NORTHPOINTE
CAPITAL®
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Large Cap Value
1st Quarter 2011

The US equity market overcame numerous global concerns to post an impressive start to 2011 with the quarter producing returns that count among the strongest starts to a new year in over a decade. Political tension in Northern Africa and the Middle East, the earthquake and resultant tsunami in Japan, continued sovereign debt issues in Europe, and trepidation over the continued economic recovery were among the obstacles the equity market managed to navigate around this past quarter. The trend of small cap outperformance continued as the Russell 2000® Index returned 7.94% as compared to the 6.24% return of the large company Russell 1000® Index. The Russell 1000® Value Index returned 6.46%, while the Russell 1000® Growth Index returned 6.03%. The unrest in North Africa and the Middle East caused the price of oil to climb above $100/barrel. The price spike in oil lead energy shares to be the clear standout performers.

Despite all of the macro concerns, correlations at a stock level have continued to moderate. This moderation in correlation frames a market environment that should reward skillful stock selection. As we approach the start of earnings season, it is our belief that corporate earnings will be the key catalyst that ultimately propels shares higher or stalls the rally. Our research continues to confirm the confidence we have in the fundamentals of our companies. We are optimistic that the strength of earnings and unfolding catalysts will allow us to deliver value to our client portfolios.

For the period NorthPointe Capital Large Cap Value returned 8.59%, which favorably compares to the 6.46%% return of the Russell 1000® Value Index. Please find further detail below on the performance of your portfolio during quarter. The adaptive nature of our investment process extended its visibility from the second half of 2010 into the first quarter of the new year. We feel that 2011 will prove to be a high value added year.

During the 1st quarter, your holdings were most impacted positively by stock selection within the Energy and Health Care Sectors. Marathon Oil, an integrated energy company, was the largest contributor to value added in the Energy Sector. Marathon benefited from several positive items. The rise in the price of oil, along with an improved outlook for refining and marketing pushed shares prices higher. Perhaps the largest impact came from market recognition of the potential unlocking of value from the company's proposed spin-off of its downstream business. Several analysts believe that this transaction may unlock nearly $8 per share of value. Kinetic Concepts, a global medical technology company with specialization in healing, regeneration, and therapeutic support, was an outstanding contributor in the Health Care Sector during the quarter. Investors gained confidence in the shares when the company filed suit seeking to declare the end of payment of royalties to Wake Forest on sales of the firm's advanced healing products.

Your performance was negatively impacted by our stock selection within the Consumer Discretionary. General Motors, a global automotive company, was the primary detractor in the

Consumer Discretionary Sector. The uncertain impact from the devastating earthquake in Japan on the entire auto industry has been a significant overhang on the share price. In our work, the "new" GM seems cheap, profitable, poised for future growth. Thus it remains a core holding in your portfolio. We will remain cognizant of the global risks to the auto industry.

The portfolio is positioned to perform in a stock market that rewards investing in undervalued companies—those that are experiencing improving fundamentals. Strategies that focused on future earnings growth, low PEG ratios, and strong prior year performance were among the most successful this past quarter, while metrics based on high dividend yield and high gross margins tended to be the underperformers. Please remember that we conduct our research within four separate and distinct macroeconomic sectors. Our signals added value this past quarter. Model performance was especially robust within the Interest Rate Sensitive, Cyclical, and Stable Growth models. By staying close to our foundation and our investment philosophy, the way forward seems clear to us. We will seek to add value through stock selection. We remain optimistic that our adaptive and proactive approach will guide the portfolio to stronger returns. We remain steadfast in our belief that a sound value equity investment philosophy should possess an element of earnings momentum focus.

We have strived to deliver competitive, active large-cap value performance through the consistent use of quantitative stock selection and portfolio construction techniques. Given the high-profile nature of large-cap value stocks, achieving outperformance can be a challenge. We continue to feel that the best route to success is adherence to our investment decision-making process. We truly appreciate and value your business. If you should desire any further information or clarity, please do not hesitate to contact to us. We have always taken great pride in being available for our clients.

Sincerely,

Peter Cahill, CFA
CIO, Portfolio Manager

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios *and lower expected growth values.*