

**NorthPointe Capital
2Q12 Small Cap Value Commentary**

General Market Commentary for the Second Quarter of 2012

In the second quarter, the stock market reversed course from the rally of the first quarter. Large cap stocks marginally outperformed small caps as the Russell 1000[®] Index of larger companies declined 3.12% compared to the 3.47% decline in the Russell 2000[®] Index. Value stocks outperformed growth stocks as the Russell 2000[®] Value Index fell 3.01% relative to the 3.94% decline in the Russell 2000[®] Growth Index. In general, value stocks benefited from higher exposure to the outperforming Financials sector as well as less exposure to the underperforming Energy sector.

No doubt the world is filled with seemingly historic levels of uncertainty. Our job is to find certainty. Our job is to find unique companies that can grow their businesses and sell at attractive valuation levels. These types of investments should perform irrespective of how global macro events unfold. The depth of understanding we gain in our due diligence and our continuing research efforts support our belief that your portfolio contains precisely these types of securities. While fundamentals may be put on hold in the very short term, history has shown time and time again that eventually fundamentals win out.

Portfolio Commentary

For the quarter ending June 30, 2012, the portfolio underperformed the benchmark, the Russell 2000[®] Index. A large portion of the quarter's underperformance can be attributed to the decline in Health Care holding Keryx Biopharmaceuticals. On the first day of the second quarter, the Company announced unfavorable clinical trial results for a cancer drug under development, which led to a one day stock price decline in excess of 60%. In the preceding quarter, the stock nearly doubled in anticipation of the trial update. While we were aware of the risk given the binary nature of drug trial results and greatly disappointed with the outcome, we continue to believe our investment in Keryx will generate positive returns. The Company is also developing a dialysis drug whose trial outcome appears to contain less risk than the previously failed cancer drug. This dialysis program was what initially attracted us to Keryx. Since the dramatic decline on the initial day of the second quarter, the stock has outperformed over the duration of this period.

The portfolio also suffered from a decline in Information Technology holding KIT Digital, Inc., a provider of video management software. Disappointing operational guidance as well as turnover within executive management caused the stock to underperform. We continue to

believe the stock price fails to reflect the true value of the Company's assets and we have maintained the investment in KIT Digital.

Highlights during the quarter included a substantial gain in the stock of Cray, Inc., a developer of high performance "super computers". A well-known company during the 1990's, Cray regained awareness with investors when the Company received \$140 million in an intellectual property sharing agreement with Intel. Additionally, the stock of Akorn, Inc., a provider of generic drugs, was a large contributor to the portfolio as the Company continues to execute well and faces a favorable demand environment.

At the end of the second quarter, the portfolio's largest investments were in Spectranetics Corp., a developer of medical devices used in cardiovascular procedures, Lions Gate Entertainment Corp., a movie and television show producer, and Trex Company, Inc., a building products manufacturer. Each of these investments generated absolute and relative outperformance during the quarter, except for the investment in Trex. The stock price of Trex declined marginally and turned in a break even relative performance in the current quarter after rising nearly 40% during first quarter of 2012.

Research Efforts

A review of the portfolio holdings, as well as the activity made during the quarter, highlights a collection of stocks that will be driven predominately by the domestic economy. Our due diligence has found that companies with significant exposure to Europe face more challenges than those that derive a majority of their business from North America and elsewhere. All of the investments have company specific catalysts that we track vigilantly. Our research efforts remain focused on identifying and investing in only the most promising opportunities.

Sector or Industry Shifts

Throughout the quarter and consistent with the entire year, the largest overweight exposure relative to the Russell 2000[®] Index was to the Financials sector. The portfolio also maintained a notable overweight position to the Health Care sector. During the second quarter, the portfolio initiated several new investments within the Industrials sector when macroeconomic fears had driven down the prices of these stocks to levels that, in our opinion, failed to properly recognize the positive fundamental outlook. We also participated in a successful IPO of a business services company. These investments moved the portfolio's exposure to the Industrials sector from underweight to overweight. Throughout the quarter, the portfolio was underweight the Consumer Discretionary, Consumer Staples, and Utilities sectors. Additionally, several underperforming Information Technology holdings were sold resulting in that sector becoming the largest underweight position for the entire portfolio. At the beginning of the quarter, the portfolio was overweight Information Technology stocks. There were no other notable sector shifts.

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 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