

**NorthPointe Capital, LLC**  
**Large Cap Value**  
**3rd Quarter 2015**

“A Painful Quarter for Markets” read the headline of the Wall Street Journal the day after the third quarter came to an end. After continuing to trade in a relatively narrow range throughout July and early August, the broader market indices fell in excess of 10%; a move widely attributed to the unexpected currency devaluation in China and growth concerns in developing countries. A brief recovery occurred in September, but the decline resumed into quarter’s end, resulting in the worst quarterly return since 2011.

Small cap stocks underperformed large caps in the third quarter as the Russell 2000<sup>®</sup> Index fell 11.92% relative to the 6.83% decline in the Russell 1000<sup>®</sup> Index. Growth stocks outperformed value with the Russell 1000<sup>®</sup> Value Index declining 8.39% as compared to the 5.29% decline in the Russell 1000<sup>®</sup> Growth Index.

For the third quarter of 2015, the NorthPointe Capital Large Cap Value composite returned -8.62%, which compares to the -8.40% return of the Russell 1000<sup>®</sup> Value Index. During the third quarter, stock selection was strongest in the Energy and Consumer Discretionary. Stock selection was below par in the Financials and Utilities Sectors.

The strongest relative contributors to your portfolio over the last quarter were found in the Energy and Consumer Discretionary Sectors. The portfolios positioning in oil refiners and the major integrated oil companies allowed the sector to be a strong relative performer for the period. Within the Consumer Discretionary sector, somewhat newer holding, Aaron’s, had a strong quarter. The company’s virtual platform, Progressive, has come to be more greatly appreciated by the investment community. One sell-side analyst was so impressed with this story that the analyst raised Aaron’s price target by \$10 to \$37/share.

Stock selection in the Financial and Utilities Sectors negatively impacted performance for the quarter. The most negative detractors to the portfolio included Radian Group and AES Corporation. AES, a diversified utility company that has its headquarters in Virginia, saw its share price pressured this quarter over concerns with potential slowdown in demand within their international subsidiaries. AES has been eliminated from the portfolio with declining earnings estimates being the catalyst for the sale. Radian Group, the largest private mortgage insurer in the U.S., is a high conviction investment. We believe the picture for Radian is rapidly improving. On the surface, profitability metrics are top-tier with a bottom-tier valuation. Over time, we believe this will correct, especially as the trends are turning decidedly favorable for the company from credit, to pricing, to regulation. The company’s share price came under pressure this quarter. The concern was likely around the FED’s potential rate hike. We remain convicted in the investment and thus Radian remains in the portfolio.

Price Momentum, positive earnings estimate revisions, and high Return on Equity were the strongest performing factors for the 3rd quarter. High beta, small size, and low PEG (p/e ratio to earnings growth rate) were factors that struggled during the third 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 12.24 times its twelve month forecasted earnings, which favorably compares to the 13.98 multiple for the strategy's benchmark. The fund has a ROE ratio, return on Equity, of 16.2% vs. 11.0% for the benchmark. Given the portfolio trades at a 7.5% valuation discount and 47% profitability premium, the management team believes the portfolio is positioned to continue to perform strongly. The portfolio contains 77 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.*