

INSIGHTS

INVESTMENT OVERVIEW

THE RWM CORE 20 EQUITY PORTFOLIO

This month marks the three-year anniversary of the Rinehart Wealth Management “Core 20” Tracker Model (“Core 20 Model”): a hypothetical portfolio comprised of the Investment Team’s twenty highest-conviction investment ideas utilizing its in-house, proprietary investment research and analysis process. The Core 20 Model was designed to reflect our investment philosophy, process, style, and strategy, representing actual investments owned firm-wide across client portfolios.

After having tracked simulated performance over the past three years, the Investment Team has confidence in the investment strategy and has begun seeding Rinehart Wealth Management “Core 20” Equity Portfolios (“Core 20”) with Rinehart employee funds and dedicated, equity-only client accounts, effectively enabling us to compose and manage a Core 20 composite. Members of the Investment Team will have significant funds allocated to the Core 20 strategy, emphasizing the importance of investing alongside client portfolios to ensure the proper alignment of interests. It should give existing and potential investors confidence knowing that the Investment Team believes in the strategy and invests in the underlying securities they recommend for client portfolios.

As we prepare to launch the Core 20 strategy, broadening the suite of investment services available to our clients, we wanted to provide an initial

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FINANCIAL ADVISORY OVERVIEW

EXCHANGING YOUR LIFE INSURANCE POLICY

Life insurance is often an essential component of a comprehensive financial plan. It can be utilized for a number of different purposes, including but not limited to: paying for final expenses, covering outstanding debt obligations, paying for educational expenses for dependents, as well as future income or savings replacement. While life insurance can possess a plethora of features, at its core it is typically designed to serve as a tax-free benefit based upon the face value of the policy and is paid to the beneficiary(s) at the death of the insured. There are a number of life insurance products to choose from, including: term, whole life, universal life, and variable life. While each type is comprised of different unique characteristics, they all possess the common feature of an underlying death benefit.

WHAT IS A 1035 EXCHANGE?

A “1035 Exchange” refers to an exchange of a life insurance policy that is currently owned for a new policy insuring the same individual. While the transaction is designed to occur without tax ramifications on the investment gains of the original policy, there are several important rules to consider. First, the IRS requires that the



INVESTMENT TEAM

Daniele Donahoe, CFA
President & CIO

Elliott Van Ness, CFA
Director of Research & Portfolio Manager

Mary Rinehart, CFP®
CEO, Portfolio Manager

Brittany Danahey
Portfolio Manager

WEALTH ADVISORY TEAM

Sandy Carlson, CFP®, CPA, CDFATM
Wealth Advisor & Chief Compliance Officer

Andrew Savant, CFP®
Wealth Advisor

Neal Deaton, MBA
Wealth Associate

Lorri Tomlin, RP®
Wealth Associate

Cynthia Sims, JD
Client Service Associate

SPECIAL POINTS OF INTEREST

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

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abstract of the portfolio composition and construction, providing the essential facets of the portfolio management process utilized by the Investment Team in the Core 20 investment strategy. Please feel free to contact a member of the Rinehart Wealth Management team for additional details and information, which will be available in August.

(“ACWI”) Net as its secondary benchmark. Lastly, in an attempt to capture the high-quality, income-oriented style tilt of the Core 20 investment strategy, the Investment Team will be including the S&P 500® Dividend Aristocrats Total Return Index as a tertiary index.

THE RINEHART WEALTH MANAGEMENT CORE 20 EQUITY PORTFOLIO INVESTMENT PHILOSOPHY

We invest with the belief that, given a long-term investment horizon, outsized risk-adjusted returns result from the identification of high-quality investment opportunities through the use of in-depth fundamental research and analysis, a strict adherence to defined valuation parameters, and an astute contrarian overlay.

PORTFOLIO COMPOSITION

The Core 20 is a concentrated twenty-security portfolio composed of the Investment Team’s highest-conviction, long-term investment ideas, with the stated objective of delivering improved risk-adjusted returns and lower volatility over a full market cycle. The Core 20 investable universe includes all publicly-traded domestic and international securities listed on US-based exchanges, including individual equities, American Depositary Receipts (“ADRs”), as well as exchange-traded funds (“ETFs”), and open-end pooled investment vehicles, such as mutual funds.

Given that the Core 20 investment strategy focuses on absolute, long-only performance returns, the strategy is benchmark agnostic; however, we utilize several benchmarks to monitor portfolio performance and the relative risk-adjusted returns. The Core 20 investment strategy’s primary benchmark will be the S&P 500® Total Return Index. Due to the strategy’s ability to invest in international equity securities, the Core 20 investment strategy will include the MSCI All Country World Index

INVESTMENT SELECTION PROCESS

The illustration on page 3 outlines the portfolio management process, beginning with a clear understanding of the global macroeconomic environment, which serves as a map for the portfolio construction process, and, without which, the asset selection process would be irrelevant in our opinion. The Quarterly Economic Overview requires a significant amount of time dedicated to researching and analyzing several quantitative and qualitative indicators in order to determine where we are in the economic and business cycles. This high-level map of the global economy provides the basis and framework for subsequent fundamental research and valuation analysis on individual securities.

Our in-house, proprietary investment research is the building block for the portfolio and entails a meticulous, systematic process for in-depth fundamental equity analysis and thorough due diligence on individual equities and structured securities. We utilize bottom-up research to identify securities with stable business models, healthy balance sheets, strong financial

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MONTHLY INDEX REVIEW

Data as of June 30 th , 2015	June 2015	2Q15	2015 (YTD)	2014
S&P 500	-1.94%	+0.28%	+1.23%	+13.69%
Dow Jones Industrials	-2.06%	-0.29%	+0.03%	+10.04%
NASDAQ Composite	-1.56%	+2.03%	+5.90%	+14.75%
Russell 2000	+0.75%	+0.42%	+4.75%	+4.89%
MSCI Emerging Markets	-2.52%	+0.82%	+3.12%	-1.82%
MSCI EAFE	-2.80%	+0.84%	+5.88%	-4.48%
Barclays US Aggregate	-1.09%	-1.68%	-0.10%	+5.97%

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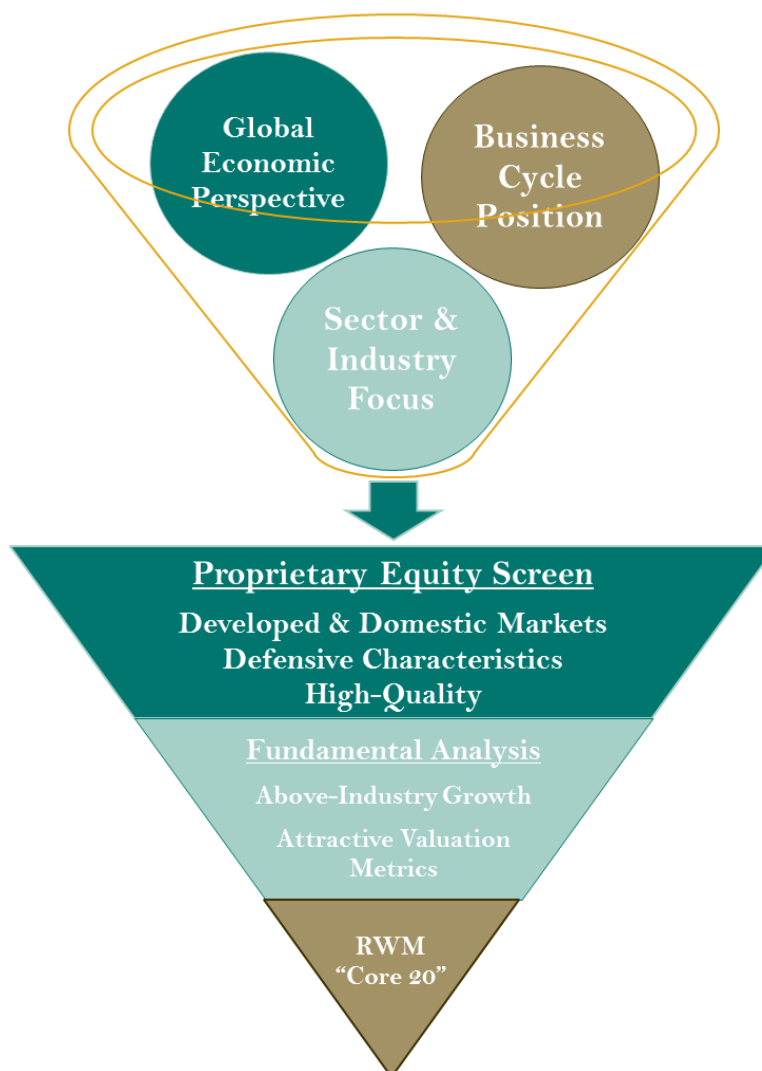
THE RWM CORE 20 EQUITY PORTFOLIO

positioning, a history of above-industry revenue growth, and a propensity to steadily grow dividends. Moreover, we seek to recognize those companies with unique capabilities operating in sectors with high barriers-to-entry or benefiting from powerful secular trends.

The Investment Team conducts fundamental research on companies that qualify for additional consideration, including reviews of the latest available company-specific and industry-level research reports and commentary, analysis of the latest financial statements (i.e., 10Ks and 10Qs) and conference call transcripts, interviews with management teams, and the creation of earnings models to develop independent forecasts and estimates. Throughout each stage of this process, the Investment Team constantly challenges market assumptions and our own estimates to develop a robust understanding of the underlying business model. When we are satisfied that the candidate in question represents an attractive, high-quality investment opportunity, we proceed to ascertain the stock's absolute and relative valuation.

Identifying high-quality companies that are also available at attractive absolute and relative prices further reduces the pool of potential candidates. Valuation is equally as important as the quality of the security in our selection process, and both factors must be present simultaneously. The amount of

DIAGRAM I: RWM PROPRIETARY RESEARCH & ANALYSIS PROCESS



upside to a stock's price target is a critical component in determining the security's respective weighting across investment portfolios and our primary risk management tool. Therefore, in order to maximize risk-adjusted returns, properly valuing the underlying investments within a portfolio is paramount and commands a considerable amount of the time allocated to asset selection. When we are confident that a high-quality company is trading at an attractive valuation, the candidate will move along to the next step in the selection process.

We believe the market is a mean-reverting mechanism, enabling an astute, consistently-

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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applied contrarian overlay to provide alpha to patient, long-term investors. Contrarian investing involves identifying companies, industries, or investable trends that are currently out of favor, providing the opportunity to invest at a significant discount to fair value. This involves properly understanding and identifying key attributes of behavioral finance, which, in our opinion, remains one of the few exploitable market inefficiencies. Sentiment indicators serve as a barometer for market and analyst expectations, helping us determine what is priced into the security. The Core 20 seeks to exploit instances of mispricing by finding opportunities where consensus estimates are below our expectations for long-term earnings potential.

incorporates an independent review by the Chief Compliance Officer (“CCO”).

The Investment Team has been performing high-quality investment management with an emphasis on equity selection for years, and we are excited to have a dedicated strategy to harness these capabilities in a more concentrated portfolio than has been typical of our broadly diversified portfolios. We will be able to provide a comprehensive overview of the Core 20 investment strategy in August; in the meantime, please feel free to contact a member of the Investment Team or your Wealth Advisor if you would like more information.

“The real key to making money in stocks is not to get scared out of them.”

Peter Lynch

All investment ideas and decisions made within the Core 20 are subject to conditional approval and majority consensus by the Investment Committee, which will be comprised of the Chief Investment Officer (“CIO”), the Director of Research, and other key members of the Investment Team. This prevents unilateral decision-making that might derail the proper implementation and execution of the investment strategy. A system of proper checks and balances is critical to success and also

STOCK & STRATEGY SPOTLIGHT

Strategy Name:

Mead Johnson Nutrition Co.

Ticker:

MJN

2015 (YTD)

-9.44%

Company Description:

Mead Johnson Nutrition Co. (“MJN”) produces infant and children's pediatric nutritional products worldwide. The company's product portfolio addresses a broad range of nutritional needs for infants, children and expectant and nursing mothers. The company's pediatric nutrition products are grouped by feeding category: infant formula products, children's nutrition products and other products. MJN is a high-quality Consumer Staples company operating in an industry with incredibly high barriers-to-entry across the majority of its business segments and geographic markets. Barriers-to-entry, a higher growth profile, and a strong operating history have afforded MJN a long-standing valuation premium relative to other high-quality Consumer Staples companies, which we believe to be justified. Currently, the premium is opportunistically compressed for reasons we believe to be temporary. The street has become increasingly negative in its opinion and perception of MJN due to recent concerns over near-term headwinds to sales and EPS growth prospects. In particular, analysts have reduced their EPS estimates for FY2015 and FY2016 by 4.2% and 5.2%, respectively, over the past six months in light of ongoing protests and political turmoil along the border between Hong Kong and mainland China, which have caused sales and supply disruptions. We believe these disruptions to be temporary and short-term in nature, and the recent price reaction (-9.44% YTD) to be overblown relative to MJN's prominent presence and value-add proposition in these markets, and the correction appears more severe than the estimate revision.

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original policy be directly exchanged for a new policy—meaning the existing policy cannot be surrendered then use the proceeds to purchase the new policy. Second, There are other types of replacements that are not true 1035 Exchanges and therefore would not qualify as a tax-free transaction.

WHEN SHOULD A 1035 EXCHANGE BE CONSIDERED?

Exchanging an existing life insurance policy for a new one may warrant consideration from an economic standpoint. If new coverage is more affordable, it is possible to recognize a cost savings or obtain more insurance for the same premium dollars. The difference in premium can result from improved mortality rates, which has brought down the overall cost of life insurance. Another reason an individual may contemplate replacing their existing policy would include a change in the life insurance company rating and concerns that the issuer may become insolvent. Additionally, a newer policy may have more appealing features, including riders such as an additional purchase benefit (i.e., various intervals over time that allow the individual to purchase additional insurance without further proof of insurability), automatic premium waiver (if an individual becomes disabled their premium payments are made for them so their policy remains in force), and/or an inflation rider. Finally, an exchange could allow an individual to purchase a hybrid policy that gives them the option to utilize a portion of their life insurance death benefit towards long-term care (LTC) insurance. Given that LTC insurance has a more stringent underwriting process, this option allows an individual who may not qualify for a traditional LTC policy to access this type of care indirectly via their life insurance policy.

WHEN SHOULD A 1035 EXCHANGE NOT BE CONSIDERED?

Most permanent life insurance policies have surrender charges that are incurred when policies are terminated early. This charge is assessed against the cash value and reduces the existing cash value available. When a policy is exchanged, the insured is still required to go through the underwriting process. If their health has deteriorated since the existing policy was in-force, higher premiums may be required to offset their riskier profile. Premiums could also increase due to their increase in age.

The pros and cons of exchanging an existing life insurance policy for a new one need to be weighed before embarking upon such a decision. As with other financial planning decisions, suitability is essential. If you are contemplating whether such an exchange makes sense for you, please feel free to contact your Rinehart Wealth Advisor to discuss your particular needs and unique situation.



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From our family to yours.



Rinehart Wealth Management

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

521 East Morehead Street
Suite 580
Charlotte, NC 28205

Phone: 704-374-0646
Fax: 704-377-0746
Email:
rinehart@rinehartwealthmanagement.com

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