Rinehart
WEALTH & INVESTMENT
ADVISORY

October 2016

INSIGHTS

Investment Overview

The Importance of Individual Stock Selection

RWIA Core 20 Equity Portfolio Celebrates One-Year Anniversary

August 21st marked the one-year anniversary of the RWIA Core 20 Equity Portfolio ("Core 20") - see July 2015 INSIGHTS - which is an actively-managed, concentrated investment portfolio of the Investment Team's twenty highest-conviction investment ideas generated by our in-house, proprietary investment research. Since inception, the initial composite of original Core 20 portfolios has returned +16.51%, outperforming the S&P 500® Total Return Index by +132 basis points ("bps") in a market where most active managers are underperforming the S&P 500®.

The Core 20 was initially managed as a hypothetical model portfolio, designed to reflect our investment philosophy by tracking the simulated performance of actual investments owned firm-wide across client portfolios. Last August, after three years of monitoring simulated performance to ensure the viability of the strategy, the Investment Team seeded the Core 20 strategy with employee funds and dedicated, equity-only client portfolios. We originally created the Core 20 for two main reasons: first, to ensure that our highest-conviction ideas were owned across all discretionary client portfolios; second, to align our own financial interest with those of our clients. For the past year, we have been effectively executing our investment strategy and actively managing a Core 20 composite portfolio. Moreover, members of the Investment Team have had substantial funds allocated to the

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Wealth Advisory Overview

How Do You Know If You Need An Insurance Review?

One area that is often overlooked in comprehensive financial plans is Property & Casualty & Excess Liability insurance. All too often, insurance is bought one category at a time: home, automobile, watercraft, valuables and excess liability coverage. This approach can create gaps in coverage and loss of package premium discounts. Therefore, a well-structured review can ensure that you have the adequate coverage that works seamlessly for you without any potential pitfalls.

An insurance review provides an opportunity to review your existing insurance coverage against your current needs to ensure your insurance remains appropriate to your situation. It is also a good time to discuss any changes in your life and how they might affect your coverage, as well as potentially increase or reduce coverages and apply discounts. A thorough review begins by sitting down with your advisor and examining your coverage, as well as your lifestyle for possible exposure. For instance, do you have homes with recreational vehicles (such as boats, wave runners or ATV's), teenage drivers, swimming pools, or a dog with a bad disposition (even the sweetest dogs can open us up to liability)? By being aware of the potential risks, you can determine whether there are any changes needed within your current policy to lower your liability.

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Investment Team

Daniele Donahoe, CFA
CEO & Chief Investment Officer
Elliott Van Ness, CFA
Director of Research & Portfolio Manager
Mary Rinehart, CFP®
Chairman & Portfolio Manager
Brittany Danahey, CFA
Portfolio Manager

Wealth Advisory Team

Sandy Carlson, CFP®, CPA, CDFA™
President & Wealth Advisor
Brandon Davis, CFP®
Wealth Advisor
Lorri Tomlin, RP®
Wealth Associate
Cynthia Sims, JD
Client Service Associate & Communications Manager
Jeremy Williamson
Client Service Associate

Special points of interest

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

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Core 20, emphasizing the importance of investing alongside client portfolios to ensure the proper alignment of interests. Existing and potential investors should feel confident with and encouraged by the knowledge that the Investment Team strongly believes in the strategy and invests in the same securities it recommends across client portfolios.

The Investment Team believes that the Core 20 is a good barometer of the equity allocation of client investment portfolios, wherein the U.S. equity returns of discretionary portfolios have generally exceeded those of our primary benchmark, the S&P 500®, over a similar period. Summary composite-level performance data and risk-return metrics for the Core 20 portfolios are provided for the year-to-date ("YTD") and trailing 12-month periods ended on September 30th 2016 in Table I, below. For the purposes of comparability, we have included only those *original* Core 20 portfolios seeded last August.

Outperformance & Lower Risk

As can be seen in Table I, the Core 20 outperformed the S&P 500® by +349 and +132 bps over the YTD and trailing 12-month periods, respectively. More importantly, the Core 20 was able to generate outsized total returns while exhibiting *lower* volatility, as defined by standard deviation, and assuming *less* risk relative to the S&P 500®, as indicated by the significantly *higher* Sharpe Ratios for the Core 20 over the two time periods. The Sharpe Ratio is a common risk-adjusted measure calculated by dividing *excess* portfolio returns (i.e., portfolio return less the risk-free rate of return) by the annualized standard deviation of the portfolio's returns. This has been achieved through fundamental active management, investing consistently in individual, high-quality defensive companies, such as American Water Works, Inc. ("AWK") and Waste Management, Inc. ("WM"), names which discretionary clients will recognize as core holdings in their portfolios.

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Table I: Original RWIA Core 20 Equity Portfolio Performance & Risk-Return Metrics

	Original Core 20 Composite		S&P 500®	
	YTD	Trailing 12-Mo.	YTD	Trailing 12-Mo.
Total Return (Net)	+11.33%	+16.51%	+7.84%	+15.19%
Sharpe Ratio	1.44	1.84	0.61	1.04
Standard Deviation	7.72%	8.84%	12.35%	14.39%

Source: Envestnet | Tamarac™
While individual account and portfolio-level performance data has been audited and reconciled by our portfolio management and performance reporting software, the aggregate composite-level data are unaudited.
Composite-level performance reflects the asset-weighted performance of actual, total return performance data and time-weighted returns for the underlying accounts. Please refer to the RWIA Core 20 Equity Portfolio Composite Disclosures regarding past performance data and historical returns for additional information.

Monthly Index Review (USD Total Return)

Data as of September 30th 2016	September 2016	2016 YTD	2015	2014
S&P 500	+0.02%	+7.84%	+1.38%	+13.69%
Dow Jones Industrial Average	**-0.52%**	+7.21%	+0.21%	+10.04%
NASDAQ Composite	**+1.69%**	+7.09%	**+6.96%**	**+14.75%**
Russell 2000	+1.12%	+11.46%	-4.41%	+4.89%
MSCI Emerging Markets	+1.58%	**+16.36%**	**-14.60%**	-1.82%
MSCI EAFE	+0.73%	+2.20%	-0.39%	**-4.48%**
Barclays US Aggregate	-0.04%	+5.80%	+0.55%	+5.97%

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Not only did we identify high-quality companies, but we also purchased them at attractive valuations in anticipation of positive catalysts or while they were temporarily out of favor. Due to our contrarian viewpoint, we avoided overvalued assets and crowded strategies in a turbulent market, while our focus on selecting individual securities through in-depth, bottom-up fundamental equity analysis has been and will continue to be essential to achieving our stated investment objective of delivering improved risk-adjusted returns and lower volatility than the S&P 500® over a full market cycle. Moreover, the Core 20 encompasses our belief that disciplined active management targeting high-quality companies trading at attractive discounts to their intrinsic values can outperform popular benchmarks, despite the continued migration toward passive, index-based investment strategies and the media's claim that active management is dead.

Active Management: Not Dead, Yet

Active management has been under severe scrutiny from investors due to the lower costs of passive investment strategies replicating popular indexes, such as exchange-traded funds ("ETFs") - see [September 2016 INSIGHTS](). As a reminder, Rinehart typically prefers to use passive management to gain broad exposure to efficient markets, such as large-cap U.S. equities, to accentuate our individual stock selection, while relying on active management to gain exposure to relatively inefficient markets, where we feel an active manager has a higher probability of success, such as emerging market equities. According to recent research, only 15.38% of actively-managed large-cap U.S. equity mutual funds outperformed the S&P 500® over the trailing 12-month period ended June 30^{th} 2016; over that same time period, 57.78% of actively-managed emerging market equity mutual funds outperformed the respective benchmark index, supporting the hypothesis that active management is capable of outperforming in inefficient markets (*Source: SPIVA® U.S. Mid-Year 2016 Scorecard*). The combination of easy access to index strategies through ETFs and the glaring underperformance of active managers has driven investors to passive investing.

Even though 84.62% of active managers underperformed the S&P 500® over that period, our Core 20 strategy has been able to beat the S&P 500®, and we continue to believe that, with proper due diligence and a contrarian view, active management can add value - it is just difficult and requires patience and conviction.

Achieving Outperformance in a Competitive Marketplace

The crowded nature of the investment management universe, the increased emphasis on immediate performance, a sales -based mentality and resulting group-think leads us to believe that, with actively-managed funds, bigger is not necessarily better. If a portfolio manager has been successful managing a fund of a particular size, outperformance attracts large cash inflows, which may actually impede or prevent the portfolio manager from effectively executing the intended strategy. For example, our ability to purchase appropriately-sized positions in individual small-cap equities, such as Daktronics, Inc. ("DAKT"), within the Core 20 would be compromised by a sudden surge in portfolio AUM because we wouldn't be able to efficiently trade around such a large position, given the relative illiquidity. Moreover, an unmanageable increase in portfolio AUM would hinder our capability to fully realize the benefits of our in-house, proprietary investment research, which we consider to be the foundation of our investment style and the Core 20 strategy. In this instance, our ability to be nimble contributed to our

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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.

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success in exceeding our primary benchmark. In effect, large managers become victims of their own success by not being able to buy smaller companies.

We believe that independent research and objective analysis, a thorough understanding of the investment universe, and the development of high-conviction ideas are critical, yet often trivialized, hallmarks of high-quality active management, with many managers saying they do it, while not all actually doing so. Identifying investment opportunities at attractive valuations results from our contrarian investing framework and willingness to buy when others are fearful. By purchasing investments at meaningful discounts to intrinsic values, active management is able to take advantage of market inefficiencies and temporary pricing dislocations caused by behavioral deficiencies to generate higher risk-adjusted returns relative to their benchmark. In order to capitalize on these inefficiencies, active management must possess an informed disregard for popular opinion and an ability to repress herd mentality, which is uncomfortable but often the only way to buy something inexpensively. For more information on behavioral finance, please contact Cynthia Sims (csims@rinehartwia.com) and request a copy of the Investment Team's whitepaper.

According to behavioral finance, herd mentality is an inherent psychological and emotional need to feel included, wherein the majority of investors tend to adhere to consensus expectations. Herd mentality tends to exacerbate market volatility and popular risk-avoidance investment strategies, resulting in crowded trades and extended valuations across popular trends, while neglecting less-popular and out-of-favor opinions.

Conclusion

While active management remains decidedly out of favor, a handful of active managers, including our proprietary Core 20 strategy, have been able to outperform during a period of time in which even in-favor, low-cost alternatives have exhibited disconcerting volatility. This suggests that, despite an apparent surplus of mediocre portfolio managers, there is still hope for active management that is capable of identifying market inefficiencies and, correspondingly, taking advantage of attractive investment opportunities through disciplined and objective research and fundamental security analysis.

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Stock & Strategy Spotlight

Name	Ticker	2016 YTD
Sterling Capital North Carolina Intermediate Tax-Free Fund	BBNTX	+2.75%

Description & Investment Thesis

The Investment Team recently added the Sterling Capital North Carolina Intermediate Tax-Free Fund ("BBNTX") to our firm-wide mutual fund buy list as a complementary strategy to our existing portfolio of high-quality municipal fixed income investment strategies. Despite an abundance of negative headline risk surrounding North Carolina recently, in particular the business community's reaction to and outspoken criticism of controversial legislation, the Investment Team believes that the North Carolina municipal fixed income market remains extremely attractive for current residents looking for long-term investment opportunities. The underlying credit quality of North Carolina municipal bonds remains healthy with no imminent near-term negative catalysts. Moreover, smaller deals and recent new issues have been priced at premiums relative to the broader municipal bond market, while larger deals continue to receive comparable pricing relative to the national municipal bond market. The Investment Team continues to recommend high-quality, actively-managed strategies within our municipal fixed income portfolios, as the fixed income market continues to face structural headwinds in a rising interest rate environment, making individual security selection driven by independent research and analysis increasingly important for long-term outperformance.

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At Rinehart, our in-house, proprietary investment research is just one distinguishing factor of our investment and portfolio management process. We continue to believe that individual stock selection is a key component of our ability to deliver alpha and align our interests with those of our clients by identifying and investing in high-conviction ideas across client portfolios. Moreover, we remain skeptical of transient trends and rely on active management to gain access to niche and relatively inefficient markets, where we believe high-quality, actively-managed investment strategies possess a comparative advantage relative to index-based investments.

Additionally, our ability to employ individual security selection in our portfolio management process enables us to better perform the necessary due diligence on other active managers because we understand what is involved in constructing a portfolio of individual securities. The Core 20 has exhibited excellent risk-adjusted returns, helped us hone our skills as dedicated-equity portfolio managers, and improved our consistency across the firm.

RWIA Core 20 Equity Portfolio Composite Disclosures

Strategy Limitations. *The RWIA Core 20 Equity Portfolio Composite (the "Composite") performance shown reflects the asset-weighted performance of actual performance data and time-weighted returns for a sample set of representative Client Portfolios (the "Portfolios") over the respective time frames according to investment strategies managed by Rinehart Wealth & Investment Advisory (the "Adviser"). While the performance of the Composite is believed to have been calculated reliably and accurately, the Composite performance data and returns have not been audited, and, as such, the results are subject to limitations inherent in the use of historical performance reporting and returns.*

Other Information. *Past performance is not necessarily indicative of future results. All investments are subject to risk, and investing in accordance with the strategy, like all investments, may lose money. The performance shown is representative of investment strategies and styles used by the Adviser and such style may not be suitable for each potential investor. The Composite is representative of an investment strategy and style used by the Adviser and such style may not be suitable for each potential investor. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be considered as an offer to buy or sell any financial instruments. Additional information regarding policies for calculating and reporting returns is available upon request.*

Information provided in this presentation should not be considered or interpreted as advice for your particular financial situation. Please consult a professional advisor for advice regarding your specific financial needs.

Rinehart Wealth & Investment Advisory maintains strict confidentiality policies and has in place procedural, electronic and physical safeguards to protect your personal, private information.

We collect certain information about you and your financial situation, including names, addresses, social security numbers, assets, income, cash flow and investment objectives. In the course of our service to you, we also track transactions, basis, use of accounts and products preferred. We share client information that is necessary to effect, administer, document or enforce a transaction as you have directed or authorized us to do so. *We do not disclose any information with any person or firm for marketing purposes.*

This disclosure is made pursuant to the Gramm-Leach-Bliley Act and Regulation S-P (Privacy of Consumer Financial Information), as issued by the Securities and Exchange Commission. It is important to note that the relationship you have with the custodian where your assets are held is independent of that with Rinehart Wealth & Investment Advisory. Each custodian has its own privacy disclosures and policies, as distributed to clients.

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Wealth Advisory Overview

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Questions To Consider To Renew Insurance

- Adequate home insurance – Are correct replacement values considered for your home(s)?
- Multiple properties – Are multiple properties in multiple states coordinated?
- Vehicles – are all automobiles, trucks, recreational vehicles and watercrafts considered?
- Valuable articles – Are these items properly scheduled, appraised and insured for their current value?
- Personal liability – Is the limit adequate and properly configured?
- Boards – Are memberships on boards reviewed for personal liability risks?

"Buy to the sound of cannons, sell to the sound of trumpets."

Lord Nathan Rothschild

An insurance policy is a legal contract between the insurance company (the insurer) and the person(s), business, or entity being insured. Reading your policy helps you to verify that the policy meets your needs and that you understand your and the insurance companies responsibilities if a loss occurs.

The Basics Of An Insurance Contract

- Declarations – Evaluate the factual information as to matters such as name, address, amount of insurance, premium, deductible and period of coverage.
- Definitions – Evaluate whether defined terms such as "insured", "insured location", "family member", and "total disability" are adequate to meet your needs.
- Insuring agreements – These are the basic promises of the insurer. Look especially at the covered perils (causes of loss), including whether the policy takes the specified-perils approach or the "all-risks" (now called the open-perils) approach.
- Conditions – Examine what conditions must be met before a loss occurs so the insurer will be liable if a loss does occur (conditions precedent). Also, look at conditions subsequent, conditions that must be met after a loss occurs to avoid releasing the insurer from liability (for example, notification conditions, preservation of damaged property, not impairing the insurer's subrogation rights, etc.).
- Exclusions – Every policy, even an "all-risks" or open-perils policy, has exclusions which remove coverage for some losses. Policies contain exclusions because some types of losses are not insurable, some events are too hazardous, some losses are designed to be covered elsewhere, coverage would create excessive moral hazard, or coverage is not needed by most people. It is important to examine the excluded perils, activities, property, loss consequences, geographic areas, etc. to see if any of them create coverage gaps.
- Miscellaneous provisions – Look at provisions such as those related to cancellation, other insurance, appraisal, coinsurance, right of assignment, etc. What rights or responsibilities do these clauses create?
- Endorsements or riders – Examine how these change provisions in the policy, delete or add coverage.

While it is impossible to protect oneself against every variable, it is important that coverage sufficiently protect your family from economic hardship should you not have the appropriate coverage in place. As your Wealth Advisor, we try to enhance the review process by endorsing the concept of the review, as well as coordinating the review with one of our preferred providers. We look forward to discussing your coverage and exploring options that make sense to protect you and your family.

Around Rinehart

Understanding your investment performance

Ever find it difficult to make heads or tails out of your performance reports? If so, you are not alone. Rinehart's October enrichment series is an informative session to review common terminology used in portfolio review meetings as well as how to read performance statements. This important seminar is offered twice in October– once this Wednesday at our Women, Wisdom & Wealth event from 5:30-7:00 p.m. and also at our Lunch & Learn Financial Wellness event Wednesday, October 26th at noon. Both are open to anyone interested and you can register for either event by emailing Cynthia Sims at csims@rinehartwia.com.

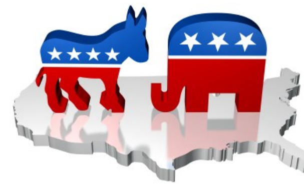
For the complete "Women, Wisdom & Wealth" schedule, click here.

For the complete "Lunch & Learn" schedule, click here.

Dress For Success Luncheon

Rinehart is a consistent supporter of Dress for Success. The mission of Dress for Success is to empower women to achieve economic independence by providing a network of support, professional attire and the development tools to help women thrive in work and in life. Maybry McShane's Daniele Donahoe and Leah Maybry (seen here) at the Dress For Success 2016 Luncheon.

Charlotte business Journal



Rinehart President Sandy Carlson was interviewed for the Estate & Financial Planning section of the Charlotte Business Journal. The article focuses on how financial planners are working to evaluate the impact of the presidential candidates' tax and budget proposals on their clients' portfolios and financial strategies, changes in individual income tax, estate tax and capital gains taxes. The article was slated to run September 30th.

Putt For Pups

Rinehart's Elliott Van Ness and Brandon Davis enjoyed a fun day on the golf course to benefit Project 2 Heal, a non-profit organization that breeds and trains therapy dogs.

Rinehart Wealth & Investment Advisory

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

521 East Morehead Street
Suite 580
Charlotte, NC 28202
Phone: 980-585-3373 Fax: 980-265-1274

rinehart@rinehartwia.com