



REINHART
ASSET MANAGEMENT, LLC

Navigating Difficult Markets: Why use Active Portfolio Management



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ASSET MANAGEMENT, LLC

Outline

-Active Management

- What it is**
- Benchmarks and Performance Measures**
- Active Management vs. Buy and Hold**
- Historical and Present Charts**
- Asset Classes**
- Bull versus Bear Market and Opportunities**

-Questions & Thoughts

- Pruning**
- Protecting Downside Risk**
- Proactive vs. Reactive Management**
- Dividend and Distributions**
- Partnering with you versus selling to you**

Active Management

What is Active Management?

The daily management of Mutual Fund investments that are held within IRAs, Trusts, and Custodial accounts. We also actively manage Variable Annuity sub accounts.

With the benefit of inherent flexibilities to maneuver through ever-changing market environments, aiding us in our goal to out perform benchmark indexes.

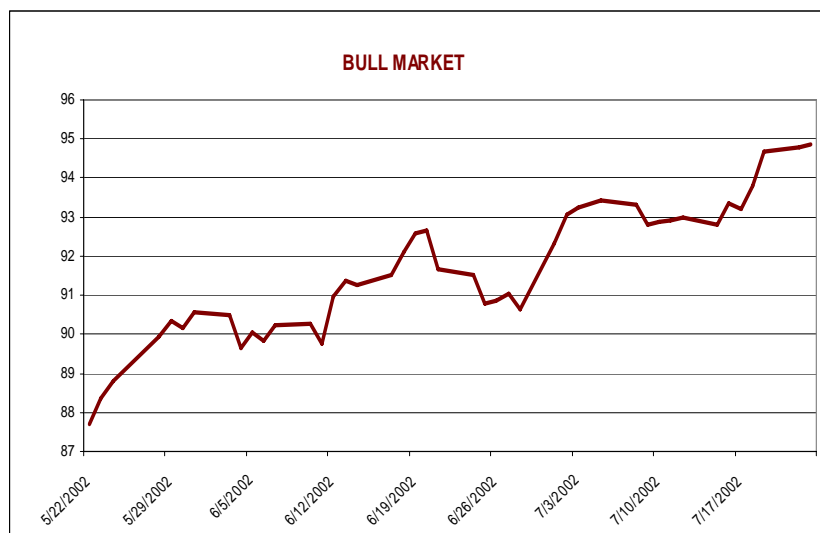
As with all investment styles, past performance doesn't guarantee future results and losses can occur

Active Management

What is the benchmark that we match up against?

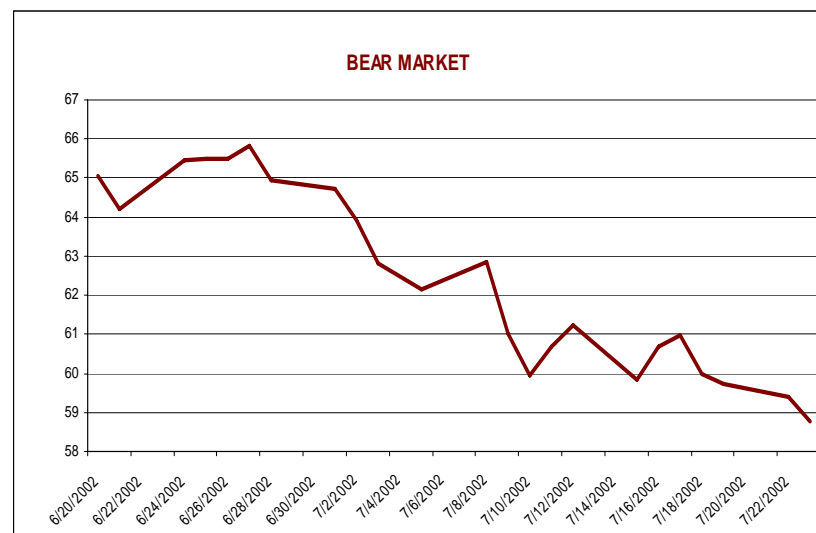
THE ULTIMATE BENCHMARK FOR ADVISOR AND INVESTORS

Relative Return



Major Stock Indexes

Absolute Return

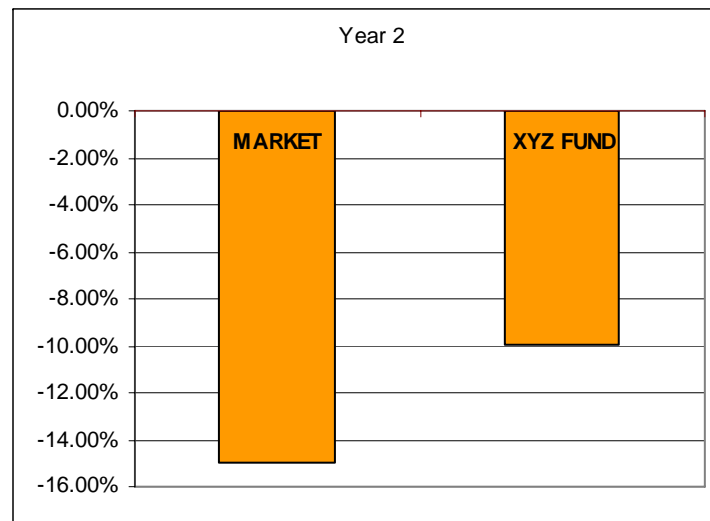
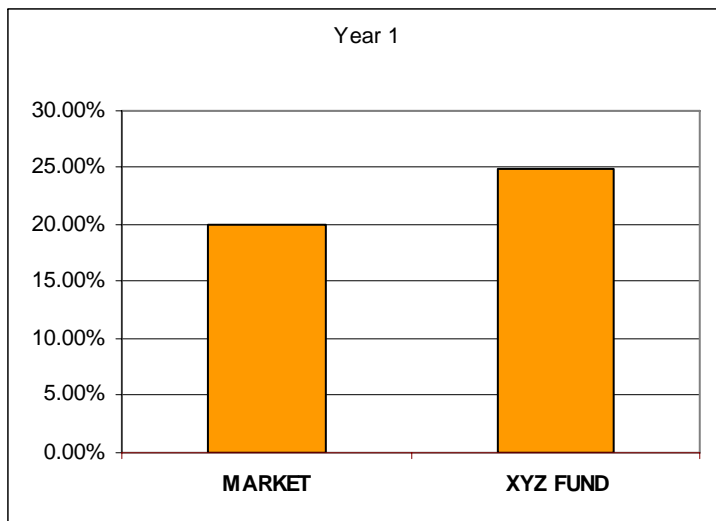


Treasury Bills

Both Charts are created using hypothetical data to represent a bull and bear market

Active Management

Why is it important to switch return strategies as long as you are relatively outperforming the S&P 500?



Relatively speaking the fund above outperformed the market. HOWEVER IT WAS STILL NEGATIVE.

Both Charts are created using hypothetical data to represent a bull and bear market

Active Management

Long term bear markets: challenging environments for buy and hold

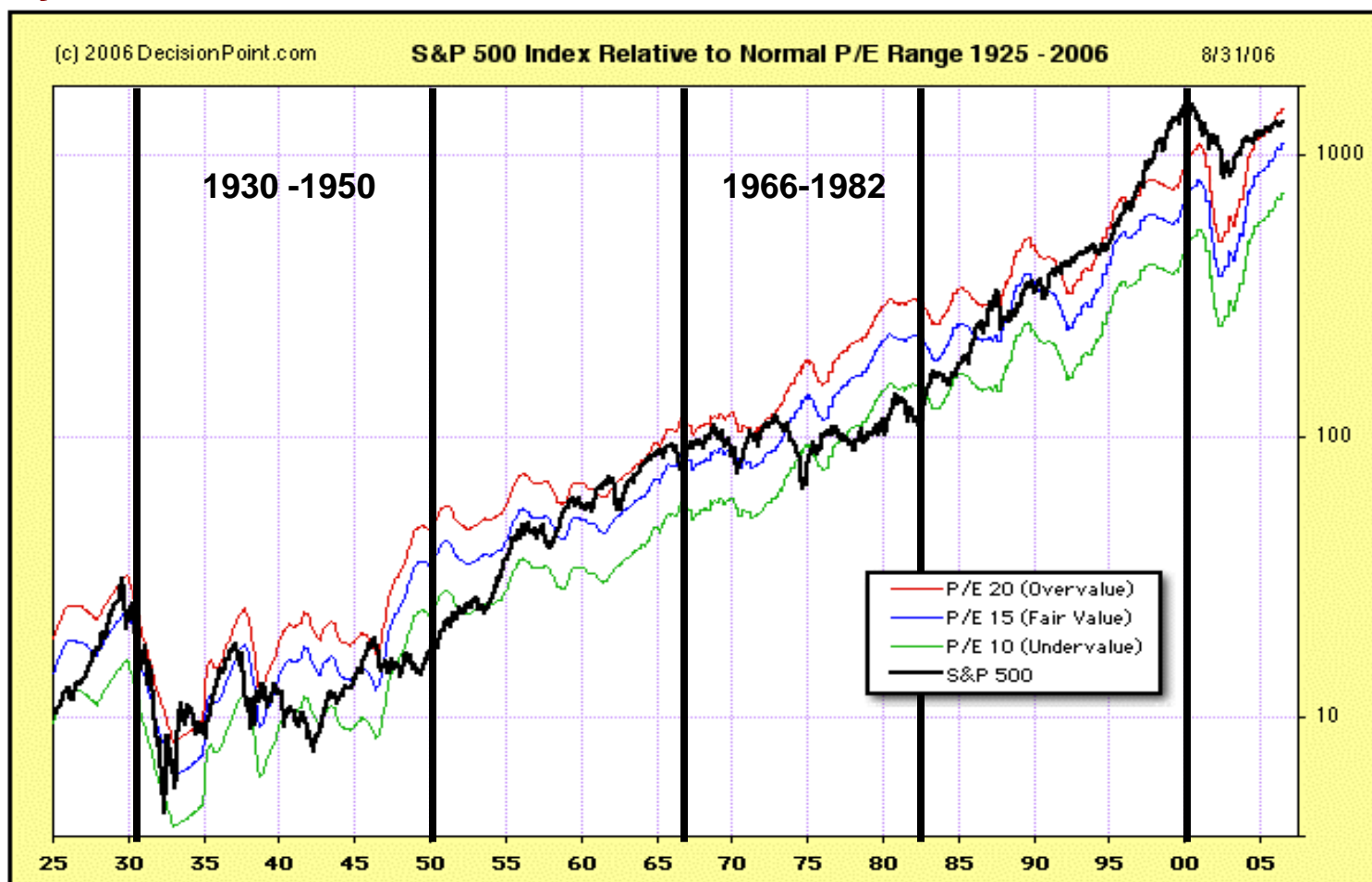
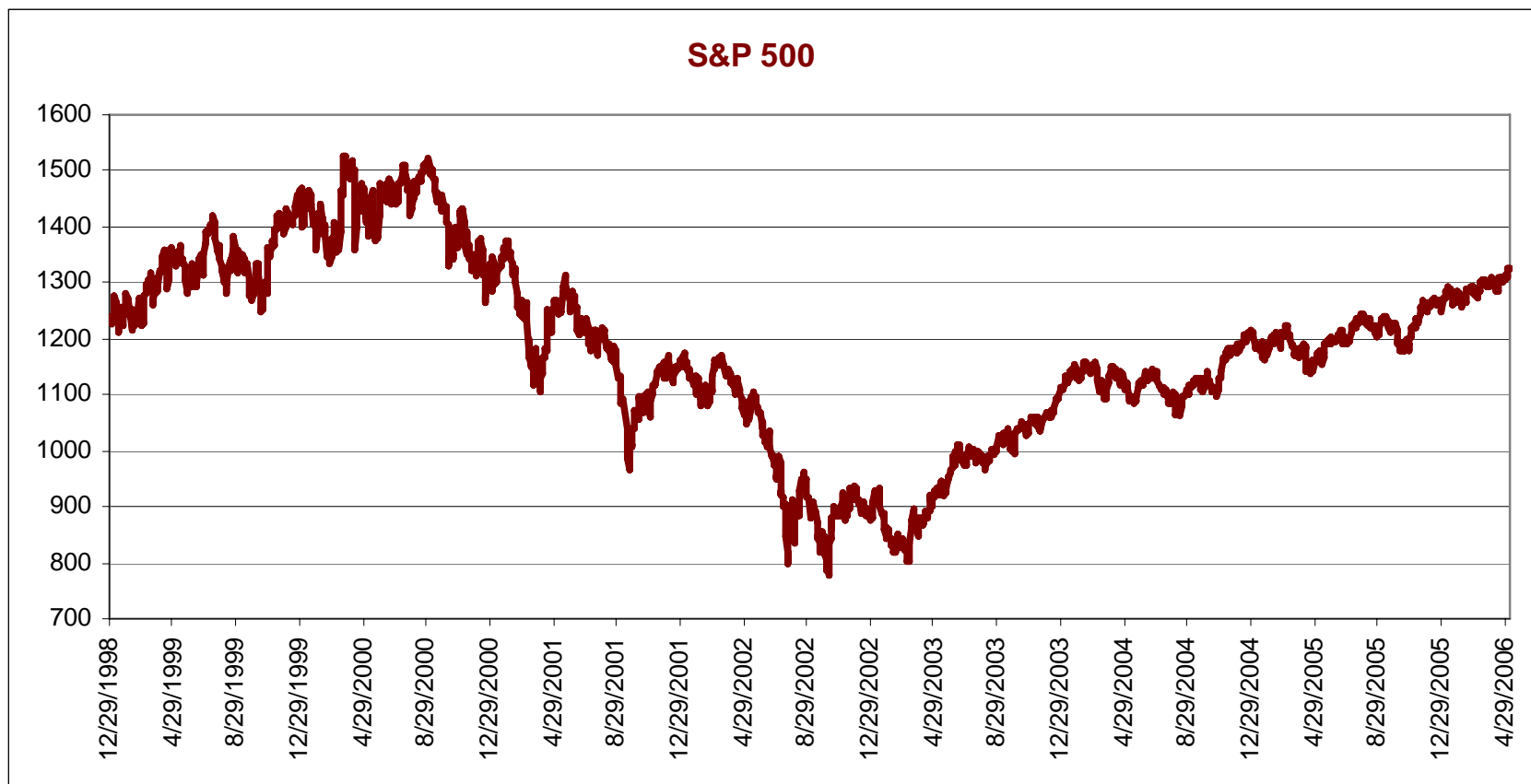


Chart from DecisionPoint.com

Active Management

S&P from 1999 to 2006



Data used to make chart is from
Worden Brothers TC2000

Active Management

**Your buy and hold is actively managed isn't it?
Therefore your fund is performing right?**

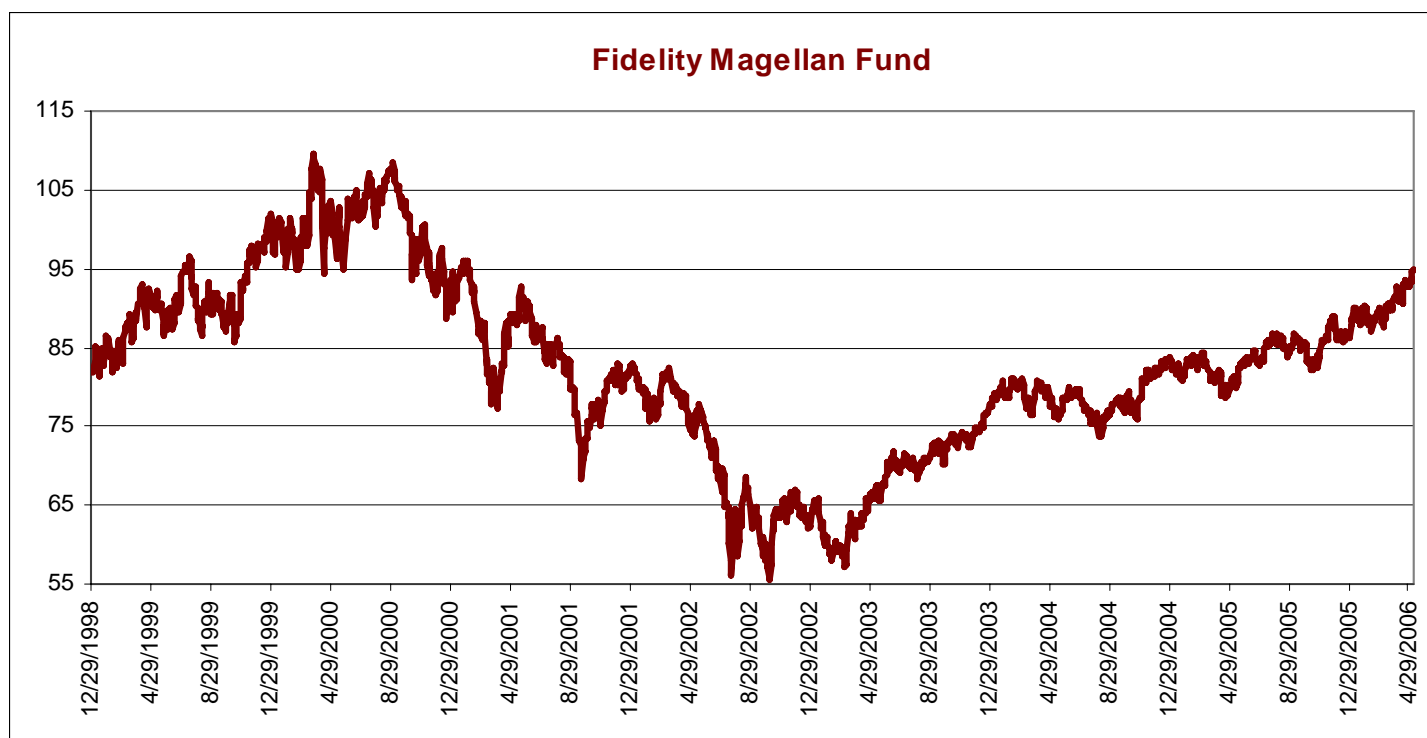


Chart from 1999 to 2006

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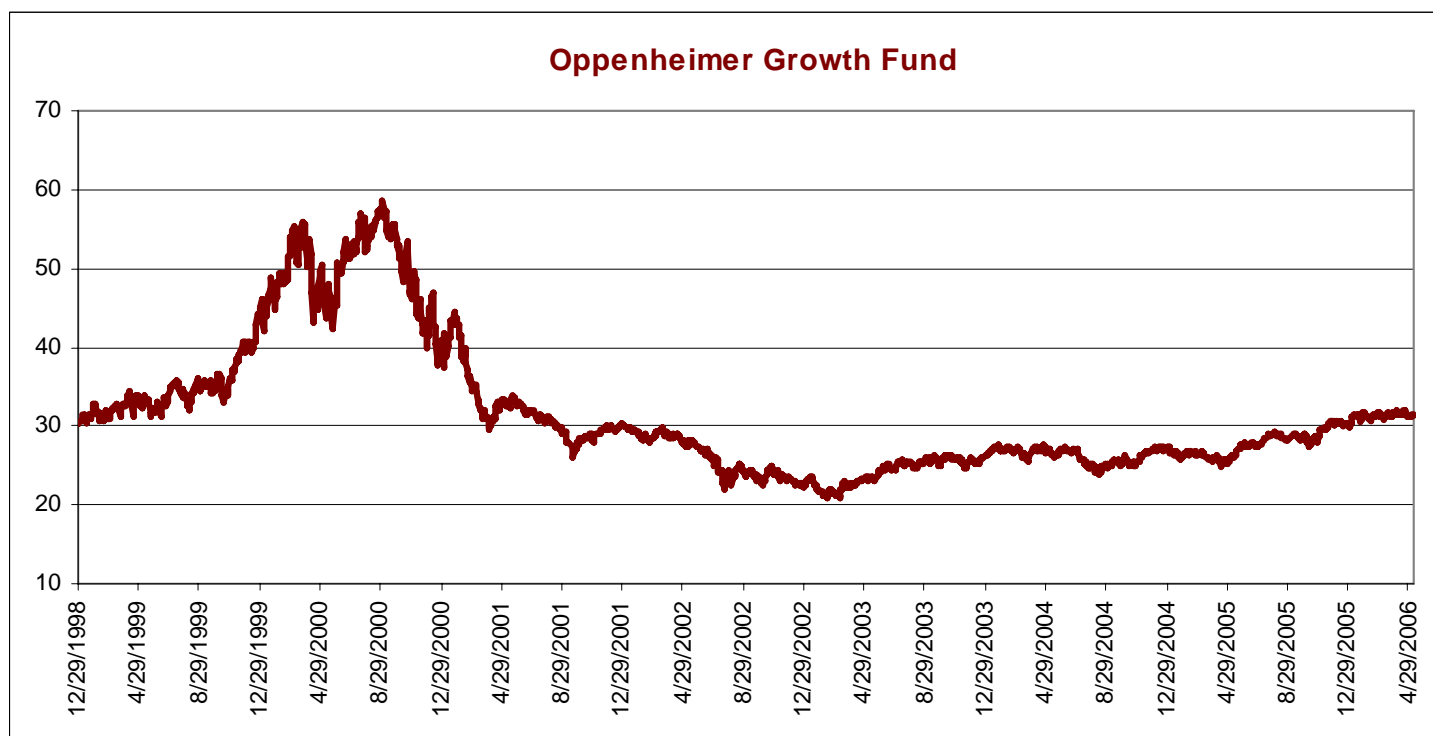


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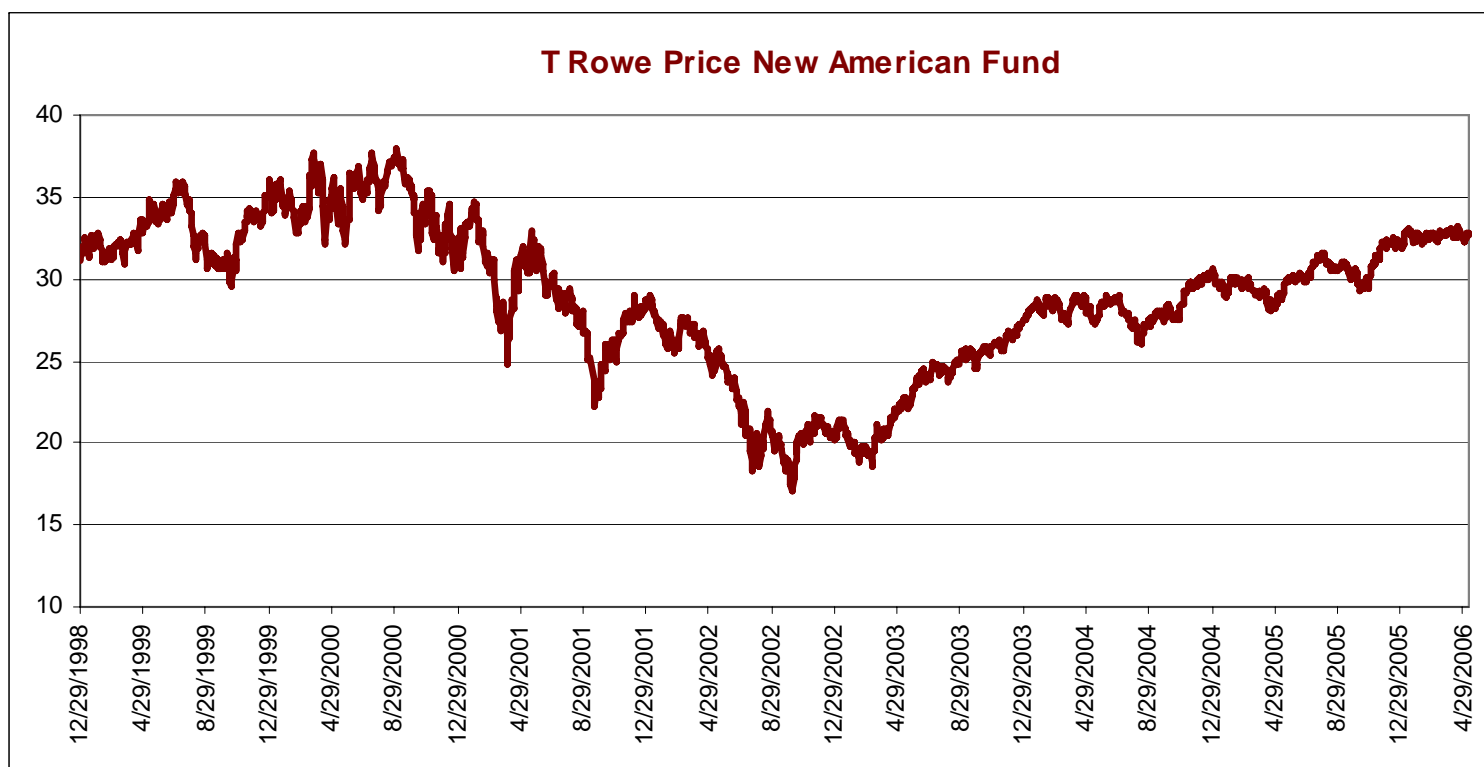


Chart from 1999 to 2006

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Active Management

How is our Active Management process different from the normal Buy and Hold Mutual Fund process?

Active Management

- Mutual funds that are actively managed to market conditions
- Inherent flexibility to maneuver different environments
- Access to many asset classes
 - Equities, Bonds, Foreign
 - Commodities, Currencies
 - Inverse Funds
- Proactive

Buy and Hold

- Portfolio of mutual funds held for the long term
- Positioned to ride through markets, leaving investors susceptible to risk and volatility
- Positioned in traditional asset classes
 - Equities
 - Bonds
- Reactive

Active Management

What are the asset classes that our active management has to offer?

TRADITIONAL	FORGOTTEN
Diversified Equities Market Capitalization Large, Mid, Small Market Style Value, Growth, Blend	Sectors Technology, Financials, Utilities
Bonds Government, Corporate, Duration, Municipal	Currencies Dollar, Euro, Yen
Foreign European, Asian, etc.	Commodities Gold, Energy, Natural Resources
	Money Market Cash, Treasury Funds
Inverse Funds Funds go up if Market goes down	

Active Management

How forgotten asset classes can significantly outperform in various market environments



Chart from StockCharts.com

Active Management

Rydex and Profunds

Rydex Funds

Core Equity	Ursa
Large-Cap Europe	Venture 100
Large-Cap Japan	Banking
Large-Cap Value	Basic Materials
Long Dynamic Dow 30	Biotechnology
Medius	Consumer Products
Mekros	Electronics
Mid-Cap Growth	Energy
Mid-Cap Value	Energy
Nova	Energy Services
OTC	Financial Services
Sector Rotation	Health Care
Small-Cap Value	Internet
Small-Cap Growth	Leisure
Titan 500	Precious Metals
U.S. Government Bond	Real Estate
U.S. Money Market	Retailing
Velocity 100	Technology
Arktos	Telecommunications
Inverse Dynamic Dow 30	Transports
Inverse Mid-Cap	Utilities
Inverse Small-Cap	Commodities
Juno	Strengthening Dollar
Tempest 500	Weakening Dollar

Profunds

Bull	Ultra Short OTC
Large Cap Growth	Banks
Large Cap Value	Basic Materials
Mid Cap	Biotechnology
Mid Cap Value	Consumer Goods
Mid Cap Growth	Financials
Small Cap	Health Care
Small Cap Value	Industrials
Small Cap Growth	Internet
Europe 30	Leisure Goods
OTC	Mobile Telecommunications
Ultra Bull	Oil Equipment and Services
Ultra Dow 30	Oil and Gas
Ultra Mid Cap	Pharmaceuticals
Ultra Small Cap	Precious Metals
Ultra OTC	Real Estate
Ultra Japan	Semiconductor
Bear	Technology
Short Small Cap	Telecommunications
Short OTC	Utilities
Ultra Bear	Short Oil and Gas
Ultra Short Mid Cap	Short Real Estate
Ultra Short Small Cap	Short Precious Metals
Ultra Short Dow 30	U.S. Government Plus
Rising Rates Opportunity 10	Rising U.S. Dollar
Rising Rates Opportunity	Falling U.S. Dollar

Active Management

Mutual Fund Families

AAM/DFA Funds
ABN AMRO FUNDS
AAL Funds
AIM Family of Funds
Gabelli Funds
Alger Funds
Calamos Funds
Alliance Funds
American Century Inv.
American Funds Group
Ariel Funds
Armada Funds
AXA Funds
Baron Asset Fund
Bear Stearns Funds
Brandywine Funds
C & B Funds
Cambiar Funds
CDC Funds
Citizens Funds
Clipper Fund
Columbia Funds
Dimensional Funds
Dimensional Funds
Dreyfus
Eaton Vance Funds
Evergreen Funds
Excelsior
FAM Funds
Fidelity Advisors Groups

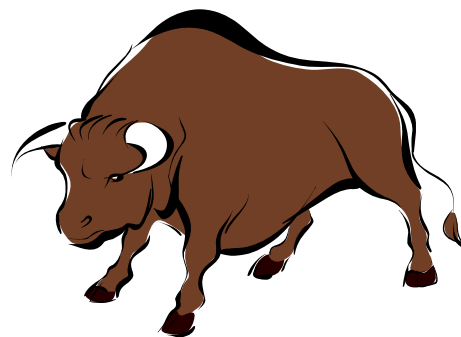
PBHG Funds
Heartland Funds
Hennessy Funds
Hancock Funds
Heritage Family of Funds
Phoenix Funds
Hotchkis and Wiley Funds
Leuthold Funds
ICON Funds
IDEX Funds
ING Funds
Janus Funds
JennDry Funds
Jensen
JP Morgan Funds
Kinetics Funds
Lazard Funds
FMI Funds
FPA Funds
GE Funds
Goldman Sachs
Longleaf Partners Funds
MainStay Funds
Meridian Funds
Merriman Funds
MFS Family of Funds
Morgan Stanley Funds
Mosaic Mutual Funds
Muhlenhamp Funds
Mutual Series Funds

SEI Funds
Sentinel Funds
Skyline Funds
Sound Shore Fund
SSgA Funds
State St Funds
Sterling Funds
Strategic Funds
Strong Funds
Nations Marsico Funds
Neuberger Berman
Nicholas Group
Olstein Funds
One Group Funds
Oppenheimer Funds
Parnassus Funds
Pioneer Group
Putman Funds
Profunds
Quaker Family
Rainer Funds
RS Funds
Rydex Funds
Schroder Funds
Scudder Dreman Funds
T. Rowe Price Funds
TCW Galileo
Thompson Plumb Funds
Torry Funds
Touchstone Funds

Transamerica Funds
Turner Funds
UBS Funds
Valley Funds
Value Line Fund
Vanguard Group
Victory Group
Wilsh Funds
WPG Funds
Wright Funds
Yackman Funds

Active Management

So we have a lot of funds at our disposal what does this mean for you?



BEAR MARKET, BULL MARKET..... EITHER WAY, WE SEEK OPPORTUNITY.

As with all investment styles, past performance doesn't guarantee future results and losses can occur

Active Management

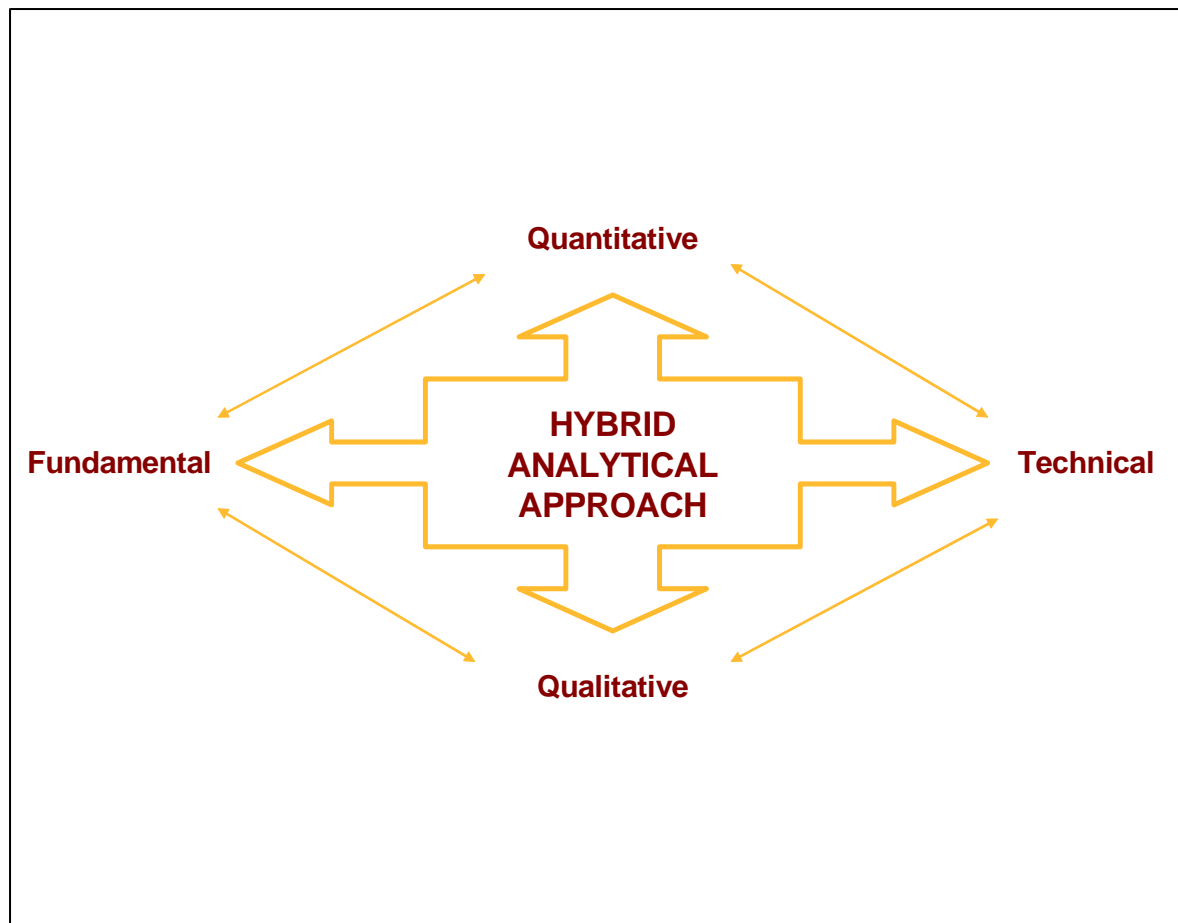
How can we seek returns if the market is sideways or going down?

SCENARIO	<ul style="list-style-type: none">-Equities are in a sideways market.-Gold is entering a bull market.	<ul style="list-style-type: none">-Equities in a bear market-Dollar is getting weaker
BUY & HOLD	<ul style="list-style-type: none">-Investors wait for equities to go back up-Experiencing downside risk and volatility.	<ul style="list-style-type: none">-Investors ride through equity bear market-Susceptible to reactionary decisions.
ACTIVE MANAGEMENT	<ul style="list-style-type: none">-Avoid equity market-Attempt to capture returns offered in the gold and currency markets	<ul style="list-style-type: none">-Inverse funds to the equity market-Buy a weak dollar fund

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Active Management

How do we navigate the markets with all of these investment vehicles?



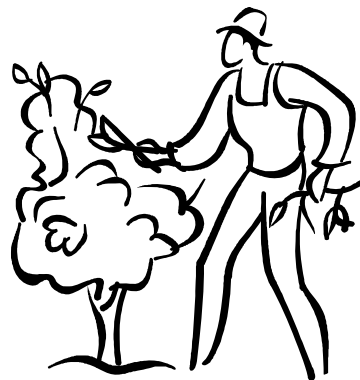
Questions & Thoughts: Real World Scenarios to Share



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Questions & Thoughts

PRUNING - To cut off or remove dead or living parts or branches of (a plant, for example) to improve shape or growth.



On my 1099 I notice a lot of losses relative to gains. Why is that?

- Keeps losses small which aids overall portfolio downside protection
- Allows winners not to weighed down by underperformers
- Obsession with loss control
 - Keeps us/you strong psychologically
 - Mental capital is as important as monetary capital
- Helps to assure that funds in portfolios are “working” otherwise we prefer to default to cash

As with all investment styles, past performance doesn't guarantee future results and losses can occur

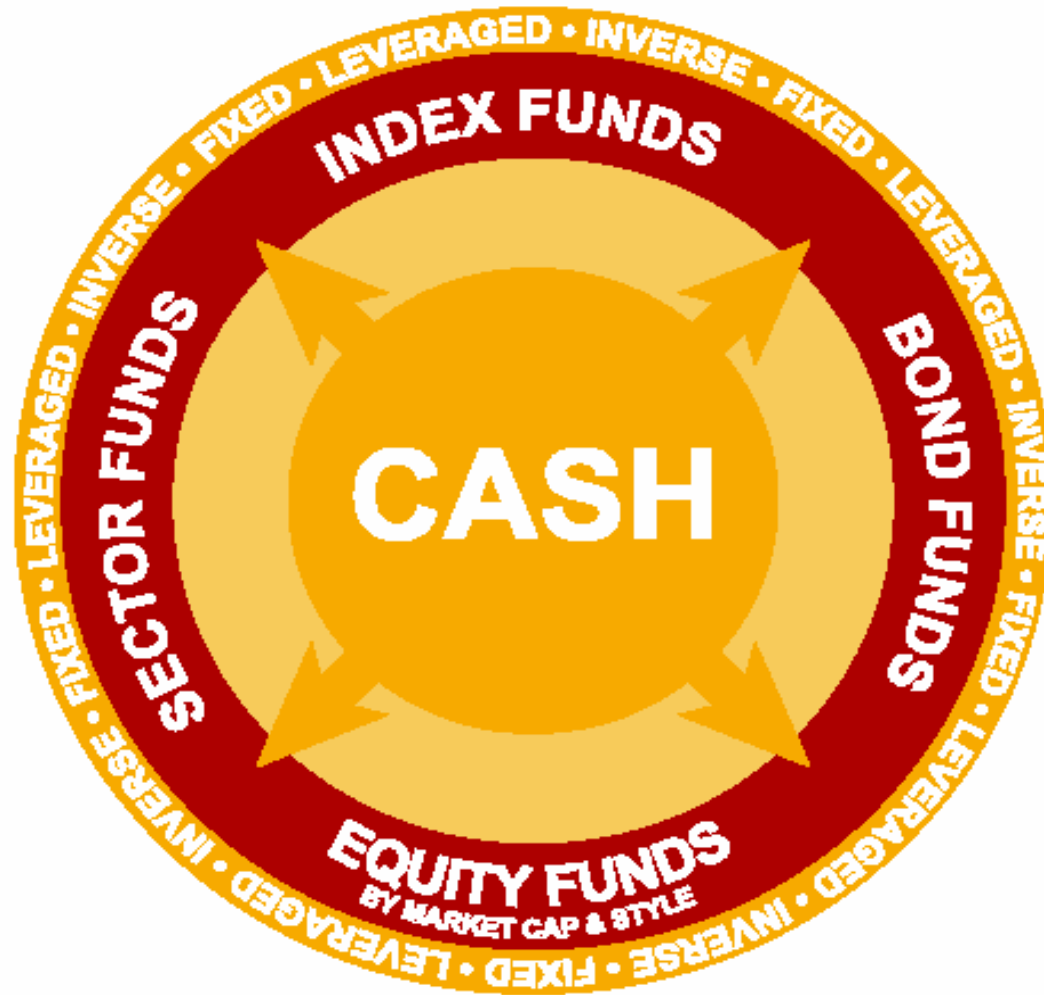
Questions & Thoughts

“Holding cash is uncomfortable, but not as uncomfortable as doing something stupid.”

Warren Buffet







Cash is always the safest possible investment. Unlike traditional strategists, we are willing to hold large amounts of cash if a qualified investment does not present itself. Later, the cash is available when opportunities arise.

Questions & Thoughts



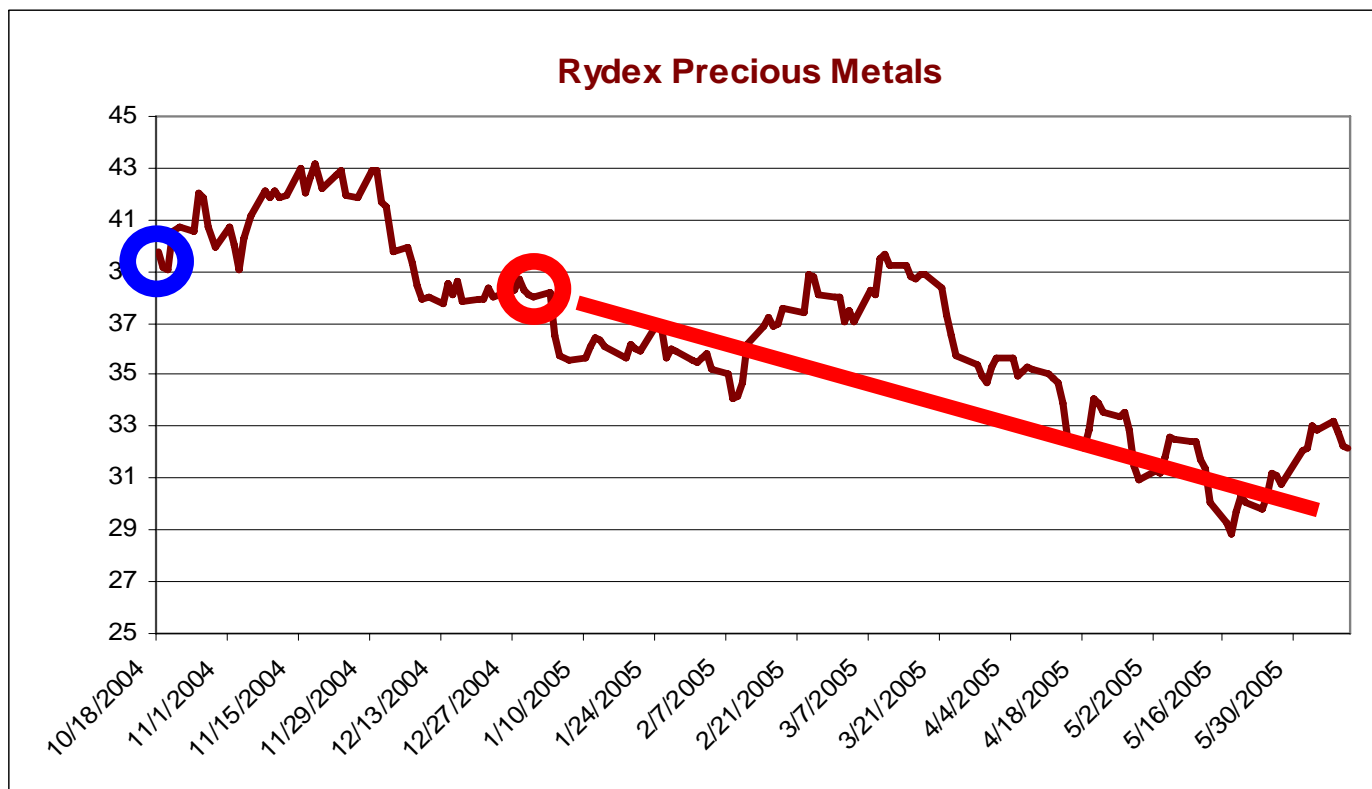
Questions & Thoughts

Mathematics of a loss and why downside protection is important.

Fund Performance	 - 10 %	 - 25 %	 - 50 %
Return Needed to Reach Original Investment	 11.11 %	 33.33 %	 100 %

Questions & Thoughts

Taking losses quickly aids downside protection

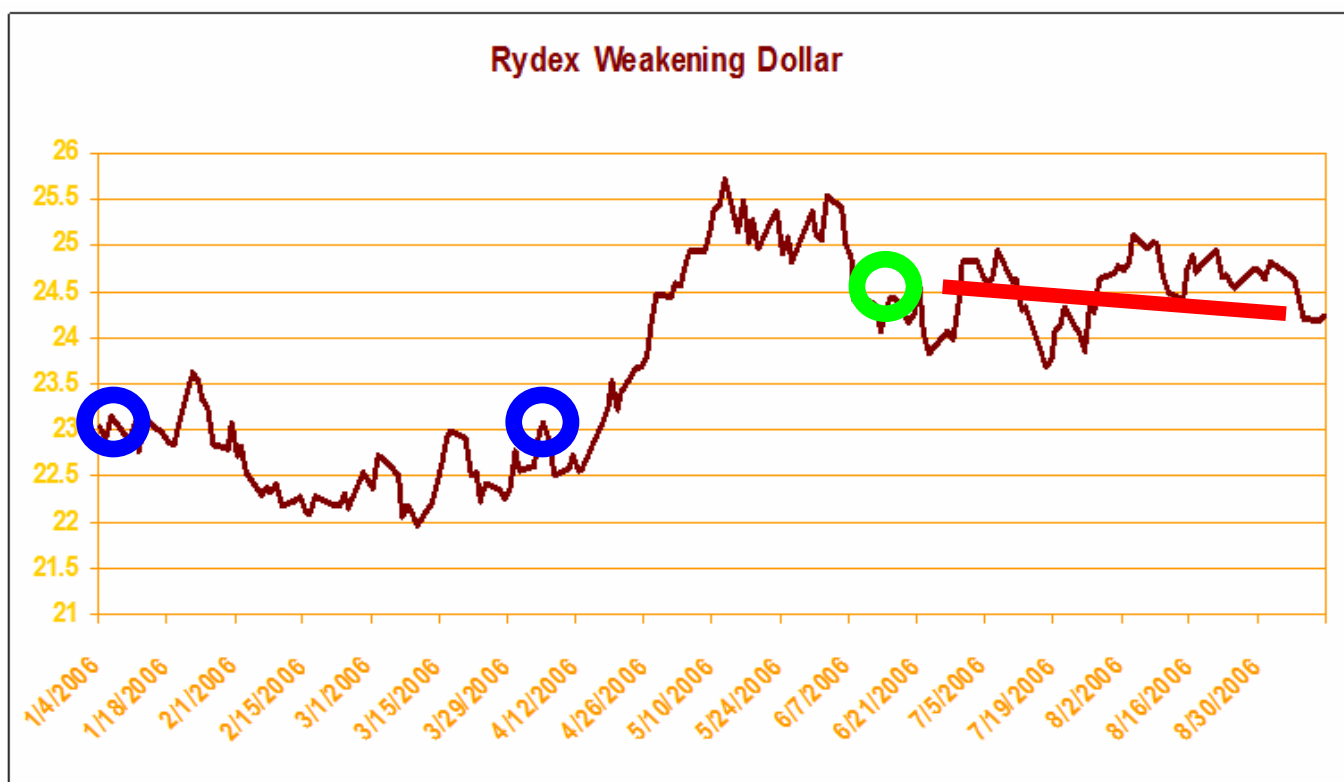


 Bought  Sold for Small Loss  Trend after Sale

Data used to make chart is from Yahoo Finance

Questions & Thoughts

The price you pay for no performance is opportunity cost



 Bought  Sold for Gain  Trend after Sale

Data used to make chart is from Yahoo Finance

Questions & Thoughts

Why do I feel that I never agree with where my money is positioned?

PROACTIVE VERSUS REACTIVE STRATEGY

“I would rather lose half my shareholders than lose half my shareholders’ money.”

Jean-Marie Eveillard

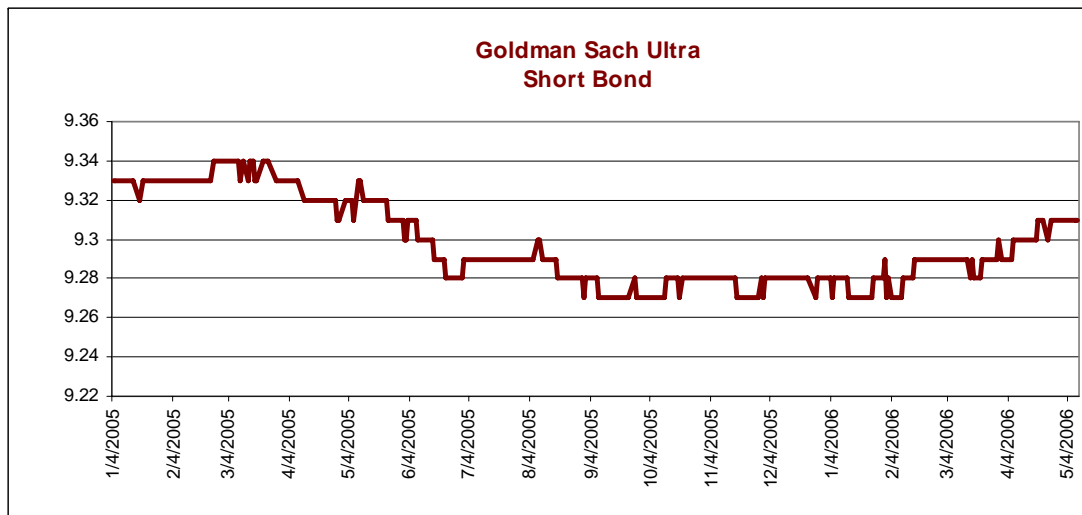
Questions & Thoughts

why is it that when I check the funds I own the price never seems to go anywhere?

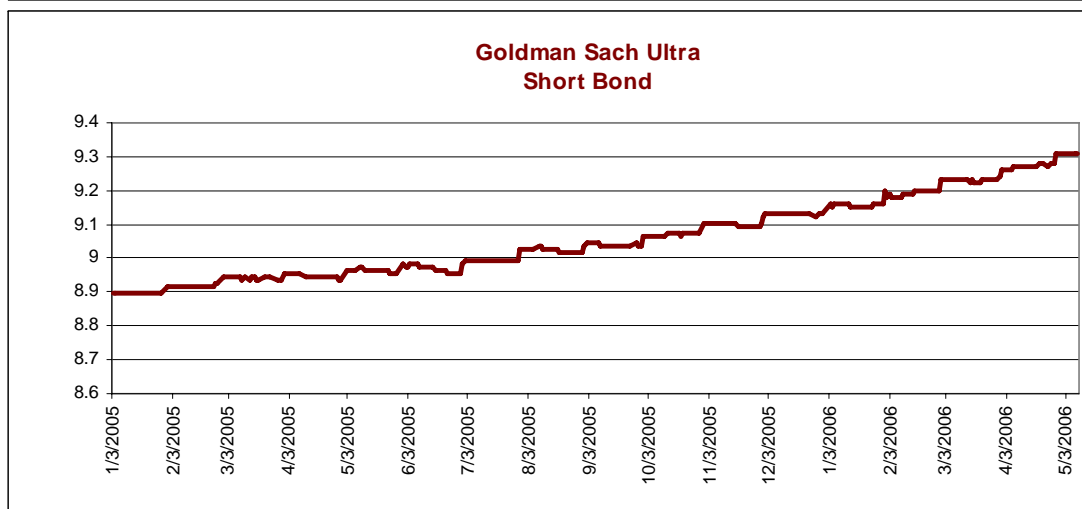
IT IS CALLED DIVIDENDS AND DISTRIBUTIONS

Questions & Thoughts

Graph with out calculating dividends



Graph with calculating dividends



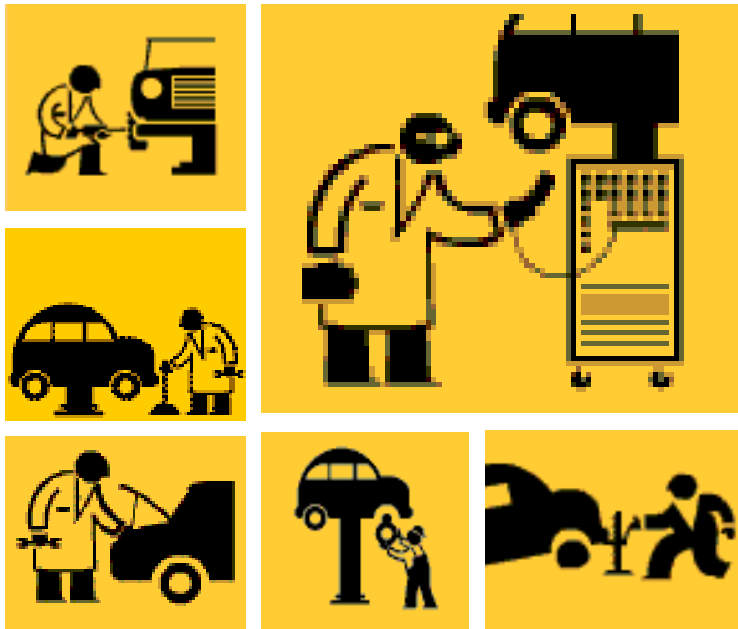
Data used to make top chart is from Yahoo Finance

Data used to make bottom chart is from Worden Brothers TC2000

Questions & Thoughts

Partnering with you versus selling to you

Partnering



-Pay as you go

Selling



-Pay upfront commission

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