

# Large Cap Value Equity Strategy



**N**orthPointe Capital®, LLC is a domestic-equity money management firm dedicated to serving the investment needs of institutions and high-net-worth individuals.

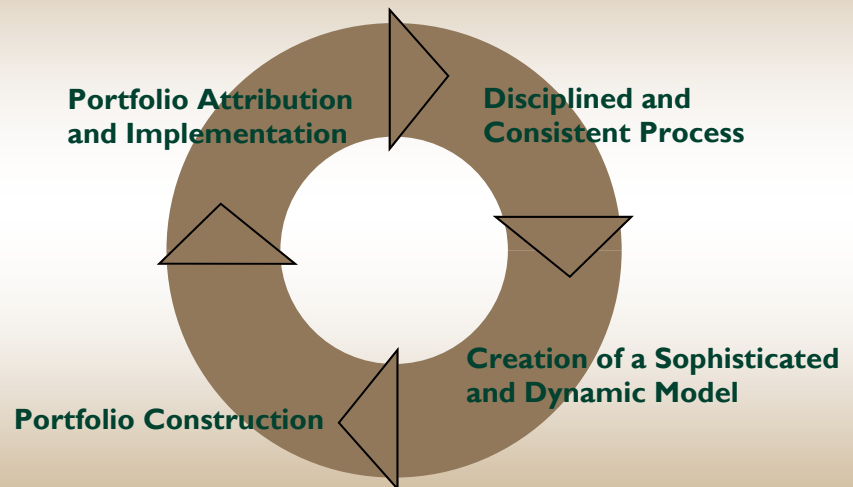
NorthPointe is committed to:

- Strict adherence to our investment philosophy and process
- Accurate and dynamic implementation of that process
- Superior client communications

*We believe the key to successful active management in the large capitalization segment of the domestic equity market is the consistent use of a quantitative stock selection model. Because large companies are highly visible and well followed by analysts, it is difficult to add value through traditional methods alone. Our model is dynamic, with factor weightings adjusted to reflect current market conditions.*

*Once a company has passed our rigorous quantitative process, we overlay a fundamental review. It is during our fundamental review that we reaffirm our conviction about a company's prospects. We utilize our quantitative discipline in constructing and managing the portfolio to eliminate unwanted risk.*

## NorthPointe's Large Cap Value Equity Strategy



## Philosophy and Strategy

We believe the key to successful active management in the large capitalization segment of the domestic equity market is the consistent use of a quantitative stock selection model. Because large companies are highly visible and well followed by analysts, it is difficult to add value through traditional methods alone. Our investment strategy has three main components:

The first and most important component is our highly sophisticated quantitative model. Our quantitative screens filter the large capitalization universe based on characteristics shared by highly performing companies. These include consistent earnings growth, attractive valuation and balance sheet strength.

The most critical aspect of our model is factor selection, which is highly attuned to the industry in which a company operates. The company is assigned to one of four subgroups based on its business and industry. The four subgroups are interest rate sensitive, economically sensitive, stable growth, and high growth. We then weight the relevant factors for each stock in our universe before establishing the ranking system. Our model is dynamic, with factor weightings adjusted to reflect current market conditions.

Once a company has passed through our rigorous quantitative model, the second stage of our process is a fundamental review. The purpose of this phase is to validate and verify the model output and to identify company specific risks that may not be incorporated in our quantitative work. It is during our fundamental analysis that we reaffirm our conviction about a company's prospects.

The final element of our strategy is portfolio construction, with an emphasis on risk awareness. We will generally remain fully invested in large companies and relatively sector neutral. We utilize our quantitative discipline in constructing and managing the portfolio to eliminate unwarranted risk.

For Institutional Investors Only

# Large Cap Value Equity Portfolio Focus

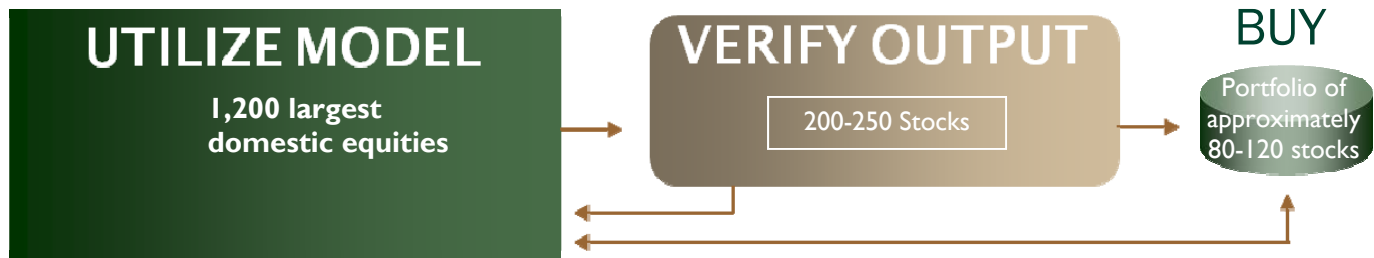
On behalf of our clients, we seek to identify and participate in the significant opportunities within the large cap segment of the equity universe, we:

- ◆ Strive to provide superior returns via active portfolio management
- ◆ Utilize sophisticated quantitative techniques to identify opportunities
- ◆ Seek to validate model output through fundamental analysis
- ◆ Leverage strong quantitative discipline to control portfolio risk

*“At NorthPointe Capital, we believe a strong quantitative discipline is of critical importance in large-cap investing. Our sophisticated model emphasizes stock selection.”*

**Peter J. Cahill, Portfolio Manager**

## Portfolio Construction Process



Phase One: Quantitative Analysis Stock Selection Model	
<p><b>Sophisticated Quantitative Model</b></p> <p>Factors include:</p> <ul style="list-style-type: none"> <li>◆ Valuation</li> <li>◆ Earnings Momentum</li> <li>◆ Profitability Trends</li> <li>◆ Price Momentum</li> </ul>	<p><b>Model</b></p> <ul style="list-style-type: none"> <li>◆ Dynamic Factor Weighting</li> <li>◆ Emphasis on Strongest Factors</li> </ul>

Phase Two: Fundamental Research
<p><b>Fundamental Review Due Diligence</b></p> <ul style="list-style-type: none"> <li>◆ Business Risk</li> <li>◆ Political Risk</li> <li>◆ Legal Risk</li> <li>◆ Industry Challenges</li> </ul>

Phase Three: Quantitative Review
<p><b>Buy When Appropriate; Control for Risk</b></p> <ul style="list-style-type: none"> <li>◆ Risk Awareness</li> <li>◆ Sector Weighting</li> <li>◆ Portfolio Characteristics</li> <li>◆ Implementation</li> <li>◆ Attribution Analysis</li> </ul>

# Active Management Utilizing Quantitative Research

*“Our quantitative discipline is essential in identifying investment candidates worthy of fundamental review. Our fundamental work reaffirms our conviction in a stock.”*

**Peter J. Cahill, Portfolio Manager**

## Ongoing Portfolio Management Our Sell Discipline

When will we **SELL** or **TRIM** positions?

When will we continue to **HOLD** a stock?

### STOCKS MEETING EXPECTATIONS

#### Key Variables:

- ◆ Positive Alpha
- ◆ Attractive Portfolio Consideration
- ◆ Lack of Quality Alternatives

### STOCKS NOT MEETING EXPECTATIONS

#### Key Variables:

- ◆ EPS Miss
- ◆ Earnings Estimate Reduction
- ◆ Profitability Change
- ◆ Earnings Quality
- ◆ Earnings Trend

### STOCKS HIT VALUATION TARGETS

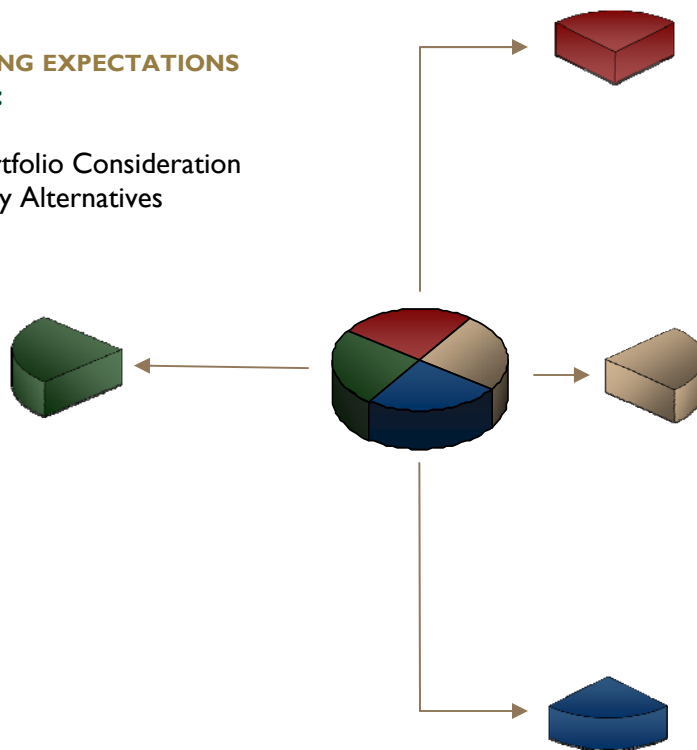
#### Key Variables:

- ◆ Discounted Cash Flow Model
- ◆ Forward P/E
- ◆ Price/Free Cash Flow
- ◆ Sector Weighting  
P/B, P/S, Trailing P/E

### BETTER ALTERNATIVES IDENTIFIED

#### Key Variables:

- ◆ More Attractive Alpha
- ◆ Active Weight Considerations
- ◆ Portfolio Drift
- ◆ Benchmark Composition



*“Our quantitative discipline seeks to eliminate biases and maintains sector exposures to control portfolio risk.”*

# Professional Biographies



**Peter J. Cahill, CFA**  
**CIO**  
NorthPointe Capital, 2000–Present,  
Portfolio Manager  
Loomis, Sayles & Company, 1997–2000,  
Vice President and Director of Quantitative  
Research  
Bank America, 1993–1997, Quantitative Analyst  
B.S., 1992, University of Notre Dame



**John Pearce**  
**Research Analyst**  
NorthPointe Capital, 2011 - Present,  
Research Analyst  
B.S., 2011, Albion College



**Michael P. Hayden, CFA**  
**CEO**  
NorthPointe Capital, 2000–Present,  
Managing Director  
Loomis, Sayles & Company, 1996–2000,  
Vice President of Marketing/Client Service  
New York Life, 1992–1996, Managing Director  
Travelers, 1981–1992, Vice President  
B.S., 1980, Pennsylvania State University



**Sean Smyth**  
**Equity Trader**  
NorthPointe Capital, 2007-Present, Equity Trader  
Hold Brothers Online, 2006-2007,  
Proprietary Trader  
Rafferty Asset Management, 2005-2006,  
Head Trader  
NWD Investments, 2000-2005, Equity Trader,  
Manager Trading Operations  
Morgan Stanley Investment Management, 1997-2000,  
Mutual Fund Analyst  
PNC Financial Services, 1993-1997,  
Manager Mutual Fund Accounting  
B.S., 1993, Seton Hall University



**Dave Nowak**  
**Research Analyst**  
NorthPointe Capital, 2008 - Present,  
Research Analyst  
Park West Gallery, 2006 - 2008,  
Director of Information Technology  
The Bing Group, LLC, 1994 - 2006, Vice President,  
IS and Business Systems  
American/SCI, 1992 - 1994, Analyst  
B.A., 1996, University of Michigan  
M.A., 1998, Oakland University  
MBA, 2005, Lawrence Technological University

NorthPointe Capital®, LLC (NorthPointe), located in Troy, Michigan, is an asset management firm. NorthPointe is a registered investment adviser with the Securities and Exchange Commission and provides investment services to institutional investors through separate accounts, mutual funds and wrap accounts.