

Mid Cap Growth Equity – First Quarter 2009 Performance Update

	Q1	1 Yr.	3 Yr.	5 Yr.
Reinhart Mid Cap Growth	1.01	-31.46	-9.69	-0.93
Russell Mid Cap Growth	-3.36	-39.58	-14.89	-3.91
S&P Mid Cap 400	-8.66	-36.10	-13.60	-2.84
S&P 500	-11.01	-38.09	-13.05	-4.76

MANAGER COMMENTARY

Within the current economic cycle, the concern shared by many companies is too much leverage. Now, imagine the millions of households in the United States in similar dire straits with mortgage debt, credit card debt, and auto/student loans. Simply stated, the consumer has too much debt. Furthermore, the average financial institution has too much leverage as well. For the past nine months and for the foreseeable future, we are in the de-leverage phase of our economy. We will reduce the debts of companies (financial and others alike) and consumers. Our government will bear the burden of greater leverage; this debt, too, will have to be undone in subsequent years. It is important to note that reducing leverage takes years, not quarters.

In the past six months, we have witnessed the equivalent of four years of market movements, complete with two massive selloffs of epic proportion and two sizable market rallies off the bottom. In January, we wrote about the first selloff from the fourth quarter of 2008 and the quick rally that started on November 20, 2008 and lasted until the start of 2009. In a downward move that almost seemed like destiny, the market tested and broke those November, 2008 lows in March of this year. Again, a short term bottom was established on March 9, 2009, and a 20%+ rally ensued. Volatility is the rule not the exception.

In our previous letters, we have suggested that we prefer some volatility for its creation of investment opportunities in high quality companies. After a lack of differentiation in the market last quarter, we stated: "We believe stock picking will be a much more important factor throughout 2009 than it was in the fourth quarter of 2008." It has been thus far. For the first quarter of 2009, the Reinhart Midcap Growth portfolio returned +1.0%, well ahead of the Russell Midcap Growth at -3.4%, the S&P Midcap 400 at -8.7%, and the Russell Midcap at -9.0%. Between the ups and downs of the last two quarters, many special opportunities presented themselves for our midcap portfolio. In the first quarter, we added several terrific free cash flow companies to the portfolio at attractive valuations. Included in this list of new holdings is Darden (operator of Olive Garden and Red Lobster), Coinstar (Redbox DVD machines), and McAfee (security software). By late March, we were trimming some of those positions and others following significant upward moves in the stocks. We experienced particularly good performance in consumer discretionary and technology companies, both from a stock specific and sector weighting perspective. Our decision to avoid late cyclical industries such as machinery and mining added to our relative performance as global demand dropped off a cliff. The portfolio lost ground in health care and financials, though mostly due to higher weight rather than individual stock performance.

As the market rebound continues, setting portfolio structure has become more difficult. Industries such as retail, homebuilding, media, and machinery have seen nearly 50% spikes in stock prices, far in excess of the underlying fundamentals in our opinion. In addition, the 25% rally since early March has pushed some of our positions to their price targets, and as such, those positions have been eliminated or trimmed in size. Among the industries that have yet to experience full valuation are insurance, drug companies, software, business services, and certain utilities. Hence, we have overweighted those areas of the market in anticipation of better fundamental news. At this juncture and in absence of more hard evidence of better demand, we remain under-represented in consumer companies, oil and gas services, and late cyclical industries.

INVESTMENT PHILOSOPHY

- **Life Cycle Investing:** Finding companies in the recovery or high profitability phase of the life cycle.
- **Growth with a Valuation Discipline:** Capital appreciation with an eye for capital preservation.
- **Disciplined Process:** Consistent and quantifiable system based on sound investment tenets.

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 Mid Cap Growth composite contains 18 portfolios with total assets of \$104 million. This represents approximately 6% of the firm's assets under management. This composite includes all fully discretionary, fee-paying, per-transaction transaction cost, equity only accounts over \$500,000 in assets under management that are managed for the full calendar quarter using the Mid Cap Growth strategy. The inception date of this composite is 3/31/03. Reinhart's standard equity fee schedule is as follows: 1.00% on the first \$3 million; 0.75% on the next \$22 million; and 0.50% on amounts over \$25 million. Annual composite returns net of management fees: 2003(3/31-12/31)=34.76%; 2004=11.38%; 2005=8.66%; 2006=21.07%; 2007=5.87%; 2008=-38.57%. Annual composite gross returns standard deviation: 2004=0.63; 2005=0.43; 2006=0.31; 2007=0.31; 2008=0.36. 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.