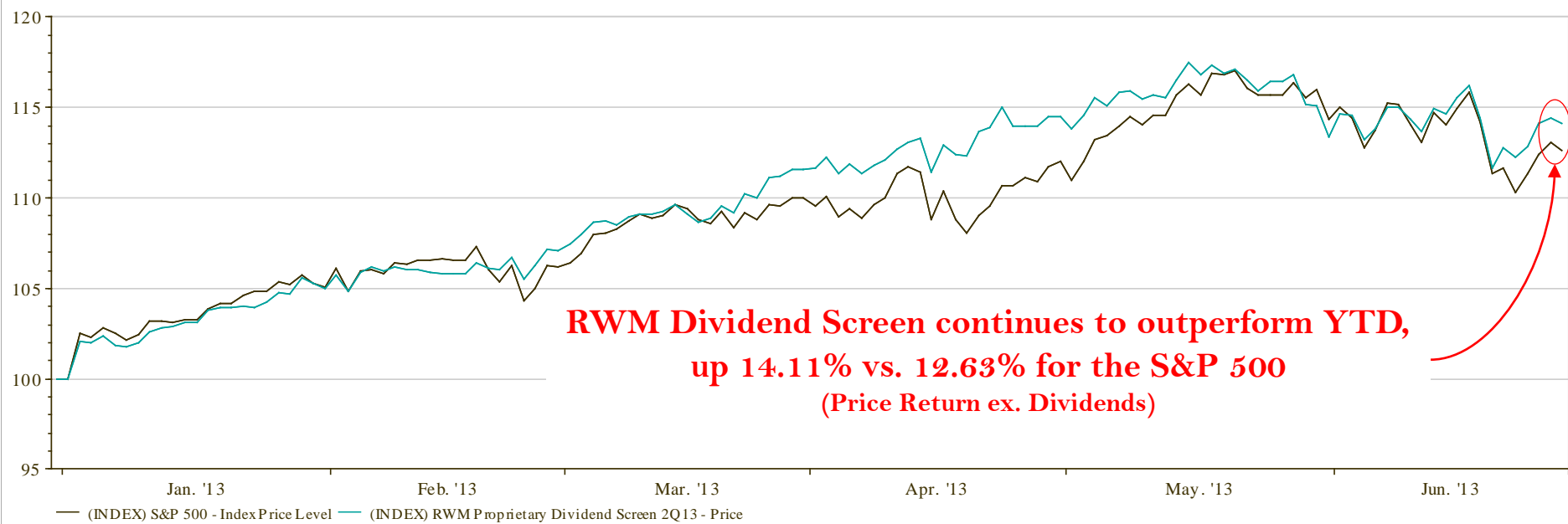
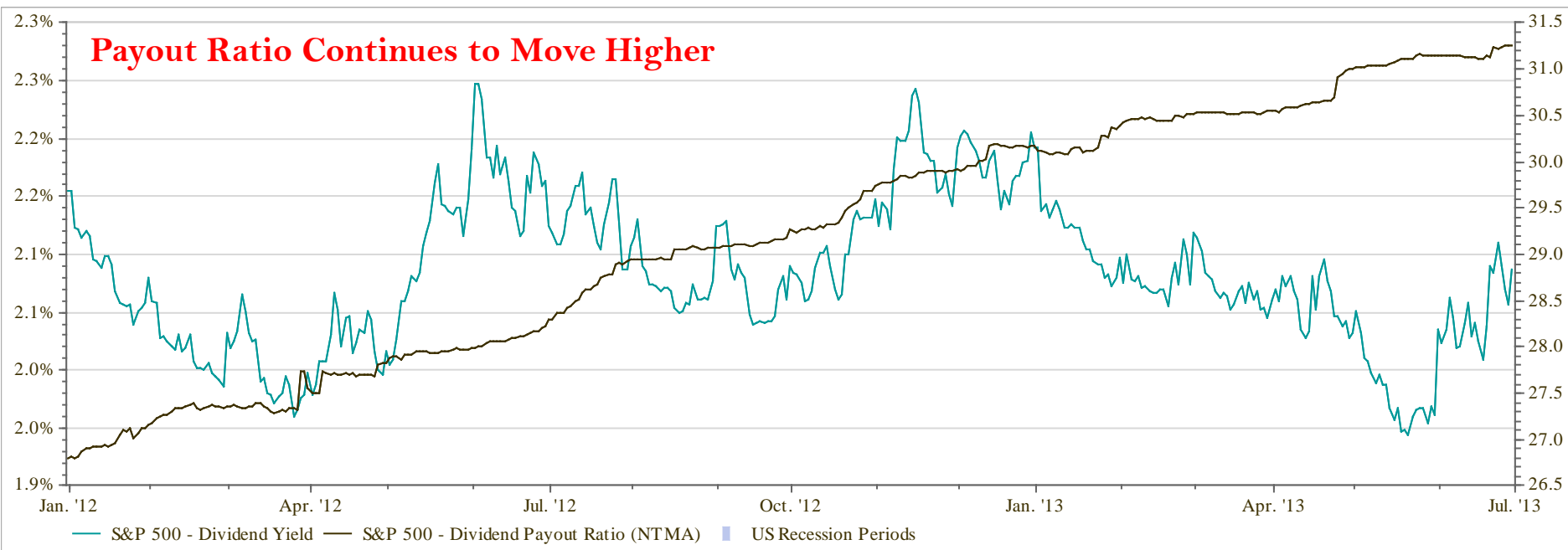
Monetary Policy – What Happens to Gold when Rates Rise?



Fund Flows



Dividends



RWM “Core 20” Tracker: 1-Year Anniversary*

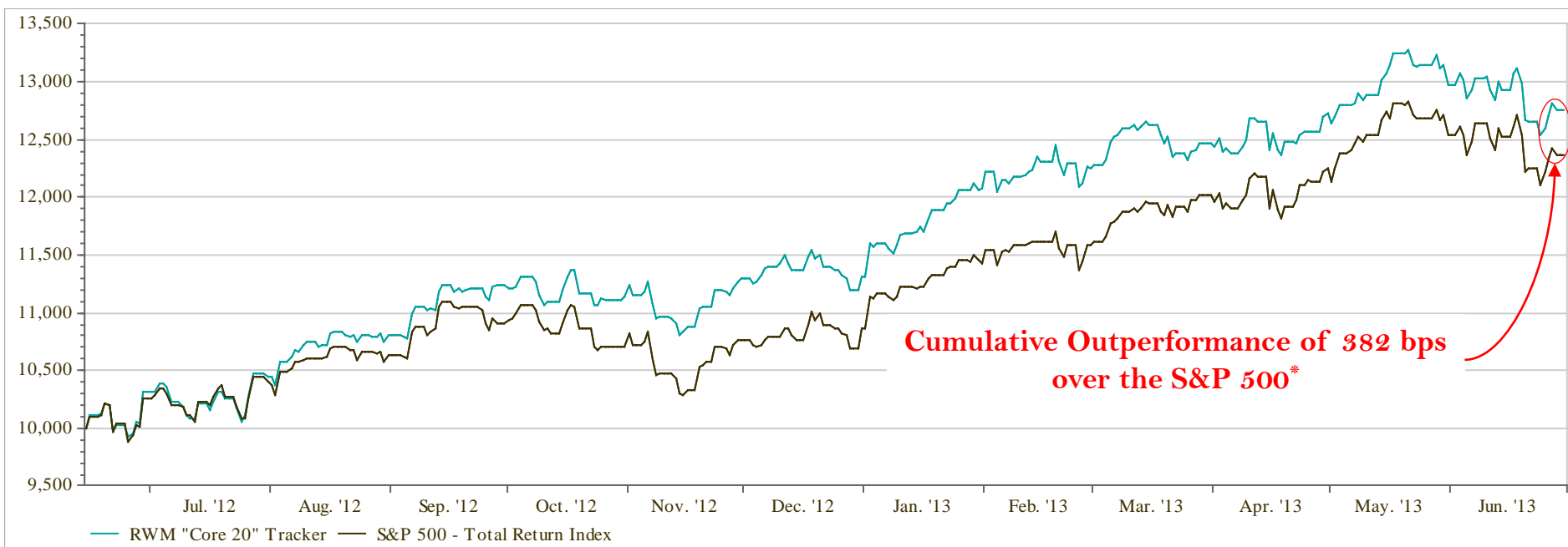
Quality

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

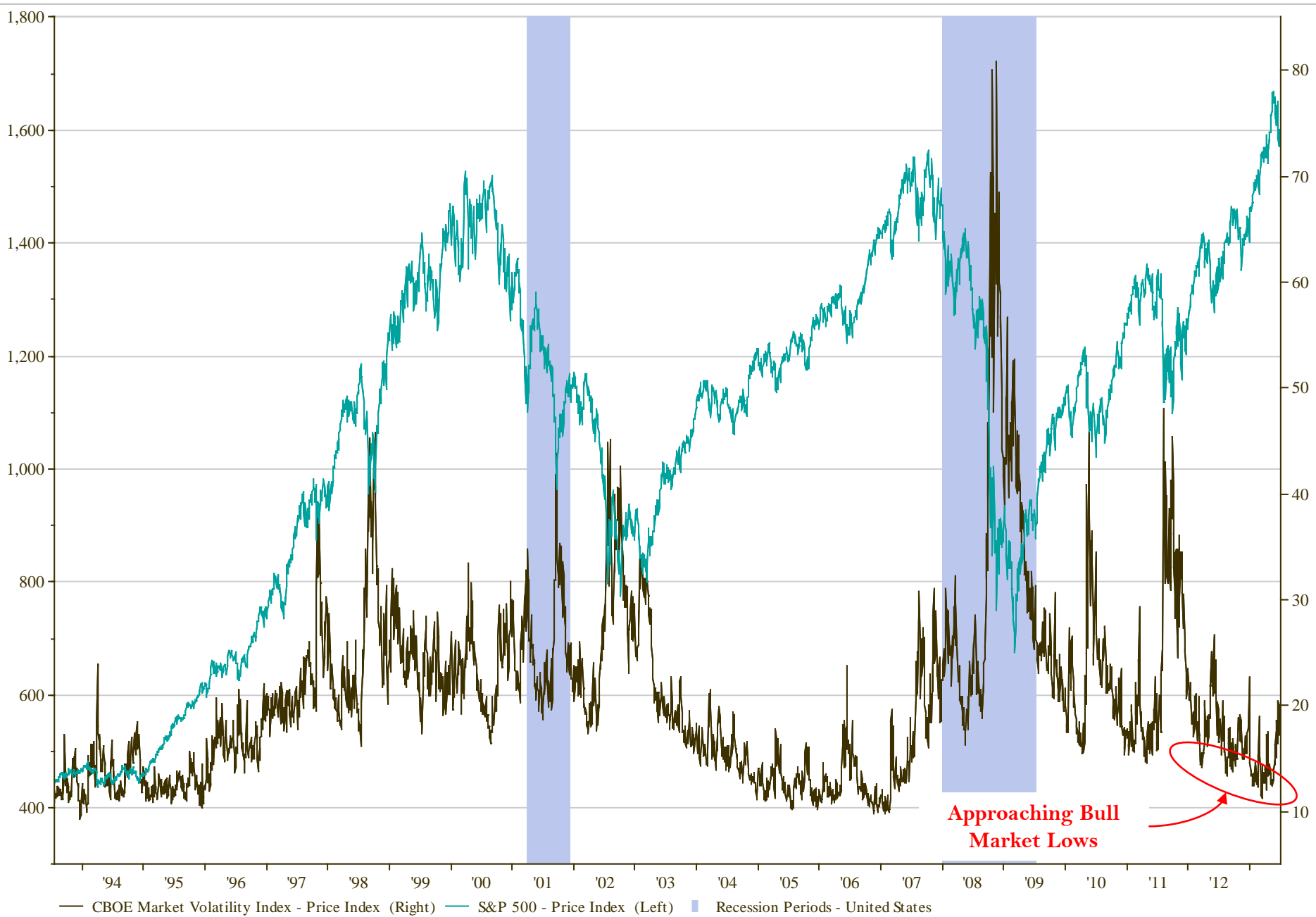
Performance Since Inception – June 15th, 2012*



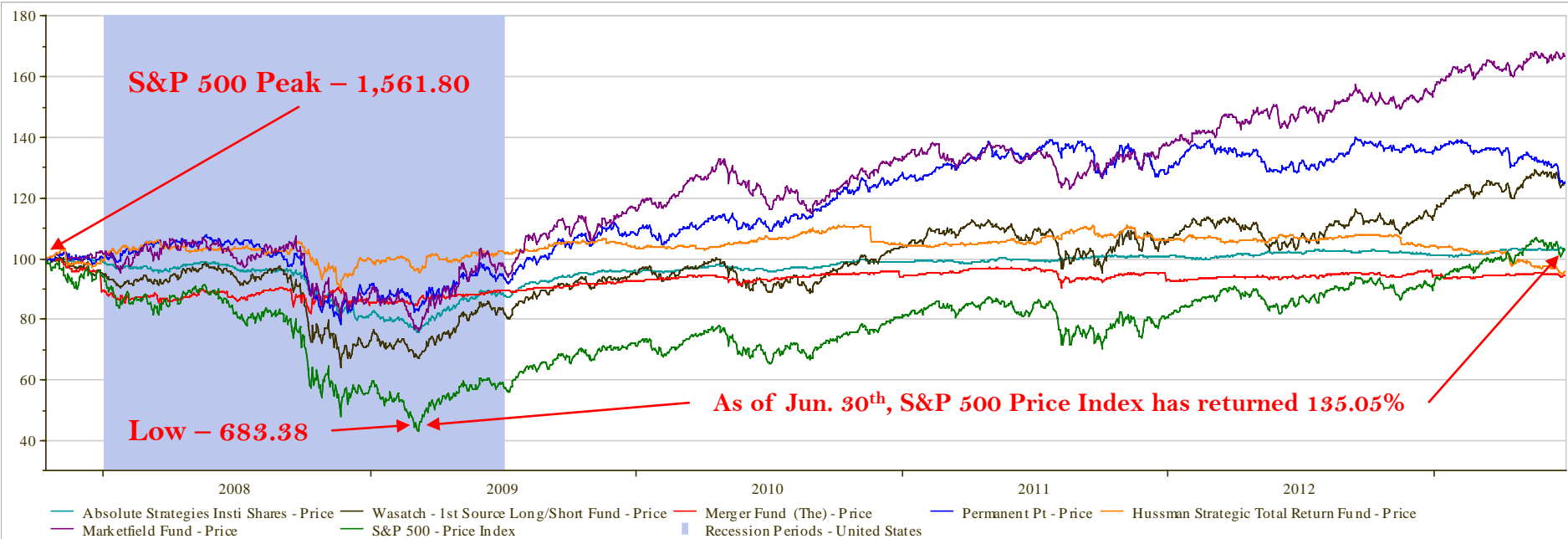
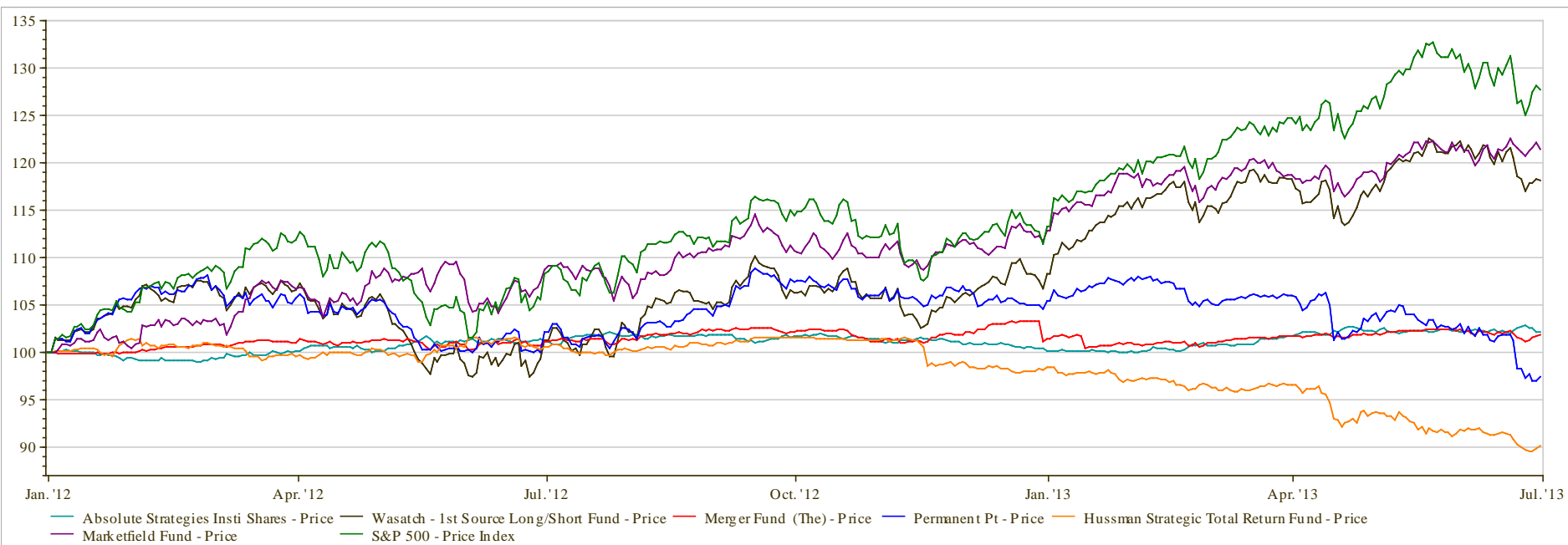
*The performance shown represents model performance and does not reflect actual investments. Please refer to RWM “Core 20” Tracker Performance Disclosure Language at the end of this presentation

Source: Morningstar®

Volatility



Hybrids – Insurance Sacrifices Outperformance



S&P 500

5% to +10%

Negative
(0% to 5%)

- ✓ Underweight Low-Quality
- ✓ Underweight Beta
- ✓ Overweight Large Cap
Defensives
- ✓ Overweight Dividend Growth
- ✓ 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
- ✓ International Back to
Neutral – Emerging
Markets Opportunistic

- ✓ 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
- Rates Rise too quickly

- Unemployment trends below 7% quickly
- QE Infinity Extended
- 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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Michael Elliott Van Ness

Senior Research Associate

Elliott joined our firm as a Research Associate in March 2010 and is now the Senior Research Associate. In this role, he works directly with and provides ongoing support to the entire Investment Team. He is responsible for the coordination, management, and organization of the firm's in-house proprietary investment research. Elliott provides extensive macro- and microeconomic updates and analysis in addition to conducting in-depth equity research and fundamental analysis. Along with Elliott's investment and economic research responsibilities, he also organizes firm-wide trade recommendations and individual client trade order executions.

Elliott is a graduate of Davidson College where he earned a Bachelor of Arts in French and a minor in Economics. While at Davidson, Elliott served as Secretary of his fraternity, Sigma Alpha Epsilon, and was a French tutor his senior year. He also studied abroad in Paris and Tours, France and is fluent in French. Elliott is a member of Young ACG in Charlotte, a membership class of the Association for Corporate Growth (ACG®). Elliott successfully passed the Level II CFA exam and is currently a Level III CFA Candidate.

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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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RWM “Core 20” Tracker Performance Disclosure Language

IMPORTANT DISCLOSURES

The performance shown represents model performance and does not reflect actual investments.

The Model. The performance information above highlights the performance of the RWM “Core 20” Tracker Model (the “Model”) for the period of July 2012 to March 2013 (the “Period”). The Model reflects the [**Core 20 Strategy**] managed by Rinehart Wealth Management (the “Adviser”). This strategy includes the proprietary screening of large and mid-cap stocks that the Adviser believes may exhibit one or more of the following characteristics: high barriers to entry for competitors, high return on invested capital, defensive characteristics in volatile markets, propensity to grow dividends, and/or growth at a reasonable price. The Model does not use leverage. The performance results shown assume reinvestment of all income and are shown gross of advisory fees. Returns were calculated using a time-weighted rate of return, and accrual accounting was used for all dividend income. The performance results do not reflect the deduction of trading costs (e.g., commissions), but assume the reinvestment of dividends. All portfolio positions were valued using prices reported by Morningstar, Inc.

Model Limitations. The performance shown does not represent actual trading, but represents the results of a hypothetical portfolio managed by Adviser using the Model’s investment strategy discussed above. The results are subject to limitations inherent in the use of models, including, without limitation, that the results: (i) do not reflect the potential adverse impact of additions, distributions and redemptions in an account; (ii) do not reflect the potential adverse effects of delays in implementation of investment recommendations due to market conditions, administrative difficulties, or limited trading liquidity; and (iii) do not reflect deviations from the Model strategy for individual accounts due to individual investment objectives, financial circumstances, tax considerations, liquidity needs or other issues. As a result of the foregoing, the Model’s performance may have been different had the Adviser been managing an actual portfolio during the Period, and individual investor performance may have deviated from the Model results shown.

Index Comparison. The performance of the S&P 500 ® Index is presented along with the performance of the Model for comparative purposes. The S&P 500 ® Index is an unmanaged, readily available, carefully constructed, market-value-weighted benchmark of common stock performance from Standard & Poors. Market-value-weighted means that the weight of each stock in the index, for a given month, is proportionate to its market capitalization (price times the number of shares outstanding) at the beginning of that month. Currently, the S&P 500 ® Index includes 500 of the largest stocks (in terms of stock market value) in the United States. The S&P 500 ® Index assumes that any cash distributions, such as dividends, are reinvested. It is not possible to invest in the S&P 500 ® Index, which is unmanaged and does not incur fees and charges.

Other Information. Past performance is not necessarily indicative of future results. All investments are subject to risk, and investing in accordance with the Model, like all investments, may lose money. The Model is representative of an investment strategy and style used by the Adviser and such style may not be suitable for each potential investor. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be considered as an offer to buy or sell any financial instruments. Additional information regarding policies for calculating and reporting returns is available upon request.