



**NorthPointe Capital, LLC**  
**Large Cap Value**  
**4th Quarter 2015**

Rebounding from a difficult third quarter, the stock market rallied throughout October. The remaining two months of the year saw most broad indices trade in a tight band while finishing the quarter in positive territory. Large cap stocks outperformed small caps as the Russell 1000<sup>®</sup> Index registered a quarterly return of 6.5% relative to the 3.59% increase in the Russell 2000<sup>®</sup> Index. Growth stocks fared better than value as the gain in the Russell 1000<sup>®</sup> Growth Index of 7.32% beat the 5.64% advance in the Russell 1000<sup>®</sup> Value Index. The outperformance was the result of better returns and greater exposure to the Health Care sector (one of the best performing sectors in the quarter) as well as less exposure to the underperforming Energy sector.

Investors continue to face an uncertain environment. How will the domestic monetary policy unfold and what impact will it have on the economy? What does a slowdown in the economic growth of China mean to the rest of the world? There is also a Presidential election on the horizon. Plenty of uncertainty, indeed. However, we take great comfort in our investment process that keeps us focused on individual opportunities that can be assessed by understanding businesses and the unappreciated changes taking place. This singular focus enables us to eliminate much of the “noise” that populates headlines and news broadcasts. By focusing on company fundamentals and stock specific catalysts, we seek to uncover attractive investment opportunities despite whatever fiscal or geopolitical impacts have on the overall investing landscape.

For the fourth quarter of 2015, the NorthPointe Large Cap Value Composite returned 6.04%, which compares to the 5.63% return of the Russell 1000<sup>®</sup> Value Index. During the fourth quarter, stock selection was strongest in the Energy Sector. Stock selection lagged in the Information Technology Sector. For the calendar year of 2015, NorthPointe Large Cap Value Composite returned -0.83%, which compares favorably to the -3.83% return of the Russell 1000<sup>®</sup> Value Index. During the year, stock selection was strongest in the Energy, Consumer Staples, and Health Care Sectors. Stock selection was somewhat challenged in the Information Technology, Telecommunications, and Utilities Sectors.

The strongest relative contributors to your portfolio over the last quarter were found in the Energy Sector. The portfolios positioning in oil refiners and the major integrated oil companies allowed the sector to be a strong relative and absolute performer for the period. The portfolio’s energy positions returned 7.80% for the quarter versus the 0.05% return of the benchmarks’ energy positions. Detracting from performance was the decline in the stock of Aaron’s, Inc., which was the worst performer in the portfolio during the current quarter. Aaron’s, which rents furniture and consumer electronics, reported disappointing quarterly earnings due to bad debt expense and a loss of market share. We exited this investment as we see no near term fix for such issues.

High Gross Margins, high Return on Invested Capital, and high Return on Equity were the strongest factors for the 3rd quarter. Low Price to Sales, low Price to Book, and low Price to Cash Flow were factors that struggled during the fourth quarter of 2015.

We remain focused on finding unique large cap companies that can grow their business and whose stock price trades below its intrinsic value. These types of investments should perform irrespective of the market environment. We believe that your portfolio contains precisely these types of securities. The current portfolio is currently selling at a multiple of 14.26 times its twelve month forecasted earnings, which compares to the 14.85 multiple for the strategy's benchmark. The fund has a ROE ratio, return on Equity, of 14.5% vs. 9.8% for the benchmark. The portfolio management team believes the portfolio is positioned to perform strongly. The portfolio contains 82 securities at quarter end that have been brought together in a disciplined fashion. The portfolio is designed to deliver value added performance in a consistent manner. Our stock selection will continue to be our instrument for finding 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.*