



PRIVATE MARKET VALUE EQUITY – FOURTH QUARTER 2011 PERFORMANCE UPDATE

	Q4	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Reinhart Private Market Value	13.06	0.30	19.09	4.50	7.93
Russell Midcap Value Index	13.36	-1.38	18.19	0.04	7.67
S&P 500 Index	11.81	2.11	14.11	-0.25	2.92

MANAGER COMMENTARY

Reinhart's Private Market Value strategy managed a slight +0.7% gain for the year just ended, outperforming the -1.4% decline of the Russell Midcap Value Index. 2011 was a volatile year in which the U.S. economy slowed, confidence in European governments cratered, and equity market volatility increased significantly. Despite this uncertainty, 2011 marks the 6th consecutive year that our PMV strategy has landed in the top half of the midcap value peer group, demonstrating the consistency of our process and team. Given the economic and financial pressures of the past decade, we are also happy to report an 8.0% annualized rate of return over the past 10 years for our PMV clients.

Strong stock selection drove our out-performance once again in 2011, while sector weightings slightly offset relative returns. Much of the alpha (+2.5%) was generated via our quality holdings within the Industrial and Financial sectors, where we were able to avoid the problems that plagued most cyclical stocks. The only negative sector was Utilities, where our underweight impacted relative returns by approximately -1.0%. Overall, Reinhart's key to success in 2011 was consistency, as 65% of our positions generated gains during the year. This 'high batting average' approach continues to drive repeatable performance for our clients.

Looking forward, we believe that companies with significant competitive advantages will shine in 2012. Maintaining profit margins will be difficult in a tough economy, but we believe quality franchises should be able to navigate the environment. Indeed, our emphasis on quality has never been higher, as the average holding in the portfolio now maintains a 40% ROE premium versus the index.

The largest sector overweight at year-end is Materials, accounting for 10% of the portfolio compared to only 5% for the index. Our research process has identified specialty companies within this area that can maintain product prices in a falling input cost environment – a win/win dynamic that will drive earnings and valuation multiples higher for these stocks through the year. The portfolio is also overweight Technology due to our emphasis on business service companies with strong levels of recurring revenue.

Defensive sectors like Utilities and Staples were a popular place to hide for worried investors throughout 2011, pushing valuations to fully reflect the private value inherent in the underlying companies. As a result, we remain underweight both sectors by 7% and 3% respectively. Despite this weighting, PMV's high quality and emphasis on consistent business models keeps the overall portfolio defensive.

We continue to find attractive opportunities across many industries, as the portfolio today trades at an average 27% discount to private value. New purchases for the strategy include companies that can still succeed in a weak economy. Recent examples include Markel (better pricing in specialty insurance), International Flavors (trend toward natural colors), and Towers Watson (benefits from increased regulation). Each of these firms has established a strong position in their respective market niches.

Overall, our equity investment team has never been deeper or more focused as we research the midcap universe. Reinhart's commitment to analytical rigor and PMV's systematic discipline should continue to drive strong returns with downside protection in an uncertain market.

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 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 Mid Cap Private Market Value composite contains 51 portfolios with total assets of approximately \$284 million. This represents approximately 7% of total firm assets. 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 Mid Cap Private Market Value strategy. The inception date of this composite is 9/30/95. 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): 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%; 2010=23.93%; 2011=-0.28%. Annual composite gross returns standard deviation: 2001=0.00; 2002=0.06, 2003=0.24, 2004=0.22; 2005=0.41; 2006=0.14; 2007=0.41; 2008=0.70; 2009=0.57; 2010=0.45; 2011=0.89. Three-year annualized standard deviation - Composite: 2011=19.76; Russell Midcap Value Index: 2011=22.78. 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.