



**NorthPointe Capital, LLC**  
**Large Cap Value**  
**4th Quarter 2012**

Equity markets were weak as the quarter began and the sell-off accelerated after the U.S. Presidential election was decided. However, a mid-November recovery lasting through year end helped to recapture some of the losses. Small capitalization stocks outperformed large caps during the fourth quarter as the Russell 2000® Index returned 1.85% as compared to the 0.12% return of the large company Russell 1000® Index. For the year; however, performance was relatively the same as the Russell 1000® Index returned 16.42%, just besting the 16.35% return of the Russell 2000® Index. Value stocks outperformed growth stocks during the fourth quarter and full year 2012 as the 1.52% and 17.51% gains in the Russell 1000® Value Index exceeded the -1.32% and 15.26% gains in the Russell 1000® Growth Index for the quarter and year, respectively. Substantially less exposure to the underperforming Health Care sector was the driver behind Value's outperformance during the quarter while a greater exposure to the outperforming Financials sector explained a majority of the relative performance for the year.

For the period the NorthPointe Large Cap Value portfolio returned 2.17%, which compares to the 1.52% return of the Russell 1000® Value Index. For the year to date, the NorthPointe Large Cap Value portfolio returned 22.04%, which compares to the 17.51% return of the Russell 1000® Value Index. Please find further detail below on the performance of your portfolio during quarter.

During the 4th quarter, your holdings were most impacted positively by stock selection within the Energy and Materials Sectors. Within the Energy Sector, Word Fuel was a standout performer. Word Fuel, a company that operates in the sales and marketing of marine, land, and aviation fuel products and services, witnessed share price appreciation as the investor community gained confidence in the company's prospects. The increased confidence was driven by 3<sup>rd</sup> quarter earnings and the diminished concerns regarding exposure to commodity price fluctuations. Reliance Steel and Aluminum positively contributed to the value add within the Materials Sector. Share price strength was propelled by a favorably viewed 3<sup>rd</sup> quarter earnings release. Stock selection was challenged in the Industrial and Technology Sectors. Hewlett-Packard was a negative contributor within the Technology Sector. Hewlett-Packard has been sold from the portfolio. Our work suggested that management's view that it would require several years to successfully turnaround the company would have a negative impact on the share price.

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 low price to trailing earnings were among the most successful this past quarter, while metrics based on high dividend yield and longer term price momentum 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*