



NorthPointe Capital 2Q13 Small Cap Value Commentary

General Market Commentary for the Second Quarter of 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.

Portfolio Commentary

For the quarter ending June 30, 2013, the portfolio outperformed the benchmark, the Russell 2000[®] Value Index. Strong stock selection within the Consumer Discretionary, Health Care and Materials sectors led the advance. Within Consumer Discretionary, the stock of Big 5 Sporting Goods Corporation performed well as an improved merchandising mix and better cost control led to reported earnings exceeding consensus expectations. Strong operating results and continued execution of attractive business models led to impressive gains in Health Care holdings, ExamWorks Group, Inc. and BioScrip, Inc. ExamWorks, a provider of independent medical examinations, continues to leverage the Company's national footprint while successfully executing its growth strategy. Pharmaceutical services provider BioScrip continued to expand its scale through a sizable acquisition that was well received by investors. The best absolute stock

performance during the quarter came from Materials stock, Advanced Emissions Solutions, Inc. (formerly known as ADA-ES). After turning in a solid first quarter performance, the stock advanced in excess of 50% in the second quarter as investors recognized current and future opportunities with the Company's clean coal technology.

Detracting from performance was negative stock selection within the Information Technology sector. The stock of TiVo, Inc., a provider of video recording technology, declined as investors expressed disappointment with settlement amounts received in several patent infringement lawsuits. Investor concern about future business opportunities led to a retreat in the stock of Synaptics, Inc., a provider of user interface and touch-sensitive solutions. Prior to this quarter's pullback, the stock was at an all-time high.

At the end of the second quarter, the portfolio's largest investments were in the stocks of Sanchez Energy Corp., Hercules Technology Growth Capital, Inc. and Keryx Biopharmaceuticals, Inc. Each of these top holdings was an outperformer during the quarter on both an absolute and relative basis.

Research Efforts

We continue to focus our research efforts on identifying companies that have specific near term catalysts whose stocks are currently being undervalued by the market. No matter the macroeconomic environment or current investor sentiment, the universe of small cap stocks is broad such that we are confident our due diligence process will continue to discover attractive investment opportunities.

For current holdings, we remain vigilant in monitoring valuation levels relative to the catalysts that have occurred, or are expected to occur, to ensure that the portfolio contains only the most attractive investments.

Sector or Industry Shifts

Throughout the quarter, the weighting within the Health Care sector remained the largest overweight exposure relative to the Russell 2000[®] Value Index. The portfolio also maintained notable overweight exposure to the Energy, Information Technology and Consumer Discretionary sector. Concerning the latter, new investments in a clothing retailer and a marketing communications firm resulted in an increase in the overweight exposure to the Consumer Discretionary sector such that this was the second largest overweight position by the end of the quarter. Exposure to the Financials sector remained the largest underweight position followed by an underweight to the Utilities sector where the portfolio continued to hold no investments within this classification. During the quarter, the portfolio's two remaining Consumer Staple investments were eliminated and no additional investments were made within this sector. There were no other significant 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® 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.