



NorthPointe Capital 4Q12 Smid Cap Value Commentary

General Market Commentary for the Fourth Quarter of 2012

Equity markets were weak as the quarter began and the sell-off accelerated after the U.S. Presidential election was decided. However, a mid-November recovery lasting through year end helped to recapture some of the losses. Small capitalization stocks outperformed large caps during the fourth quarter as the Russell 2000[®] Index returned 1.85% as compared to the 0.12% return of the large company Russell 1000[®] Index. For the year; however, performance was relatively the same as the Russell 1000[®] Index returned 16.42%, just besting the 16.35% return of the Russell 2000[®] Index. Value stocks outperformed growth stocks during the fourth quarter and full year 2012 as the 4.14% and 19.21% gains in the Russell 2500[®] Value Index exceeded the 1.78% and 16.13% gains in the Russell 2500[®] Growth Index for the quarter and year, respectively. Substantially less exposure to the underperforming Health Care sector was the driver behind Value's outperformance during the quarter while a greater exposure to the outperforming Financials sector explained a majority of the relative performance for the year.

Fiscal cliff, U.S. economic growth, European recovery, China's economic policies, geopolitical unrest, etc. represent known knowns (or known unknowns) that will likely impact the stock market's direction in 2013. There are also the unknown unknowns that very well could have a larger impact. Attempting to handicap such events and interpret the corresponding market impact is a futile exercise. We focus our time and efforts on identifying companies that represent attractive investment opportunities. It is our continued belief that the fundamentals-based investment process we adhere to will prove to be successful.

Portfolio Commentary

For the quarter ending December 31, 2012, the portfolio outperformed the benchmark, the Russell 2500[®] Value Index. The outperformance was highlighted by strong contribution from the Financials, Industrials and Health Care sectors. Within Financials, the investment in HomeStreet, Inc. was the largest contributor to the portfolio as the stock rose in excess of 35% during the fourth quarter. HomeStreet, a bank holding company specializing in mortgage originations, benefited from strong mortgage activity as well as an improvement in the problem asset portfolio. Industrials holdings Polypore International, Inc., a provider of battery filtration membranes, and Titan International, Inc., a manufacturer of heavy duty tires, rebounded in the fourth quarter from oversold levels of late summer and early fall. The portfolio opportunistically increased the investment in these two stocks at attractive prices and benefited from the fourth quarter

strength in each name. The stock of Bioscrip, Inc., a provider of home infusion drug services, continued to perform well. The Company reported earnings that exceeded consensus expectations and management commentary highlighted the attractiveness of the business model. Other highlights of the quarter included the investments in Sanmina Corp., an electronic manufacturing services provider, where a restructuring is leading to better profitability and OfficeMax, Inc., an office supplies retailer, whose valuation could be enhanced due to its ownership of a building product distributor.

The largest detractors to performance were declines in Information Technology holding MoneyGram International, Inc. and The Jones Group, Inc. within Consumer Discretionary. Investor concern over price competition in the money transfer business caused the stock of MoneyGram to decline during the quarter. The stock of The Jones Group declined as investors await the turnaround in the Company's retail division. We maintain these investment positions as we view the issues to be temporary and believe the stocks trade at attractive valuations.

At the end of the fourth quarter, the portfolio's largest investments were in DFC Global Corp, Akorn, Inc. and Kodiak Oil & Gas Corp. DFC Global, a provider of consumer loan services, and Akorn, a generic and specialty drug manufacturer, were positive contributors to the portfolio during the fourth quarter. The stock of Kodiak, an energy exploration company, experienced a modest decline for the quarter and was a slight detractor to performance.

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 largest overweight exposure relative to the Russell 2500[®] Value Index was to the Information Technology sector. During the quarter, we initiated several attractive investments across this sector which caused the overweight position to increase. The largest underweight exposures – to the Financials, Utilities, and Materials sectors – remained unchanged. The sale of a hotel management company resulted in the portfolio moving from an inline to underweight position relative to the Consumer Discretionary 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® 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

The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500™ companies with lower price-to-book ratios and lower forecasted growth values.