

NorthPointe Capital, LLC
Large Cap Value
2nd Quarter 2015

The stock market, as measured by the broader indices, traded in a relatively narrow range during the second quarter of 2015. Despite the subdued overall price movements, there were plenty of headlines to garner investor's attention. M&A activity continued at a strong pace and much was written on topics such as: when will the Federal Reserve raise interest rates, how the situation in Greece unfolds and where the price of oil is heading.

Small cap stocks marginally outperformed large caps in the second quarter as the Russell 2000® Index generated a return of 0.42% relative to the 0.11% increase in the Russell 1000® Index. Unlike the first quarter, value stocks and growth stocks produced nearly the exact same return.

For the second quarter of 2015, the NorthPointe Capital Large Cap Value strategy returned 0.93%, which compares to the 0.11% return of the Russell 1000® Value Index. During the second quarter, stock selection was strongest in the Information Technology, Financial, and Health Care Sectors. Stock selection was below par in the Telecommunications and Energy Sectors.

The strongest contributors to your portfolio over the last quarter were Cigna and AmTrust Financial Services. Cigna Corporation, a leading health insurance and services company, has been in merger discussions with Anthem about potentially being acquired. While no deal has been reached, the stock appreciated over 30% during the second quarter. With the deal likely priced, our expected return of the stock has declined and the position has been successfully eliminated from the portfolio. AmTrust Financial Services, a provider of property and casualty insurance to small businesses, was purchased mid-March of this year. AmTrust fashions itself as a technology company that happens to sell insurance. Our stock selection process yielded a high forecasted expected return, that along with our firm's familiarity with management, lead to a new initiation. The company reported better than expected first quarter results, causing earnings estimates to increase. Also, book value per share increased from \$22.34 to \$24.00 a share. Given the AmTrust is selling at just 11 times 2016 earnings, it remains an attractive investment from our viewpoint.

Stock selection in the Telecommunications and Energy Sector negatively impacted performance for the quarter. The most negative detractors to the portfolio included World Fuel Services and CenturyLink. CenturyLink, a provider of broadband services to both the residential and business marketplace, has been having difficulty executing their business plan. The position has been removed from the portfolio. World Fuel Services, a company that provides fuel and fuel related logistical services to various end markets, came under pressure this quarter. We remain highly convicted in this investment, as our thesis remains intact and management continues to execute their plan.

We would like to briefly discuss the investment insights of one of the portfolio's newer positions. Electronic Arts. Electronic Arts is one of the largest producers of video games, notably their brand EA

Sports is extremely popular with gamers. We became attracted to EA because of its favorable relative valuation and further progress of their business fundamentals. We purchased the security early in the second quarter and witnessed increased earnings expectations for both 2016 and 2017. At the start of the quarter expectations were for EA to earn \$2.63/share and \$2.99/share for 2016 and 2017 respectively. At the end of the quarter expectations stood at \$2.87 for 2016 and \$3.26 for 2017. This represents an increase for earnings expectations of 9%, which for a highly visible large cap company is significant. The increase in expectations has been attributed to faster than expected console sales, digital offering driving higher margins, and the perceived attractiveness of their pipeline, with particular emphasis on their Star Wars suite of games. While we did trim some of the position off the strength of its shares and to make room for additional attractive investments in the Technology sector, Electronic Arts remains a core holding.

Relative Strength, low leverage, and low PEG (p/e ratio to earnings growth rate) were the strongest performing factors for the 2nd quarter. Low Price to Sales, low Price to Cash Flow, and high Dividend Yield were factors that struggled during the first quarter of 2015.

We remain focused on finding unique large cap companies that can grow their business, that sell at attractive valuation levels and that are not well understood. 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 13.93 times its twelve month forecasted earnings, which favorably compares to the 15.24 multiple for the strategy's benchmark. The fund has a ROE ratio, return on Equity, of 15.7% vs. 11.2% for the benchmark. Given the portfolio trades at a 9% valuation discount and 40% profitability premium, the management team believes the portfolio is positioned to continue to perform strongly. The portfolio contains 81 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