



NorthPointe Capital, LLC Large Cap Value 1st Quarter 2012

The 4th quarter rally of 2011 continued into the first quarter of 2012. The large cap Russell 1000 Index returned 12.90%, which compares closely to the return of 12.44% for the small cap Russell 2000 Index. From a style perspective growth trumped value. The Russell 1000 Growth jumped 14.69%, while the Russell 2000 Value gained 11.12%. Financials, Consumer Discretionary, and Technology were the leading economic sectors in the period. Utilities and Telecommunication Services lagged the market.

For the period NorthPointe Capital Large Cap Value portfolio returned 12.33%, which compares to the 11.12% return of the Russell 1000[®] Value Index. Please find further detail below on the performance of your portfolio during quarter.

During the 1st quarter, your holdings were most impacted positively by stock selection within the Financial and Consumer Discretionary Sectors. The outperformance in financial holdings was the result of strong returns within the commercial banking and insurance industries. The holdings of select life insurance companies provided the lift in insurance shares, while select regional banks provided the outperformance in commercial banking. Priceline.com, an online travel company and Jarden, a global manufacturer and seller of consumer products, were the two dominant performers in the Consumer Discretionary 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 high beta, high long term growth, low PEG ratios, and small market capitalization were among the most successful this past quarter, while metrics based on high dividend yield, high payout ratios, and deep value tended to be the underperformers. Please remember that we conduct our research within four separate and distinct macroeconomic sectors. Our signals added incremental value this past quarter. Model performance was strongest within the Fast Growth and Cyclical models.

Nassim Taleb coined the term the Narrative Fallacy, which Daniel Kahneman expanded upon in his seminal book **Thinking, Fast & Slow**. Kahneman devoted an entire chapter to the narrative fallacy, which he calls the illusion of understanding. He writes, “You build the best possible story from the information available to you, and if it is a good story, you believe it. Paradoxically, it is easier to construct a coherent story when you know little, when fewer pieces to fit into the puzzle. Our comforting conviction that the world makes sense rests on a secure foundation: our almost unlimited ability to ignore our ignorance.” As human beings we are hardwired to gravitate towards the simple. A quick characterization of the past quarter by several street strategists is that low quality led the way. While it is true that “low quality” outperformed, so did stocks with the highest earnings growth rates, the greatest increases in

street expectations, and stocks with the highest return on equity. It is not clear to us that the straight forward explanation is telling the correct story. We feel that something much more subtle and complicated is happening in the stock market. Stock correlations have declined, returns have differentiated, and stock picking skill has become visible. The question to us is not whether quality or beta will continue to work. The question we ask is whether talented stock pickers will be able to continue to add value. The stock market is anything but simple. Its complexity is a key reason why we focus on unearthing the next set of unique stock specific investment opportunities. Focusing on where we have insight and depth is our formula for winning. Our stock selection has been and will continue to be our instrument for delivering 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® 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 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.

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.