

**All Cap Equity – Second Quarter 2010 Performance Update**

	Q2	1 Yr.	3 Yr.	5 Yr.
<b>Reinhart All Cap</b>	<b>-11.20</b>	<b>11.04</b>	<b>-6.14</b>	<b>3.21</b>
Russell 3000	-11.42	15.72	-9.47	-0.48
S&P 500	-11.32	14.43	-9.81	-0.79

**MANAGER COMMENTARY**

The worldwide “Goldilocks economy” that we have written about in the last few quarterly letters turned colder during the second quarter as numerous leading economic indicators are now suggesting that growth will slow during the second half of 2010 and into 2011. In addition, similar to Greece, additional European sovereign nations removed their own fig leaves and admitted that they will have difficulty meeting their debt obligations going forward. The equity markets reacted unfavorably to this economic uncertainty and the potential for sovereign debt default. During the second quarter, the U.S. stock market (S&P 500 Index), returned -11.4% while the European equity markets (MSCI EAFE Index), returned -13.7%.

We believe that the market’s second quarter concerns are justified and have added a healthy dose of reality into market perception. However, we do not believe that the world is heading into a second worldwide liquidity crisis. Instead, we continue to believe that the U.S. economy will experience slow to moderate growth for the next few years which will be better than the European Union and not as good as many emerging market economies. We base our U.S. growth view on the data that continues to reveal that U.S. consumers are continuing to repair their personal balance sheets by reducing consumption and paying off debts despite the U.S. Government’s best efforts to stimulate demand. We will continue to search for investment opportunities to add to your portfolio that will benefit from this slow growth environment. In addition, we are becoming more positive regarding the longer term outlook for U.S. equities as the financial markets slowly, but surely, lower their growth outlook.

**INVESTMENT PHILOSOPHY**

- **Fundamental Research:** Bottom-up process with a macro overlay.
- **Life Cycle Investing:** Finding companies in the recovery or high profitability phase of the life cycle.
- **Disciplined Process:** Consistent and quantifiable system based on sound investment tenets.

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