



## Part 2A of Form ADV The Brochure

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This Brochure provides information about the qualifications and business practices of Reinhart Partners, Inc. ("Reinhart"). If you have any questions about the contents of this Brochure, please contact us at 262-241-2020 or by email at [info@reinhart-partnersinc.com](mailto:info@reinhart-partnersinc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Reinhart is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training.

Additional information about Reinhart also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

Reinhart is required to identify and discuss any material changes made to its brochure since the last annual update. Accordingly, please note the following changes:

- Item 5, Fees and Compensation has been updated to reflect Reinhart's current fee schedules and Reinhart Mid Cap Private Market Value Mutual Fund fee schedule has been added.
- Item 7, Types of Clients has been updated to reflect that Reinhart is providing investment advisory services to a mutual fund.
- Item 8, Methods of Analysis, Investment Strategies and Risk of Loss has been updated to reflect the new Rising Income Equity strategy.
- Item 8, Methods of Analysis, Investment Strategies and Risk of Loss has been updated to reflect the average market cap of stocks held in accounts that employ the Small Cap Opportunity strategy and the market cap range of companies included in the investment universe of the Small Cap Opportunity strategy.

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## **Advisory Business**

### **Firm Description**

Reinhart provides professional management for a broad range of investors. All services are provided on a supervisory basis. Reinhart gives continuous investment advice and management based upon the individual needs and objectives of each client. Reinhart also provides bill pay services, for select clients whereby Reinhart may have the ability to authorize payments from client checking accounts. Reinhart was founded by James Reinhart and commenced its operations in 1991.

### **Principal Owner**

James Reinhart is the principal owner of Reinhart. Reinhart is a 100% employee-owned, Wisconsin-based investment advisor.

### **Types of Advisory Services**

Reinhart offers discretionary and non-discretionary advice on a range of investment styles including small-cap, mid-cap and large-cap equity, as well as a range of taxable and tax-exempt fixed income products. Clients may choose from these styles or they may elect to have Reinhart custom allocate between these strategies to build an individually tailored portfolio mix. Reinhart may offer investments in mutual funds or other investments as part of an asset allocation. These investments are selected based upon an evaluation of a company's performance history, management, total assets, expense ratio, turnover ratio, dividend yield and sales fees.

For clients who grant Reinhart complete discretionary authority, Reinhart determines which securities are to be bought or sold and in these determinations it is guided by the general guidelines which are set up at the inception of the Adviser-client relationship in cooperation with the client. These general guidelines cover such things as the relative proportion of debt securities and equity securities, the degree of risk which the client wishes to assume and the types and amounts of securities to constitute the portfolio, including any restrictions imposed by the client. Reinhart endeavors to manage the portfolio in accordance with these guidelines.

### **Client Reporting on Alternative Investments**

On client reports, Reinhart may show alternative investments held or controlled by a client or by a third party on behalf of the client. These assets are reported for client recordkeeping purposes only. Reinhart does not have actual custody or control of these assets. With the exception of most marketable securities, the description of the asset and its price (or value)

may have been provided to Reinhart by the client and should not be relied upon for any purpose by a third party.

### **Wrap Fee Programs**

Reinhart serves as a discretionary manager for certain wrap fee programs. These programs are arrangements in which brokerage, custody, performance monitoring and reporting, investment advisor search and selection, and investment advisory services are provided by a program sponsor for a single “wrap” fee. Total fees paid to the program sponsor generally range from 1.0 – 2.5% annually and are based upon assets under management. Reinhart acts as a sub-advisor in such arrangements and receives a portion of the wrap fee for investment advisory services provided. The client has the right to terminate Reinhart as a sub-advisor by notifying Reinhart in writing either directly or through the wrap program sponsor. Reinhart does not serve as a sponsor to any wrap fee program.

### **Client Assets**

As of December 31, 2012, total assets under management were \$4,487,564,000. Client assets managed on a discretionary basis totaled \$4,366,810,000 and non-discretionary basis totaled \$120,754,000.

## **Fees and Compensation**

Fees for services rendered are based on a percentage of assets under management and are payable quarterly in advance, unless otherwise stipulated in writing. The annual rates provided below are applied to the market value of investment capital including cash or its equivalent held for investment, as appraised by Reinhart. Where client’s assets are invested in mutual funds, Exchange Traded Funds, or other third party investment vehicles, the client may incur both a direct management fee paid to Reinhart and an indirect management fee through the third party investment. Where Reinhart provides before fee and after fee performance, before fee performance includes all fees (i.e. trading, custodian, advisory fees, etc.) incurred by the client other than Reinhart’s fee. No fee increase will take effect without at least sixty days written notice.

Unless Reinhart has permission from the client to debit automatically the client’s custodial, banking or brokerage account(s), as the case may be, Reinhart will invoice each client for services rendered.

The contractual relationship between Reinhart and its clients shall remain in force until canceled by either party upon 30-days prior written notice. Unless a client specifically instructs

Reinhart to liquidate the client's assets, Reinhart will not liquidate assets when notice of termination is received from a client. In the event of termination by either party, any unearned fees will be prorated back to the client.

In some cases, Reinhart has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. For more information see Performance-Based Fees and Side-By-Side Management.

#### FEE SCHEDULE

First \$20 Million	1.00%
Next \$30 Million	0.85%
Balance of Assets	.0.75%
Minimum Fee \$7,500	

All portfolio fees are subject to negotiation depending upon total value of assets managed, asset type, and servicing requirements.

#### *Mutual Fund Fees*

Reinhart provides investment advisory services to the Reinhart Mid Cap Private Market Value Fund. The Fund pays a monthly advisory fee based on the average daily net assets at the annual rate of 1.00%. Advisory fee and expense related information may be found in the Fund's Prospectus or Statement of Additional Information available at [www.reinhartfunds.com](http://www.reinhartfunds.com).

### **Performance-Based Fees and Side-By-Side Management**

In some cases, Reinhart has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Reinhart will structure any performance or incentive fee arrangement in accordance with Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Reinhart shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for Reinhart to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee

arrangement. Such fee arrangements also create an incentive to favor performance fee paying accounts over other accounts in the allocation of investment opportunities. Reinhart has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Types of Clients**

### **Description**

Reinhart provides investment advisory services to a mutual fund, corporations, pension and profit-sharing plans, Taft- Hartley plans, municipalities and other public institutions, foundations, trusts, individuals and other separate accounts.

### **Account Minimums**

Reinhart has a standard minimum account size of \$1,000,000 for all equity, fixed income and balanced accounts. Smaller accounts may be accepted based upon a number of factors including geographic considerations, related account relationships, the number of clients with individual firms and support services provided by other firms.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Fixed Income Philosophy**

- **Quality, stability and predictability** are the hallmarks of our fixed income philosophy.
- **Quality:** At Reinhart, we believe in building high quality investment grade fixed income portfolios of treasury, agency, high quality corporate and asset backed bonds.
- **Stability:** Interest rate risk is the most prevalent risk in any fixed income portfolio. We feel that it is difficult to predict short term movement in interest rates. We build portfolios with durations similar to those of the chosen benchmark to avoid wild performance swings relative to the appropriate index.
- **Predictability:** Bonds play an important role in managing cash flows and providing diversification within an overall investment plan. We seek to construct portfolios with very predictable cash flows.



**Fixed Income Research and Analysis**

Our portfolio managers are heavily involved in fundamental research. In addition, our entire fixed income team formally meets at least weekly to review economic trends, portfolio positioning, and changes in the credit fundamentals of issuers held in client portfolios. Potential changes to portfolio positioning are also discussed.

We utilize a three step process to determine suitability for inclusion in the portfolio. First, we examine the credit ratings of the issue in question. We view this as an outsider's perspective of the credit quality of the issuer in question. Second, we have developed a real-time database which tracks the movements of each issuer's securities in numerous markets. This provides us with the market's perspective of each issuer. Third, and most important, is our internal research. We have developed our "Causes of Financial Distress Methodology" to determine an issuer's credit quality. Within this methodology, we seek to identify any factors that have the ability to create financial distress for a given issuer. We then assess the exposure of each issuer to the potential causes of distress. If the exposure is sufficiently low, the issuer is classified as acceptable for inclusion in the portfolio. In-depth credit research is performed for all issuers on our core holdings list.

Our credit committee has ultimate authority when evaluating a credit in our portfolios.

**Mid Cap Private Market Value Equity Philosophy**

**Valuation versus Perception:** The price of a stock is a function of the value investors place on the company's future prospects. Opinions on value can vary dramatically based on investor perception. At any given time, a stock may be over, under or fairly valued, depending on the accuracy of these perceptions. At Reinhart, we focus on finding those stocks that the market has misunderstood or underestimated.

The management team of the Mid Cap Private Market Value Equity portfolio utilizes a valuation paradigm that emphasizes the growth and quality of the underlying franchise. In particular, we rely heavily on our proprietary Private Market Value ("PMV") methodology in constructing a truly objective intrinsic value of any franchise. We maintain a value discipline and focus on those companies with consistent growth and strong competitive advantages.

**Mid Cap Private Market Value Equity Research and Analysis**

Approximately 75% of research is generated internally. The portfolio manager and analysts build their own research file for every company by reviewing industry information, company reports, and interaction with management.

Our research process focuses on how each company has generated above-average returns-on-capital. Examples of company advantages we look for include a strong brand, niche markets, superior distribution, low cost provider, or technological advantage.

We then evaluate if the company can continue growing and generating healthy margins on new business. A strategic analysis of barriers to entry, substitute products, customer and supplier bargaining power, and other competitive issues is undertaken to fully understand the business model of the industry and company in question. In so doing, we are thinking like business owners and put the 'Wall Street' mentality aside.

After we understand the business model, we can couple our analysis with data on actual market buyouts to arrive at an estimate of value. The PMV process is different for each industry. Various metrics are utilized, depending on the key issues and operating structure of the sector being analyzed. Some common methods of assigning a PMV include:

- A multiple of revenue approach
- Enterprise value-to-EBITDA
- Price-to-earnings
- Price per subscriber
- Economic-Value-Added valuation
- Discounted cash flow

In each case we utilize our own judgment, but look at actual takeovers within the industry to validate and/or adjust our methodology. Ultimately, we are looking to buy stocks at a 30% to 40% discount to PMV.

Roughly 25% of external research is used in our research process. We find company specific, fundamental research most useful. We retrieve this information from a variety of useful sources including FactSet, Bloomberg, company financial statements, and Wall Street research.

PMV is Reinhart's proprietary methodology for determining a company's true intrinsic value. PMV is what Reinhart believes an acquirer would be willing to pay for the entire company (per share). It is calculated by observing actual takeover valuations and applying the corresponding, appropriate valuation multiples to each stock analyzed. This process is greatly facilitated by utilization of the MergerStat database service. The portfolio manager is responsible for setting these estimates of private value. We utilize different metrics by industry to capture the appropriate value-drivers. PMV becomes the "anchor" by which all decisions are framed within an emotional market. New names are usually purchased at a 30% discount to private value,

and stocks are sold when they reach PMV. The gap between price and PMV serves as an objective basis to trim or add to existing holdings, and to allocate capital within the portfolio.

### **All Cap Equity Philosophy**

We believe that investments in companies with sustainable cash flow growth stories whose shares are mispriced relative to this future cash flow growth will lead to long-term outperformance. Further, our investment philosophy is that top-down industry life cycle analysis combined with bottom-up fundamental company research leads to investments in these mispriced cash flow growth stories.

Our industry life cycle philosophy is that investing in companies within industries where demand for the industry's goods or services is equal to or greater than supply greatly increases the likelihood that the company's future growth expectations will be met or exceeded. We spend significant time doing research to uncover industries with stable or improving fundamentals where the revenue and margin potential is not fully realized in current stock market expectations or valuations.

We combine this industry life cycle philosophy with bottom-up company fundamental analysis in which we seek out financially strong companies with stable or rising margins and returns on capital and an ability to achieve sustained growth. We invest in these companies when their stock price does not reflect the favorability of their industry life cycle and company fundamentals.

### **All Cap Equity Research and Analysis**

Roughly 80% of research is generated internally. However, external research still plays an important role as a source of data. We combine data from external sources and sell-side research with our own industry knowledge and expertise to formulate our own opinions about company and industry fundamentals, future stock price movements, and the risk/return profile of individual stocks. Equity portfolio managers and analysts each have assigned sectors and industries in which they develop and maintain expertise and monitor significant developments.

Our research process has the underlying tenant that all industries, in an efficient market, go through a predictable life-cycle comprised of four distinct stages: underinvestment, recovery, high profitability, and competition. Although the duration of each of these stages may last for years or even decades, we believe that even growth industries and companies go through these stages. We have developed a disciplined process that includes objective criteria for analyzing which stage of the business life-cycle an industry resides. We concentrate our research on uncovering financially strong companies in industries where industry demand is equal to or

greater than industry supply. These companies exhibit stable or improving revenue trends, stable or increasing margins and returns on capital, relatively low investor expectations, and the ability to grow earnings and cash flow for a sustained period of time.

We utilize a top-down, industry life cycle analysis combined with bottom-up, company specific fundamental research to identify future cash flow growth stories whose share prices do not reflect this growth. We utilize four concurrent processes to identify stocks for our portfolio:

- Industry Research and Analysis

We utilize industry life cycle analysis to identify industries that exhibit symptoms of success. We uncover those industries that exhibit a demand for their goods and services that is greater than supply, predictable and sustainable growth, rising margins and favorable revenue trends.

- Company Research and Analysis

We conduct extensive fundamental research to understand the company and its relative position within the industry. Ways we determine a company's competitiveness within its industry include careful examination of financial statements, multiple channel checks, contact with company management, and use of sell-side reports and analysts.

- Company Valuation

Depending upon the industry, we consider price to cash flow, price to free cash flow, price to earnings, price to sales, enterprise value to EBITDA, historical valuation and peer valuation. However, we emphasize free cash flow yield and enterprise value to cash flow multiples because we believe that a company's ability to grow cash is what ultimately leads to out-performance. Our ideal valuation occurs when a company's growth trends are not fully realized in the value of the stock.

### **Rising Income Equity Philosophy**

We believe that investments in companies with sustainable and growing cash flows that also exhibit a commitment to returning cash to shareholders will provide superior long-term investment returns. The Rising Income Equity strategy team believes an increasing number of public companies will institute significant dividends to shareholders and that dividends will represent a larger share of total stock market returns in future years.

By focusing on ability to sustain and increase dividends first and foremost, this investment philosophy places additional value on consistency of company fundamentals and the willingness of company management to return some portion of its cash flow to shareholders. Critical to the success of this method of investing is a dividend payout ratio below the sustainable cash flow of the company, as well as a diversified group of company investments spread across most, if not all, of the economic sectors.

### **Rising Income Equity Research and Analysis**

Roughly 80% of research is generated internally. However, external research still plays an important role as a source of data. We combine data from external sources and sell-side research with our own industry knowledge and expertise to formulate our own opinions about company and industry fundamentals, future stock price movements, and the risk/return profile of individual stocks. Equity portfolio managers and analysts each have assigned sectors and industries in which they develop and maintain expertise and monitor significant developments.

We concentrate our internal research on companies with a history, or new commitment, to paying out a portion of their annual cash flow to shareholders in the form of regular or special dividends. After the initial screen, we perform fundamental due diligence on the companies to determine if additional research is necessary. For example, we will formulate an opinion on the sustainability of revenues and cash flow, financial strength and the likely direction from here, and ability to grow cash flows over time. Companies that pass the fundamental screen are then evaluated for potential position in the portfolio based on sectors, valuation, and other suitability measures.

### **Small Cap Opportunity Equity Philosophy**

The investment philosophy for the Reinhart Partners Small Cap Opportunity strategy is based on the three following tenets:

- Size is crucial
- Neglected stocks outperform
- Forward research

Reinhart focuses on the smaller side of the Russell 2000 universe, believing that small cap funds with lower market caps generally outperform their peers. Reinhart believes that investment potential is greatest where research competition is minimal. As a result, the average stock in the portfolio maintains a market cap close to \$700M, which is about half of the typical small-cap manager. Our forward-looking research focuses on what we believe to be the key issues that will impact future cash flows 12-18 months in the future. Our fundamental analysis on each company results in a bottom-up approach to stock selection. We analyze the factors that can move a stock “out of the shadows” and into the view of investors for a higher valuation. This strategy combines under-appreciated stocks with improving fundamentals to optimize portfolio risk/reward

The Reinhart Partners Small Cap Opportunity strategy does not limit its investable universe to traditional growth or value stocks, but rather scans the universe for the best opportunities. As a result, this strategy maintains a blended approach and is benchmarked versus the Russell 2000 Index.

Although investing in small cap stocks can be volatile, we believe our approach to stock selection minimizes down-side risk. This is accomplished through two main drivers:

- An emphasis on higher quality franchises with sustainable business models; and
- A valuation discipline that manages risk by company and allocates capital accordingly.

### **Small Cap Opportunity Research & Analysis**

Approximately 75% of research is generated internally. Our research focus is primarily company-specific with an industry analysis overlay. The Small Cap Opportunity strategy covers approximately 100 companies at any given point in time. Our forecast time horizon is 12-18 months. The portfolio manager and analysts communicate on a daily basis and at weekly investment committee meetings.

Roughly 25% of external research is used in our research process. We find company specific, fundamental research most useful. We retrieve this information from a variety of useful sources including FactSet, Bloomberg, company financial statements, and Wall Street research.

Our Small Cap Opportunity management team employs a four-step equity management process that allows us to identify and manage a portfolio of stocks chosen to provide superior returns with controlled risk. The first two steps are designed to filter a broad universe of securities down to a select group that warrants intensive fundamental analysis.

- **Step 1: Screen for Size & Neglect**

Beginning with a universe of approximately 3000 companies, the first thing our Small Cap team looks for are companies with \$150 million to \$1.5 billion in market capitalization. We also look for companies with a low number of Wall Street analyst coverage and low institutional ownership. This leaves us with approximately 1500 companies.

We believe that focusing on smaller and somewhat neglected securities provides the best opportunity to add value through fundamental research. The average portfolio holding is covered by 3 brokerage analysts.

- **Step 2: Rank on Both Quality & Value**

Having screened for size and neglect, we further narrow the universe by ranking on both quality and value. We look for companies that exhibit high returns on capital, consistent growth and strong free cash flow. Valuation metrics are customized by industry, and the composite rankings on quality and valuation are combined. Selecting the top quintile from within each industry results in approximately 300 companies that make it through these first two steps. These names are then subjected to an intensive fundamental analysis.

- **Step 3: Fundamental Analysis**

For a company to generate excess returns, it must have a sustainable competitive advantage. It may be the low cost producer, maintain a dominating brand or serve a niche. We evaluate the company's business model in order to understand the value and sustainability of its competitive position. By identifying future changes that may prove significant in the operations of the company, Reinhart often builds core positions while others wait for certainty. This process will narrow our focus down to approximately 100 companies.

- **Step 4: Value the franchise**

The last step of our equity selection process is to assign an independent, objective valuation to the enterprise. We determine what the true intrinsic value of the company is through the PMV discipline described above.

### **Principal Risk Factors**

Investing in securities involves risk of loss that clients should be prepared to bear. Reinhart does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisors, market indices or investment products.

Investments are subject to market risk, which may cause the value of the client's account to be worth more or less than the client's initial investment. The market value of a client's account is expected to fluctuate. Further, the securities selected may decline in value or not increase in value when the market in general is rising.

## **Disciplinary Information**

Reinhart and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

Reinhart and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Reinhart has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Reinhart must acknowledge the terms of the Code of Ethics annually, or as amended.

Reinhart anticipates that, in appropriate circumstances and consistent with clients' investment objectives, it will recommend to investment advisory clients the purchase or sale of securities in which Reinhart, its affiliates and/or clients, directly or indirectly, have a position of interest. Reinhart's employees are required to follow Reinhart's Code of Ethics. Subject to satisfying this policy and applicable laws, employees of Reinhart may trade for their own accounts in securities which are recommended to and/or purchased for Reinhart's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Reinhart will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Reinhart's clients. In addition, the Code



requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Reinhart and its clients.

Reinhart's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Sandi King at 800-969-1159.

## **Brokerage Practices**

For clients who grant Reinhart complete discretionary authority, Reinhart determines the broker or dealer through which the securities are to be bought or sold and the commission rates at which transactions are effected. Reinhart considers a variety of factors, including best price and execution and the quality of the brokerage and research services provided by the broker. Reinhart may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage or research services provided by the broker. Such services are used in servicing all of Reinhart accounts and are not used solely by Reinhart in connection with the accounts which paid a commission to the broker providing such services.

When a client desires that a particular broker is to be used, the client is required to specifically direct Reinhart in writing, typically in the form of an investment advisory agreement signed by the client, to do so. Where the client directs Reinhart to use a specified broker, the client should understand that (i) Reinhart will not negotiate commissions on the client's behalf and that, as a result, the client may pay materially different commissions than paid by other clients of Reinhart depending on the client's commission arrangement with such broker and upon other factors, such as the number of shares, round and odd lots, and the market for security purchased or sold; (ii) Reinhart will not negotiate volume discounts on so-called "batched" orders (i.e., orders for the purchase or sale of the same security for more than one account of Reinhart) executed through such broker and the client may pay a different brokerage commission than other clients of Reinhart participating in such "batched" orders; (iii) if Reinhart was not directed to use such broker, the client may pay less in commissions; (iv) Reinhart has a potential conflict between client's interest in obtaining best execution and Reinhart's interest in receiving future referrals from such broker/dealer and; (v) for the foregoing reasons, Reinhart may not obtain best execution in certain transactions in the client's account.

Research services received from brokers and dealers are supplemental to Reinhart's own research effort and, when utilized, are subject to internal analysis before being incorporated by Reinhart into its investment process. Reinhart pays cash for certain research services received from external sources. Reinhart also allocates brokerage for research services which are available for cash. Reinhart will arrange for the execution of securities transactions for client accounts through brokers or dealers that Reinhart reasonably believes will provide best execution. Consistent with obtaining best execution, transactions for client accounts may be directed to brokers in return for research services furnished by them to Reinhart. Such research generally will be used to service all of Reinhart's clients, but brokerage commissions paid may be used to pay for research that is not used in managing a specific client's account. With regard to the payment of brokerage commissions in accordance with Section 28(e) of the Securities Exchange Act of 1934, Reinhart may cause an account to pay commission rates in excess of those another broker or dealer would have charged for effecting the same transaction, if Reinhart determines in good faith that the commission paid is reasonable in relation to the value of the brokerage and research services provided. The determination may be viewed in terms of either the particular transaction involved or the overall responsibilities of the Reinhart with respect to the accounts over which it exercises investment discretion. Therefore, research may not necessarily benefit all accounts paying commissions to such brokers. Accordingly, while Reinhart cannot readily determine the extent to which commission rates charged by broker/dealers reflect the value of their research services, Reinhart would expect to assess the reasonableness of commissions in light of the total brokerage and research services provided by each particular broker. Reinhart receives a wide range of research services from brokers and dealers. These services include information research reports on companies, industries, the economy, and securities; statistical analysis relative to current client portfolios; economic and financial data; financial publications; computer data bases; quotation services; and research oriented software services. In some cases, research services are generated by third parties but are provided to Reinhart by or through broker-dealers.

Reinhart receives mixed-use items such as account and research software from various vendors. These mixed-use items are paid for by a combination of soft dollars (commissions) and hard dollars. The allocation of the cost of these items is made by Reinhart. Reinhart has a potential conflict of interest in making such allocations.

From time to time it may be desirable to acquire or dispose of the same securities for more than one client at the same time. In this circumstance, it may not be possible to acquire or dispose a sufficiently larger portion of the security, or the client may have to accept a less favorable price. Reinhart's trade allocation/aggregation procedures have been designed to

ensure that all clients are treated fairly and equitably with no particular group or client(s) being favored or disfavored over any other clients, but also to allow for flexible use of appropriate allocation methodologies. In circumstances where combined orders can be effected, orders for the same security executed on the same day for more than one client are treated as a combined order and the price averaged for participating clients and transaction costs are shared equally and on a pro rata basis.

Trades will not be combined where a client has directed transactions to a particular broker-dealer or when Reinhart determines combined orders would not be efficient or practical. Where a client pays a per-trade, rather than a per-share brokerage commission, clients may experience relatively high brokerage costs per equity share when Reinhart executes small share trading lots on the client's behalf. No personal security transactions for Reinhart employees will be included in any client blocks.

With respect to limited-supply investment opportunities, Reinhart allocates investment opportunities among clients on an objective basis. Reinhart generally allocates investment opportunities among client accounts pro rata based on the initial quantity demanded for each account. The factors considered in allocating investment opportunities, including opportunities of limited supply, generally include the following:

- investment objectives,
- investment strategies,
- investment parameters and restrictions,
- tax considerations,
- liquidity considerations,
- hedging considerations,
- legal and/or regulatory considerations,
- asset levels,
- timing and size of investor capital contributions and redemptions,
- cash flow considerations,
- market conditions,
- existing exposures to an investee company or security, and
- other criteria we deem relevant (the nature and extent of the differences will vary from client to client).

Based on such factors and the fact that different portfolio management personnel may manage Reinhart's various client accounts, there are, or are expected to be, differences between and among the Reinhart clients with respect to portfolio holdings and the timing of transactions.

As such, Reinhart may not always allocate investment opportunities on a pro rata basis. There will be circumstances where:

- only some of the Reinhart clients participate in investment transactions (e.g., to avoid odd lot positions or de minimis positions),
- the level of participation between and among the Reinhart clients in investment transactions is not on a *pro rata* basis, and
- investment transactions between and among the Reinhart clients vary in other respects.

Such non-*pro rata* investment transactions between and among the Reinhart clients will be made in the discretion of Reinhart when deemed:

- appropriate given the differences between the clients involved,
- appropriate because the target holdings of the particular investment that Reinhart has established with respect to the clients involved differ from client to client, and/or
- otherwise to be in the best interests of the clients involved.

It is our general policy that no Reinhart client will receive inappropriate preferential treatment or otherwise be treated unfairly; and we will seek to uphold this policy when making decisions regarding investment allocations.

## **Review of Accounts**

### **Periodic Reviews**

Each account will be reviewed at least monthly by a Portfolio Manager. Reinhart has eight portfolio managers who conduct portfolio reviews. Reviewers will service all accounts managed within their style. They continuously evaluate the impact of the changing economic and market conditions on the securities in and investment objectives of each portfolio. Major factors considered in all reviews include the market activity of individual securities and industries, the mix of money market, fixed income and equity instruments and the investment strategy in terms of the income, risk and growth objectives of the client.

### **Reports**

Clients receive periodic letters and commentaries discussing Reinhart's outlook for the markets and clients' portfolios. Clients may also receive other periodic newsletters, telephone calls and personal consultations. Portfolio summaries, portfolio appraisals, purchase and sale reports, reports detailing realized gains and losses, and income and expenses will be provided upon request. Customized reports are also provided upon request.

## **Client Referrals and Other Compensation**

Reinhart uses third party marketing representatives to refer clients and to which a marketing representative's fee is paid. This fee does not result, directly or indirectly, in the payment of any greater fees or expenses by the client.

See Brokerage Practices above for a discussion of research services utilized by Reinhart.

## **Custody**

### **Account Statements**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but Reinhart can access many client funds through its ability to debit advisory fees and through its authority to authorize payments from certain clients' checking accounts for bill paying services. For this reason Reinhart is considered to have custody of client assets. Clients receive statements from their respective custodians on at least a quarterly basis. To the extent we send you account statements, we recommend you compare the information included within the account statements to the information reflected in the statements you receive directly from your custodian. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Investment Discretion**

Generally, Reinhart exercises investment discretion over the majority of its accounts. As such, Reinhart will normally have the authority to supervise and direct the investments of and for the client's account without prior consultation with the client. When selecting securities and determining amounts, Reinhart observes the investment policies, limitations and restrictions of the clients for which it advises.

Certain clients impose investment restrictions and limit Reinhart's authority to trade or select brokers. These restrictions and limitations shall be set forth in the client's respective agreement with Reinhart.

## **Voting Client Services**

Reinhart has adopted policies and procedures to ensure that it votes client proxies in the best interest of those clients who have delegated their proxy voting responsibility to Reinhart. Reinhart bases final voting decisions on a pre-established set of policy guidelines. Decisions are based on independent, objective analysis of economic interests of shareholders. When a material conflict of interest may affect Reinhart's ability to vote proxies in clients' best interest, Reinhart will disclose such conflict of interest to clients and obtain written consent before voting. Reinhart will not be responsible for, or take any action or render any advice with respect to, voting of securities in accounts managed by a third party advisor.

Generally, Reinhart votes proxies for all accounts at the same broker/custodian on an aggregated basis. However, if a client notifies Reinhart in advance, Reinhart will vote that account on a non-aggregated basis. In order to obtain a report showing how proxies were voted or to obtain a copy of Reinhart's Proxy Voting Policies and Procedures, please contact:

Reinhart Partners, Inc.  
1500 W. Market Street, Suite 100  
Mequon, WI 53092  
(262) 241-2020

### **Class Action Lawsuits**

Reinhart generally does not elect to participate in legal actions such as class action lawsuits on behalf of its clients. Rather, such decisions remain with the client or an entity designated by the client. At the client's request, Reinhart may assist the client in reaching this decision by forwarding claims to the client or by providing supporting documentation and information. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, rests with the client. Reinhart does not make claims on behalf of its clients.

## **Financial Information**

Reinhart has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.