



FIXED INCOME – FOURTH QUARTER 2011 PERFORMANCE UPDATE

	Q4	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Reinhart Active Intermediate	1.16	5.86	7.40	6.82	5.73
Barclays Capital Int. Gov./Credit	0.84	5.80	5.64	5.88	5.20

MANAGER COMMENTARY

Fixed income securities continued to defy gravity in the fourth quarter of 2011, posting solid returns in an extremely low interest rate environment. The continuing economic crises in Europe provided the impetus for continued buying of U.S. fixed income. Unlike the third quarter, fourth quarter buying was not concentrated in government debt but expanded to include corporates.

Strong corporate performance was the primary driver of our strong relative fourth quarter performance. Our overweight to the sector as well as solid security selection led to excess performance. In addition, our long Treasury exposure performed extremely well, contributing the same amount to performance as the index Treasury exposure despite a significantly lower portfolio weight.

Although we were able to outperform the benchmark this quarter, our off-index exposures in mortgage-backed and asset-backed securities did not perform well. In addition, our floating rate positions, in place to protect against higher rates, were relatively poor performers as rates were little changed in the quarter.

Looking forward, Europe is likely to continue be a problem in 2012 and the Fed is unlikely to change its monetary stance in the near future. Couple these factors together and higher U.S. rates in 2012 seem unlikely. On the flipside, the U.S. economy appears to be slowly getting stronger and rates are already at historically low levels. Therefore, lower rates seem unlikely as well, leaving range bound U.S. fixed income markets as the most obvious near term outcome.

Adherence to our conservative style of fixed income investing has been, and will always be, the hallmark of Reinhart Partners. We thank you for choosing us to manage your fixed income investments and will continue in 2012 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 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. Account returns are time weighted. The Reinhart Partners Active Intermediate composite contains 206 portfolios with assets of \$858 million. This represents 22% of total firm assets. The inception date of the Active Intermediate Fixed Income composite is 1/1/92. This composite includes all fully discretionary, fee-paying, fixed income only accounts over \$1 million in assets under management that are managed using the Active Intermediate Fixed Income strategy. Accounts falling below \$950,000 are removed from composite membership. Prior to 1/1/11, the minimum account size was based on net contributions to the account. 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. Prior to 1/1/03, the minimum account size for composite inclusion was \$250,000. 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): 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%; 2011=5.61%. Annual composite gross returns standard deviation: 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; 2011=0.29. Results Three-year annualized standard deviation - Composite: 2011=2.55; Barclays Capital Intern Gov/Credit Index: 2011=2.55. 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.