

NorthPointe Capital, LLC
Large Cap Value
4th Quarter 2013

The fourth quarter of 2013 began with a slight pullback due to the U.S. Government shutdown and budget impasse/debt ceiling negotiations. However, as these issues were perceived to be resolved, the broad market indices advanced throughout the remainder of quarter. Large capitalization stocks outperformed small caps during the fourth quarter as the Russell 1000[®] Index returned 10.23% as compared to the 8.72% from the smaller company Russell 2000[®] Index. This was the only quarter in 2013 where small caps did not lead the large caps. Continuing the trend from the third quarter, though to a lesser degree, growth stocks outperformed value stocks in the large cap space with the 10.43% gain in the Russell 1000[®] Growth Index exceeding the 10.01% gain in the Russell 1000[®] Value Index.

The investment world is full of uncertainties and unanswered questions, as is life itself. It seems unlikely that Congress was truly able to resolve all budget and debt ceiling issues but the stock market was still able to move higher. It seems unreasonable to us, at least, to debate and analyze over when the Federal Open Market Committee will reduce the pace of asset purchases and by what amount with the belief that the answer will ultimately vary by only a few months and a few billion dollars. There are also questions surrounding domestic issues – the attempted launch of the Affordable Care Act comes to mind – and international concerns to consider when formulating an investment opinion. How can anyone possibly be expected to know the answers to all these questions as well as the impact they will have on the financial markets?

We are happily willing to forego such an attempt and choose, instead, to rely on our investment process of identifying good companies by way of leveraging our proven quantitative model with a thorough fundamental review designed to verify the output of our quantitative model. This deep understanding of our model and strict application of our process has benefited our performance historically and we strive to adhere to and improve our process going forward.

For the period, your portfolio returned 10.64%, which compares to the 10.01% return of the Russell 1000[®] Value Index. Success in four sectors and strength in traditional valuation factors contributed to our performance.

Continuing on from the third quarter, stock selection within the Industrials, Health Care, and Information Technology sectors had significant positive impact. The Consumer Discretionary sector also added strong positive stock selection to the portfolio this quarter. Stock selection in the Financial and Utilities sectors negatively impacted performance for the quarter. The strongest contributors to your portfolio over the last quarter included Micron Technology, United Rentals, and Generac Holdings. Micron, a manufacturer of computer memory, was the second best performing stock in the S&P 500 this year thanks in part to a supply glut caused by a fire at a major Korean competitor's manufacturing facility. This event, coupled with renewing contracts for DRAM in Apple devices, led to strong analyst activity revising estimates upward and improving the valuation profile on a price to forward earnings basis. United Rentals benefitted from strong

demand in non-residential construction and posting their strongest EBITDA margins ever in the third quarter. Generac Holdings once again surpassed analyst expectations thanks to growing demand for backup power generators as power outages and severe weather patterns continue to make headlines.

Valuation factors dominated performance over the last quarter with traditional valuation metrics leading the way. Price to sales was the strongest performing single factor with price to cash flow, price to book, and price to forward earnings rounding out the list of top performers. The strong performance of valuation factors was widely noted in the quant community in the fourth quarter. Earnings quality and leverage also contributed positively to performance. Earnings surprise and dividend related factors were the weakest performers.

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. 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® 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