

NorthPointe Capital, LLC
Large Cap Value
2nd Quarter 2013

The stock market began the second quarter of 2013 with a slight decline, yet a rally into mid-May drove several major indices to new all-times highs. Since reaching those levels, the market has, for the most part, remained in a trading range with a late June rally enabling the broader markets to register positive quarterly returns. Small capitalization stocks marginally outperformed large caps during the second quarter as the Russell 2000® Index returned 3.08% as compared to the 2.65% return of the large company Russell 1000® Index. Growth stocks outperformed value stocks during the most recent quarter with the 3.74% gain in the Russell 2000® Growth Index exceeding the 2.47% gain in the Russell 2000® Value Index. The better results for the growth index were primarily due to much lower exposure to the underperforming Financials sector as well as greater exposure to the outperforming Health Care sector. Investors appear to spend a great deal of time debating the activities of the Federal Reserve, whether the U.S. economy is growing and at what pace, and how economic policies of foreign nations will impact the overall stock market. While these might be useful conversations to some, we prefer not to spend too much our time (if any time at all) focusing on such issues. Rather, we find that time spent tracking new product launches, gauging the success of a new sales strategy or discussing the impact of a new management team to be much more relevant in identifying attractive investment opportunities. We focus on fundamentals - the fundamentals of a particular company and industry - rather than on global macro forces whose direction and impact are best left to others. We continue to believe fundamentals matter and that time spent focusing on individual companies will lead to successful investment results.

For the period your portfolio returned 1.46%, which compares to the 3.20% return of the Russell 1000® Value Index. Please find further detail below on the performance of your portfolio during quarter.

During the 2nd quarter, your holdings were most impacted positively by stock selection within the Consumer Staples Sector. The value added from the Consumer Staples sector can be attributed to the stand out performance of Pilgrim's Pride Corp. Pilgrim's Pride is the second largest chicken producer in the United States. The consensus earnings estimate for fiscal year 2013 has risen from \$.66/share to \$1.83/share over the course of the year, while consensus estimates for 2014 have risen from \$1.21/share to \$1.79/share. The increase in earnings has been driven by an extremely favorable pricing environment for chicken. High beef costs have driven increased chicken featuring in both retail and food service.

The overall portfolio struggled to keep pace with the benchmark for the quarter. The underperformance was located within the Energy and Technology Sectors. Within Energy, the portfolio's holdings of a handful of oil refiners hurt performance. Refining shares sold off in

anticipation of a difficult second quarter earnings season. While the refiners continue rate attractive on our models, we have been opportunistically reducing the portfolio's overall exposure to the group. Former portfolio holdings AOL and SolarWinds were detractors within the Technology sector. Both positions have been eliminated from the portfolio.

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 low PEG ratios, low price to earnings ratios, and smaller market capitalizations were among the most successful this past quarter, while metrics based on high dividend yields and high returns on invested capitals of profitability tended to be the underperformers. Please remember that we conduct our research within four separate and distinct macroeconomic sectors. Our signals added little value this past quarter. Performance was strongest within the stable and fast growth models, while the model struggled in the significant interest rate sensitive sector.

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. Our stock selection has been and will continue to be our instrument for delivering 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

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