

## INSIGHTS

### INVESTMENT OVERVIEW

#### ALTERNATIVE INVESTMENT MANAGER FORUM WRAP-UP

Rinehart recently hosted an exclusive alternative investment manager panel presentation, featuring five renowned alternative investment portfolio managers. The event was standing-room only and, in our opinion, the most impressive event we've ever held. The degree to which these industry experts provided timely insight and interacted with the audience was unique given the intimate setting and panel format. Not only was this an unique opportunity to hear first-hand market insight and investment outlook from leading specialists in the alternative investment space, but also an exceptional occasion to better understand the critical role that alternative investments play within a well-diversified investment portfolio.

While the Investment Team provided a quick recap of the key takeaways from our Alternative Investment Manager Forum in our most recent Quarterly Economic Overview, we wanted to take this opportunity to summarize our final thoughts from the event and highlight how the discussion topics may impact investment portfolios for the foreseeable future: as a reminder to those of you who may have missed the live broadcast, a replay of our Fourth Quarter Economic Overview is available on our website and can be accessed by visiting our [Webinar Archive](#) page. Seeing as how this event coincided with one of the rockiest starts to a calendar year for markets, the manager commentary was decidedly centered on the potential of a recession, which we would go so far as to classify under the following categories:

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### WEALTH ADVISORY OVERVIEW

#### CHOOSING A RETIREMENT SOLUTION FOR YOUR BUSINESS

Owning a business takes considerable responsibility that includes juggling business development and growth while overseeing the operating budget and employees. It is a challenge to get everything done and should come as no surprise that business owners have been unable to allocate the proper amount of time to the company's retirement plan design.

##### THE IMPORTANCE OF SAVING

It is estimated that between 70 to 90 percent of preretirement income will be needed to maintain an existing standard of living in retirement. As a business owner, you play an important role in providing a vehicle through which your employees and yourself can save for retirement. A retirement plan can also help you to attract and retain talented employees, as well as offer considerable tax savings.

##### WHAT RETIREMENT PLAN IS OPTIMAL FOR YOUR BUSINESS?

There are multiple types of retirement plans to choose from making the selection process cumbersome and confusing.

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#### INVESTMENT TEAM

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Elliott Van Ness, CFA  
*Director of Research & Portfolio Manager*  
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Jeremy Williamson  
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#### SPECIAL POINTS OF INTEREST

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

## INVESTMENT OVERVIEW

## ALTERNATIVE INVESTMENT MANAGER FORUM WRAP-UP

The (Relatively) Good, The (Less) Bad, and The (Deferentially) Ugly.

**THE (RELATIVELY) GOOD**

Although it may have been hard for those who attended the event to walk away from it with any semblance of optimism or positivity, we wanted to highlight the positive commentary from two of our panelists who see robust mergers and acquisitions (“M&A”) activity as a way to outperform in 2016: Anton Schutz and Christopher Pultz.

Mr. Schutz, President and Chief Investment Officer (“CIO”) of Mendon Capital Advisors Corp. and the Portfolio Manager of the Burnham Financial Long/Short Fund (“BURFX”), focuses exclusively on finding the most attractive investment opportunities, on both the long- and short-side, within the Financial Sector. He believes that the Banking Industry is still in the early rounds of a mergers and acquisitions (“M&A”) super cycle, making it an extremely attractive time to find high-quality banks trading at attractive valuations that may be potential targets for larger institutions willing to pay a premium for the target’s underlying asset base. Moreover, he believes that this extended period of consolidation represents a good environment to select stocks: buying “winners” while also avoiding, or selling short, “losers” to the benefit of a disciplined long/short investment strategy.

Mr. Pultz, the Portfolio Manager of the Kellner Merger Funds (“GAKIX/GAKAK”), drew similar conclusions in his assessment of the M&A market due to his belief that many companies will only be able to access and realize incremental growth via consolidation and strategic M&A

activity. He also emphasized how a rising rate environment is positive for merger arbitrage due to the strategy’s positive correlation with interest rates, making it a relatively appropriate fixed income diversifier and an opportunistic investment strategy capable of delivering attractive risk-adjusted returns despite global macroeconomic uncertainty.

**THE (LESS) BAD**

As part of the Permanent Portfolio (“PRPFX”) investment strategy, Michael Cuggino, the President and Portfolio Manager of Permanent Portfolio Family of Funds, Inc., maintains a fixed allocation to a diversified portfolio of non-correlated asset classes, such as: gold, silver, aggressive growth stocks, and real estate and natural resource stocks. Despite recent underperformance and the negative headwinds currently facing the latter asset class over the short- to intermediate-term, Mr. Cuggino believes that exposure to commodities and select commodity-sensitive equities has benefited, and will continue to benefit, investors over a long-term investment horizon.

Accordingly, he suggests that investors who are able to withstand the temporary pain of owning a asset class during periods of disappointing performance should continue to do so because a significant portion of an investor’s long-term alpha is earned and achieved by maintaining a well-diversified portfolio.

**THE (DEFERENTIALLY) UGLY**

For those of you who attended the event, it may be easier to recall the commentary from Michael Aronstein and Jay Compson, both of whom possessed

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## MONTHLY INDEX REVIEW (USD TOTAL RETURN)

Data as of February 29 <sup>h</sup> 2016	February 2016	2016 YTD	2015	2014
S&P 500			+1.38%	+13.69%
Dow Jones Industrial Average			+0.21%	+10.04%
NASDAQ Composite			<b>+6.96%</b>	<b>+14.75%</b>
Russell 2000			-4.41%	+4.89%
MSCI Emerging Markets			<b>-14.60%</b>	-1.82%
MSCI EAFE			-0.39%	<b>-4.48%</b>
Barclays US Aggregate			+0.55%	+5.97%

## INVESTMENT OVERVIEW

## ALTERNATIVE INVESTMENT MANAGER FORUM WRAP-UP

categorically negative insights regarding the current state of and near-term outlook for the global economy, as well as the prospects for international financial markets.

Michael Aronstein, the President, Portfolio Manager, and CIO of Marketfield Asset Management, LLC., discussed how the global economy is precariously positioned in the midst of a pronounced credit cycle set to unwind. Given the exponential growth in credit markets and global debt levels, he believes that there is a terrifying overcapacity of low-grade, illiquid fixed income circulating global financial markets, creating a discrete but dangerous credit market bubble.

In a similar vein, Jay Compson, a Principal and Portfolio Manager of Absolute Investment Advisers, highlighted how the global economy is in a 40-year credit cycle; the last 15 of which have been used primarily to maintain and prolong the current cycle. Consequently, the global economy has only succeeded in creating more debt instead of investments in capital and business creation to drive growth. Jay also stressed how equity market valuations have lost perspective and are equally out of sync with economic reality,

with the price-to-sales (“P/S”) ratio for the S&P 500® reaching 1.8x in 2015 relative to its long-term historical average of 0.8x.

## IN SUMMARY

We cannot thank everyone who attended and participated in our Alternative Investment Manager Forum enough for what was truly an incredible event and an invaluable opportunity to hear from such an esteemed group of portfolio managers who were able to offer invaluable insight into their investment strategies and processes. While the broader economic outlook may be bleak, we feel that these alternative investment strategies will offer differentiated performance and provide diversification benefits to portfolio-level returns.

As always, please contact your Rinehart Portfolio Manager if you have any questions, comments, or concerns.

## STOCK &amp; STRATEGY SPOTLIGHT

Company Name	Ticker	February 2016
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ITC Holdings Corp.	ITC	
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Company Description & Investment Thesis
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<p>This past month, the Investment Team decided to exit all existing client positions in ITC Holdings Corp. (“ITC”) across our investment portfolios due to recent outperformance, as well as the pending acquisition of ITC by Fortis, Inc. (“FTS-CA”). On November 30<sup>th</sup> 2015, ITC announced that its board of directors had initiated a review of strategic alternatives, causing shares to jump <b>+9.05%</b> in anticipation of a potential sale of the company. Shortly thereafter, on February 9<sup>th</sup> 2016, FTS-CA entered into an agreement to acquire ITC for \$6.8 billion in cash and stock. According to the terms of the transaction, ITC shareholders would receive \$22.57 in cash per share of ITC, as well as 0.752 shares of FTS-CA per share of ITC. While the Investment Team expects this deal to close later this year, the terms of the transaction were likely to cause a taxable event across investment portfolios, therefore we decided to sell our holdings in ITC to capitalize on the recent outperformance of ITC, which are up <b>+XX.XX%</b> over the past three months, and hold the proceeds in cash until we are able to find another, more attractive opportunity in the Utilities Sector.</p>
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Source: FactSet Research Systems, Inc.

## ABOUT RINEHART

Rinehart Wealth & Investment Advisory 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.

## WEALTH ADVISORY OVERVIEW

### CHOOSING A RETIREMENT SOLUTION FOR YOUR BUSINESS

Some small-business retirement plans are better for sole proprietors, while others may be more appropriate for businesses with up to 100 employees. Before setting up a retirement plan, it is often best to consult with an employee benefits expert who can review your individual situation taking into account items such as employee turnover, projected contributions by employees, as well as employer contributions to design a plan that best accomplishes your stated objectives.

Small-business owners usually opt to set up a 401(k) plan because that is the plan they are most familiar with and can be set up to allow for discretionary employer contributions; meaning the amount contributed each year to the plan is not fixed. The plan must provide a definite formula for allocating the profit sharing contribution among the employees. This is where working with an

additional contributions allocated to older employees make up for the compressed investment time horizon. Younger employees have a longer period of time until retirement, which allows account balances to grow to an equivalent anticipated retirement benefit level.

Age-based plans are different than the new comparability (“Cross-Tested”) plan. The new comparability plan looks at age, compensation, and employee groups. The employee group factor allows the plan to use different contribution formulas for each employee group.

#### SETTING UP OR AMENDING A QUALIFIED PLAN

The employer is responsible for setting up and maintaining the qualified plan. A tax credit for small employers is available that will enable you to claim a credit for part of the ordinary and necessary costs of starting a

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*“A long habit of not thinking a thing wrong gives it a superficial appearance of being right.”*

*Thomas Paine*

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employee benefits expert can be beneficial to help the small business owner determine the optimal formula which can be allocated on a pro rata basis based on compensation, age-weighted or cross-tested.

#### AGE-BASED AND NEW COMPARABILITY PLANS

The allocation of contributions under a profit-sharing plan can be weighted for age or other factors, and almost any formula of allocation can be used, as long as it complies on an annual basis with the general nondiscrimination test. This test requires that contributions or benefits have a uniform relationship to compensation. Regulations, therefore, allow the employer to conduct the discrimination test on the basis of the benefits to be provided by the plan, rather than on the basis of contributions.

Age-based profit-sharing plans consider the age of the employees, in addition to salary. As a result, a larger portion of the contribution can be allocated to older employees, even if they earn the same compensation as younger employees. The age-based plan does not discriminate against younger employees, as the contribution allocation considers the anticipated retirement benefit when the employee retires. The

qualified plan. The credit equals 50 percent of the cost to set up and administer the plan, up to a maximum of \$500 per year for each of the first 3 years of the plan.

If you already have a qualified plan in place, now is a great time to review your plan provisions to make sure that they are providing you with the optimal allocation of your employer contributions. A Qualified 401(k) Administrator (“QKA”) can assist with this analysis, restructure the plan design and help with the administrative aspects of 401(k) and related defined contribution plans.





# Rinehart

WEALTH & INVESTMENT  
■ ADVISORY ■

## RINEHART'S NEW LOOK

We are proud to announce our new logo that renews our commitment to being a

strategic partner to our clientele while simultaneously moving us forward to acknowledge the maturity, functionality and diversity of what we offer for the client experience. In the coming months, we will also launch a fresh new look and functionality on our website with the goal of always serving our client's needs.

## WOMEN, WEALTH & WELL BEING ENRICHMENT SERIES

Rinehart's next enrichment series, "Putting Your Money Where Your Values Are—Gifting & Charitable Giving" will take place at our office Thursday, March 10th. We invite you to join us as Sandy Carlson discusses the growing sophistication in the charitable arena and how your future charitable giving might be structured. To attend, please email Cynthia Sims at [csims@rinehartwealthmanagement.com](mailto:csims@rinehartwealthmanagement.com). Seating is limited.



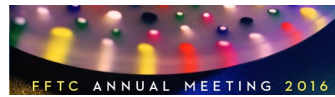
## MAYBRY MCSHANE SUPPORTS YWCA 'WE BELIEVE' LUNCHEON

eliminating racism  
empowering women  
**ywca**  
central carolinas

Rinehart's sister company, Maybry McShane Family Offices, is happy to participate in the 2016 "We Believe" Luncheon for YWCA of the Central Carolinas.

This popular event takes place March 10th at the Westin uptown, and supports the YWCA's important mission to empower women and eliminate racism.

## FOUNDATION FOR THE CAROLINAS ANNUAL LUNCHEON



Rinehart is honored to sponsor the 2016 FFTC Annual Meeting March

24th at the Charlotte Convention Center. Over 1,500 attendees are expected to celebrate philanthropy and civic leadership and to hear from nationally acclaimed thought speaker Steven Johnson. Johnson's erudite, multi-disciplinary theories make him one of his generation's more intriguing thinkers.

## CONGRATULATIONS TO DANIELE DONAHOE



Daniele Donahoe has been elected to serve on the Cabinet of Professional Advisors for the Foundation of the Carolinas. The FFTC serves as a

catalyst for charitable good; connecting individuals, companies and organizations to needs and philanthropic opportunities across the region and beyond. Daniele joins an elite team of advisors deeply dedicated to achieving a wide variety of charitable goals and to inspire philanthropy that will benefit generations to come.

## RINEHART BIDS A FOND FAREWELL TO ANDREW SAVANT

Andrew Savant has accepted an offer to work for Pinnacle Sales Group, a family business in Florida. "While I am excited about this new opportunity, I will immensely miss my work at Rinehart," remarked Andrew. "It has been a great pleasure serving Rinehart as an advisor and the relationships I have built with both clients and my colleagues have helped shape the person I am today." While we are excited for Andrew to be closer to family, we will miss him being a part of our Rinehart family.

## Rinehart Wealth Management

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

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