

Fixed Income – Fourth Quarter 2010 Performance Update

	Q4	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Reinhart Active Intermediate	-1.25	6.35	7.11	6.52	6.08
Barclays Capital Int. Gov/Credit	-1.44	5.89	5.40	5.53	5.51

MANAGER COMMENTARY

Interest rates reversed course during the fourth quarter of 2010. After reaching a yearly low of 2.38% in early October, the yield on the ten year Treasury note rose significantly to finish the year at 3.29%. Yields for most securities longer than five years experienced similar increases. Shorter term yields also rose but the increase was not quite as dramatic. While higher rates led to negative returns in the fourth quarter, major bond indexes still finished 2010 well in the black.

Tightening credit spreads were a major reason for strong 2010 performance. Intermediate investment grade corporate bonds outperformed Treasuries in the fourth quarter and for the full year as the market began to perceive prospects for better U.S. economic growth in the future.

Rising rates and tightening spreads were a perfect combination for our portfolios. Our portfolio duration was short relative to the index as we have been continually anxious of higher rates. This allowed the portfolio's price performance to outpace the index. At the same time, we have a structural overweight to credit. Tightening spreads aided price performance while the additional yield in the portfolio caused income performance superior to the benchmark.

We expect 2011 to more closely mirror the last quarter of 2010 rather than the first three. While we do not believe activity will increase spectacularly, we do believe the U.S. economy will grow. The Fed is likely to take its foot off of the gas and may even hit the brakes slightly by starting to raise short term rates. We continue to position the portfolio slightly short of the index to mitigate the effects of rising rates and have, as always, a yield advantage over the benchmark.

Adherence to our conservative style of fixed income investing has been, and will always be, the hallmark of Reinhart Partners. We would like to thank you for choosing us to manage your fixed income investments and will continue in 2011 to deliver both the service and results you have come to expect.

INVESTMENT PHILOSOPHY

- **Quality:** High quality investment grade portfolios of Treasury, Agency, corporate, MBS and ABS 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 Securities 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 164 portfolios with assets of \$786 million. This represents 23% 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: 0.30% on the first \$25 million; 0.25% on the next \$50 million; 0.20% on the next \$50 million; and 0.15% on amounts over \$125 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%; 2009=9.87%; 2010=6.10%. 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; 2009=1.42; 2010=0.79. Results represent past performance and do not guarantee future results. 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.