



**NorthPointe Capital, LLC**  
**Large Cap Value**  
**3rd Quarter 2012**

Equity markets moved higher during the third quarter of 2012. The equity markets climbed the proverbial economic wall of worry. The Federal Reserve announced further quantitative easing (QE3) in September. The market welcomed this widely anticipated announcement. From a capitalization perspective, the small cap Russell 2000® Index returned 5.25%, compared to the return of 6.31% for the large cap Russell 1000® Index. Value narrowly beat growth, with the Russell 1000® Value returning 6.51% and the Russell 1000® Growth yielding a 6.11% return. The leading economic sectors were Telecommunications, Energy, and Consumer Discretionary. Utilities and Information Technology trailed the benchmark.

For the period the NorthPointe Large Cap Value portfolio returned 8.04%, which compares to the 6.51% return of the Russell 1000® Value Index. For the year to date, the Large Cap Value portfolio returned 19.45%, which compares to the 15.75% return of the Russell 1000® Value Index. Please find further detail below on the performance of your portfolio during quarter.

During the 3<sup>rd</sup> quarter, your holdings were most impacted positively by stock selection within the Energy, Financial and Technology Sectors. Tesoro, a West Coast refiner and marketer of petroleum products, was the standout performer in the energy space. The significant share price rise was attributed to higher throughput volume and the attractive acquisition of the Carson refinery from BP. Analysts viewed the deal favorably and raised the earnings outlook of the company. The value added of the Financial Sector and Technology Sectors were not driven by one or two specific holdings, rather the consistency of the value added was spread throughout the portfolio's holdings. Stock selection was challenged in the Consumer Staples Sector. Tyson, a food company, was negatively affected by the historic Midwest draught and resultant higher feed prices. Tyson has been eliminated from the portfolio.

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 predicted beta, recent weakness in share price, and high one year earnings growth were among the most successful this past quarter, while metrics based on high dividend yield and low financial leverage tended to be the underperformers. Please remember that we conduct our research within four separate and distinct macroeconomic sectors. Our signals added decent value this past quarter. Model performance has produced significant value added for the year thus far.

No doubt the world is filled with seemingly historic levels of uncertainty. Our job is to find certainty. Our job is to find 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 how global macro events unfold. We believe that your portfolio contains precisely these types of securities. Fundamentals can be put on hold in the very short term, but history has shown time and time again that eventually fundamentals win out. 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*