



NorthPointe Capital, LLC Large Cap Value 3rd Quarter 2010

The 3rd Quarter's headline reads "Risk On, Risk Off, Risk On." The market averages surged in July, dropped precipitously in August, and rebounded with the strongest September since 1939. Throughout the quarter, macro concerns dominated investor sentiment. In our opinion the headlines are not the only story that matters. Our duty is to unearth securities where we can obtain unique insights that will ultimately lead to superior client returns. While many chose to just focus on the headlines, we have chosen to read the whole paper. By digging into the uncommon stories that few read, we seek to discover markedly undervalued securities. The current headlines tell of a macro driven market; however, we believe that this myopic view has presented diligent stock pickers with a tremendous opportunity to add value. The back pages tell stories of earnings growth exceeding expectations, strengthened balance sheets, innovation, increasing M&A activity, and attractive equity valuations. Clearly the headlines have dominated the global financial marketplace, yet our research has given us increased confidence that the way forward is to focus on individual stocks. Stocks have traded together at historic levels or to rephrase in academic speak, cross-sectional stock correlation has rarely been this high. When stocks trade together, picking individual names becomes challenging. We have begun to see evidence that suggests correlations have started to decline. As this continues, individual stock stories will move back to the front page.

Going forward we foresee the economy settling into a slow growth environment, investors focusing on earnings growth in 2011 and beyond, the Fed engaging in a second round of quantitative easing, and the agenda in Washington moving to the center after the mid-term elections. This all adds up to what we think we be a constructive 4th quarter for the US equity markets and our portfolios. As the coming months play out, we remain committed to being vigilant, nimble, and proactive.

For the period the NorthPointe Capital Large Cap Value portfolio returned 10.9%, which compares to the 10.1% return of the Russell 1000[®] Value Index. Please find further detail below on the performance of your portfolio during quarter. The adaptive nature of our investment process became visible again during the third quarter. We expect this to continue.

During the 3rd quarter, your holdings were most impacted positively by stock selection within the Health Care Sector. Endo Pharmaceuticals, a research, development, and distribution drug company, turned in an impressive quarter as the share price rose over fifty percent. The market has reacted extremely favorably to slew of strategic deals, the lifecycle strength of the Opana pain management franchise, and the promise of their pipeline. The other standout performer came from the Consumer Staples sector. NBTY Inc., a manufacturer and retailer of nutritional supplements, returned over sixty percent for the quarter. NBTY was acquired at a substantial premium by the private equity firm the Carlyle Group during the summer months.

Your performance was negatively impacted by our stock selection within the Technology Sector. Western Digital, SanDisk, and Jabil Circuit were three of the laggards. The root cause of the challenges stemmed from the ineffectiveness of our signals in our high growth model. Both our valuation and estimate revisions factors responded poorly to the market environment. We have taken a hard look at our holdings and made changes where necessary to help ensure improved future performance in the sector.

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 recent laggards, low PEG ratios, and stocks ranking high on our proprietary stock selection model were among the most successful this past quarter, while metrics based on low Price to Cashflow and low Price to Book. Please remember that we conduct our research within four separate and distinct macroeconomic sectors. Our signals have broadly resumed their ability 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 remain 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.*