We would like to thank all of you who joined us for our quarterly economic overview webinar in May. We were thrilled to see such high participation levels and we hope even more of you will be able to join us next time. As a reminder, each quarter we will host a similar webinar with the aim of providing professional colleagues and clients with a way to navigate the news. Through these events we hope to compress the quarter's news into a concise and informative tool for our clients' use.

Many of the important economic factors we highlighted in last quarter's webinar presentation are currently hitting the headlines and increasing volatility in the market. Recently, we saw the Case Shiller Housing data confirm a double dip in the housing market, a possibility which we discussed at the end of the last quarter. Furthermore, we discussed how the magnitude of the rise in commodity costs in conjunction with concerns over the end of QE2 could cause downward revisions to GDP and pressure unemployment during the summer. The market's recent dip is a result of investors pricing in existing information. We are not yet alarmed by the market's response to the aforementioned risks and view the correction as healthy and necessary given the dramatic outperformance in the first quarter.

Due to the increased volatility in the market surrounding the Greek debt issues and the violence in the Middle East, we thought it was timely to highlight the impact of geopolitical and event risk on your portfolio.

Geopolitical and Event Risk

Geopolitical conditions and event risk, like we've seen in Greece's debt situation and in the Middle East's political upheaval over the past few months, often create portfolio volatility that most investors find unsettling. We hope this newsletter will help clients gain a better understanding of how geopolitical events affect portfolio movements and better prepare for volatility the next time it arises. Although we cannot eliminate fluctuations caused by market volatility from client portfolios, we hope clients' understanding why portfolios react to certain geopolitical events and risks will provide a bit more assurance and mitigate behavioral investment missteps, such as selling during a dip.

Geopolitical turmoil can impact financial assets as well as real assets; real assets are predominately commodities such as wheat, oil and gold. Geopolitical events normally cause an unexpected reduction, or perceived reduction, in the supply of a commodity. Consequently, commodity prices rise. Recently there has been a rise in oil costs, due to turmoil in the Middle East, raising concerns over oil availability. For the most part, commodity prices are positively correlated to geopolitical factors and event risk, meaning

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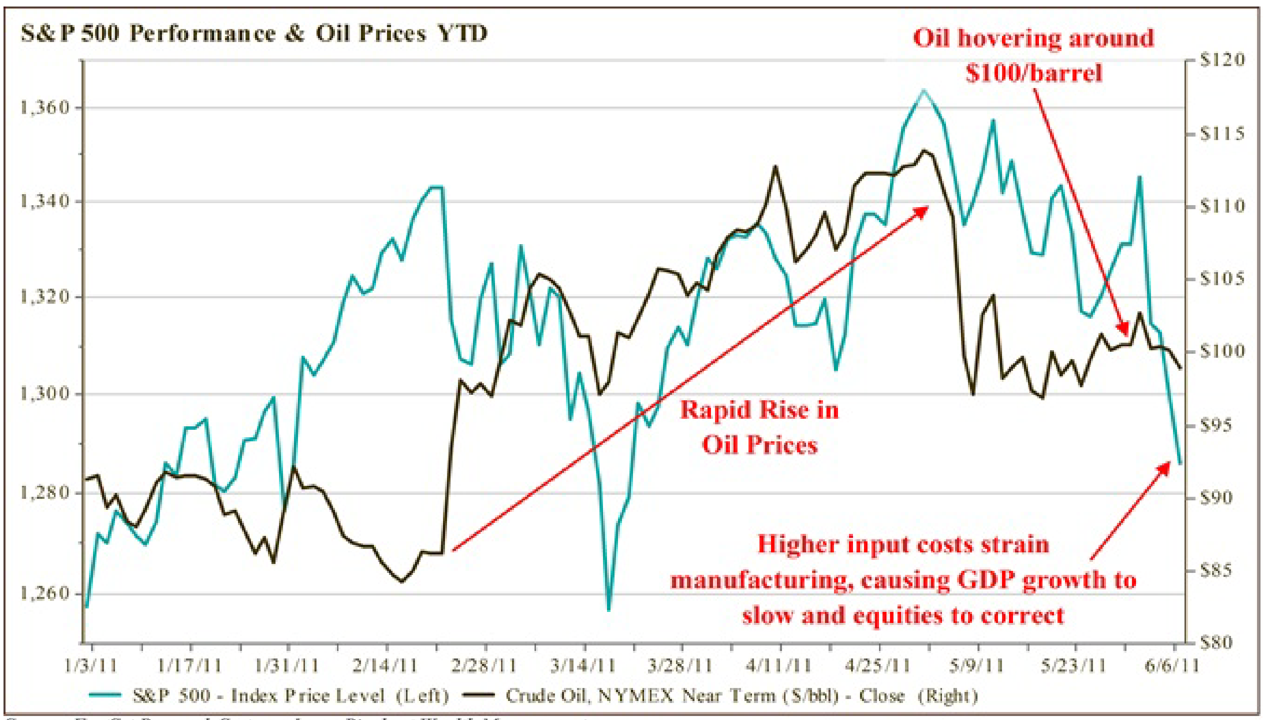
they increase in response to geopolitical situations. Overtime, these commodity price increases can result in an equity market correction as production costs increase. Higher production costs, pressure operating margins and earnings, which can lead to equity underperformance.

Tensions in the Middle East have recently been the dominant geopolitical forces in the market, causing a spike in oil prices. We believe this has contributed to the recent equity market correction. When oil costs rise above $100 per barrel, we become concerned that high commodity costs can stifle economic growth. Excessive commodity price appreciation is one factor leading to the recent downward revisions to GDP growth.

The chart below depicts this recent rapid ascent of oil prices, followed by a subsequent correction in the equity market.



Source: FactSet Research Systems, Inc. – Rinehart Wealth Management

If a geopolitical event is perceived as permanent, commodity cost increases become long-lasting and stocks and bonds are hit much harder due to the implied upward inflation. If, however, the geopolitical event is perceived as temporary, stocks and bonds fare better. Oftentimes geopolitical turmoil is temporary, so we are hesitant to make large portfolio shifts based on isolated geopolitical events. On the other hand, because commodity prices are typically positively correlated to event risk and perform well in an inflationary environment, we like portfolios to have a certain amount of exposure to commodities because it provides diversification and mitigates volatility around geopolitical events.

Measuring Volatility and its Impact on Stock Prices

Volatility has always been a critical factor in understanding stock performance. Spikes in volatility can be temporary or serve as an indication that a serious correction is imminent. Prior to the introduction of the CBOE Volatility Index (VIX) in 1993, it was difficult to track volatility. The VIX measures expected market volatility as reflected in current stock option prices. When volatility is high, stocks normally react negatively. Below is an overview of the VIX and the corresponding S&P 500 Index performance over the past 10 years. We highlight certain geopolitical events that have caused spikes in volatility as well as volatility spikes leading into recessionary periods. We watch the VIX frequently to monitor the underlying health of the market

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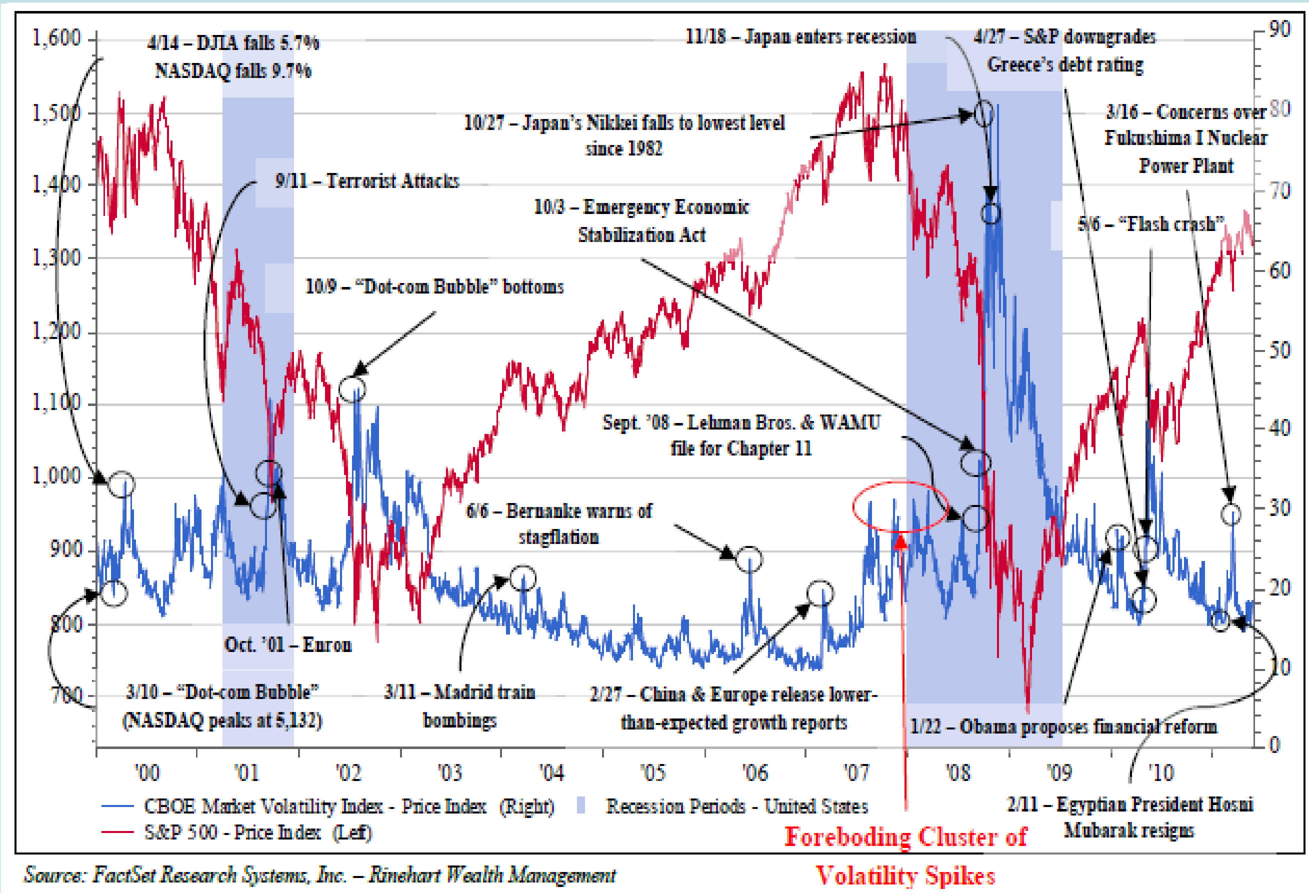

Source: FactSet Research Systems, Inc. – Rinehart Wealth Management

You can see in the above chart that geopolitical events that occur during a healthy economic backdrop tend to result in temporary spikes in volatility and short-lived market corrections. However, repetitive spikes in volatility that correspond to weakening economic data rather than geopolitical events can be predictive of problematic market periods, as was the case heading into the most recent recession.

Monitoring, Managing and Mitigating Geopolitical Risk

We monitor the VIX and analyze the news for potential geopolitical situations that could adversely impact the portfolios. However, most of these events are sudden, unexpected and immediately priced in, making them impossible to completely avoid.

Given the inevitable nature of geopolitical events, we aim to manage the risk to our clients' portfolios rather than try to predict and time these events. By diversifying client portfolios across asset classes, industries and risk factors, our goal is to fortify client portfolios and to mitigate the impact of turbulent times while still reaching long-term growth targets.

As we stated above, we believe the current market correction is normal and healthy. However, we understand the recent uptick in portfolio volatility might be of concern. Please feel free to contact us with any questions or concerns that you might have, and please tune into our next economic overview for our most current views.

Regards,

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Rinehart Wealth Management
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