

NorthPointe Capital, LLC
Large Cap Value
1st Quarter 2010

U.S. equity markets delivered an impressive quarter to start the New Year. The S&P 500 gained a respectable 5.39 percent. Small capitalization issues lead the market higher, as the Russell 2000 posted a return of 8.85 percent. The broad market has now returned 76.84 percent since the market lows from spring of 2009. This past quarter the US economy likely grew at over 2 percent, as corporate profits widely surpassed expectations, employment trends seemingly have turned positive, and housing prices continued to stabilize. Value stocks triumphed over Growth stocks, as Financial and Consumer Discretionary shares were the leading performers. We foresee the balance of 2010 as a skirmish between market bulls and bears. The result of such a battle will, on the surface, appear to be a period of moderate stock returns. Further analysis will reveal the wide divergence of individual stock price performance. There will be winners and there will be losers. Skillful equity managers, who utilize and adhere to an investment process focused on unearthing unique and insightful investment opportunities, will be rewarded. It is our continued expectation that this market backdrop will aid our team in delivering positive client outcomes.

The NorthPointe Large Cap Value portfolio returned 6.31%, which compares to the 6.78% return of the Russell 1000[®] Value Index. Please find further detail below on the performance of the portfolio during quarter. While our style of investing was challenged during the period, the benefits of the adaptive nature of our investment process should become visible as we progress through the balance of the year.

During the 1st quarter, the holdings were most impacted positively by stock selection within the Energy Sector. Rowan (RDC), Anadarko Petroleum (APC), and Pioneer Natural Resources (PXD) were the lead contributors within the sector. Rowan, a leading provider of contract drilling services, surprised on 4th quarter earnings. Higher margins and the improved utilization rates of the international jackup markets lead to several positive estimate revisions and increased price targets. Anadarko, a company that explores for and produces oil and gas, was successfully sold from the portfolio as valuations became stretched. Pioneer, an independent oil and gas exploration and production company, easily surpassed fourth quarter earnings. The earnings surprise was attributable to effective cost controls and a stronger pricing environment.

Performance was negatively impacted by our stock selection within the Technology Sector. Western Digital (WDC), a manufacturer of hard disk drives, was the poster child for the struggles within the Technology sector. Western Digital enjoyed explosive share price performance for the majority of 2009, only then to undergo share price consolidation in the first quarter of 2010. Investors seem to be concerned that additional capacity may come to the market during the summer months. We continue to hold the name, given what we consider to be attractive valuations.

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 deep value, small size, and price momentums were among the most successful this past quarter, while metrics based on profitability were the laggards. Please remember that we conduct our research within four separate and distinct macroeconomic sectors. Our signals struggled 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 have grown more 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.

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.