

NorthPointe Capital, LLC
Large Cap Value
1st Quarter 2015

The stock market, as measured by the broader indices, traded in a relatively narrow range during most of the first quarter of 2015 before moving higher in March. With the strong advance in the value of the US dollar, continually depressed commodity prices and talk of bubbles forming in certain subgroups – the most notable being the biotech industry – investors had plenty to consider from a macro perspective.

Small cap stocks outperformed large caps in the first quarter as the Russell 2000[®] Index generated a return of 4.32% relative to the 1.59% increase in the Russell 1000[®] Index. Value stocks trailed growth as the decline in the Russell 1000[®] Value Index of -0.72% was bested by the 3.84% advance in the Russell 1000[®] Growth Index. The underperformance was a result of less exposure to Technology and greater exposure to the underperforming Financials sector.

For the first quarter of 2015, the NorthPointe Large Cap Value portfolio returned 1.40%, which compares to the -0.72% return of the Russell 1000[®] Value Index. During the first quarter, stock selection was strongest in the Energy, Financials, and Health Care. Stock selection was below par in the Telecommunications Sector.

The strongest contributors to your portfolio over the last quarter included Skyworks Solutions, Springleaf Holdings, and Valero Energy. Skyworks Solutions, a global semiconductor company, continued to move higher in share price. The company beat earnings and revenue estimates and raised forward guidance. The company continues to benefit from a robust 4G smartphone backdrop. The company cited expanded content opportunities and new product launches as the driver of their continued strong operating results. Springleaf holdings was purchased in the month of November. Springleaf is a consumer finance company that specializes in lending to the non-prime space. The 95 year old company has a nationwide branch network and is viewed as being uniquely positioned to take advantage of supply/demand imbalances in their target market. The company focuses on the longer term through customer service and reasonable pricing. We were attracted to the stock through its valuation, technical picture, and its earnings trend. During the quarter it was announced that Springleaf had emerged as the winning bidder for Citi's OneMain Financial. This highly accretive and transformational acquisition rocketed the share price higher. Finally, Valero Energy, a large and independent petroleum refining and marketing company, rose nearly 30% for the quarter. Over supply of crude coupled with growth in global demand made the refiners an attractive investment during the period. Skyworks Solutions and Valero Energy continue to be held in the portfolio. Springleaf was eliminated due to the decline in our expected return of the stock driven largely by the appreciation off of the OneMain transaction.

Stock selection in the Telecommunications Sector negatively impacted performance for the quarter. The most negative detractors to the portfolio included Hewlett-Packard and Intel. Lower than expected

corporate Windows XP refreshes in small and medium businesses lead to weaker than predicted demand for business desktop PCs. The portfolio position in Intel has been scaled back, while Hewlett-Packard remains under close review.

We would like to briefly discuss the investment insights of three of the portfolio's newer positions. Anthem, formerly known as WellPoint, is a large health benefits company that was purchased in early January. Anthem serves roughly 69 million people and is the Blue Cross licensee for the state of California. We were attracted to this stock from both a valuation and earnings growth perspective. Consensus earnings estimates for 2015 have risen from \$9.39 at the start of the year to \$9.79 at the end of the quarter, which has helped propel the stock higher. A position in Terex Corporation was initiated back in early February. Terex Corporation is a large lifting and material handling company. Terex operates five business units: Aerial Work Platforms, Construction, Cranes, Material Handling & Port Solutions, and Materials Processing. Global economic concerns and fears have depressed Terex's stock price over the past year. Our work suggested that stock had become too cheap to ignore. Our research concluded that at current prices Terex's stock presented an attractive risk vs. reward opportunity. Finally, AmTrust Financial Services, a provider of property and casualty insurance to small businesses, was purchased mid-March. AmTrust fashions itself as a technology company that happens to sell insurance. Our stock selection process yielded a high forecasted expected return, that along with our firm's familiarity with management, lead to a new initiation. All of these positions are expected to contribute to the portfolio's portfolio for the balance of 2015.

Relative Strength, positive one month Earnings Estimate Revisions, and short term Price Reversal were the strongest performing factors for the 1st quarter. Low Price to Sales, low Price to Book, and low EV/EBTIDA were factors that struggled during the first quarter of 2015.

We remain focused on finding unique large cap companies that can grow their business, that sell at attractive valuation levels and that are not well understood. These types of investments should perform irrespective of the market environment. We believe that your portfolio contains precisely these types of securities. The current portfolio is currently selling at a multiple of 13.77 times its twelve month forecasted earnings, which favorably compares to the 15.69 multiple for the strategy's benchmark. The fund has a ROE ratio, return on Equity, of 16.3% vs. 11.7% for the benchmark. Given the portfolio trades at a 12% valuation discount and 39% profitability premium, the management team believes the portfolio is positioned to continue to perform strongly. The portfolio contains 73 securities at quarter end that have been brought together in a disciplined fashion. The portfolio is designed to deliver value added performance in a consistent manner. Our stock selection will continue to be our instrument for finding value. We truly appreciate and value your business. If you should desire any further information or clarity, please do not hesitate to contact us. We have always taken great pride in being available for our clients.

Sincerely,

Peter Cahill, CFA
CIO, Portfolio Manager

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The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership