Rinehart Wealth Management
Greater Trust

April 2014

Insights

Investment Overview

Corporate Debt Frenzy

Despite disappointing investors with lackluster performance during the second half of last year, domestic fixed income markets experienced unprecedented investment-grade corporate debt issuance in the United States, hitting an all-time record of $1.11 trillion. In 2013, companies such as Apple, Inc. (AAPL) and Verizon Communications, Inc. (VZ) took advantage of historically low interest rates by issuing new debt totaling $17 billion and $49 billion, respectively. The magnitude and prevalence of corporate debt offerings positively affected portfolios through accelerated capital returned to shareholders via enhanced stock buyback programs and increased dividend distributions, as well as through meaningful merger and acquisition activity.

Over the trailing twelve-month period ending September 31st, 2013, 431 companies in the S&P 500, representing 86% of the index, returned over $448 billion to shareholders in the form of stock buyback programs. Furthermore, over 73% of S&P 500 constituents returned capital to shareholders through dividend distributions and share buybacks. In aggregate, S&P 500 companies bought back over $477 billion of stock, or approximately 3.1% of the common shares outstanding in 2013 (*Source: FactSet Research Systems, Inc.*). For example, Microsoft Corp. (MSFT), which has been a long-term buy recommendation, issued over $11 billion of debt in order to increase dividend payments by 16% and repurchase over $5 billion of common stock, while avoiding additional tax liabilities associated with repatriating foreign cash reserves.

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Financial Advisory Overview

Why Asset Allocation is So Important

Asset allocation involves diversifying an investment portfolio among different asset categories, such as stocks, bonds, hybrids and cash. The appropriate asset allocation for you at any given point in your life depends largely on time horizon and ability to tolerate risk.

Asset allocation is important because it has a major impact on your ability to meet financial goals. If you don't include enough risk in your portfolio, your investments may not earn a large enough return to achieve your goals. Conversely, too much risk increases volatility and risk loss principal at a time when you need it. Determining the appropriate asset allocation is a complicated analysis because it involves picking the mix of assets with the highest probability of meeting your long-term goals (liability matching), while maintaining a modest level of risk that does not keep you up at night.

At Rinehart, every client has two experienced professionals on their wealth management team, a Financial Advisor and an Investment Manager. Because there is no single asset allocation that is right for every individual, your Financial Advisor helps you determine what your initial asset allocation should be,

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Investment Team

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Special points of interest

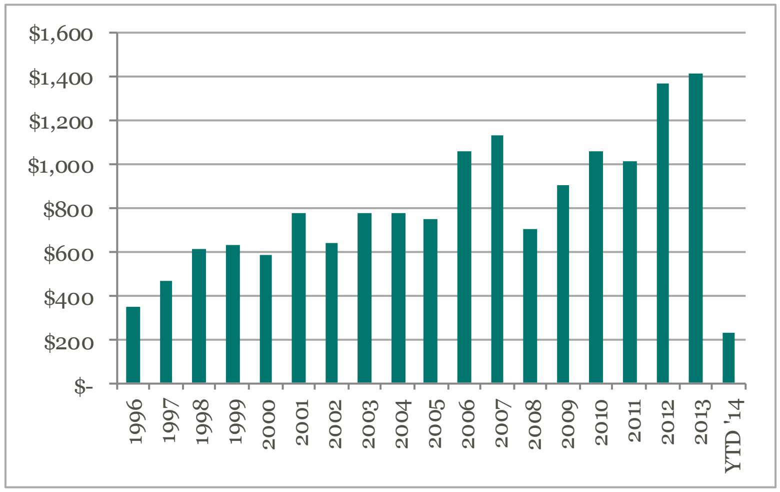
- Stock & Strategy Spotlight
- Monthly Index Review
- Around Rinehart

INVESTMENT OVERVIEW

CORPORATE DEBT FRENZY

Late last summer, Verizon announced a record-setting debt issuance, representing 3.8% of the total corporate debt issued in 2013 (see Chart I), to purchase the 45% of Verizon Wireless owned by British telecommunications provider Vodafone Group PLC ADR (VOD). The deal, valued at approximately $130 billion, positively affected our positions in Vodafone, which enjoyed a 54% return since our initial buy recommendation in September 2012.

Chart I: US Corporate Debt Issuance (USD Bil.)



Source: Securities Industry & Financial Markets Association (SIFMA)

Following the negative sentiment surrounding the lingering European debt crisis, we viewed Vodafone as an undervalued, and underappreciated vehicle to access Verizon Wireless. With the announced divestiture of its 45% stake in Verizon Wireless, Vodafone shares quickly reached our price target, validating and realizing our original thesis and positively contributing to performance this year.

While our thesis and subsequent stock appreciation were transparent, the terms of the transaction itself are relatively complicated. The resulting purchase agreement between Verizon and Vodafone contains three main components, which have been recorded and appear as odd transactions across investor portfolios. First, for every share of Vodafone (VOD) clients received 0.263001 shares of Verizon (VZ). Second, there was a special cash dividend equal to $4.928005 per share of VOD. Finally, there was a 6 for 11 reverse split, meaning that investors received 6 shares of VOD for every 11 shares previously owned. This last component is the most confusing as the residual VOD positions appeared to indicate a negative return on investment relative to the unadjusted cost basis (i.e., the cost basis and ending VOD share price were not adjusted to reflect the reverse split, the VZ share distributions, or the special dividend payment). This is not a traditional transaction, therefore we have provided a numerical breakdown in Table I. Upon doing the math and accounting for all the moving parts, the final value of the multiple transactions and the overall net gains enjoyed by investors in VOD should hold relatively intact.

TABLE I: EXAMPLE – VODAFONE GROUP PLC ADR (VOD) CORPORATE ACTION TRANSACTIONS

Description/Details:	Share Count:	Unit/Share Price:	Total Value:
Dec. 11th, 2012 – Initial Purchase Order	280	$ 26.005	$ 7,281.51
Feb. 20th, 2014 – Record Date			
Existing Position in VOD	280	$ 39.410	**$ 11,034.80**
Estimated Capital/Price Appreciation		**51.55%**	$ 3,753.29
Transaction Details (Feb. 21st - Mar. 4th)			
VOD Reverse Split – 6 for 11	152.727	$ 41.200	$ 6,292.35
VZ Share Distribution – 0.263001 per VOD Share	73.640	$ 47.200	$ 3,475.81
VOD Special Dividend – $4.928005 per VOD Share	280	$ 4.928005	$ 1,379.84
Estimated Terminal Position Values (Including Special Dividend Payment)			**$ 11,148.00**

Subject to effects of rounding & fractional share repurchases of partial shares of Vodafone Group PLC ADR (VOD) & Verizon Communications, Inc. (VZ)
Share price and transaction data provided by Charles Schwab & Co., Inc. & Fidelity Investments Institutional Services Co., Inc.
This example is provided for informational use only. Please consult a professional advisor for advice regarding your specific financial needs.

Investment Overview

Corporate Debt Frenzy

Despite the complicated accounting methods, investors in VOD experienced attractive returns during the investment timeframe. As our thesis came to fruition, with VOD shares reaching our price target and the divestiture of its ownership stake in Verizon Wireless, we exited positions of VOD across the firm and introduced a new international holding, Svenska Cellulose Aktiebolaget (SVCBY) which is featured below in this month's Stock & Strategy Spotlight.

As we stated earlier in the year, our expectations were for 2014 to exhibit an acceleration in merger activity. The frenetic debt market is fueling the value creation exhibited in the above examples, but it also serves as a harbinger of increased risk appetite, lax due diligence and market speculation. Referring back to Chart I, the data therein crystalize the point as corporate debt issuance already exceeds levels experienced in 2007, which marked the peak of that market cycle. We are not suggesting the bull market is over; we are simply acknowledging signs that it is becoming extended. That being said, an extended bull market can go up for some time before peaking. With liquidity rampant, certain risky asset classes have become expensive, and we have reduced successful strategic moves put in place earlier in the cycle. For example, we reduced or eliminated our exposure to the biotech and homebuilder industries, and we plan on reducing our successful small cap additions that we layered on the end of 2012. Despite the market appreciation, the wounds of 2008 still sting many investors. It is our belief that the bull market will not end until those wounds have completely healed, which is when we will need to be most vigilant.

Special Event: Performance Reporting Webinar

On *Tuesday, April 22nd at 10:00am* Daniele Donahoe will be hosting a webinar, in the same format as our Quarterly Economic Overview webinars, to discuss the new performance reports that you will receive shortly. This webinar will be a forum to learn about each section of the new reports, as well as ask questions. Stay tuned for registration details and mark your calendars now!

Stock & Strategy Spotlight

Stock/Company Name:	Ticker/Symbol:	Price (As of Mar. 31st, 2014)
Svenska Cellulosa Aktiebolaget Sponsored ADR Class B	SVCBY	$29.50

Strategy Description:

Svenska Cellulosa operates as a developer and producer of a wide array of consumer non-durable goods across its three primary business segments: Personal Care, Tissue, and Forest Products. Over the past several years, the company has consistently improved its operating results by focusing on the performance of its core business units by divesting non-core business subsidiaries, implementing cost-cutting initiatives, and pursuing and successfully integrating key acquisitions. We anticipate continued operating margin expansion and, consequently, higher operating profit growth due to an improved business mix against the backdrop of a consolidating marketplace. We believe the implied historical discount of the legacy businesses will roll off, and the shares will experience market multiple expansion relative to its peer group.

Monthly Index Review

Data as of Mar. 31st 2014	March 2014	2014 (YTD)	2013
S&P 500	0.84%	1.81%	32.39%
Dow Jones Industrials	0.93%	-0.15%	29.65%
NASDAQ Composite	-2.45%	0.83%	40.12%
Russell 2000	-0.68%	1.12%	38.82%
MSCI Emerging Markets	3.09%	-0.37%	-2.27%
MSCI EAFE	-0.57%	0.77%	23.29%
Barclays US Aggregate	-0.17%	1.84%	-2.02%

Financial Advisory Overview

Why Asset Allocation is So Important

based on your time horizon and risk tolerance. Each asset allocation has a corresponding projected rate of return driving your financial plan so that you can understand its impact on your short and long-term planning goals. Often, people are not able to quantify how their current asset allocation (or future changes to their asset allocation) may impact their goals. As part of our ongoing client service commitment, your Financial Advisor will update your financial plan annually to track your progress towards your goal.

The Connection Between Asset Allocation and Diversification

Diversification is a strategy that involves spreading your money among various investments so that if one investment loses money, the other investments will offset those losses. However, owning multiple investments will not accomplish diversification within your portfolio. You must own assets that are not highly correlated, meaning they do not act exactly the same under the same market conditions. To illustrate the power of how correlation works, consider the following example that was pulled from the SEC website: *"Have you ever noticed that street vendors often sell seemingly unrelated products - such as umbrellas and sunglasses? Initially, that may seem odd. After all, when would a person buy both items at the same time? Probably never - and that's the point. Street vendors know that when it's raining, it's easier to sell umbrellas but harder to sell sunglasses. And when it's sunny, the reverse is true. By selling both items- in other words, by diversifying the product line - the vendor can reduce the risk of losing money on any given day."*

A diversified portfolio should be diversified at two levels: *between* asset categories (such as stocks, bonds, hybrids, and cash equivalents) and *within* asset categories. The key is to identify investments in segments of each asset category that may perform differently under different market conditions.

The primary directive of our investment philosophy is capital preservation, after accounting for inflation. We believe superior long-term returns are achievable by avoiding the permanent impairment of capital that often results from a significant market down turn. However, years following robust stock market returns (like we had in 2013) often lead clients to want to take on additional risk in anticipation of additional returns. What most clients do not realize is that they do not need to take on excessive risk in order to achieve their short and long-term planning goals. Our goal at Rinehart is to provide you with superior returns for the level of risk that you are taking, while making sure that you are not taking excessive risk when it is not warranted for your individual goal achievement.

"Bubbles don't usually stop until sensible investors, value investors, and prudent investors have been hung out to dry and kicked around the block." – Jeremy Grantham

About Rinehart

Rinehart Wealth Management is an experienced boutique Registered Investment Advisor dedicated to independent, comprehensive wealth management. Founded in 1985 by Mary Rinehart, the firm, from its inception, has had a singular focus: to provide highly customized investment management and financial planning solutions to clients.

Boutique Firm:

Being a boutique wealth management firm allows us the flexibility to provide more personalized service and offer unique investment solutions to clients in a Fee-Only environment.

Team Approach:

Because each client's situation is different, the team of advisors is hand-selected to ensure areas of expertise are appropriately aligned with the client's specific needs and interests.

Proprietary Investment Research:

The differentiating factor of our portfolio management process is the proprietary investment research driving the portfolio construction. All investment research and analysis is done entirely in-house by our Investment Team.

Around Rinehart

SEC Rule Harmonization - Why It Matters

The SEC, which governs Registered Investment Advisors, like our firm, has always had the authority to create regulations. In the last few years, a hotly debated issue has been the SEC's ability to create a uniform fiduciary duty for all retail investment advice. As many of you know, there is a very important difference between Registered Investment Advisor firms (IAs) like Rinehart, and Broker-Dealer firms (BDs). This difference is that IAs are legally held to a "fiduciary standard," whereas BDs are held to a "suitability standard." BDs often tout that they give objective financial advice and investment recommendations, but are actually using commission-based revenue models that inherently can create conflicts of interest.

IAs on the other hand, must always provide advice and recommendations that serve the *best interest of the clients*, and often do not receive commissions of any kind. Firms like Rinehart, that choose to be Fee-Only, put even further restrictions on advice by using a revenue model that is solely a percentage of the client's asset under management. Commissions on investments that motivate advice is where SEC "Rule Harmonization" and a uniform fiduciary duty could be beneficial. By forcing BDs to adhere to a fiduciary duty, some of their advice would be called into question and force fee transparency across the industry that Rinehart already provides.

The issue first surfaced in 2011, but since then the SEC has failed to take any real action by stalling and requesting further analysis and data. Right now, the SEC is holding off until the Department of Labor releases it's own fiduciary rule proposal for BDs who offer retirement investing advice. If the SEC does adopt a uniform rule for IAs and BDs, the entire financial service industry will drastically change. Though it appears to be a good idea, it is unclear how the SEC will actually create the regulation. Changes in rules will put a monumental strain on all compliance departments that ultimately could result in decreased time with clients, increased fees, and less customized service. A uniform standard needs to benefit the retail investor above all, and the SEC has had a hard time pinpointing how to do that. *(Source: "The Long, Winding Road to a Uniform Fiduciary Rule" by Kurt Schacht, JD, CFA. March/April 2014 CFA Institute Magazine)*

Extra! Extra! Read All About It!

Daniele Donahoe was quoted this month in The Wall Street Journal's article "Some New Bond Funds Take in Big Bucks" as well as in Investment News, in the article "Advisers must answer to emerging-markets rout as U.S. stocks rally." To see the articles, please visit our website.

Happenings

We have some great spring sponsorships lined up for April such as the Foundation for the Carolinas Annual Luncheon, the Levine Museum of the New South 's Taste of the South Event and later in the month the Room to Bloom event series with the Mint Museum Auxiliary.

On April 9th, Andrew Savant will officially become a Certified Financial Planner (CFP®) as he has been with Rinehart Wealth Management for two years. Congratulations Andrew! In May, Alana Linn will be departing to attend UNC Chapel Hill's Kenan Flagler Business School to pursue her Master's in Accounting. Congratulations to Alana and best of luck! We will miss her.

Rinehart Wealth Management

Wealth management is our only business; therefore, our attention is undivided and our intentions are transparent.

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