



ALL CAP EQUITY – FOURTH QUARTER 2011 PERFORMANCE UPDATE

	Q4	1 Yr.	3 Yr.	5 Yr.
Reinhart All Cap	10.55	1.05	10.56	1.26
S&P 500 Index	11.81	2.11	14.11	-0.25
Russell 3000 Index	12.13	1.03	14.88	-0.01

MANAGER COMMENTARY

The year 2011 had four very different quarters from a performance standpoint – the first quarter surged higher, followed by a flat second quarter, a horrible third quarter, and a sizable rally in the final quarter. In the end, the broader U.S. market ended close to where it began with the S&P 500 Index rising 2.1% after dividends. The parallels to the worldwide economic trends are noteworthy. We began the year with the prospect of fewer government stimuli here and abroad, the specter of sovereign debt default in Greece, and a looming deficit issue in the U.S. Those issues still exist today, except with greater clarity on each. With less uncertainty now, the markets can shift its focus back to fundamental trends.

After several years of feeling like the investment community was not pricing in the pre-ordained belt-tightening and resulting slower economic growth, we now believe the expectations of investors and companies are realistic. Earnings and cash flow strength, in the meantime, continued its path upward for many industries in 2011, thus leaving market valuations at levels that suggest price appreciation is more likely in 2012 and beyond. Though we have positioned our All Cap portfolio in high quality companies with the prospect for cash flow growth, many of our portfolio companies are not heavily dependent on economic growth to achieve their goals. Good examples are Kinder Morgan, an energy pipeline company, and Ashland, a specialty chemical company. Kinder Morgan acts as the terminal and pipeline provider who gets paid as energy goes through the system; hence, a drop in natural gas prices like 2011 could even help their volumes. Ashland specializes in cellulose, intermediates, and solvents which are primarily used in the personal care, nutrition, and other consumer staples markets. These companies and others give us confidence that the next decade of stock market returns will show a stark and positive difference from the last (lost) decade.

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.

Reinhart Partners, Inc. (Reinhart) is a privately held, independent investment advisor registered with the Securities and Exchange Commission. Reinhart provides investment management services for growth equity, value equity, fixed income and balanced accounts to taxable and tax-exempt clients. Reinhart Partners, Inc. claims compliance with the Global Investment Presentation Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. 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. The Reinhart Partners All Cap composite contains 15 portfolios with total assets of \$28 million. This represents approximately 1% of the firm's assets under management. This composite includes all fully discretionary, fee-paying, non-wrap-fee, equity only accounts over \$500,000 in assets under management that are managed for the full calendar quarter using the All Cap strategy. The inception date of this composite is 6/30/03. 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 \$26 million. Annual composite returns net of management fees: 2003(6/30 – 12/31)=17.14%; 2004=6.29%; 2005=4.56%; 2006=21.35%; 2007=7.88%; 2008=-28.06%; 2009=20.86%; 2010=9.08%; 2011=0.52%. Annual composite gross returns standard deviation: 2004=1.56; 2005=0.96; 2006=1.80; 2007=1.96; 2008=0.45; 2009=0.55; 2010=0.46; 2011=0.47. Three-year annualized standard deviation - Composite: 2011=16.18; S&P 500 Index: 2011=18.70. Results represent past performance and do not guarantee future results. A complete list and description of the firm's composites and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. For more information on our composites, please visit our website at www.reinhart-partnersinc.com.