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NorthPointe Capital, LLC
Large Cap Value
4th Quarter 2016

Looking back on 2016 reminds us that the investing environment was anything but boring. The year witnessed perhaps two of the largest political surprises in recent memory, with Britain voting to leave the European Union in June and the election of Donald Trump as President of the United States in November. Each event was contrary to the general expectation at the time and each event, however briefly, caused weakness in the broader stock market indices.

After quite a weak start to the year brought on by concerns of a global slow down, the overall markets were marginally positive leading up to the U.S. presidential election. The surprise victory of the Republican candidate sparked a nearly 10% rally in the markets through the end of the year.

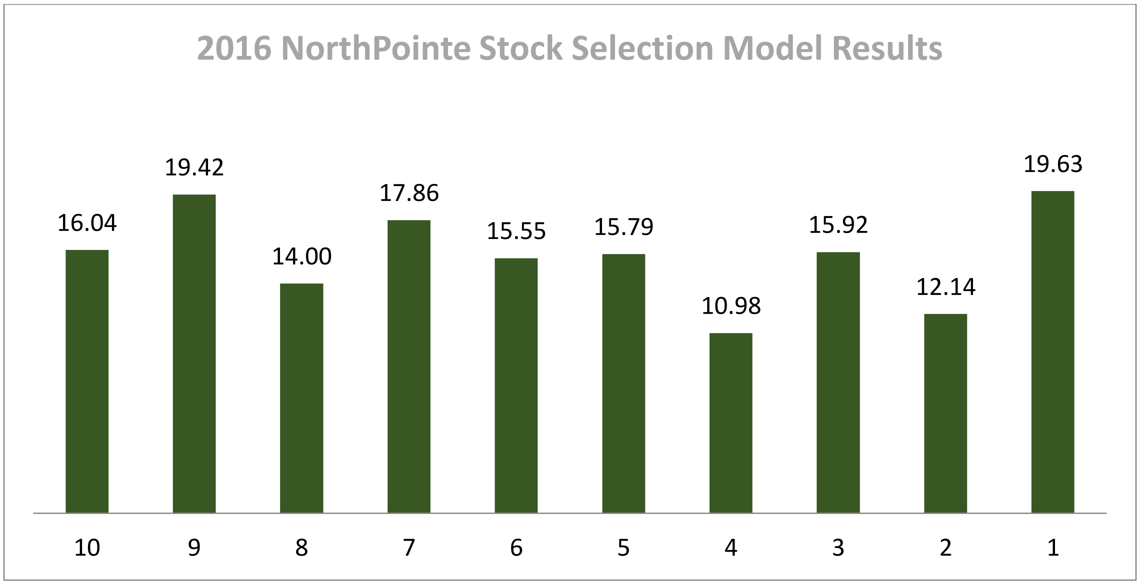
Fortunately for our clients, Value investing dominated the year end discussion in 2016 as investors with exposure to the financial sector had outsized returns. The prospect of higher interest rates and less regulations contributed to that sense of optimism in the financial stocks. Value significantly outperformed their peers on the growth side. The Russell 1000® Value Index returned 6.68% and 17.34% for the fourth quarter and full year, respectively, while the Russell 1000® Growth Index had gains of 1.01% and 7.08%.

Your portfolio rallied late in the fourth quarter as our stock selection almost overcame a slow start in October and early November. The NorthPointe Large Cap Value Composite returned 6.03%, which compares to the 6.68% return of the Russell 1000® Value Index. Two portfolio holdings, Xerox and Tyson Foods, accounted for more most of the underperformance. Xerox's valuation attracted us to the security. The stock fell roughly 13% in the fourth quarter after disappointing on the top line and guiding earnings lower. We held on to the position because the selling seemed overdone given the cheapness of the shares. At year end the company announced its anticipated decision to split into two separate companies had finalized. Xerox is now up significantly, north of 20%, in the first week of 2017. With the value of Xerox having been unlocked, we have exited the position of both companies, Xerox and the newly formed Conduent. Tyson Foods, a food company operating Chicken, Pork, Beef and Prepared Food segments, came under pressure due to a miss of earnings expectations and claims of the price of Chicken being artificially manipulated by a handful of poultry companies. We continue to own Tyson as the sharp selloff seems excessive and Tyson's valuation, selling at less than 13 times this year's projected earnings looks attractive to us. We will continue to monitor the position. A bright spot in the portfolio was the Industrial Sector, where the machinery stocks held added north of 30 basis points of value. Terex, Oshkosh, and AGCO all returned more than 15% during the quarter off the expectation that a Trump administration will be good for industrial spending and businesses.

For the year 2016, the portfolio returned 12.75%, which compares to the 17.34% return of the benchmark. The story of 2016's underperformance begins in the following three economic sectors: Energy, Finance, and

Information Technology. Each of these three sectors detracted roughly 100 basis points of value add. Our clients have enjoyed an extended period of outperformance in the Energy sector of almost 8.00% since 2010. The 1% of "give back", while not welcome, is understandable. The portfolio had long been positioned to be overweight Refiners and underweight Exploration and Production companies. Given the duress in the oil patch, this positioning made sense to us. We have been anticipating the day would come when it would become appropriate to increase our positions in Exploration and Production and decrease the capital allocated to Refiners. The time to reallocate would be when it became reasonable to expect a return to profitability in the Exploration and Production industry. That day came with the stabilization of the oil market on the back of OPEC's production cut agreement. The difficulty in the Financial sector occurred mostly in the first quarter of the year and has begun to improve in the most recent period. The relative underperformance in Finance can be explained by the fund's two former holdings in Consumer Finance: Santander Consumer USA Holdings and OneMain Holdings. These two stocks sold off in the first quarter on concerns of the risk of the economy falling into recession. We were of the thinking that the underlying business fundamentals of these companies had deteriorated faster than their stock prices and thus they were sold from the portfolio. Judging the quality of a sale can be a difficult task, however these two sales seemed to have helped the portfolio. Historically, the Information Technology sector has presented challenges for us. Several years ago, we improved and enhanced our methods for picking Technology stocks. These improvements seemed to have translated into improved performance of our Fast Growth Stock Selection model. Already this new year we have witnessed the value creation of previously discussed portfolio holding, Xerox.

What does our Large Cap Value experience tell us? Historically the portfolio has outperformed over several time periods including 60% on a quarterly basis, 73% over one year time periods, 96% over rolling 3 years, and 100% of the time over rolling five years. This consistency invariable will include individual shorter intervals of underperformance. In other words, quarters like we experienced this year, we have experienced in the past. What made this year different was the duration of the underperformance. Why did this happen this year? The cornerstone of our investment process, our stock selection model, was not as effective in differentiating between winners and losers. The chart below depicts the performance of the model for 2016. By way of explanation, the higher the ranking, the more attractive the stock is to us. While we would like our signals to always be accurate in differentiating winners and losers, this year was an exception.



Source: Factset. 2016 returns for equally weighted baskets of Alpha Decile's rebalanced monthly. returns for the model (NorthPointe Large Cap universe which consists of the largest 1000 US equities) and they do not constitute investment performance for our clients. Model results are for illustrative purposes only and do not reflect actual trading. Additionally, these results may not account for the effect of material market, or economic conditions on the results portrayed. Model results do not reflect the deduction of advisory fees or brokerage costs that a client would have actually paid. Model results are based on past performance history and therefore may not be indicative of future results. Information is supplemental.

What else contributed to this year? One factoid that jumped off the page was that the companies with the highest probability of default outperformed the companies with the lowest probability of default in **each** quarter of 2016. Stocks with a high probability of default are low quality and thus are not a typical part of the market in which we participate. It has been our experience that investing in low quality companies is an unstainable path to investment success. We believe that superior value investing needs to be coupled high quality to maximize the opportunity to outperform. This notion is not new. The father of value investing, Benjamin Graham, in his "last will" developed a screen to find attractive stock investments. The ten criteria contained five valuation metrics and five measures of high quality. We expect this recent trend of low quality leadership to end and the return to high quality leadership to re-emerge.

Given our challenges of this past year, we thought it would be helpful to reflect on prior success and share some of observations with you. Over the sixteen plus years that we have been managing this strategy we have seen many challenging markets and economic backdrops. Yet, our adaptive approach to stock selection has allowed us to meet this challenge time and time again. 2010 was the last time the portfolio had underperformed for a calendar year. In mid-2010, the portfolio was being challenged in a manner like now. The portfolio had lagged for 3 of the proceeding 4 quarters and a dramatic change in Washington was about to occur with the Republicans taking back control of the U.S. House of Representatives with the mid-term elections. We re-read several of our letters to our clients. We noted some relevant comments worth sharing. At the end of the 2nd quarter 2010, we wrote, "our style of investing was challenged during the period, the benefits of the adaptive nature of our investment process should become visible as we progress through the second half of the year." Fast forward to mid-2011 one would have read this in our midyear letter: "The adaptive nature of our investment process extended its visibility from the second half of 2010 into the first half of 2011. We have felt 2011 will prove to be a high value added year and thus far it has played out that way." The returns experienced from 2011-2015 were significantly positive, demonstrating the bounce back ability of this strategy. We are of the strong belief that our investment process will once again allow us to discriminate between winners and losers.

The next chart, which depicts our historical record, demonstrates that performance has been challenged in the past and has been highly resilient. While we have experienced challenging periods in the past, the portfolio has always rebounded. We have done so by staying true to our process and resisting the urge to do something different.

Source: STP Investment Services. Since inception composite results (gross) for the Large Cap Value composite. Results depict annualized 5-year excess return versus the Russell 1000® Value Index. The Russell 1000® Value is the benchmark for this strategy. Please see additional Disclosure Statement at the end of the presentation for important information.

Our strict adherence to our investment process has always been the mechanism that rights the ship. It is during times of stress that the temptation to be reactionary rather than thoughtful is at its greatest. Adherence to discipline prevents an investment manager from compounding the underperformance by giving into impulsive decision making.

Looking forward, we remain confident in our ability to add value. We are focused on finding unique large cap companies that can grow their business and whose stock price trades below its intrinsic value. The current portfolio is currently selling at a multiple of 14.55 times its twelve month forecasted earnings, which compares to the 16.29 multiple for the strategy's benchmark. The fund has a ROE ratio, return on Equity, of 12.6% vs. 9.7% for the benchmark. The portfolio contains 81 securities at quarter end that have been brought together in a disciplined fashion. The portfolio management team believes the portfolio is positioned to perform strongly.

This letter cannot be complete with mentioning the seismic event that was the 2016 U.S. Presidential Election. As unlikely as this event may have been, the election of Donald Trump to the highest office in the land could turn out to be one of the most significant events in recent memory. A Washington outsider is set to become the President of the United States. A non-ideological President that will not be wed to one party or the other. Pro-growth policies could be enacted the would have tremendous benefit to the markets and the economy. It brings some comfort in knowing that the portfolio has responded favorably since the election. The portfolio added roughly 70 basis points of alpha from election night into year end.

We have some exciting developments to share with you on matters pertaining to our firm, NorthPointe Capital. 2016 was not just a year of growth in our firm by way of assets, we added a new team member to our NorthPointe family. Lance Johnson was brought on board to bolster our distribution capabilities in Independent Financial Advisor channel and to manage the sales efforts of our NorthPointe branded mutual funds. Along these lines, we are excited about the prospects of Mike Hayden, our CEO, launching an independent third party marketing firm that will bring our investment offerings to a larger audience. From a personnel perspective, Jon Ahwal, our equity trader, passed the CFA Level 1 exam. We are proud of our commitment to professional excellence. Currently, seven members of our team are CFA Charterholders. Finally, John Pearce, our Director of Quantitative Research, is doing his part to help grow the NorthPointe Family. John and his wife, Tara, are expecting their first child this spring!

We wish you all the best in 2017!

Sincerely,

Peter Cahill, CFA
CIO, Portfolio Manager

See disclosures on next page

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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