Rinehart Wealth Management
Greater Trust *Celebrating 30 Years!*

August 2015

INSIGHTS

Investment Overview

Second Quarter Economic Overview

While domestic headlines remained relatively quiet throughout the second quarter, global financial markets were roiled by a series of disquieting headlines out of the Eurozone and China. Investors were faced with the daunting task of following seemingly crucial developments and key characters in a contemporary Greek drama of Homeric proportion that was set to determine the fate of Greece's status within the European Union. Despite an inordinate amount of attention from the press and the occasional public protest, the highly-anticipated "Grexit" did not transpire, and tourists continue to flock to the Parthenon, only briefly disrupted by the limited access to functional ATMs.

As the Greek debt debacle unfolded in Europe, concerns emerged in response to the rapid and severe descent of the equity markets of the world's second-largest global economy. Chinese equity markets came under significant pressure after peaking in mid-June, falling as much as -40% over the course of a month.

Review: Chinese Equity Markets

In order to understand the rapid unraveling of the Chinese equity market, it is necessary to understand the various equity markets and their nuances. The Chinese A-share market constitutes Chinese-domiciled, publicly-traded companies listed on

Continued on next page

Financial Advisory Overview

Putting Your Money Where Your Values Are

Total charitable giving in 2014 was a record $456.73 billion – up 9.3% over 2013. This extraordinary sum was fueled by favorable economic factors that drive giving, an increasing number of nonprofits (nationally, the number of nonprofits has grown 50% in the last 12 years), the impact of donor advised funds and new and more effective fundraising technologies and techniques. Charities are becoming more efficient in raising money every year through the growing utilization of more sophisticated fundraising technology like online giving and prospect screening.

The tax advantages of a charitable contribution depend on three factors: the recipient (only donations to qualified charities are deductible), how you structure the gift, and its form. Different types of charitable donations—cash, stock or personal property—offer different tax advantages and drawbacks.

- Cash donations are simple and usually fully deductible. You will need a receipt from the charity or a bank record (such as a canceled check or statement) to substantiate your cash gift, no matter how small.
- You can donate almost any item of tangible personal property, including old clothing, household goods, or vehicles. **If the property doesn't relate to the**

Continued on page 5

Investment Team

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Special points of interest

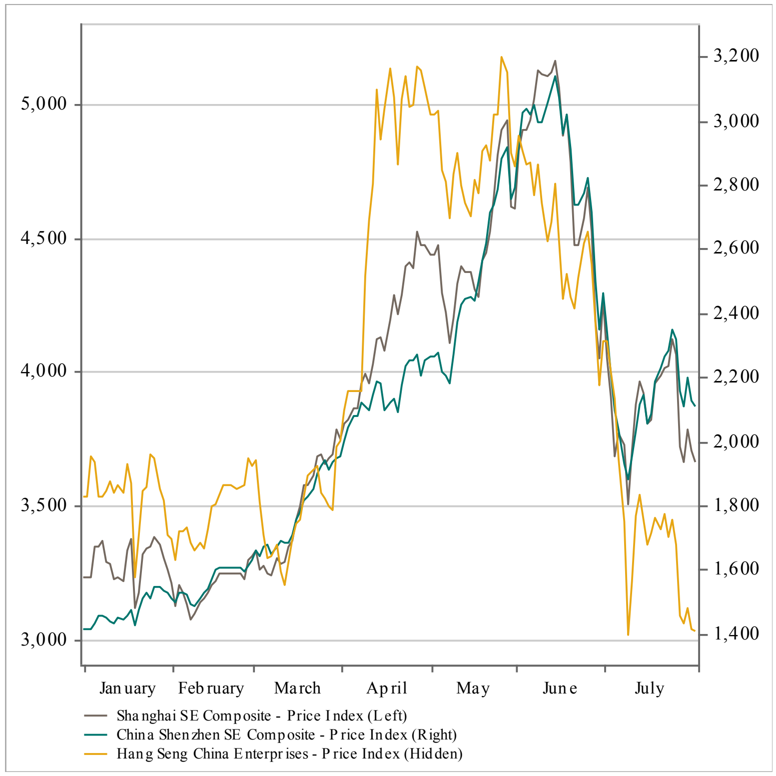
- Stock & Strategy Spotlight
- Monthly Index Review
- Around Rinehart

Investment Overview

Second Quarter Economic Overview

Chinese stock exchanges, such as the Shanghai Stock Exchange ("SHANG-SHG") and the Shenzhen Stock Exchange ("SHENZ-SE"), that are only available for purchase, trading, and investment by mainland citizens per regulations and mandates established by the Peoples' Republic of China ("PRoC"), which means that participation is restricted to foreign investors. These foreign investors are able to access Chinese markets via the B-share market, also listed on the aforementioned Chinese stock exchanges, where most Chinese companies take advantage of the ability to list a secondary share class. The A-share market is only made available to foreign investment via a highly-regulated structure called the Qualified Foreign Institutional Investor ("QFII") system, which caused serious valuation dislocations relative to the B-share market. Another option for companies incorporated in mainland China is to list shares as "H-shares" on the Hong Kong Stock Exchange ("HKEx") to be included in the Hang Seng China Enterprises Index ("HSCEI-HKX").

Chart I: Chinese Stock Market Performance YTD



Source: FactSet Research Systems, Inc.

Over the past year, there have been numerous efforts to reconcile and consolidate the fragmented Chinese stock market system, as the Chinese government sought global recognition of the stability and security of its system. Beginning in November 2014, Chinese officials launched the Shanghai-Hong Kong Stock Connect program in an attempt to stimulate investor participation: a cross-boundary investment connection between the SHANG-SHG and the HKEx that allowed investors in either marketplace to execute trades in those securities listed on the other exchange using their own local broker-dealers and clearing houses. As investors began to test this new program, trading volumes began to increase and coincided with the explosion in equity margin loans during a time when Chinese officials began relaxing monetary policy. The influx of trading and relatively cheap money led to a sharp correction of the long-standing valuation dislocations between the different markets and multiple expansion, pushing markets even higher as investors clambered for additional speculative gains.

As can be seen in Chart I, these markets have been strong outperformers, with the SHANG-SHG up as much as +59% since the end of 2014 through mid-

Continued on next page

Monthly Index Review

Data as of July 31st, 2015	July 2015	2Q15	2015 (YTD)	2014
S&P 500	+2.10%	+0.28%	+3.35%	+13.69%
Dow Jones Industrials	+0.52%	-0.29%	+0.55%	+10.04%
NASDAQ Composite	**+2.88%**	**+2.03%**	**+8.95%**	**+14.75%**
Russell 2000	-1.16%	+0.42%	+3.54%	+4.89%
MSCI Emerging Markets	**-6.87%**	+0.82%	**-3.97%**	-1.82%
MSCI EAFE	+2.08%	+0.84%	+8.08%	**-4.48%**
Barclays US Aggregate	+0.70%	**-1.68%**	+0.59%	+5.97%

Investment Overview

Second Quarter Economic Overview

June, and the SHENZ-SE up +122% during that same time. Fueling this shocking equity appreciation was accommodative government policy, encouraging increased public household participation in the equity markets, and exacerbated by the prolific use of margin lending, allowing investors to purchase assets using borrowed money. One of the most predictive indicators of an impending or building bubble in financial markets is the rapid escalation in margin loans.

normally...the rest of the shares on the Shenzen and Shanghai stock exchanges either were suspended or hit their daily limit" (*Source: Wall Street Journal*). These recent actions sent conflicting signals to global markets as to the feasibility of the apparent dual-mandate pursued by Chinese regulators to stimulate healthy economic activity through lower interest rates (i.e., easy monetary policy to increase availability of credit), while intervening to maintain an illusory sense of sustainable stability across

"The lesson of history is that you do not get a sustained economic recovery as long as the financial system is in crisis."

Ben Bernanke

After reaching five-year highs on June 12th, however, Chinese equity markets came under significant pressure, rapidly plunging -40% from their highs, and igniting concern across global financial markets due to the unknown ramifications of the use of investor margin. It is estimated that margin loans provided by banks and brokers rose to approximately RMB 2.2 trillion in early June but have since decreased by over 36% to RMB 1.4 trillion (*Source: BCA Research*).

Furthermore, the Chinese government's involvement in managing the equity markets' decline calls into question the impact of excessive government intervention in the Chinese markets.

In contrast to the free market approach of capitalist economies, Chinese government intervention to control additional deterioration in the stock market was restrictive instead of stimulative. The government postponed all initial public offerings ("IPOs"), in addition to suspending trading in a significant number of equity issues, as noted in a recent Wall Street Journal article: "On July 9th, a day after the market hit bottom, just 3.2% of Chinese-listed companies could be traded

equity and currency markets. Moreover, the actions taken by regulatory officials to stymie the collapse in the equity markets prevented the capital market system from properly functioning, inhibiting the markets' ability to perform its role.

This is perhaps of particular interest to those US-based investors considering an allocation to Chinese equities, as the ramifications of this government intervention had profound effects on those mutual fund and exchange-traded fund ("ETF") portfolio managers with significant investments in Chinese markets. According to rules and regulations for mutual funds and ETFs traded in the United States, portfolio managers are required to maintain a minimum amount of liquid equities: the diminished supply of readily-tradable stocks available to investors on Chinese exchanges made this a particularly challenging proposition for portfolio managers attempting to trade and rebalance after the whirlwind selloff and subsequent rally, which may artificially inflate security prices.

While the worst of the dramatic selloff may have already occurred, the emergence of renewed concerns over government intervention in capital markets may have

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.

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Second Quarter Economic Overview

longer-term implications. As growth continues to decelerate in China and the government desperately attempts to minimize the aftermath of its bubbling equity market, we recommend that all eyes shift from the Acropolis to the Great Wall in order to watch how one of the world's most formidable economic powerhouses navigates increasingly turbulent growing pains.

As always, we look forward to discussing this topic, as well as other pressing economic issues during our Quarterly Economic Overview webinar: the details and registration information are provided below.

Please contact Cynthia Sims at 704-374-0646 or csims@rinehartwealthmanagement.com if you have any difficulty registering.

Second Quarter 2015 Economic Overview Webinar

Date: Tuesday, August 11th

Time: 11:00 AM EST

Registration:

Please refer to the link included in the original email or look out for additional registration reminders that will be sent out prior to the webinar.

A recording will be available after August 12th in the Webinar Archive on our website.

Stock & Strategy Spotlight

Strategy Name:	Ticker:	2015 (YTD)
McDonald's Corp.	MCD	+8.39%

Company Description:

McDonald's Corp. ("MCD") is the world's largest owner and operator of fast food restaurants, also known as quick service restaurants ("QSR"). The company's business model includes both corporate- and franchise-owned locations in over 100 countries worldwide, deriving over 57% of its revenue from its top five markets in the United States, China, Germany, the United Kingdom, and France. Over the last several years, MCD has faced numerous headwinds to generating meaningful sales growth as consumer preferences in developed markets have demonstrably shifted towards natural and organic foods. While we expect these trends to continue to pose near-term challenges, we believe that the company will be able to respond effectively to the changing QSR landscape, as management has initiated strategic reviews of the business model and operating structure. It may be too early to tell whether or not this review process will be successful, but we believe that, in light of this renewed focus on improving operating results, MCD will remain well-positioned to benefit long-term from continued investment in key developed and growth markets. Furthermore, MCD currently trades at an extremely attractive valuation relative to its peers, provides a healthy dividend yield of 3.5%, and has been able to increase its dividend at a compound annual growth rate of 19.6% over the past ten years. Shares of MCD also exhibited extremely resilient downside protection during the most recent recession, which we believe to be increasingly important at this later stage in the business and economic cycle.

Financial Advisory Overview

Putting Your Money Where Your Values Are

charity's mission, you may deduct the amount you paid for it or the property's current value, whichever is less. **If property is related to the charity's mission—**a valuable painting donated to the Mint Museum, for example—it's usually fully deductible based on its current value. Many charities will provide some guidance on "thrift value," but it's ultimately up to you to determine the value of your donation for tax purposes.

- You can donate property created by or used in a trade or business. This includes inventory held for sale—or, if you're an artist or craftsperson, items you created for sale. This category also covers property that, if sold, would generate ordinary income instead of long-term capital gains.
- You can usually deduct the full fair market value of appreciated long-term assets you've held for more than one year, such as stocks, bonds or mutual funds and there's no capital gains tax. The deduction is limited to 30% of your adjusted gross income ("AGI") instead of the usual 50% limit for donations of cash and short-term property made to public charities, however, you can still carry forward unused deductions for five years.

In most cases, donating appreciated securities can be a cost-effective way to benefit the charities of your choice. Today's donors have more options than ever for structuring their philanthropy. Donor-Advised Funds or ("DAFs") are an effective and popular way for donors to support the charities that matter the most to them. DAFs provide donors the ability to make contributions using a wide range of assets. While most charitable contributions in the United States are made with cash, checks, or credit cards, these are generally the least strategic ways to give. Donating long-term, appreciated assets potentially allows donors to maximize capital gains tax advantages, which could help donors reduce taxes and ultimately give more to charity.

There has been a substantial increase in giving to donor advised fund accounts and grants from those accounts. In 2014, these funds accounted for $29.44 billion of all charitable giving – 6.4% of the 2014 total. Once assets have been contributed to a DAF, they can be invested for short- or long-term giving goals. Often, donors can choose from a variety of investment options that can potentially grow the charitable dollars tax free. Donors can recommend an investment strategy that aligns with their own charitable goals and time frames, either through investment pools or if the account is large enough by utilizing investment advisor-managed accounts.

Many donors use their DAFs to give strategically and plan their giving. For donors, key DAF features provide an opportunity to grow charitable assets, maintain a record of giving, and allow you to take time to decide where to give. At Rinehart, we realize that each client's situation is unique, and that the tax aspects of charitable giving can be complex. Let us consult with you about your personal giving strategy to determine the best option for your situation.

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Around Rinehart

Savant Speaks on Millennial Challenges

RWM's Wealth Advisor Andrew Savant, CFP was recently quoted in the Charlotte Business Journal article, "Financial Planners Honing Pitch." Andrew explained the challenges of how to best serve millennials given the impact of the information age coupled with their attitudes about money and the financial-services industry. To view the complete article, please see our website.

Rinehart Featured Presenter at Linville Country Club

Rinehart's Wealth Advisor Sandy Carlson, CFP®, CPA, CDFA™ and President and CIO Daniele Donahoe, CFA, will be presenting a series of impactful workshops at the Linville Country Club this month entitled "Women, Wealth & Well Being Enrichment Series: Necessary Information For Your Financial Fitness". The topics will focus on separating emotion from investing, education planning for children and grandchildren, charitable giving, and legacy planning. For more information please email csims@rinehartwealthmanagement.com.

RWM Partners with J.McLaughlin to Raise Money & Awareness for Make a Wish

Rinehart hosted its first ever "Sip & Shop" event at J.McLaughlin in Phillips Place. J.McLaughlin provided a fun setting, fashion tips, and raffled off a beautiful purse as well as donated 15% of sales to Make a Wish to help local children with life-threatening illnesses have their wish granted. Fun was had by all who attended!

Rinehart Wealth Management

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

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