

Fixed Income – Second Quarter 2010 Performance Update

	Q2	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Reinhart Active Intermediate	2.91	9.90	8.59	6.27	6.61
Barclays Capital Int. Gov/Credit	2.97	8.28	6.97	5.26	6.06

MANAGER COMMENTARY

A tepid economy and continued European debt problems led to a Treasury rally in the second quarter of 2010. Our conservative posture served us well during the quarter and we expect to continue our lower risk strategy for the foreseeable future.

Despite being low already, rates dropped dramatically throughout the second quarter as a result of a weaker U.S. economy and debt troubles in Europe. The U.S. economy appeared to slow in the second quarter as housing slumped due to the expiration of the first time homebuyer tax credit while the employment situation remained bleak. Many European countries, realizing the need to deleverage, began austerity programs creating the fear of even slower worldwide economic activity.

We continue to believe that a conservative approach to investing portfolios is well suited to the current market environment. While recently widening slightly, spreads remain at or near their historical averages. They are unlikely to significantly tighten in a weak economy and thus we are confident that Treasuries, while offering low yields, are relatively attractive on a near-term risk/reward basis. We expect to continue to manage overall portfolio duration through Treasury extensions while allowing our corporate exposures to shorten.

Our portfolios remain on the short side of index durations even though this hampered returns in the second quarter. Rates are unlikely to rise because of inflationary pressures. However, we are concerned by the level of U.S. government borrowing and have numerous examples in Europe of how quickly borrowing costs can rise when debt levels increase.

We thank you for your continued trust and will strive, as always, to deliver the high quality portfolios you have come to expect from Reinhart Partners.

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 131 portfolios with assets of \$783 million. This represents 26% 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%. 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. 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.