

## INSIGHTS

### INVESTMENT OVERVIEW

#### A FINAL FAREWELL TO 2014

With the holiday season in full swing, it is an appropriate time to put 2014 in perspective, revisit the markets over the course of the year, and elaborate on current market conditions that suggest a relatively encouraging farewell to a fruitful 2014.

Despite the major market indices all experiencing opening-day declines this year – a potentially perturbing portent not witnessed since the ominous prelude to 2008 – domestic equities quickly recouped January's initial losses, setting an impressive pace for a record-breaking year in 2014. So far this year, the S&P 500 has closed at new record highs on 45 trading days, while the NASDAQ has set new ten-year highs on 39 trading days and is currently 5.4% below the all-time high set in March 2000, harking back to the index's glory days during the dotcom bubble. In light of short-term momentum and certain year-end market anomalies, as well as relatively positive trends in underlying economic factors, we remain constructive on domestic equities through the end of the year and see a potential bounce in international equity markets as European monetary policy plays catch-up with the United States by injecting much-needed liquidity into the European Union.

#### “TURN-OF-THE-YEAR EFFECT”

Counting down the remaining days of December, we anticipate not only the momentum of the holiday season, but also a positive lift in equities from a recognizable market anomaly – the “turn-of-the-year effect.” Although anomalies represent observed deviations from market efficiency, their statistical significance, predictability, and reliability are debatable. The “turn-of-the-year effect” refers to the abnormally high performance of stocks, especially small capitalization stocks, during the final months of the calendar year. Since 1978, the S&P 500 has achieved positive monthly performance for 28 of the past 36 Decembers,

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### FINANCIAL ADVISORY OVERVIEW

#### THE USE OF DONOR-ADVISED FUNDS IN CHARITABLE GIVING

December is the month normally associated with giving. In 2013, the largest source of charitable giving came from individuals with approximately 95.4% of households giving to charities representing \$335 billion in 2013. One of the easiest ways to give is through the use of a donor-advised fund. The first donor-advised funds were created in the 1930s, although Congress didn't establish the legal structure for them until 1969. In the 1990s donor-advised funds began to grow in visibility becoming philanthropy's fastest-growing vehicle in recent years. Today, they account for more than 3 percent of all charitable giving in the United States.

A donor-advised fund is a charitable giving vehicle administered by a public charity created to manage charitable donations on behalf of individuals, families and organizations. This vehicle allows donors to transfer cash or

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#### INVESTMENT TEAM

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#### SPECIAL POINTS OF INTEREST

- [Stock & Strategy Spotlight](#)
- [Monthly Index Review](#)
- [Around Rinehart](#)

## INVESTMENT OVERVIEW

## A FINAL FAREWELL TO 2014

approximately 78% of year-end returns have been positive. This can be attributed to the effects of tax-loss selling and “window-dressing,” whereby institutional investors sell underperformers and buy relatively attractive outperformers in order to present a more appealing year-end portfolio. This practice is particularly tempting when managers have lagged their respective benchmarks, as is the case this year with only 19% of our large cap core mutual fund universe outperforming the S&P 500 year-to-date (Source: RWM – FactSet Research, Morningstar®).

## ENCOURAGING ECONOMICS

Anomalies and quantitative prognostications aside, the current economic backdrop remains supportive of increased consumer spending heading into the holiday season, which should fundamentally bolster financial results, serving as a tailwind to economically-sensitive sectors such as Consumer Discretionary equities. Despite a dip in the most recent survey results, consumer confidence remains elevated and suggestive of improving psychology, while falling oil prices have pushed gasoline prices to four-

year lows. Both factors should support increased consumer spending, as evidenced when Wal-Mart Stores, Inc. (“WMT”) announced its first increase in US same-store sales in seven quarters, suggesting its core customer base might benefit from lower gas prices and constructive employment trends. If WMT’s commentary is indicative of momentum in consumer spending, then the market’s largest benefactor, the US consumer, could spread considerable holiday cheer simply by opening its pocketbook. As the results from post-Thanksgiving shopping continue to trickle in, market makers will be watching these numbers as we finalize 2014.

## STOCK &amp; STRATEGY SPOTLIGHT: 2014 REVIEW

Below is an overview of those stocks and mutual funds featured in our “Stock & Strategy Spotlight” each month throughout 2014. Despite three laggards, seven of our highlighted picks have beat their respective benchmarks year-to-date, while, overall, the entire group returned an average of +14% on a total return basis.

## STOCK &amp; STRATEGY SPOTLIGHT: 2014 REVIEW

Name	Symbol	Month	2014 (YTD)	Relevant Benchmark	2014 (YTD)
Highland Long/Short Healthcare Fund Cl. Z	HH CZX	January	+13.96%	HFRX Aggregate	+2.57%
American Water Works Co., Inc.	AWK	February	+28.40%	S&P 500	<b>+13.98%</b>
International Business Machines Corp.	IBM	March	<b>-11.28%</b>	S&P 500	<b>+13.98%</b>
Svenska Cellulosa Aktiebolaget Spons. ADR	SVCBY	April	<b>-21.41%</b>	MSCI EAFE	<b>-1.08%</b>
Tortoise MLP & Pipeline Fund	TORIX	May	+14.20%	Alerian MLP	+11.05%
Visa, Inc. Class A	V	June	+16.70%	S&P 500	<b>+13.98%</b>
Molson Coors Brewing Co. Class B	TAP	July	<b>+40.39%</b>	S&P 500	<b>+13.98%</b>
Berwyn Income Fund	BERIX	August	+3.58%	HFRX Aggregate	+2.57%
Baird Intermediate Municipal Bond Fund	BMBIX	September	+4.51%	Barclays Municipal	+8.50%
Kinder Morgan Energy Partners, L.P.	KMP	October	+33.35%	Alerian MLP	+11.05%
Equinix, Inc.	EQIX	November	+32.29%	S&P 500	<b>+13.98%</b>

## MONTHLY INDEX REVIEW

Data as of November 30 <sup>th</sup> , 2014	November 2014	2014 (YTD)	2013
S&P 500	2.69%	13.98%	32.39%
Dow Jones Industrials	2.86%	9.92%	29.65%
NASDAQ Composite	<b>3.66%</b>	<b>16.01%</b>	<b>40.12%</b>
Russell 2000	0.09%	1.99%	38.82%
MSCI Emerging Markets	<b>-1.05%</b>	2.88%	<b>-2.27%</b>
MSCI EAFE	1.37%	<b>-1.08%</b>	23.29%
Barclays US Aggregate	0.70%	5.86%	<b>-2.02%</b>

## FINANCIAL ADVISORY OVERVIEW

## THE USE OF DONOR-ADVISED FUNDS IN CHARITABLE GIVING (CONT.)

other assets to the charity, becoming eligible to take an immediate tax deduction for their charitable contributions.

Schwab and Fidelity both offer donor-advised funds. To open an account, an application must be completed and there is an initial funding requirement of \$5,000. The account can be funded with cash or publicly traded securities, including stocks, most mutual fund shares and bonds. Some restricted or privately held stock is accepted on a case-by-case basis.

Using a donor-advised fund is efficient if you gift to multiple charities or want to make a tax deductible charitable contribution but have yet to determine the recipients of the gift. A donor-advised fund can also be used as a way to build a legacy.

Whether your goal is to foster a family giving tradition or continue to support charities beyond your lifetime, there are numerous options to carry on your charitable legacy and maximize income and estate tax advantages.

*“Too often, a vast collection of possessions ends up possessing its owner. The asset I most value, aside from health, is interesting, diverse, and long-standing friends.”*  
– Warren Buffett

By contributing securities with unrealized long-term capital gains rather than selling the assets and then donating the proceeds, you can give more to charity while enjoying significant tax savings. Gifting appreciated assets is usually a more tax advantageous method of giving to charity than strictly giving cash. A donor-advised fund offers benefits such as flexibility in grant recommending, including the ability to remain anonymous.

Since the donors are eligible to take the maximum tax deduction available once they have made their irrevocable contribution, the charity owns and controls the assets, allowing the donor to have only advisory privileges over the distribution of charitable grants. This is why the grants are recommended by donors, not made by them. The charity also will generally perform due diligence to verify that each organization to which a grant is recommended is an IRS-qualified public charity, among other restrictions as specified by the policies of each sponsoring organization with a donor-advised fund program.

## KEY CHARACTERISTICS

- Immediate tax deduction, up to 50% of adjusted gross income for cash, 30% for appreciated assets
- May eliminate capital gains tax for gifts of long-term appreciated securities
- Can often accept many types of assets
- Professional investment management
- Can name successors to continue family involvement

If you would like to open a donor-advised fund before the end of the year to get your 2014 tax deductible contribution, please contact your Financial Advisor. At Rinehart, we realize that each client's situation is unique, and we can assist with deciding if a donor-advised fund is the best option for your situation.

## 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.

### RWM'S MARATHON MARVEL HITS THUNDERROAD



RWM's Daniele Donahoe braved cold weather and a challenging course to complete her first half marathon at Charlotte's Thunder Road Marathon in November. She achieved her goal of completing the 13.1 miles in less than two hours.

### RWM TALKS TURKEY WITH CLIENTS

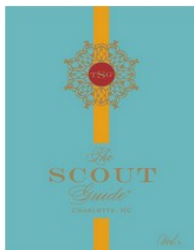
RWM's first annual "Stop By, Say Hi, Grab a Pie Day" was a huge success! If you were unable to make it to the inaugural event, we would love for you to join in the fun next year. We are always grateful for quality time together with our wonderful clients.



Stay tuned for more fun events we are planning for 2015!

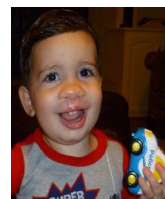
### RWM IS "SCENE" AROUND TOWN

RWM's Wealth Wine & Women event was recently highlighted in the SCOUT Guide's blog and Life in Myers Park Magazine. RWM will also be featured in the upcoming 2015 Charlotte SCOUT guide. The SCOUT guide celebrates unique, talented entrepreneurs who infuse Charlotte with originality, creativity and passion. We are proud to be highlighted alongside the best of Charlotte's local businesses!



### WELCOME AND FAREWELL AT RWM

Continuing the upward momentum of RWM's Advisory Board, we are excited to announce a strategic fifth member. Retired attorney and Charlotte community leader Anne Leggett takes her position on the board alongside financial leaders Daniele Donahoe, Mary Rinehart, Ken Thompson and Charles Conner, Jr. Welcome Anne!



Marilyn Spencer recently made the very difficult decision to leave her Financial Advisor role at RWM as her son Cameron, adopted last Fall, still faces many surgeries to repair his cleft lip and palate in order to improve his breathing, eating and speech development. Marilyn will greatly miss her clients and we will miss her!

### HOPE CHRISTMAS PARTY AT RWM

RWM will host a Secret Santa gift exchange for our HOPE family! We are currently working closely with Charlotte Family Housing to secure safer living arrangements and to create a healthy budget for this special family to enjoy a brighter 2015.



### 2015 OFFSITE OUTLOOK

Our team recently met at the Duke Mansion to review a successful 2014 and to set out our 2015 initiatives which will include a revised mission statement and the introduction of a vision statement.



## Rinehart Wealth Management

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

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