Rinehart Wealth Management

Fourth Quarter 2011 Economic Overview

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Rinehart Wealth Management
Greater Trust

Positive Indications

- **Baby Boomers need for Income will Drive Demand for Yield**

Overweight Large Cap, High-Yield, and Munis

- ✓ Screen for companies likely to grow dividends
- ✓ Look for low payout rates

- **Constructive Employment Data**
  - ✓ Lower unemployment suggests economic recovery
  - ✓ Expiration of 2011 Tax Break to write-off 100% of investments could lead business to spend more on hiring in 2012

Overweight High-Quality Defensive Sectors

- **Dividend Growth should continue**
  - ✓ Payout rates are low at under 30% versus average of 53% (*Source: Barron's*)

Overweight Companies likely to Increase Dividends

- **Housing Data is Improving**
  - ✓ Both commercial and residential Construction are showing signs of potential improvement

Equal Weigh Domestic and International Equities

- ✓ Equities will do well if unemployment improves due to a pick up in construction jobs

Negative Indications

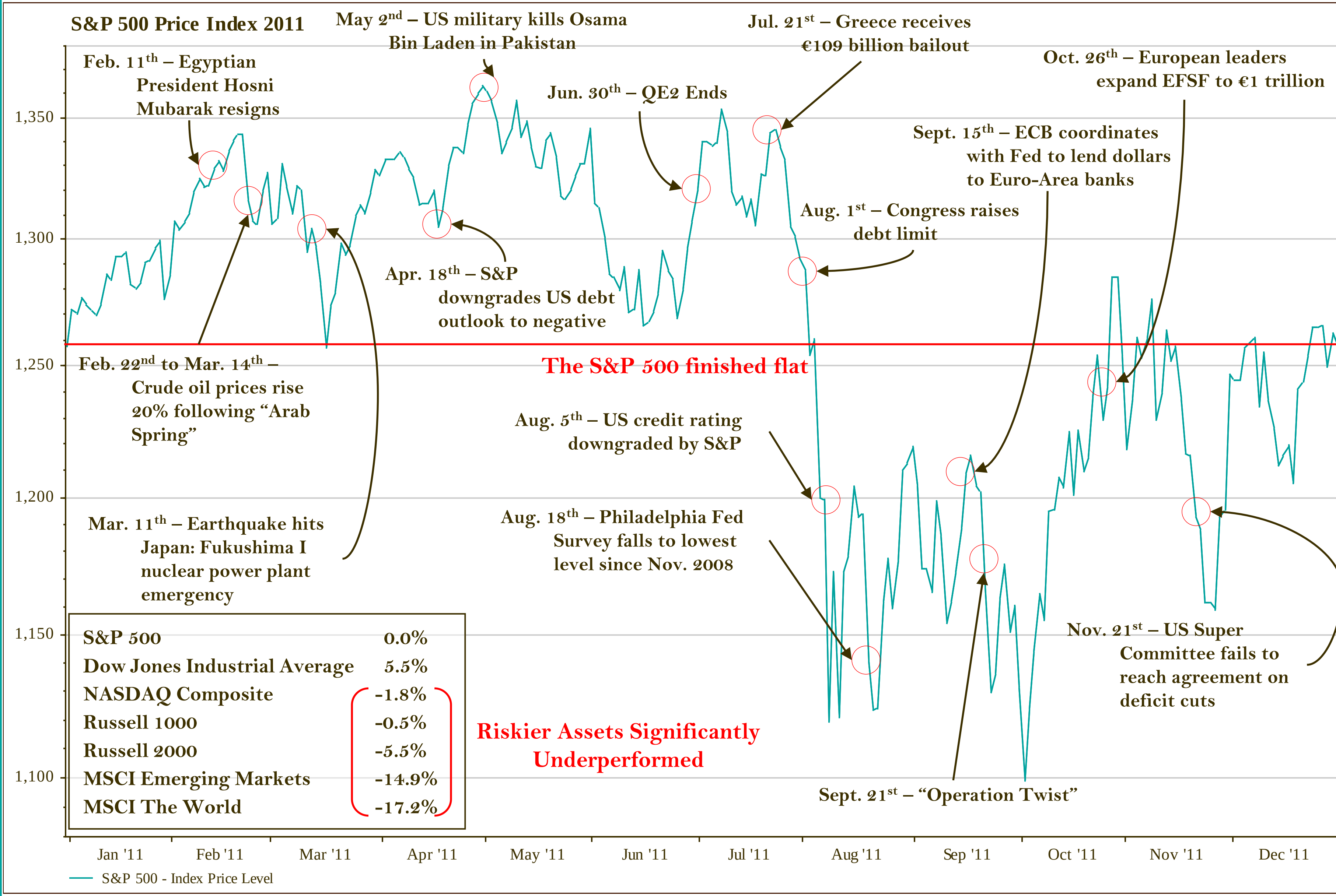
- **Interest Rates are Abnormally Low** → **Underweight Treasuries**; **Overweight Hybrids**
  - ✓ Short-term, high-quality debt instruments appear overvalued
  - ✓ Expectation that rates will move higher eventually

- **Political Gridlock Hampering Fiscal Policy** → **Overweight High-Quality Equities & Hybrids**
  - ✓ Monetary Policy appears increasingly less effective
  - ✓ High-quality tends to outperform in times of uncertainty

- **61% of Active Managers Underperformed their Benchmark** → **Utilize more ETFs vs Mutual Funds in Large Cap & Mid Cap**

- **High Debt Levels are a Secular Headwind** → **Underweight Risky Assets**
  - ✓ Government benefits are still a high percentage of personal income
  - ✓ Hyper-cyclicals, low-quality, highly-levered and high-beta

Shocking Volatility Results in Flat Performance in 2011



Source: FactSet Research Systems, Inc. - Rinehart Wealth Management

Moving to Neutral → Conflicting Market Signals

Asset Class	Investment Opinion
Cash	**Underweight:** We recommend a small cash balance for distributions, fees, and opportunistic buying. Cash yields are negligible, we recommend keeping cash at a low level.
Fixed Income	**Neutral:** We recommend a core weighting in Fixed Income to dampen volatility; however, we are underweight Treasuries. Yields are unsustainably low and should creep up if inflation manifests. Right now, inflation is contained. As bond yields creep up, bond portfolios will suffer. To help combat bond portfolio erosion, we recommend actively managed products, international bond exposure, municipal bonds, and intermediate-term bonds. Although a rate hike is not on the near-term horizon, longer-term rates should move up.
Hybrid	**Overweight:** We believe that exposure to these alternative asset classes can accentuate return, reduce risk, and mitigate volatility. Our Hybrid category contains hedge funds, utilities, real estate, and hard assets; these asset classes perform differently than a core portfolio allocation. Overweight Hybrids in an attempt to hedge inflation while controlling volatility and offset portfolio exposure to interest rate fluctuations.
Domestic Equity	**Neutral:** Within Domestic Equity, we are overweight Large Cap stocks with the potential to increase dividend payouts. Equity valuations are very attractive and equities are under-owned. We are cautious of the sudden run up so far this year but feel valuations are attractive relative to Treasuries.
International Equity	**Neutral:** Superior growth and continued financing of the developed world's debt should result in the Emerging Markets category capturing a larger piece of the world index. The Emerging Market asset class has sold off dramatically. Given the solid balance sheets, attractive valuations, and superior growth, Emerging Markets should recover. We currently suggest 30-40% of a portfolio's international exposure be dedicated to Emerging Markets. We like certain high-quality Japanese equities.

Recent Sector Performance → Over the Long-Term, Slow & Steady Pays

Near-Term Performance

S&P 500 Sector Total Return Performance					
Sectors	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**2011**
Defensives					
Utilities	2.74%	6.14%	**1.55%**	8.28%	**19.91%**
Telecom	4.85%	2.11%	-8.01%	**7.90%**	6.27%
Health Care	5.62%	**7.87%**	-10.02%	9.96%	12.73%
Staples	**2.52%**	5.25%	-4.19%	10.26%	13.99%
Near Cyclicals					
Energy	**16.80%**	-4.63%	-20.46%	**18.20%**	4.72%
Financials	3.04%	**-5.92%**	-22.80%	10.82%	**-17.06%**
Cyclicals					
Technology	3.47%	-1.37%	-7.70%	8.72%	2.41%
Discretionary	4.71%	3.45%	-12.98%	12.58%	6.13%
Industrials	8.75%	-0.67%	-21.02%	16.52%	-0.59%
Materials	4.54%	-0.88%	**-24.52%**	15.39%	-9.75%
S&P 500	5.92%	0.10%	-13.87%	11.82%	2.11%

Long-Term Performance

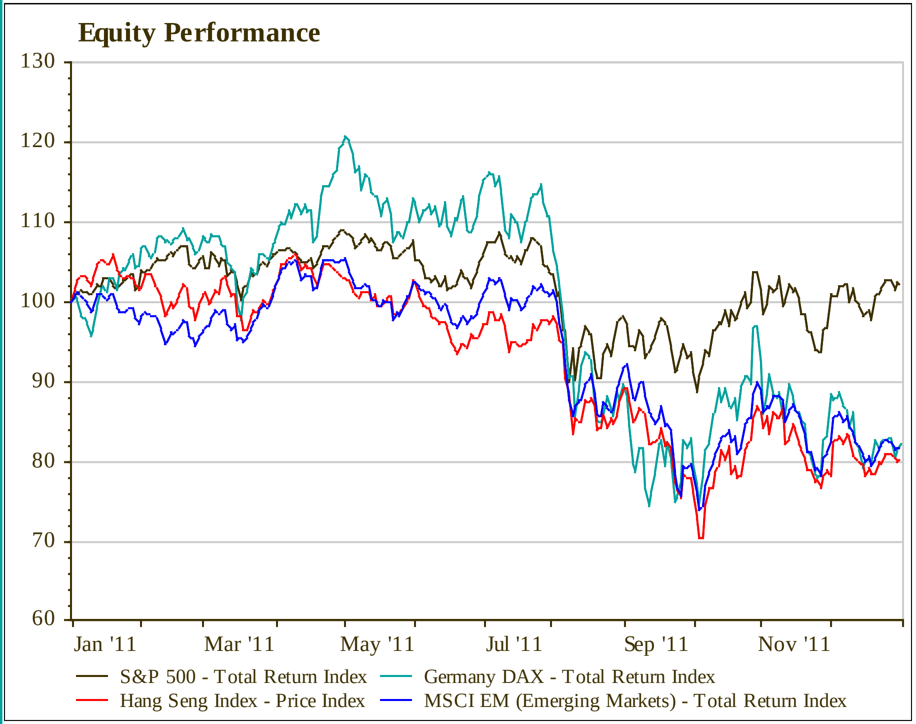
S&P 500 Total Return Perfomance					
	Annual Total Returns		Growth of $100		
Year	**S&P 500**	**Defensives**	**S&P 500**	**Defensives**	**Difference**
1990	**-3.10%**	4.52%	$ 96.90	$ 104.52	7.30%
1991	30.47%	33.11%	$126.42	$ 139.13	9.14%
1992	7.62%	3.00%	$136.05	$ 143.30	5.06%
1993	10.08%	4.17%	$149.76	$ 149.29	**-0.32%**
1994	1.32%	1.73%	$151.74	$ 151.86	0.08%
1995	37.58%	43.17%	$208.76	$ 217.42	3.98%
1996	22.96%	13.43%	$256.69	$ 246.61	**-4.09%**
1997	33.36%	35.63%	$342.33	$ 334.48	**-2.35%**
1998	28.58%	31.71%	$440.16	$ 440.55	0.09%
1999	21.04%	**-3.95%**	$532.78	$ 423.15	**-25.91%**
2000	**-9.10%**	18.05%	$484.27	$ 499.54	3.06%
2001	**-11.89%**	**-15.26%**	$426.71	$ 423.32	**-0.80%**
2002	**-22.10%**	**-21.80%**	$332.41	$ 331.05	**-0.41%**
2003	28.68%	14.99%	$427.75	$ 380.68	**-12.36%**
2004	10.88%	13.49%	$474.30	$ 432.05	**-9.78%**
2005	4.91%	5.31%	$497.60	$ 455.00	**-9.36%**
2006	15.79%	19.92%	$576.19	$ 545.64	**-5.60%**
2007	5.49%	13.16%	$607.85	$ 617.46	1.56%
2008	**-37.00%**	**-24.43%**	$382.96	$ 466.63	17.93%
2009	26.46%	13.86%	$484.31	$ 531.28	8.84%
2010	15.06%	10.36%	$557.26	$ 586.32	4.96%
2011	2.11%	13.23%	$569.03	$ 663.87	14.29%

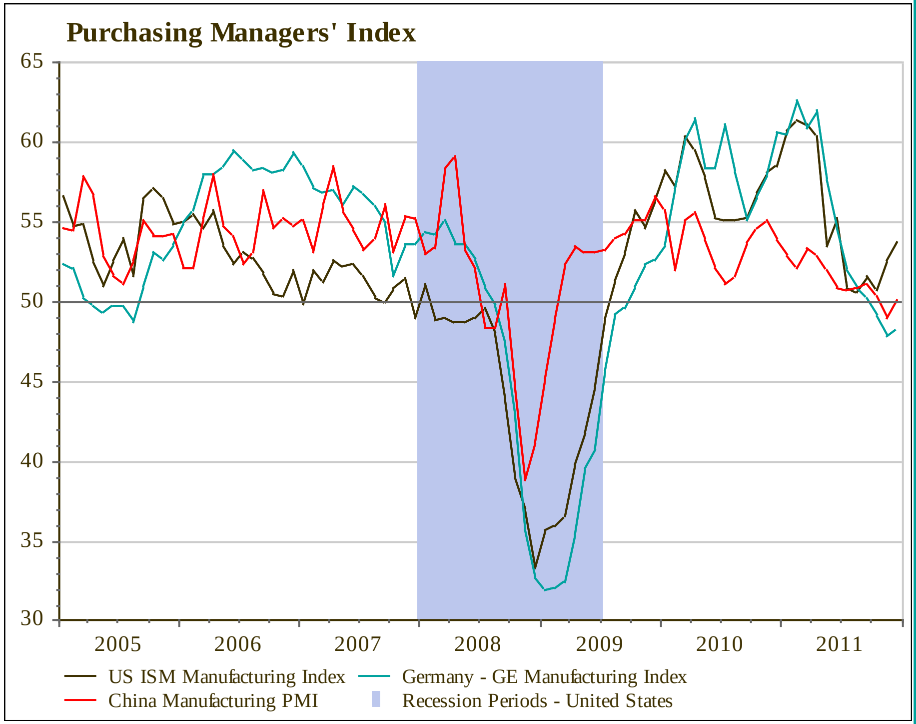
Slow & Steady

Source: FactSet Research Systems, Inc. - Rinehart Wealth Management

US Equities Proved Resilient in 2011

Driven by Strength in Manufacturing Sector





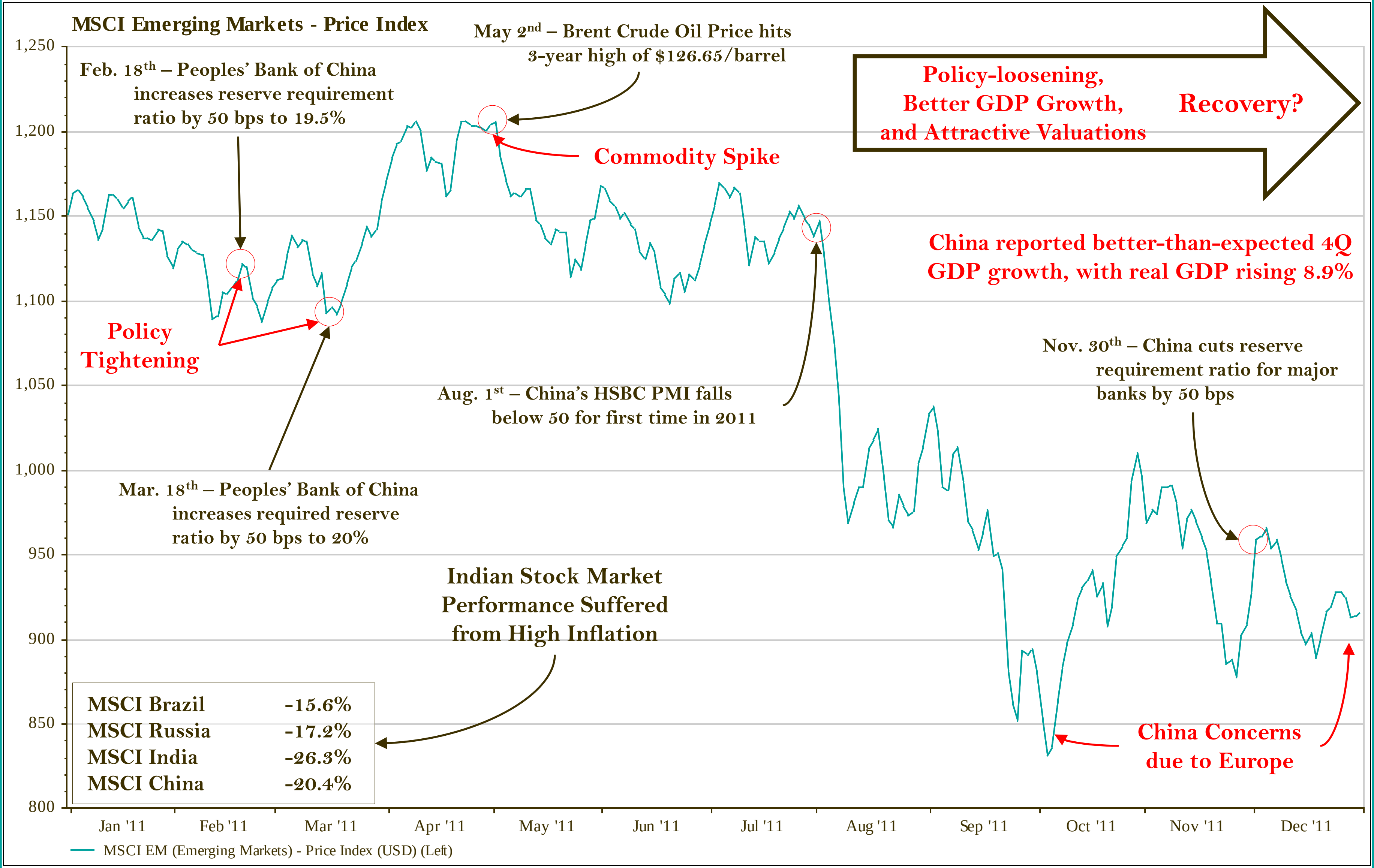
- **China underperformed Germany and the other Emerging Markets**
- **Concerns over exports to Europe, as well as high inflation and policy tightening caused Emerging Market underperformance**

- **China's PMI fell recently relative to the United States**
- **US Manufacturing picked up towards the end of 2011**

Source: FactSet Research Systems, Inc. - Rinehart Wealth Management

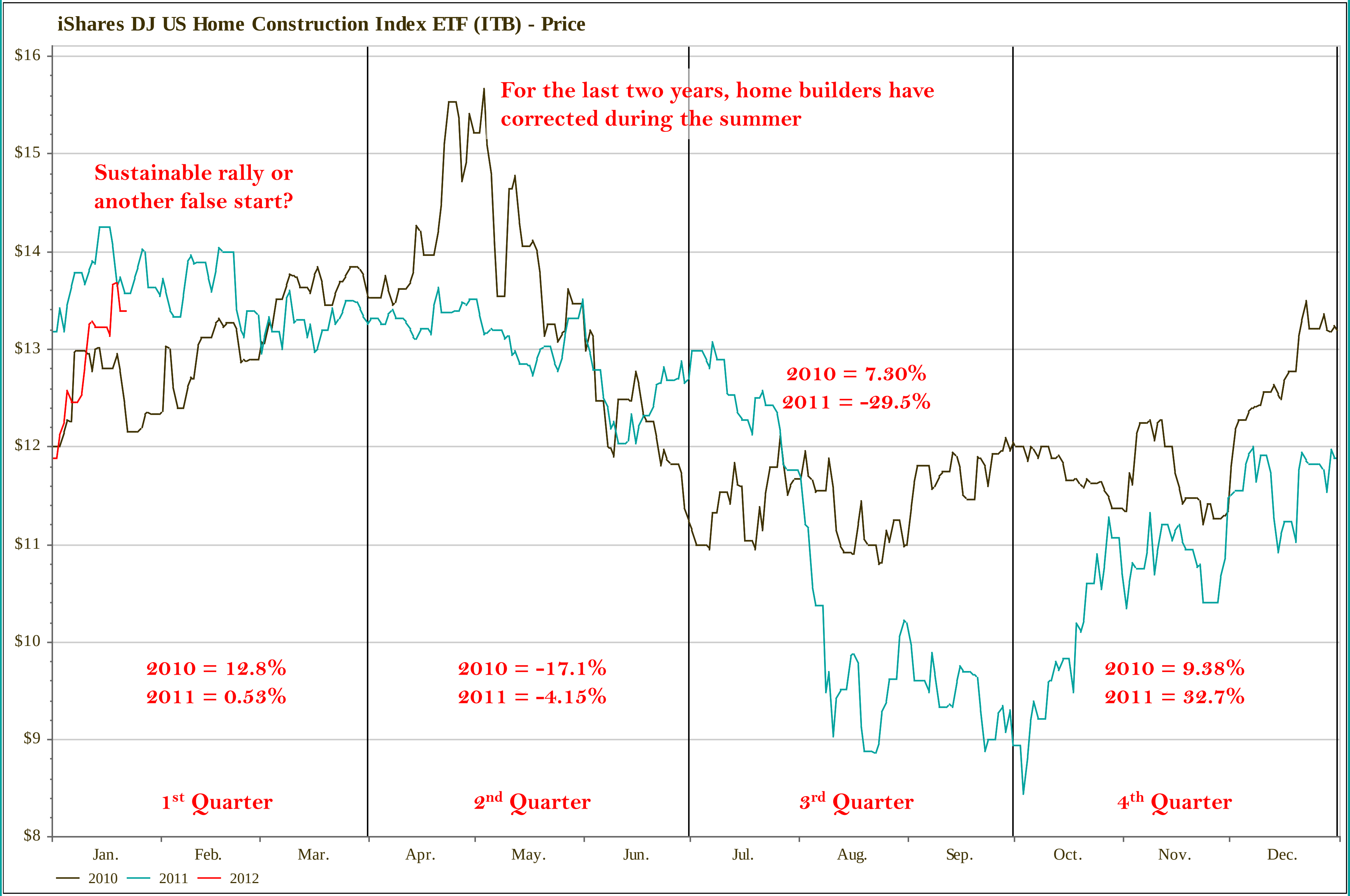
MSCI Emerging Markets Underperformed MSCI US by 20%

• MSCI EM Price-to-Earnings is now 10.5x, its lowest level since March 2009 (*Source: J.P. Morgan*)



Source: FactSet Research Systems, Inc. - Rinehart Wealth Management

Sustainable Rally – Or are we heading towards another Correction?

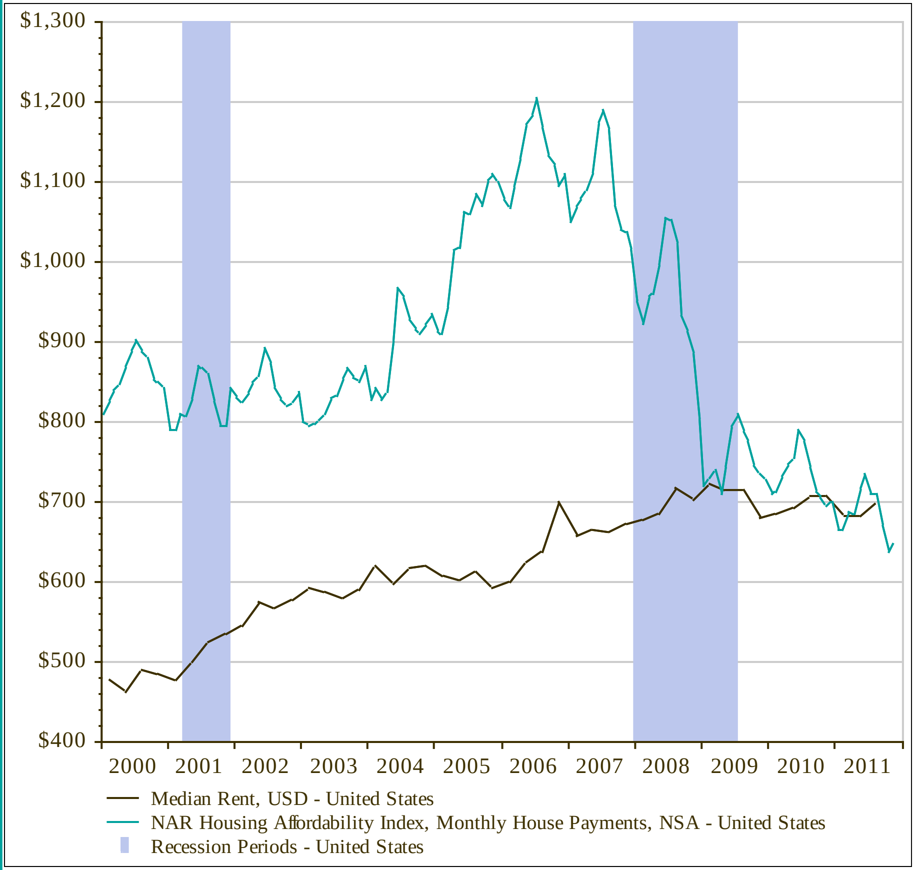


Source: FactSet Research Systems, Inc. - Rinehart Wealth Management

Conditions in Place for Construction Rebound

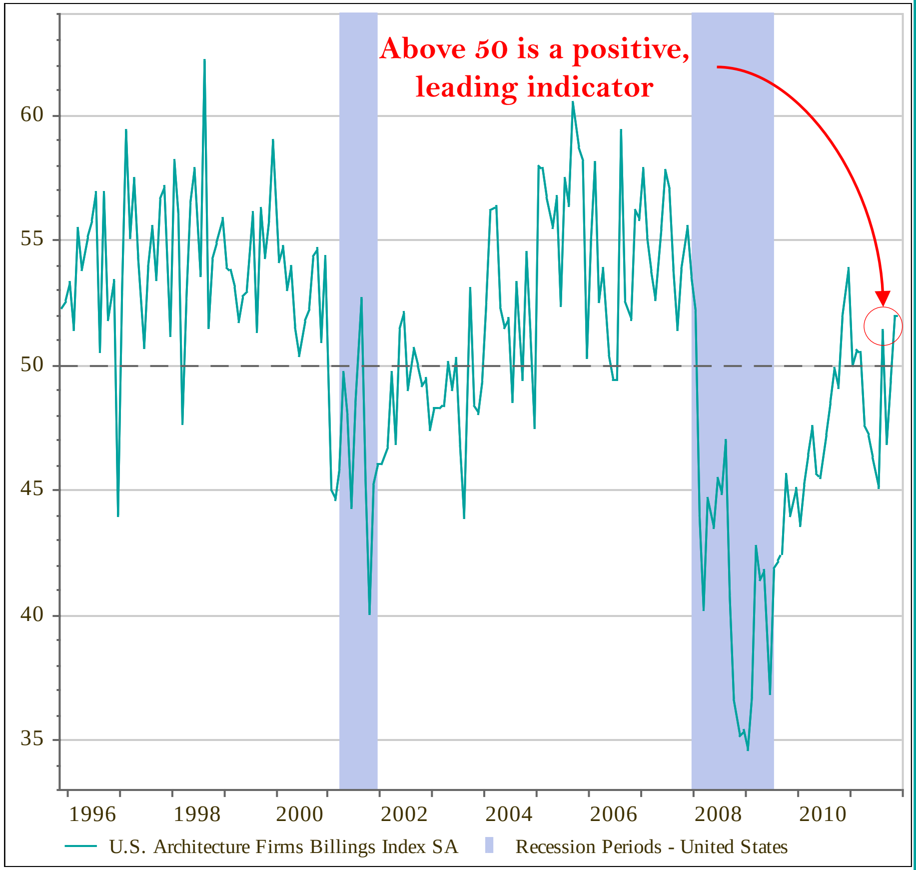
Residential

- Home Ownership appears more attractive than renting for the first time in a long time



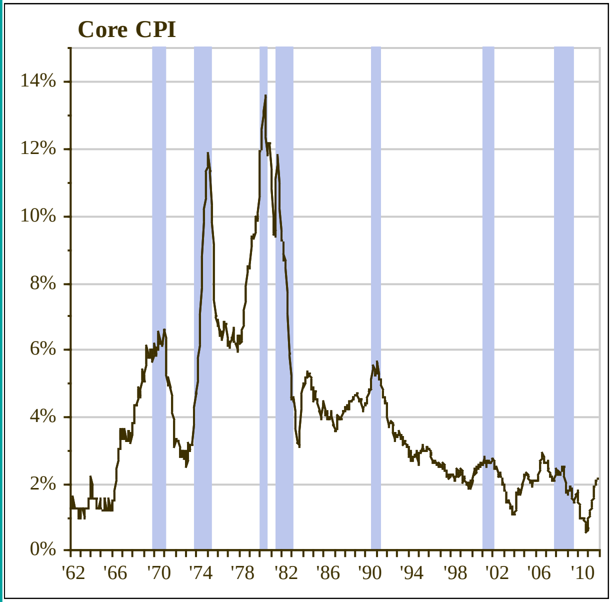
Commercial

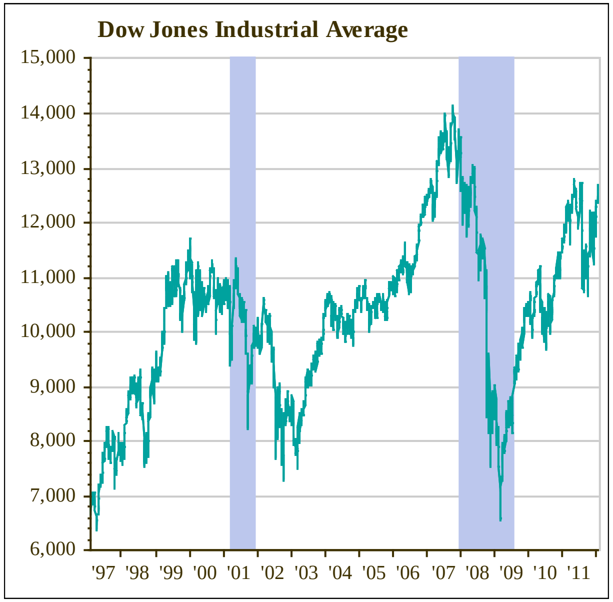
- Recent spike in the Architecture Billings Index (ABI) could suggest an improved outlook for commercial real estate

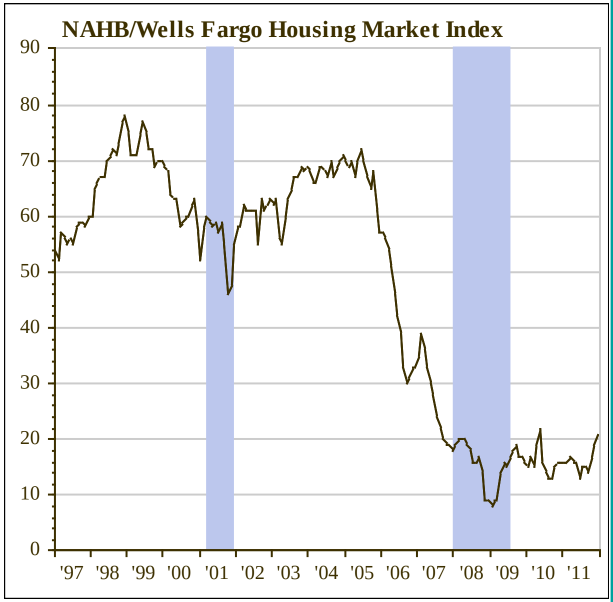


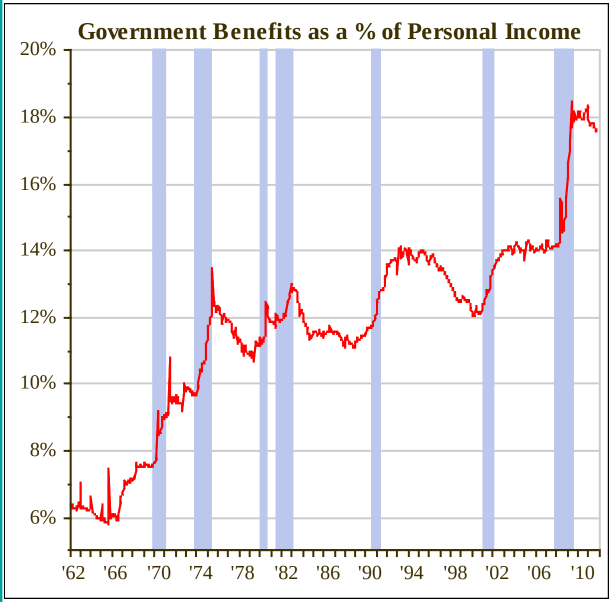
Source: American Institute of Architects, Nomura Holdings, Inc., and FactSet Research Systems, Inc. – Rinehart Wealth Management

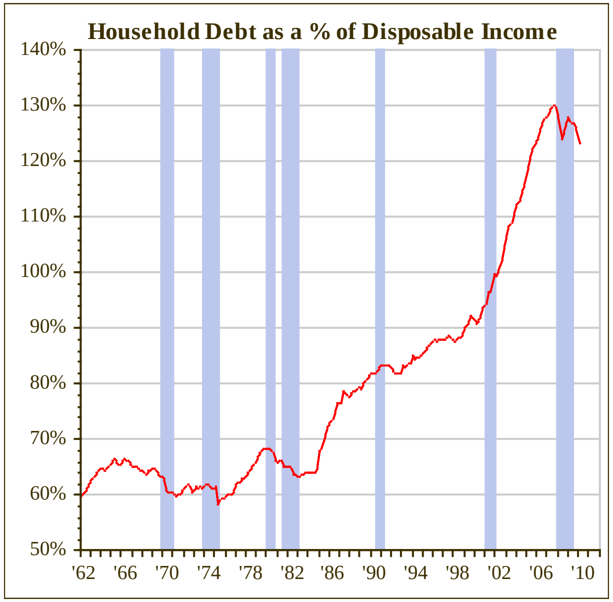
A Tale of Two Economies

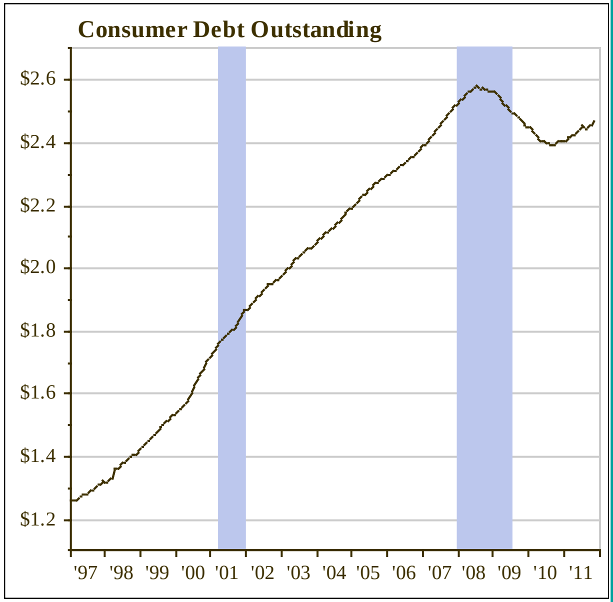






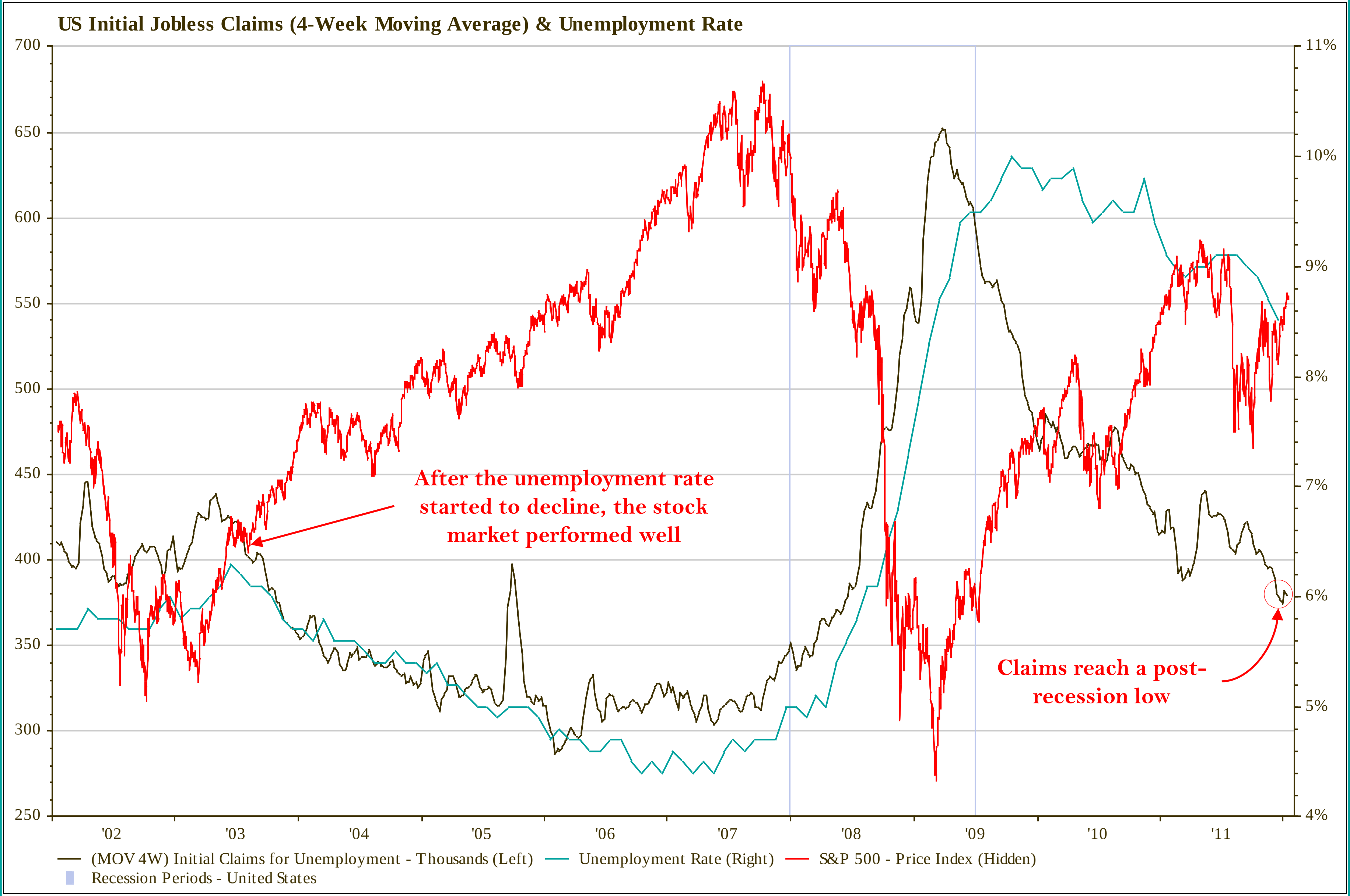






Source: FactSet Research Systems, Inc. - Rinehart Wealth Management

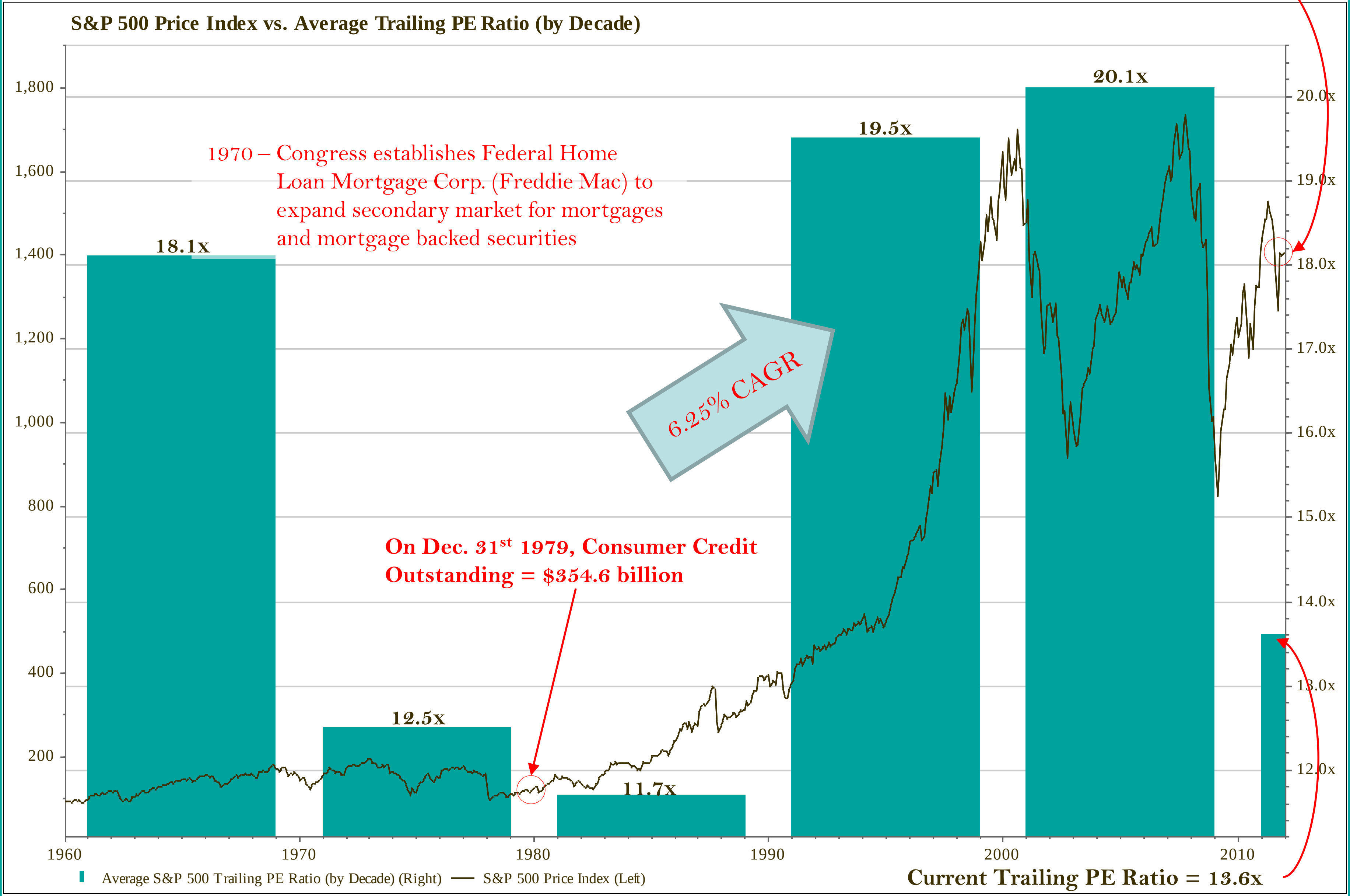
Unemployment Stable but Job Creation Slow



Source: FactSet Research Systems, Inc. – Rinehart Wealth Management

Decade of Deleveraging Ahead

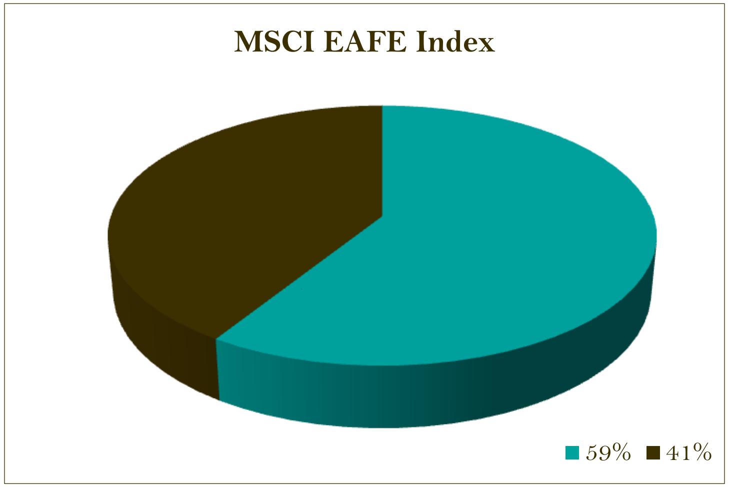
At the end of 3Q11, Consumer Credit Outstanding = $2.476 trillion

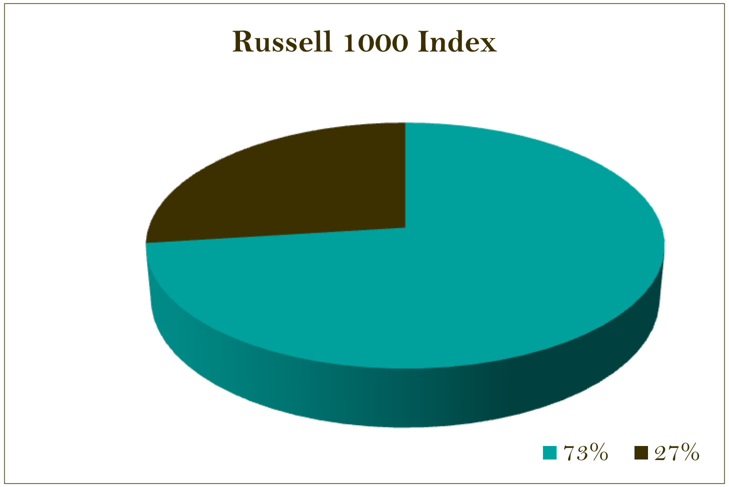


Source: Strategas Research Partners, LLC., and FactSet Research Systems, Inc. - Rinehart Wealth Management

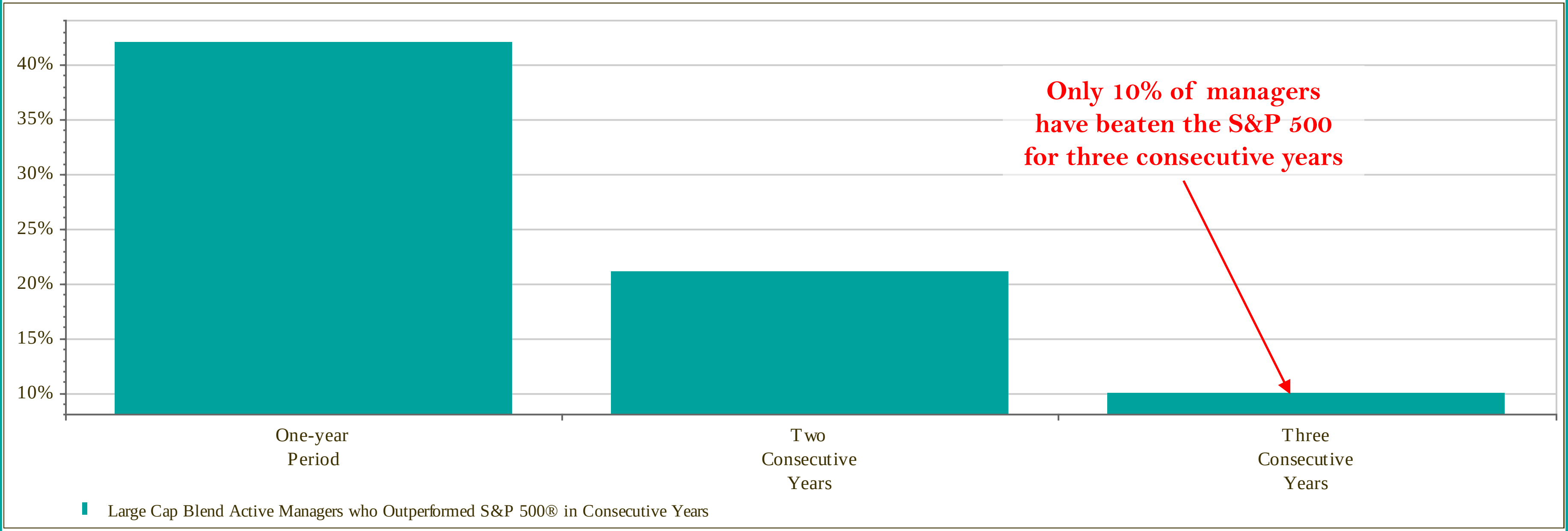
Active Management Underperforms – Are ETFs the Answer?

Asset Managers who have Underperformed the Index over Five Years, ending 12/31/11



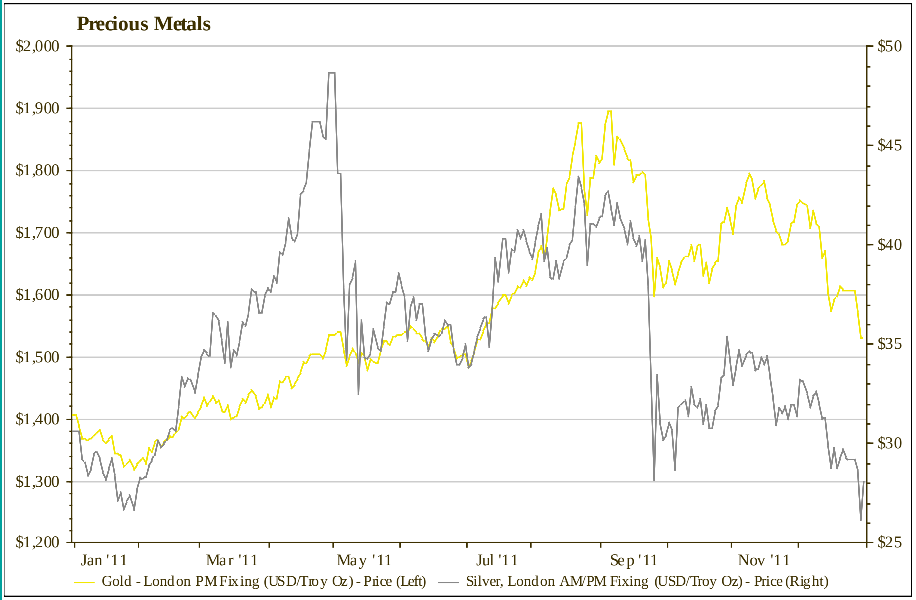


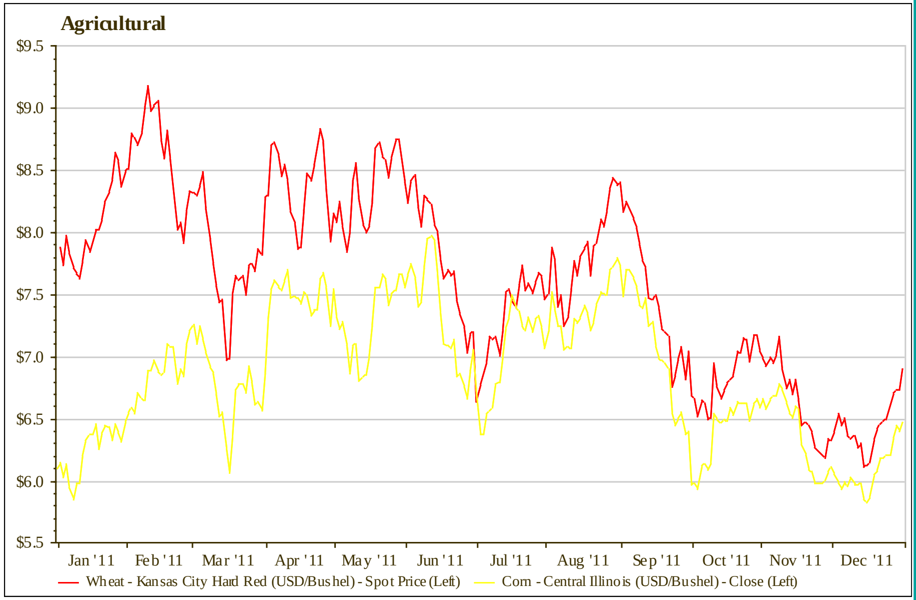
Mutual Fund Performance Persistence

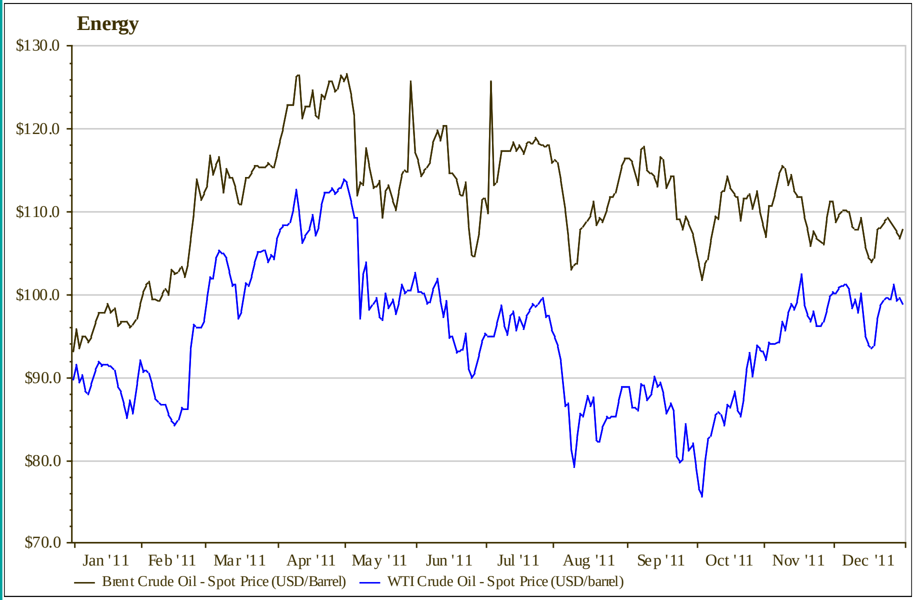


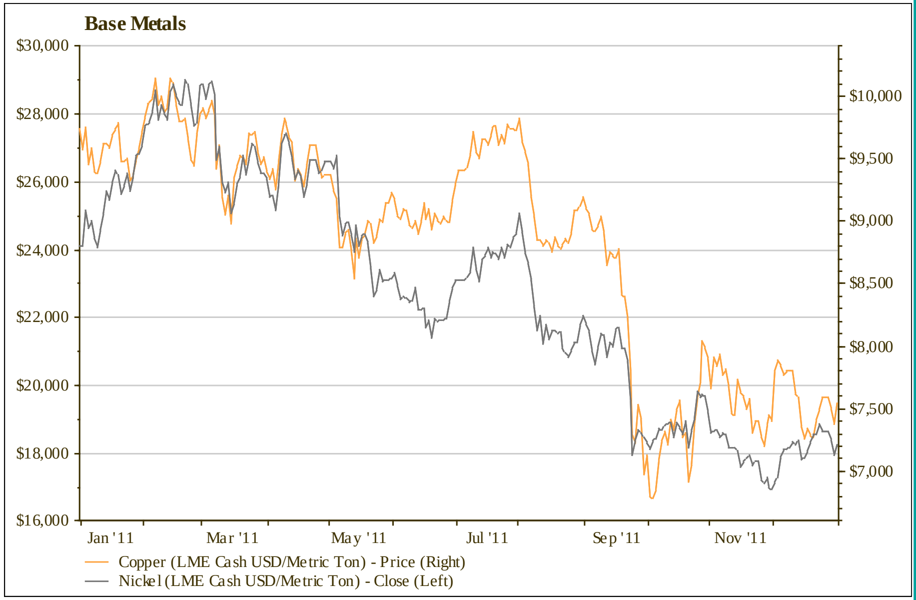
Source: iShares, "Discover the Benefits: An Introduction to iShares ETFs"

Commodities







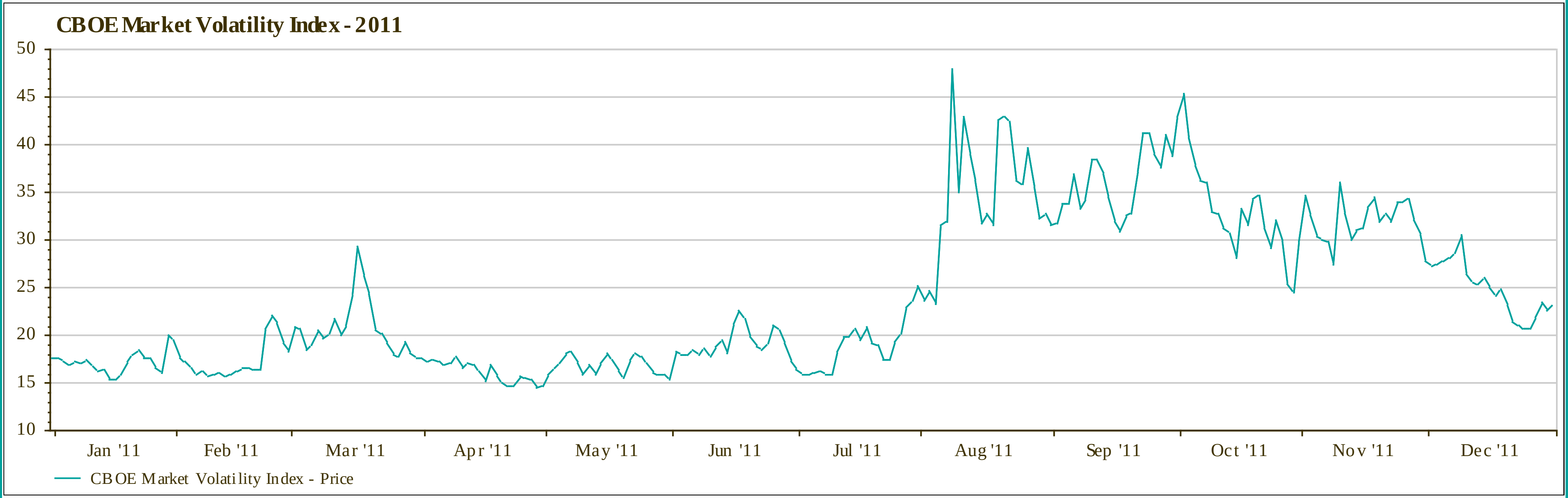


Source: FactSet Research Systems, Inc. – Rinehart Wealth Management

Volatility is the 'New Normal'

Volatility	Price/Index Levels High	Price/Index Levels Low	Dates High	Dates Low	%Δ High - Low
US Benchmark Bond - 10 Year	3.7%	1.7%	2/10/2011	9/22/2011	200.56 bps
S&P 500	1,370.6	1,074.8	5/2/2011	10/4/2011	**-21.6%**
DJ Industrial Average	12,876.0	10,404.5	5/2/2011	10/4/2011	**-19.2%**
MSCI EM (Emerging Markets)	1,206.5	831.2	5/2/2011	10/4/2011	**-31.1%**
STOXX 600	422.8	288.7	5/2/2011	10/4/2011	**-31.7%**
CBOE Market Volatility Index	$ 48.00	$ 14.62	8/8/2011	4/28/2011	228.3%
U.S. Dollar per Euro	$ 1.49	$ 1.29	5/4/2011	12/29/2011	**-13.3%**
Brent Crude Oil (ICE $/bbl)	$ 126.65	$ 93.33	5/2/2011	1/4/2011	**-26.3%**
Corn (Cen Ill $/bu)	$ 7.98	$ 5.83	6/10/2011	12/15/2011	**-26.9%**

Total # of Trading Days in 2011	260
# of days S&P 500 closed down more than 2%	21
# of days S&P 500 closed up more than 2%	14



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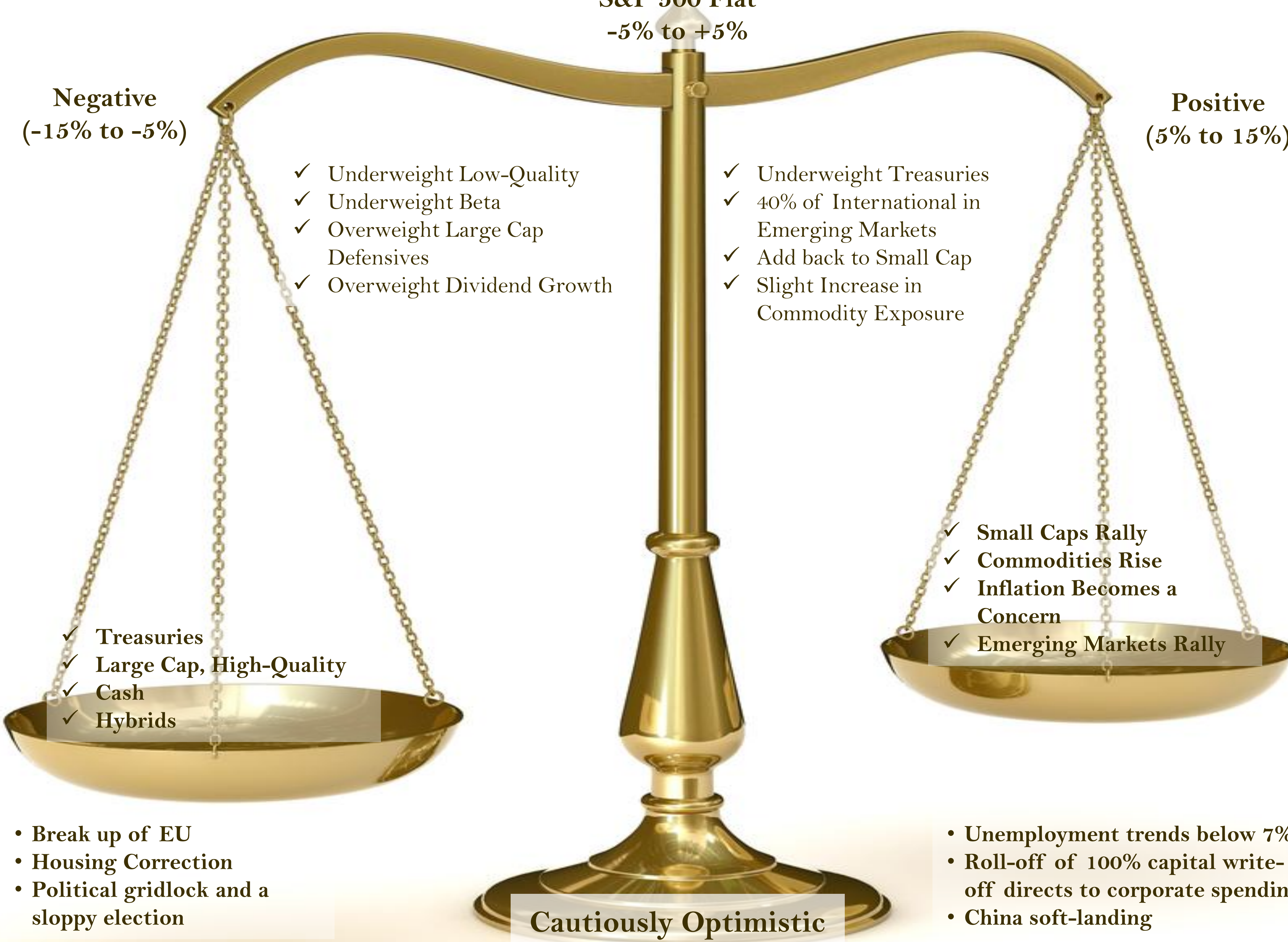

S&P 500 Flat
-5% to +5%

Negative
(-15% to -5%)

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

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

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

Positive
(5% to 15%)

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

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

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

Cautiously Optimistic

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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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