



NorthPointe Capital, LLC Large Cap Value 4th Quarter 2010

The fourth quarter of 2010 generally played out along the path we had expected. Stock picking mattered and the equity markets rose. Confidence returned to the investor class as the historic November elections, a strengthening U.S. economy, and the Federal Reserve's quantitative easing brought a more calming assessment of the future. Small capitalization stocks outperformed large caps during the fourth quarter of 2010 and for the entire year as the Russell 2000® Index returned 16.25% and 26.85%, as compared to the 11.19% and 16.10% returns of the large company Russell 1000® Index for the fourth quarter and 2010, respectively. From a style perspective, growth managed to beat value for the quarter and year across the capitalization spectrum.

Our equity market outlook for 2011 is constructive, yet tempered. We foresee a positive year for the market. The continued strengthening of the U.S. economy, clarity on the macro front, and a robust M&A environment make us optimistic for an up year. Stretched near-term equity valuations and the realization of how far the market has moved off the bottom, tempers our view. We think it adds up to a moderately positive year for equities. From an equity perspective, we think 2011 will be remembered as the year of the stock picker. We have witnessed the relevance of stock selection in recent months and expect a powerful trend of stock specific stories to emerge. A moderate return environment is precisely the time when the ability to discriminate between winning and losing stocks is most on display. Successful strategies will be those that embrace active management with the possession of insight to find unique and uncommon ideas. We will spare no effort to be counted among the successful equity managers of 2011.

For the period your portfolio returned 10.70%, which compares to the 10.54% return of the Russell 1000® Value Index. Please find further detail below on the performance of your portfolio during quarter. The adaptive nature of our investment process became visible again in the second half of 2010. We expect this to continue.

During the 4th quarter, performance was most impacted positively by stock selection within the Technology, Industrial, and Financial Sectors. Atmel, a manufacturer of semiconductor and micro-controller products, benefited from the increased adoption of touch screen technology applications and the stock was a significant contributor to the portfolio's positive performance. Del Monte Foods, a producer and distributor of food and branded pet products, was acquired by a group of private investors led by Kohlberg, Kravis Roberts & Co. at a significant premium over its trailing three month average closing price. Kansas City Southern, a company engaging in the freight rail transportation segment, experienced tremendous volume growth driven by the recovering economy and manufacturing sector.

Performance was negatively impacted by our stock selection within the Energy, Materials, and Consumer Discretionary Sectors. Chevron, a world leading integrated oil company, lagged the performance of the energy sector perceived to be due to an earnings miss caused by foreign currency effects and higher than expected exploration costs. Chevron made a strategic acquisition of Atlas Energy that was positively received by the investment community and thus remains a core holding. Best Buy, the leading consumer electronics retailer, delivered disappointing sales that hampered stock performance. Best Buy, selling at less than ten times forward earnings, remains a compelling value and a portfolio holding.

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 future earnings growth, strong balance sheets, and lower market capitalizations were among the most successful this past quarter, while metrics based on high dividend yield and low price to trailing earnings were challenged. Please remember that we conduct our research within four separate and distinct macroeconomic sectors. Our signals acted perversely this past quarter. Deeper inspection reveals pockets of strength within the Fast Growth and Interest Rate Sensitive models. 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 remain 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.

As we embark on the journey called 2011, we would like to take a moment and thank you, our trusted client, for the continued confidence you have placed in NorthPointe Capital. Our firm commitment is to deliver for you. We greatly appreciate and value your business. As always, if you should desire any further information or clarity, please do not hesitate to contact to us.

Sincerely,

Peter Cahill, CFA
CIO, Portfolio Manager

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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 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.