

Private Market Value Equity – Second Quarter 2010 Performance Update

	Q2	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Reinhart Private Market Value	-9.71	20.10	-2.91	4.56	7.67
Russell Mid Cap Value	-9.57	28.91	-9.44	0.71	7.55
Russell Mid Cap	-9.88	25.13	-8.19	1.22	4.24
S&P 500	-11.42	14.43	-9.81	-0.79	-1.59

MANAGER COMMENTARY

Reinhart's Private Market Value strategy declined -9.7% in the second quarter of 2010, right in line with the Russell Midcap Value Index. Year-to-date, we remain slightly ahead of the index in what has quickly become a challenging investment environment. The concerns in the marketplace are global in nature, including European government deficits, a slowing Chinese economy, and falling consumer confidence in the U.S. These factors have reminded investors of the possibility of a double-dip recession and have increased market volatility for the first time in over a year. Although we remain cautious on economic trends, we realize such an environment usually provides many good opportunities to put our Private Market Value (PMV) discipline to work.

Overall, the CBOE Market Volatility Index moved from a very low 15-20 level in April to over 40 by late May. This indicator suggests a growing uncertainty with respect to future economic growth, and often increases sector rotation and mood swings within the equity market. Although PMV does not always outperform initially in such an environment, history has shown that eventually our value discipline and ability to take advantage of market volatility produces superior relative returns.

Given the flight to quality in recent weeks, we would expect PMV to outperform should this trend continue. Since our strategy emphasizes quality first, the market's gravitation towards companies with consistent business models and solid returns on capital should benefit our approach. We would highlight names like Lender Processing, Advanced Auto Parts, McCormick & Co, Sigma Aldrich, and Iron Mountain as franchises that should generate growth even in a deteriorating economic environment. Reinhart's quality bias coupled with our valuation discipline has allowed the PMV strategy to more than double our clients' capital over the past decade. At the same time the portfolio has provided a 62% downside capture ratio verses the S&P 500 – a good measure of capital preservation during tough times.

Looking forward, we remain overweight healthcare where we are finding companies at attractive valuations which can navigate the coming regulatory changes. We also like business services where recurring cash flow provides a shelter from discretionary spending. Industrials are still somewhat expensive, and most financials have serious issues to work through, so we are underweight both of these sectors. Although we have added to current holdings on weakness, we are monitoring our list of new ideas for the right entry point, and would expect to put additional cash to work in the coming months.

Overall, we believe that recent market volatility allows us to be very selective in choosing stocks for the portfolio, and will continue to emphasize companies that meet the following criteria:

- A strong balance sheet
- Sustainable competitive advantage
- High returns-on-capital
- 30% discount to private value

Although there is no guaranteed formula for investment success, we believe these principles should allow us to navigate turbulent times, and that our research process will add consistent value for clients.

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.

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 Mid Cap Private Market Value composite contains 24 portfolios with total assets of \$175 million. This represents approximately 6% of total firm assets. 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 Private Market Value strategy. The inception date of this composite is 09/30/95. 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 fees): 4Q 1995=4.05%; 1996=13.69%; 1997=28.57%; 1998=4.86%; 1999=13.55%; 2000=12.42%; 2001=9.65%; 2002=-11.05%; 2003=28.74%; 2004=15.86%; 2005=5.61%; 2006=20.02%; 2007=-0.21%; 2008=-26.89%; 2009=34.39%. Annual composite gross returns standard deviation: 1996-2001=0.00 annually; 2002=0.06, 2003=0.24, 2004=0.22; 2005=0.41; 2006=0.14; 2007=0.41; 2008=0.70; 2009=0.57. 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.