

**NorthPointe Capital, LLC**  
**Large Cap Value**  
**2nd Quarter 2010**

Sovereign debt. Flash Crash. Austerity. Double Dip. Gulf Coast Oil Disaster. As global macro concerns overwhelmed stock specific stories during the second quarter of 2010, our investment thesis that individual stock price performance will widely diverge took what we believe to be a brief respite. The 2<sup>nd</sup> quarter started off in a positive manner, as April continued the strong momentum from the 1<sup>st</sup> quarter. The deep water Horizon blast occurred near the end of April, which seemed to coincide with declines in the equity markets. The month of May wound up being the worst May since 1940 for the Dow Jones Industrial Average. The losses in stocks accelerated into quarter end as roughly half of the quarter's decline occurred over the last five trading sessions. All told the S&P 500 lost 11.43% for the quarter. As we wrote to you last quarter, *"We foresee the balance of 2010 as a skirmish between market bulls and bears. The result of such a battle will, on the surface, appear to be a period of moderate stock returns. Further analysis will reveal the wide divergence of individual stock price performance. There will be winners and there will be losers. Skillful equity managers, who utilize and adhere to an investment process focused on unearthing unique and insightful investment opportunities, will be rewarded. It is our continued expectation that this market backdrop will aid our team in delivering positive client outcomes."* This continues to be our outlook. While the bears are winning the "skirmish" at the moment, a little perspective reveals the markets are down moderately for the year. It seems likely to us that stock selection will be the key to second half success. There can be no denying that risk to our thesis has increased. We monitor our securities with vigilance. We will remain nimble in management of the portfolio. We will continue to be proactive.

For the period your portfolio returned -12.73, which compares to the -11.15% return of the Russell 1000<sup>®</sup> Value Index. Please find further detail below on the performance of your portfolio during quarter. While our style of investing was challenged during the period, the benefits of the adaptive nature of our investment process should become visible as we progress through the 2<sup>nd</sup> half of the year.

During the 2<sup>nd</sup> quarter, your holdings were most impacted positively by stock selection within the Energy Sector. Pioneer Natural Resources (PXD) was the leading contributor within the sector. Pioneer, an independent oil and gas exploration and production company, easily surpassed first quarter earnings. The earnings surprise was attributable to effective cost controls, solid production, and a stronger pricing environment. Also, the portfolio benefited from not having direct exposure to the Gulf Coast Oil Disaster.

Your performance was negatively impacted by our stock selection within the Financial and Industrial Sectors. Within the Financial Sector, stock selection was most challenged in the insurance and capital markets industries. The SEC filing against Goldman Sachs (GS) hurt performance, given that Goldman Sachs is one of the portfolio's larger holdings in the Financial Sector. We continue to feel that Goldman represents tremendous value, however we will

continue to monitor the outcome of the pending legal action. The Brink's Company (BCO), a global provider of secure transportation and cash management services, had their outlook revised downward as analysts became cautious over the increased likelihood of the European economic headwinds having a negative on corporate earnings.

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 the high Return on Equity, high Return on Assets, and small size were among the most successful this past quarter, while metrics based on price momentum and high Beta were the laggards. Please remember that we conduct our research within four separate and distinct macroeconomic sectors. Our signals struggled to differentiate the winners from the losers. 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 have grown more 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

*Past performance is no guarantee of future results. The value of investments may go down as well as up and investors may not get back their original investment. Performance is shown gross of fees and charges. The opinions expressed herein are those of NorthPointe Capital, LLC as of the date of this report and are subject to change at any time. Although the third party information has been obtained from and is based on sources the Firm believes to be reliable, the Firm does not guarantee the accuracy of the information, and it may be incomplete or condensed. This report is for informational purposes only, and is not intended as a recommendation with respect to the purchase or sale of any security. A list of all recommendations made within the last 12-months is available upon request. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that investment decisions or recommendations made in the future will be profitable or will equal the performance of the securities discussed herein. The securities discussed do not reflect the entire portfolio and in the aggregate may represent only a small percentage of the portfolio's holdings.*

*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.*