

INSIGHTS

INVESTMENT OVERVIEW

TINSEL, TREES, AND TAPER – TOASTING 2014

As we gather this holiday season to celebrate with friends and family, we pause for some much-needed reflection on the year that was 2013 and find ourselves dwelling on one final, looming question: will 2014 be the year of the highly anticipated, oft-speculated reacceleration in domestic economic growth? Yes, after nearly five years of sluggish GDP figures in the wake of the Great Recession, the item at the top of investors' wish lists for 2014 will be GDP growth exceeding expectations.

If holiday habits serve as eclectic leading indicators, we should be joyously toasting 2014 and reveling in the prospects of sustained GDP growth above the elusive 4% barrier. From 2007 to 2010, the market for Christmas trees fell approximately 23%, to \$1.0 billion, and, until now, failed to enjoy any real recovery; this year, however, the Christmas tree market is merry with early December sales figures increasing 12% over last year (*Source: Barron's*). Furthermore, FedEx Corp. (FDX) indicated an expected 11% increase in package volumes this holiday season, primarily driven by online shopping and e-commerce. Even this now appears conservative as both FedEx and United Parcel Service, Inc. (UPS) experienced stronger-than-expected volumes, which, combined with inclement weather, caused widespread delays for last-minute shoppers hoping to have packages delivered before Christmas Day. While these yuletide hallmarks do not reflect the entirety of the economic landscape, they herald good tidings of continued consumer confidence as we ring in the New Year.

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FINANCIAL ADVISORY OVERVIEW

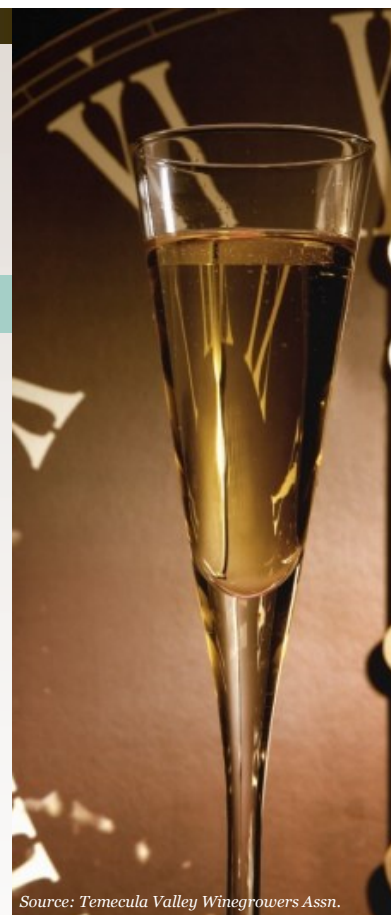
HEALTHCARE REFORM & TAX UPDATE

Healthcare Reform

Over the past three decades, rising health care costs and the subsequent rise in insurance premiums have fueled an increase in the number of Americans without insurance. Today, it is estimated that nearly 50 million Americans are uninsured. The increase in the cost of insurance has placed pressure on employers' ability to provide comprehensive benefits, leading many to shift to less generous policies or to drop coverage altogether.

Attempts at reforming health care legislation are not new. Within the past 50 years, three presidents risked considerable political capital in the attempt to enact health reform without success. Under President Obama, The Affordable Care Act was signed into law to reform the health care industry on March 23, 2010. Some parts of the new healthcare law were slated for implementation within a short time frame after the Act's signing. However, many of the more groundbreaking provisions that will affect the greatest number of Americans do not take effect until January 1, 2014.

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Source: Temecula Valley Winegrowers Assn.

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SPECIAL POINTS OF INTEREST

- Stock & Strategy Spotlight
- Monthly Index Review
- Healthcare Reform
- Tax Changes Effective for 2014
- Around Rinehart

INVESTMENT OVERVIEW

TINSEL, TREES, AND TAPER – TOASTING 2014

Stock market movement often precedes economic activity, which helps to explain why the S&P 500 is up over 167% since bottoming in March 2009, and Christmas tree sales have only just started to rebound this year. Alongside Christmas tree fever, risk appetites accelerated in 2013, as evidenced by the outperformance of small cap stocks this year (Russell 2000 up over 38%), while higher quality, lower volatility assets fell relatively out of favor (Dow Jones up only 29%). Moreover, IPO activity has almost doubled year-over-year, reaching levels not seen since the Internet Bubble of 1999-2001.

Looking back on the news and market trends that defined 2013, “taper” emerged as a new expletive and maligned media villain. Turns out, too much taper talk took the tremors out of Bernanke’s final speech as Federal Reserve chair, during which he announced the FOMC’s plan to again reduce its current monthly bond-buying program (i.e., QE3) by a relatively paltry \$10 billion: from \$85 to \$75 billion a month. Equity markets responded by rallying and posting their largest single-day gains in more

than two months!

All too often, we fixate on impertinent headlines and the prevailing investment consensus de jour; but, as accessibility to information continues to increase, reactionary adjustments to long-term asset allocations and investment strategies can do more harm than good over time. As demonstrated by the market’s reaction to Bernanke’s most recent commentary, the market had already priced in the perceived bad news of tapering monetary policy due to the telegraphing of the Fed’s positioning over the preceding months. This market cycle, like the many before it, will progress from trough to peak and back again. It is the discipline with which you navigate the full market cycle that will enable you to toast reaching your long-term goals and not just the transient euphoria of a singular good year in the market. That said, reflecting upon 2013 we cannot help but give thanks to our tall, tinsel covered trees, and the 2013 taper talk tied up nicely with a big bow.

STOCK & STRATEGY SPOTLIGHT

Strategy Name:

Highland Capital Long/Short Healthcare Fund

Ticker/Symbol:

HHCZX

2013 Performance:

34.86%

Strategy Description:

This is a uniquely-positioned strategy in the Hybrid category that complements existing portfolio positions due to its low connection with the equity market. Healthcare is undergoing the largest and most significant structural change in over 45 years, which will result in predominant, identifiable successes and failures across the healthcare sector. This fund combines the ability to invest in fundamentally sound and strategically-positioned success stories with the ability to underweight or sell short those companies adversely affected by pending government regulation (i.e., changes in reimbursement policies, FDA approval processes, etc.). The manager has been running this strategy and its predecessor for over 13 years. We look forward to the Portfolio Manager, Michael Gregory, presenting his thoughts and comments at our Healthcare Panel on February 5th, 2014.

MONTHLY INDEX REVIEW

Data as of 12/31/13	December 2013	Fourth Quarter 2013	2013
S&P 500	2.53%	10.51%	32.39%
Dow Jones Industrials	3.19%	10.22%	29.65%
NASDAQ Composite	2.94%	11.10%	40.12%
Russell 2000	1.97%	8.72%	38.82%
MSCI Emerging Markets	-0.97%	1.86%	3.79%
MSCI EAFE	1.41%	5.75%	27.46%
Barclays US Aggregate	-0.57%	-0.14%	-2.02%

FINANCIAL ADVISORY OVERVIEW

ABOUT RINEHART

HEALTHCARE REFORM & TAX UPDATE

Therefore, we are excited to bring you the following in 2014:

- January Whitepaper entitled “Healthcare Reform: 2014 A Key Implementation Year.”
- Health Care Panel Event “Investing in the New Healthcare Frontier” – This event will be held on February 5th, at Del Frisco’s. It will feature four panel experts who will discuss strategies that can benefit from the

changing healthcare landscape. It is by invitation only, so let us know if you are interested in attending this exclusive event.

Tax Update

Over the past year, Americans have seen numerous changes to the federal and state tax law. Below is a review of some of the changes that will impact certain individuals during the 2013 tax filing season.

FEDERAL INCOME TAX CHANGES EFFECTIVE FOR 2014

Income Tax Rates	<ul style="list-style-type: none"> Top income levels (defined as > \$400,000 Single/\$450,000 Joint) were increased to 39.6% for 2013 from 35% in 2012
Capital Gains Rates	<ul style="list-style-type: none"> Remain at 0% or 15% for those in the lower tax brackets Top income levels will have capital gains rates increase to 20% (\$400,000 Single/\$450,000 Joint)
Qualified Dividend Treatment	<ul style="list-style-type: none"> Because qualified dividend rates are tied to the long-term capital gains rate, qualified dividends remain taxable at 0% - 15% for those in the lower tax brackets Top income levels will have qualified dividend rates of 20%
Medicare Surcharge Tax	<ul style="list-style-type: none"> Additional 3.8% tax on the lesser of net investment income or modified AGI > \$200,000 Single/\$250,000 Joint Additional 0.9% tax on earned income > \$200,000 Single/\$250,000 Joint
Personal Exemption and Itemized Deduction Phaseout	<p>These phaseouts apply to the threshold of AGI over \$250,000 (single) and \$300,000 (joint)</p> <ul style="list-style-type: none"> Personal exemptions begin phaseouts by 2% for every \$2,500 above the AGI threshold Itemized deductions are reduced by 3% of excess income over the AGI threshold mentioned above up to a maximum of 80% in value Certain itemized deductions are exempt from the phaseout

NORTH CAROLINA INCOME TAX CHANGES EFFECTIVE FOR 2014

Income Tax Rates	<ul style="list-style-type: none"> Marginal tax brackets have been eliminated New 5.8% flat income tax rate for 2014; 5.75% for 2015 and beyond in 2012
Personal Exemptions	<ul style="list-style-type: none"> Elimination of personal exemptions
Deductions	<ul style="list-style-type: none"> Eliminates most deductions Mortgage interest & property tax deductions are capped at \$20,000 Eliminates the deduction of NC 529 College Savings Plan contributions
Standard Deduction	<ul style="list-style-type: none"> Increases the standard deduction to \$7,500 Single/\$15,000 Joint from \$3,000/\$6,000 respectively
NC Estate Tax	<ul style="list-style-type: none"> Elimination of North Carolina Estate Tax

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

It's That Time of Year - Giving Hope

In the spirit of the holiday season, Rinehart Wealth Management donates 10% of profits to charity each year. Various organizations including Crisis Assistance Ministries, Heifer International, the Red Cross, Opera Carolina, NC Dance Theatre, and many others received contributions from the firm. Each year, as we send out holiday cards to you, our clients and our professional friends, it is equally a joy to send the gift of donations to organizations that do good in the world and our community.

Coincidentally, early last month, the firm began the process of joining Charlotte Family Housing as a Hope Team. The firm wanted to connect more personally by establishing a meaningful, long-term relationship with a charitable cause, rather than isolated volunteer days. Being a part of a Hope Team allows us to use our talents in various roles to help a local family in need achieve their long-term goals.

Extra! Extra! Read All About It!

Be on the look out for the January issue of Greater Charlotte Biz this month as Rinehart Wealth Management is spotlighted in a feature article. Mary Rinehart was interviewed and then photographed with Daniele Donahoe, Andrew Savant and Elliott Van Ness.

In early 2014 we will be hosting our premier, exclusive healthcare panel presentation event. Four experts will discuss strategies that can benefit from the changing healthcare landscape. Panel members include Michael Gregory from Highland Capital Management who is the

manager of the Highland Capital Long/Short Healthcare Fund (HHCZX) highlighted in this newsletter's "Stock & Strategy Spotlight." Mark your calendars now for Wednesday, February 5th, 2014 at Del Frisco's SouthPark from 5:30 to 7:30 pm. Invitations will be sent soon, so watch your email and mailboxes!

Happenings

We'd like to highlight some team achievements in 2013:

- Elliott Van Ness passed Level II of the CFA Exam
- Lorri Tomlin became a Registered Paraplanner
- Alana Linn passed the Series 65 Exam
- Andrew Savant and his wife Meghan welcomed twin boys, Warren and Dean
- Marilyn Spencer and her husband Jake welcomed home their baby boy Cameron
- We hired Sandy Carlson CFP®, CPA as a Financial Advisor
- Daniele Donahoe will become part owner of the firm as of January 1st, 2014

With all of these successes, we must also express our condolences for Marilyn Spencer, whose father passed away, and for Daniele Donahoe and Alana Linn, whose grandmothers also passed. All loved ones enjoyed long and prosperous lives, and will be missed and fondly remembered.

Just for Fun

This past month was the firm's annual Christmas party at Mary's house in Plaza Midwood. Friends and family joined to partake in carol singing and dinner as we celebrated 2013 and toasted to a joyful 2014!

Rinehart Wealth Management

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

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