

Private Market Value Equity – First Quarter 2009 Performance Update

	Q1	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Reinhart Private Market Value	-5.66	-27.17	-8.32	-0.46	5.99
Russell Mid Cap Value	-14.67	-42.51	-16.68	-3.81	3.13
Russell Mid Cap	-8.98	-40.81	-15.53	-3.53	2.27
S&P 500	-11.01	-38.09	-13.05	-4.76	-3.00

MANAGER COMMENTARY

Investors scoured the economic indicators during March, looking for any sign of a bottom in the U.S. economy. Although the overall news flow remained weak, there were some signs of hope amidst the gloom. Manufacturing orders improved sequentially during March, existing home sales stabilized in the short-run, and Asia seemed to recover after a dismal start to the year. With valuations and investor sentiment at such low levels, these data points were enough to ignite a meaningful rally towards the end of the quarter. Although we are encouraged by the recent market action, we also realize that the fundamental health of our economy is still under pressure and are hesitant to expect much from the first quarter earnings reports later this month. But as we discussed in January, our private market valuation research indicates that many mid-cap companies are priced at very attractive levels for long-term investors.

We are proud to report that Reinhart's PMV strategy continues to out-perform in this volatile market environment, as the portfolio declined only -5.7% in the first quarter compared to the -14.7% decrease of the Russell Midcap Value Index. We were especially encouraged that our strategy, sometimes best known for its defensive characteristics, was able to rebound ahead of the market with a near 9% gain in the month of March. This recent rally only reinforces our view that PMV is well-positioned for an eventual market recovery. We would highlight several reasons for our optimism:

- We have utilized this recent downturn to upgrade the growth potential of companies within the PMV portfolio (while still adhering to our discipline of 30% valuation discounts).
- We know the increased level of market volatility will facilitate our search for private value opportunities.
- We believe the market will gravitate towards the type of high quality companies emphasized by our PMV philosophy.

Looking at the strong relative performance in Q1 versus the Russell Midcap Value Index, the PMV portfolio benefitted from several factors. The strategy gained approximately 280bps in financials as our stock selection and underweight of REIT's paid off during the quarter. However, with recent purchases of several compelling financial stocks, we are no longer underweight this sector for the first time in several years. The same is true of energy, where we believe the marginal production cost of oil coupled with reserve values point to better returns. The consumer and utility sectors of the portfolio also contributed close to 200bps each of relative performance with superior stock selection and solid EPS reports.

Looking forward, we are optimistic on the health care and business service sectors, where we have identified attractive franchises that can improve returns-on-capital despite the tough economic conditions. Each of these companies has a management team that knows how to utilize their competitive advantage to gain market share and improve margins. The only sectors we are now underweight include utilities and consumer staples, defensive groups that we have trimmed to make room for more compelling values in other parts of the economy.

INVESTMENT PHILOSOPHY

- **Emphasis on quality first:** Finding sustainable competitive advantages one stock at a time.
- **Private Market Value:** Our proprietary methodology for determining a company's intrinsic value.
- **Disciplined Process:** Consistent and quantifiable system based on sound investment tenets.

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