

Fixed Income – First Quarter 2009 Performance Update

	Q1	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Reinhart Active Intermediate	1.43	3.52	5.99	4.06	5.66
Barclays Capital Int. Gov/Credit	-0.05	1.96	5.63	3.69	5.44

MANAGER COMMENTARY

In order to deliver consistent, predictable returns, adherence to discipline is paramount. Throughout Reinhart Partners history, our investment philosophy has remained unchanged. We concentrate on delivering conservative, high quality portfolios which move away from benchmark exposure only if doing so improves portfolios risk-return profile.

This discipline has served us well over the years. Tight spreads during 2004 through 2006 led us to shorten the duration of our corporates as well as to hold more Treasuries, as compensation for taking additional credit risk was minimal. The same tight spreads caused other managers to “reach for yield” by investing in subprime and commercial mortgages, leading to eventual disaster as spreads widened dramatically in 2007 and 2008.

While 2008 was a very challenging year, it offered some unique opportunities to take steps to position our portfolio for the future. First, as spreads were historically wide, we increased the duration of our corporate bonds. This will allow us to take advantage of spread tightening which will occur when the economy begins to improve. Second, we believe the explosion in government monetary and fiscal stimulus has the potential to lead to markedly higher inflation. Therefore, we reduced our nominal Treasury exposure in favor of inflation protected Treasuries. Third, we added floating rate securities to help protect the portfolio from potential higher interest rates.

The moves made in late 2008 and in the first quarter of 2009 led to very strong first quarter performance with both our Intermediate and Core composites outpacing their respective benchmarks by approximately 140 basis points. While we are pleased with the first quarter performance, we realize we cannot rest on our laurels. We will continue to invest according to our discipline and provide the high quality fixed income portfolios that our clients expect.

INVESTMENT PHILOSOPHY

- **Quality:** High quality investment grade portfolios of Treasury, Agency, corporate and asset backed bonds.
- **Stability:** Duration similar to the chosen benchmark, avoiding wild performance swings relative to the index.
- **Predictability:** Well structured portfolios with predictable cash flows, leading to results delivered as expected.

Reinhart Partners, Inc. (Reinhart) is a privately held, independent investment advisor registered with the Security and Exchange Commission. Reinhart provides investment management services for equity, fixed income and balanced accounts to taxable and tax-exempt clients. Reinhart has prepared and presented this report in compliance with the Global Investment Presentation Standards (GIPS®). All performance is based in US Dollars. No leverage is used in the portfolios represented in any composite. Performance is stated gross of fees and reflect the reinvestment of dividends, capital gains and interest. Trade date accounting is used in the calculation of portfolio returns. Composites are asset weighted. Account returns are time weighted. The Reinhart Partners Active Intermediate composite contains 80 portfolios with assets of \$508 million. This represents 27% of total firm assets. Portfolios under \$1 million are excluded from the composite. Prior to 1/1/03, the minimum account size for composite inclusion was \$250,000. Only fee-paying, non-restricted, fully discretionary accounts, fixed income accounts, managed for the full calendar quarter using the Active Intermediate strategy are included in the composite. Prior to 1/1/04, fixed income segments of balanced accounts were included in the composite and cash was allocated using beginning of the period weights. Performance prior to 1995 represents results of a division of a firm acquired by Reinhart. Reinhart's standard fixed income fee schedule is as follows: 0.50% on the first \$3 million; 0.40% on the next \$22 million; 0.25% on amounts over \$25 million. The inception date of this composite is 1/1/92. Annual composite returns (net of fees): 1993=9.37%; 1994=-1.80%; 1995=16.69%; 1996=4.07%; 1997=7.64%; 1998=8.10%; 1999=0.50%; 2000=9.74%; 2001=9.00%; 2002=9.50%; 2003=3.69%; 2004=2.85%; 2005=1.72%; 2006=4.05%; 2007=6.78%; 2008=4.70%. Annual composite gross returns standard deviation: 1996=0.87; 1997=0.57; 1998=0.15; 1999=0.21; 2000=0.35; 2001=0.38; 2002=2.41; 2003=0.30; 2004=0.30; 2005=0.10; 2006=0.10; 2007=0.31; 2008=0.92. Results represent past performance and do not guarantee future returns. A complete list and description of the firm's composites is available upon request. For more information on our composites, please visit our website at www.reinhart-partnersinc.com.