Rinehart
WEALTH & INVESTMENT
ADVISORY

August 2016

INSIGHTS

Investment Overview

Climbing the Wall of Worry

As the equity market reaches new highs and risk appetite shifts, the current near- to intermediate-term economic outlook remains opaque, creating a confusing contradiction as investors watch the market steadily climb a wall of worry. The term "wall of worry" refers to a market that continues to move higher despite well-publicized, universally-accepted concerns, resulting in widespread confusion amongst market participants as the market fails to substantiate the majority's negative viewpoint. This frustrating condition manifested since the shocking conclusion to Brexit, which occurred on June 24th, resulting in a sharp and sudden two-day decline of -5.34% in the S&P 500® that was followed immediately thereafter by a significant market rally. The troublesome building blocks of this wall include slowing global economic growth, residual deflationary pressures, persistently-elevated levels of global government debt-to-GDP, alarmingly-frequent terrorist attacks, disconcerting geopolitical turmoil, lofty global asset valuations, and repudiation of established governments.

Post-Brexit Equity Market Rally

The most recent example of the market's stunning ability to shrug off concerns of any kind is the post-Brexit rally, depicted in Table I on the next page. The initial market reaction to the unexpected Brexit vote was decidedly negative with equities and other risk assets experiencing declines, while traditional safe-haven

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Wealth Advisory Overview

Should you downsize your home?

It is safe to say that homeowners typically do not daydream about buying a smaller home. Downsizing to a smaller home can be beneficial for a variety of reasons, including less home to clean and maintain, more affordable utility bills and lower property taxes. Often, homeowners automatically assume that a smaller home will be more beneficial financially, only to later discover that there is little cash left over after buying their new place and their monthly expenses do not fall as much as they had anticipated (and in some cases end up being even higher). Therefore, the decision to downsize is not always simple or black and white and should be evaluated carefully.

What to consider before downsizing?

Financial Considerations - Your financial situation merits significant consideration when deciding if the time is right to downsize your home. If your retirement nest egg is not as substantial as you would like, then downsizing to a smaller, more affordable home can be a great opportunity to catch up on your retirement savings. However, this is only true if your new home will not incur any additional expenses that are already taken care of in your current home.

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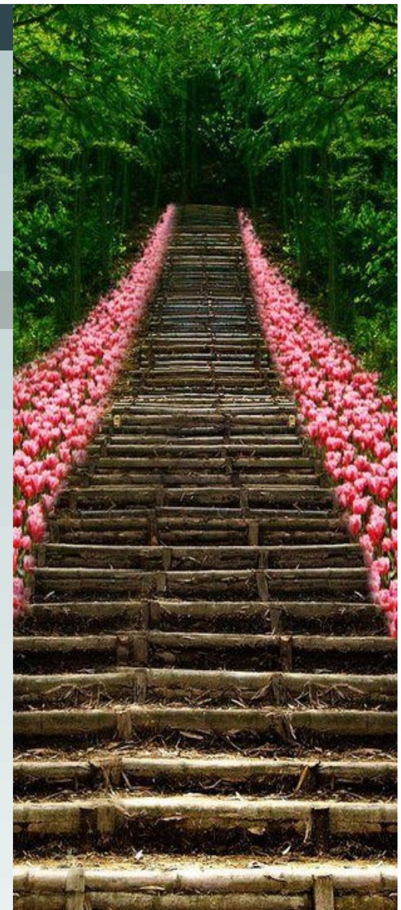

Investment Team

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Client Service Associate

Special points of interest

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

Investment Overview

Climbing the Wall of Worry

assets outperformed.

For example, equity market benchmarks and indexes with substantial direct exposure to the United Kingdom ("UK") and Europe, such as the FTSE UK and Euro STOXX, were among the hardest hit, falling -16.58% and -13.83%, respectively; on the other side of the risk spectrum, gold and sovereign bonds, such as the US and German 10-Year Treasury Bonds, rallied +4.86%, +3.00%, and +1.98%, respectively. Since then, however, markets and investors appear to have adjusted their expectations to the immediate- and short-term implications of Brexit, such as the increased likelihood of continued coordinated efforts by central banks worldwide to maintain easy monetary conditions to support markets and mitigate the incremental volatility caused by idiosyncratic risk events. In particular, investors have returned to risk assets en masse, fueling rebounds of +13.79% and +13.45% in the FTSE UK and EURO STOXX, respectively, as well as a +12.70% surge in the broader MSCI Europe Index.

With the ongoing geopolitical and socioeconomic turmoil surrounding Brexit and upcoming election cycles in the United States and other European countries, the maturing credit and business cycles, and languishing economic growth, investors everywhere are carefully monitoring the disruptive and destabilizing impact these uncertainties could have on financial market sentiment and global capital markets, but the market continues to march on to new highs.

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Table I: Post-Brexit Index & Benchmark Performance (USD Total Return)

Index/Benchmark	Pre-Brexit Jan. 1st - Jun. 23rd	Brexit Sell-Off Jun. 23rd-27th	Post-Brexit Rally Jun. 27th - Jul. 31st
S&P 500	+4.52%	-5.34%	+8.82%
MSCI Emerging Markets	**+6.39%**	-4.73%	+10.51%
MSCI EAFE	+0.58%	-9.84%	+11.20%
MSCI Europe	+1.86%	-13.41%	+12.70%
Euro STOXX	**-1.82%**	**-13.83%**	**+13.45%**
FTSE UK	+2.27%	**-16.58%**	**+13.79%**
German Benchmark Bond (10-Yr.)	+0.43%	+1.98%	**-4.46%**
US Benchmark Bond (10-Yr.)	**-0.98%**	**+3.00%**	**-1.03%**
Gold NYMEX (USD/ozt)	**+18.95%**	**+4.86%**	+2.00%

Source: FactSet Research Systems, Inc.

Monthly Index Review (USD Total Return)

Data as of July 31st 2016	July 2016	2016 YTD	2015	2014
S&P 500	+3.47%	+7.66%	+1.38%	+13.69%
Dow Jones Industrial Average	+2.81%	+7.38%	+0.21%	+10.04%
NASDAQ Composite	**+6.20%**	+3.82%	**+6.96%**	**+14.75%**
Russell 2000	+5.52%	+8.32%	-4.41%	+4.89%
MSCI Emerging Markets	+4.44%	**+12.02%**	**-14.60%**	-1.82%
MSCI EAFE	+4.28%	+0.83%	-0.39%	**-4.48%**
Barclays US Aggregate	+0.42%	+5.98%	+0.55%	+5.97%

Investment Overview

Climbing the Wall of Worry

Equity Market Sector Rotation

Sector-level performance provides a subtle indication and measurement of investor sentiment and risk appetite: for example, when there is widespread skepticism surrounding the near- to intermediate-term economic outlook, investors tend to favor Defensive sectors with limited exposure to the economic cycle relative to Cyclical sectors, which are more dependent on the economic cycle. When Defensives outperform Cyclicals, it is often reflective of risk aversion amongst investors, and a potential signal of future market turmoil, while the opposite also tends to be true - when Cyclicals outperform Defensives, it hints of increased risk-seeking behavior amongst investors with expectations of improved economic growth. While the Investment Team tends to favor and overweight high-quality Defensives across our equity portfolios, we also rely heavily on sector-level diversification to ensure that we maintain selective exposure and position portfolios to benefit from broader equity market trends.

Equally as perplexing as the market's response to not only Brexit but repeated global terrorist attacks, is the sudden broad rotation away from defensive sectors (e.g., Consumer Staples, Telecommunications Services, Utilities, etc.) and into cyclical sectors (e.g., Industrials, Information Technology, Materials, etc.) that occurred immediately after Brexit.

In effect, Brexit serves as a line in the sand for a sizable shift in investor sentiment toward risky assets, as is evidenced by the recent rotation into the more cyclical, economically-sensitive Global Industry Classification Standard ("GICS") sectors particularly the move toward Materials, which decidedly underperformed in 2015, declining -8.38% while the S&P 500® returned +1.38%, which has since outperformed the S&P 500® by +0.70% during the post-Brexit rally. While Telecommunications Services and Utilities are still the leading outperformers on a year-to-date ("YTD") basis, they are among the largest underperformers since June 27th, trailing the S&P 500® by -4.96% and -6.63%, respectively.

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Chart I: S&P 500® GICS Sector Relative Performance (USD Total Return)

S&P SECTOR TOTAL RETURNS				S&P SECTOR TOTAL RETURN RELATIVE PERFORMANCE		
			2016	PRE-BREXIT	BREXIT SELL-OFF	POST-BREXIT RALLY
SECTORS	2014	2015	YTD	JAN. 1ST - JUN. 23RD	JUN. 23RD - JUN. 27TH	JUN. 27TH - JUL. 31ST
DEFENSIVES						
Utilities	28.98%	-4.85%	22.56%	13.79%	6.72%	-6.63%
Telecom	2.99%	3.40%	26.11%	17.33%	5.00%	-4.96%
Health Care	25.34%	6.89%	5.38%	-4.63%	1.16%	1.28%
Staples	15.98%	6.60%	9.67%	4.02%	3.18%	-5.54%
NEAR CYCLICALS						
Energy	-7.78%	-21.12%	13.86%	12.37%	-0.63%	-5.23%
Financials	15.20%	-1.53%	0.39%	-5.57%	-2.70%	1.51%
CYCLICALS						
Technology	20.12%	5.92%	7.55%	-2.85%	-1.13%	4.29%
Discretionary	9.68%	10.11%	5.26%	-2.54%	-0.07%	0.30%
Industrials	9.83%	-2.53%	10.08%	3.01%	-0.87%	0.33%
Materials	6.91%	-8.38%	12.94%	7.12%	-2.29%	0.70%
S&P 500	13.69%	1.38%	7.66%	4.52%	-5.34%	8.82%

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.

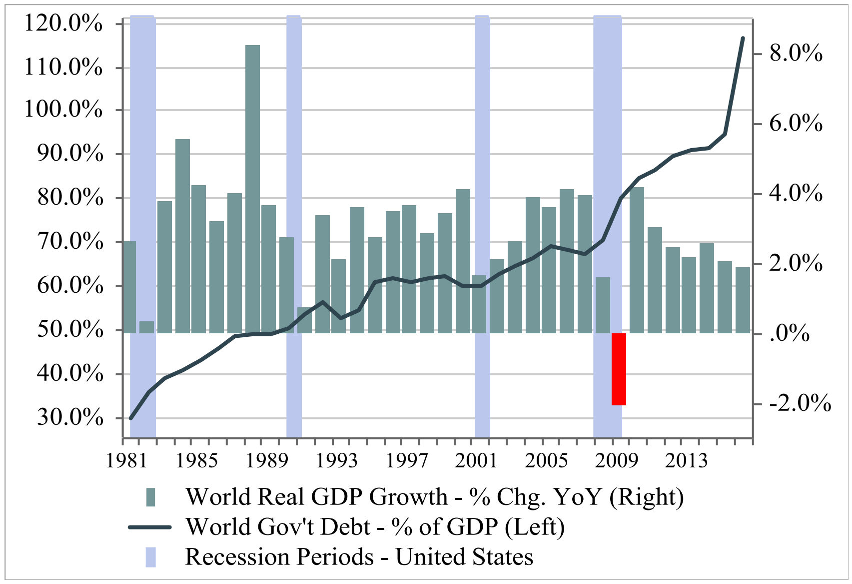
Investment Overview

Climbing the Wall of Worry

Economic Outlook Remains Opaque

In our opinion, recent equity market behavior and sentiment appear relatively optimistic entering the eighth year of an economic expansion characterized by lackluster economic growth requiring unprecedented levels of unconventional stimulus. This apparent disconnect stems from several factors, such as the aforementioned efforts of central banks to maintain accommodative monetary policies, effectively forcing yield-oriented investors to assume inappropriate levels of risk in order to achieve the same rates of return.

Chart II: World Real GDP vs. Debt-to-GDP



Source: FactSet Research Systems, Inc.

As can be seen in Chart II, central banks have relatively few levers to pull at this stage in the economic cycle, as evidenced by the recent introduction of negative interest rate policies ("NIRP") in developed economies such as Japan, given massive amounts of debt that have been layered on to stimulate only modest economic growth.

Remain Cognizant of the Contrarian

Due to the fact that equity market valuations remain elevated and near historical highs, investors cannot reasonably expect additional gains to be driven by further multiple expansion at this stage in the market cycle. Since March 9th 2009, the trailing 12-month price-to-earnings ("P/E") ratio for the S&P 500® Price Index has risen from 8.1x to 18.6x - an increase of +129% - while trailing 12-month earnings per share ("EPS") have only increased +67.67%, from $65.39 to $109.64 *(Source: FactSet Research Systems, Inc.)*.

Earnings growth remains elusive given ongoing macroeconomic headwinds, such as foreign exchange rates and insufficient economic growth, as companies continue to supplement shareholder returns by increasing dividends and buying back record amounts of stock.

So why is the market up +7.66% so far this year after a shocking downdraft to start the year and continued domestic and international political unrest? Markets normally peak during times of euphoria, not pessimism, and the wall of worry has essentially created the perfect backdrop for markets to do exactly the opposite of consensus expectations. For this reason, we always try to look at and consider both sides of the market and the broader economy, which is what we will continue to do in this quarter's Economic Overview.

Second Quarter Economic Overview

As always, we look forward to discussing these topics, as well as other pressing economic issues, during our Quarterly Economic Overview webinar: the details and registration information are provided on the next page.

Please contact Cynthia Sims at 980-585-3368 or csims@rinehartwia.com if you have any questions.

Continued on next page

Investment Overview

Climbing the Wall of Worry

Second Quarter 2016 Economic Overview Webinar

Date: Wednesday, August 10th

Time: 10:00 AM EST

Registration:

Please refer to the link included in the original email or look out for additional registration reminders that will be sent out prior to the webinar.

Stock & Strategy Spotlight

Name	Ticker	2016 YTD
Infosys, Inc.	INFY	-0.77%

Description & Investment Thesis

Infosys Ltd. ("INFY") is a consulting, technology, and outsourcing company, which provides end-to-end business solutions, thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. INFY's industry segments are primarily financial services and insurance, comprising enterprises providing banking, finance, and insurance services, manufacturing, enterprises in the energy, utilities, communication and services and retail, consumer packaged goods, logistics and life sciences. INFY is a dominant, premier player in the Indian information technology ("IT") outsourcing industry and is currently trading below its average forward P/E ratio of 17.0x next 12-months' EPS, which has historically proven to be a very attractive buying opportunity. INFY has a pristine balance sheet with no debt and pays a healthy dividend, which is very compelling for a high-quality, emerging market company. The IT outsourcing industry has grown exponentially since the late-1990s, and there are several competitors in that space, which has led to price-based competition and incremental pricing pressure, as evidenced in the most recent earnings release. That being said, INFY is seeing improvement within its largest industry vertical, Financial Services, which has also been corroborated by the recent positive earnings results reported by large US banks, such as Bank of America Corp. ("BAC") and JP Morgan Chase & Co. ("JPM"). Moreover, INFY is actively targeting an internal reduction in the use of higher-cost subcontractors, which should help to improve the company's margin structure. The Investment Team believes that INFY is priced attractively given the durable business model and long-term track record of successfully navigating difficult operating environments.

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Wealth Advisory Overview

Should you downsize your home?

For example, your current home may be fully furnished, while a new, smaller home may require you to buy new furniture because your existing items will not fit adequately into the new space.

Will your expenditures be higher? Do not assume that you will automatically save money as a result of downsizing. If you are replacing your large home in the suburbs with a small condo in the city, you may actually end up with a higher mortgage. Make sure you thoroughly research the market you are considering, especially if you are moving to a new state.

Homeowners' Associations - When it comes to low maintenance and convenience, an attached home, such as a townhouse, condo, or loft, in which you share walls and/or common areas with your neighbors is a popular choice. You will not have to worry about fixing the roof or mowing the lawn, but keep in mind that these homes are managed by homeowners' associations (HOAs), which collect monthly fees for maintenance services and impose rules for the community. So, while the condo itself might be smaller, the additional expenses associated with the property may end up making the smaller home more expensive and prevent you from saving money for retirement. Another factor to consider includes unexpected assessments to pay for building repairs. Therefore, it is important that you research the state of the building and any future repairs that might be coming down the pipeline, as well as the HOA before purchasing.

What are you leaving behind? The obvious answer is extra space. But what is included in that space? There might not be room for your workshop or formal dining area in the new, smaller house. This means that you may have to give up your extra-curricular activity or understand the limitations of continuing them in a smaller space. Make sure you are ready to do that or you will need to factor in extra expenses to rent a storage unit for anything that does not fit into the new space.

Are you happy with your destination? Life is always changing. If you are downsizing and moving closer to your children, make sure you research the area. Would you be happy living there even if your children do not? Unexpected job transfers for children can leave you happy in your new location of choice, or faced with the cost of moving again.

Will you outgrow your downsized home? We all have the best-laid plans, but sometimes life throws us a curveball. Will a child or family member need to move into your home for an extended period of time? Will a new job or hobby require dedicated space in the home? Whatever the case may be, make sure your downsized home is equipped to handle any foreseeable life changes

"The stock market always seems to find news appropriate to its frame of mind."

Albert Haas Jr.

Doing the appropriate amount of research regarding whether or not to downsize your home will leave you less likely to get locked into a situation that does not meet your expectations or lead to another move. Please contact your Rinehart Wealth & Investment Advisor to assist you with evaluating all of your options.

RINEHART ANNOUNCES NEW WEBSITE LAUNCH

We invite you to explore our new website at **www.rinehartwia.com.** The site includes rich and informative content presented in an easy-to-read format and is structured for hassle-free navigation with a clean, appealing design, enhancing user experience and navigation. The website highlights our talented team and growing level of expertise. In addition, new email addresses of each employee are listed below. The old email addresses will continue to work until December 31, 2016. We appreciate you noting these changes in your contacts . If you experience any problems using the new website please contact Cynthia Sims at csims@rinehartwia.com.

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WOMEN'S ENRICHMENT SERIES

Rinehart Wealth & Investment Advisory (RWIA) is hosting its second series of impactful monthly workshops designed specifically for women. The series will take place at our office from 5:30 p.m.—7:00 p.m. Light refreshments will be served. If interested in attending, please contact Cynthia Sims at csims@rinehartwia.com.

TOPICS

September 7th: Budgeting and Cash Flow Management in a Digital World

October 5th: Understanding Your Investment Performance

November 2nd: Flipping the Switch Are you Prepared for Retirement?

January 4th: Raising Smart Kids: Education Planning

February 8th: Putting your Money Where Your Values Are—Charitable Planning

March 1st: Planning For Your Legacy—Estate Planning

April 5th: Aging Parents & the Financial Impact on Families

May 3rd: How to Navigate the Probate Process—Estate Settlement

June 7th: Financial Skills for Divorcees & Widows

Rinehart Wealth & Investment Advisory

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

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