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March 25, 2014

This Brochure provides information about the qualifications and business practices of NorthPointe Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at 248.457.1200 or [www.northpointecapital.com](http://www.northpointecapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

NorthPointe Capital, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about NorthPointe Capital, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

NorthPointe's Brochure was last updated in March 2014.

There have been no other material changes to this brochure since the prior update in March 2013.

In the future, this Item will discuss specific material changes that are made to the Brochure, and it will provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures, or alternatively, provide you with the then current Brochure, within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Ken Kosiorek, Manager of Client Services at 248.457.1200 or [kkosiorek@northpointecapital.com](mailto:kkosiorek@northpointecapital.com). Our Brochure is also available on our web site [www.northpointecapital.com](http://www.northpointecapital.com), also free of charge.

Additional information about NorthPointe Capital, LLC (hereafter referred to as "NorthPointe") is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with NorthPointe who are registered, or are required to be registered, as investment adviser representatives of NorthPointe.

### Item 3 - Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	5
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9 – Disciplinary Information .....	13
Item 10 – Other Financial Industry Activities and Affiliations .....	14
<a href="#">Item 11 – Code of Ethics .....</a>	14
Item 12 – Brokerage Practices .....	16
Item 13 – Review of Accounts .....	19
Item 14 – Client Referrals and Other Compensation .....	20
Item 15 – Custody .....	20
Item 16 – Investment Discretion .....	20
Item 17 – Voting Client Securities.....	21
Item 18 – Financial Information.....	22

#### Item 4 – Advisory Business

NorthPointe Capital, LLC (“NorthPointe”), is a wholly-owned subsidiary of NorthPointe Holdings LLC.

NorthPointe, a boutique domestic equity institutional management firm, began managing assets in January 2000 after being formed on November 12, 1999. Initially, the founding partners launched a suite of small to mid-value strategies relying on traditional investment techniques and a second suite of equity strategies relying more on quantitative techniques. In April, 2002 NorthPointe had a unique opportunity to extend our small to mid-cap brand by recruiting a well-regarded team of growth investors. This Growth team launched our suite of micro, small and mid-cap growth equity portfolios.

Currently, NorthPointe’s dedicated team of investment professionals manage a traditional series of micro-cap, small cap, and large cap portfolios across the style spectrum, i.e., value, core and growth. Additionally, we build “customized” portfolios for clients looking for a less constrained strategy.

On September 28, 2007, NorthPointe completed its management buyout of our former strategic partner and investor, Nationwide Insurance. As a result of this transaction, NorthPointe is now an employee owned firm controlled by the firm's ten partners. The ownership percentages are widely distributed with no one individual owning more than 20% of the firm.

NorthPointe provides investment supervisory services relating to various investment strategies in equity securities. The services provided include managing the investment and reinvestment of assets, executing portfolio transactions and furnishing reports with respect to investments. Management of client accounts is performed through advice and recommendation pursuant to established investment policies, the purchase and sale of securities, and overall resource management.

NorthPointe manages assets on behalf of individual or institutional clients in separately managed accounts. These accounts are custodied at banks, brokerage firms or other qualified custodians.

NorthPointe’s clients may include, but are not limited to: individuals, including high net worth individuals, registered investment companies (“Funds”), pension and profit sharing plans, corporate investment capital and surplus capital accounts, domestic governmental entities, investment advisers, insurance companies, colleges, hospitals, charitable organizations,

endowment funds, foundations, estates, trusts, holding companies, commingled trusts, and Keogh and IRA rollover accounts.

Where NorthPointe provides investment supervisory services to accounts, including Funds, it may act as a sub adviser with respect to all or a portion of an account's assets. Investment advice to Funds is based on the investment objectives and restrictions that is detailed in each Fund's prospectus. The compensation payable by each Fund is the basic fee schedule as also detailed in its prospectus.

NorthPointe tailors its advisory services to the individual needs of clients. In addition, Clients may seek to tailor portfolios through more focus, less diversification, or style blending. Clients may impose restrictions on investing in certain securities or types of securities. NorthPointe uses a robust trading system that has a compliance function built in which allows client investment guideline restrictions to be coded into the system to help prevent violations.

Consistent with applicable law, NorthPointe has adopted rules which seek to allocate investment opportunities to all accounts on a fair and equitable basis. NorthPointe may make recommendations and take action with respect to a particular account or Fund that may be the same or different from the recommendations made for other accounts or Funds.

As of December 31, 2013, NorthPointe managed \$1,180,927,000 in client assets on a discretionary basis.

## **Item 5 – Fees and Compensation**

All fees are subject to negotiation. The specific manner in which fees are charged by NorthPointe is established in a client's written agreement with NorthPointe. Except as described below, fees are generally paid quarterly or monthly in arrears, as negotiated and described in each investment advisory agreement. Clients are generally billed directly for fees. However some Clients may direct us to concurrently bill their custodian as well. In case of the latter, clients will always receive a copy of the invoice as well.

Management fees shall generally be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

NorthPointe's fees do not include brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Client. Clients may incur certain charges

imposed by custodians, brokers, banks, trust departments, third party investment advisors and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a Fund's prospectus.

Such charges, fees and commissions are not included in and are in addition to NorthPointe's fee. Item 12 further describes the factors that NorthPointe considers in selecting or recommending broker-dealers for *client* transactions, for determining the reasonableness of their commissions, and the application of soft dollars used for research.

Contracts between NorthPointe and non-investment company clients who contract for fee-plus-commission services ("Standard Fee Clients") may be terminated upon written notice as negotiated and stated in the advisory agreement. The fees for advisory supervisory services to its non-investment company Standard Fee accounts are described below. Fees and minimum portfolio size can vary from the schedules below and may be negotiated based upon factors that include, but are not limited to, the Client's country of residence, amount and/or composition of assets involved, range and extent of services provided and whether the client currently has assets managed by NorthPointe or is an employee of NorthPointe. Moreover, fees and other account requirements may vary as a result of prior policies and the date the account opened. Fees may also vary depending on the strategy, account type and services. Other pricing relationships, typically involving multiple accounts, services or products, also may be offered to certain clients.

**Value Equity Platform**

<b><u>Small Cap Value Equity</u></b>	<b><u>Small-Mid Cap (SMID) Value Equity</u></b>
1.00% on the first \$10 million	0.80% on the first \$10 million
0.80% on the next \$40 million	0.70% on the next \$40 million
0.60% on the next \$50 million	0.50% on the next \$50 million
Negotiable on value over \$100 million	Negotiable on value over \$100 million
Minimum account size: \$10 million	Minimum account size: \$10 million

**Value Equity Platform (con't)**

<b><u>Focused Small Cap Value Equity</u></b>	<b><u>Micro Cap Value</u></b>
1.00% on the first \$50 million	1.25% on the first \$100 million
0.75% on the next \$50 million	Negotiable on value over \$100 million
Negotiable on value over \$100 million	Minimum account size: \$10 million
Minimum account size: \$10 million	

**Opportunistic Equity Platform**

<b><u>Large Cap Value Equity</u></b>	<b><u>Small Cap Core</u></b>
0.60% on the first \$10 million	1.00% on the first \$10 million
0.45% on the next \$40 million	0.80% on the next \$40 million
0.35% on the next \$50 million	0.60% on the next \$50 million
Negotiable on value over \$100 million	Negotiable on value over \$100 million
Minimum account size: \$5 million	Minimum account size \$10 million

<b><u>Concentrated Small Cap Equity</u></b>	
1.00% on the first \$25 million	
0.85% on the next \$25 million	
0.80% on the next \$50 million	
Negotiable on value over \$100 million	
Minimum account size \$10 million	

### **Growth Platform**

<b><u>Micro Cap Equity</u></b>  1.25% on the first \$100 million  Negotiable on value over \$100 million  Minimum account size: \$5 million	<b><u>Small Cap Growth Equity</u></b>  1.00% on the first \$10 million  0.80% on the next \$40 million  0.60% on the next \$50 million  Minimum account size: \$10 million
<b><u>Small-MidCap ("SMID") Growth Equity</u></b>  1.00% on the first \$10 million  0.80% on the next \$40 million  0.60% on the next \$50 million  Negotiable on value over \$100 million  Minimum account size: \$10 million	<b><u>Focused Small Cap Growth Equity</u></b>  1.00% on the first \$50 million  0.75% on the next \$50 million  Negotiable on value over \$100 million  Minimum account size: \$10 million

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

In some cases, NorthPointe has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. NorthPointe will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 ("The Advisors Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

In measuring clients' assets for the calculation of performance-based fees, NorthPointe includes realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for NorthPointe to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. These fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.



NorthPointe has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. NorthPointe typically does not enter into these arrangements, and generally only at client request, but may do so in its sole discretion provided that all legal and regulatory requirements that apply to those arrangements are met.

NorthPointe does not have any Side-by-Side Management arrangements (when a manager also manages hedge funds).

## **Item 7 – Types of Clients**

NorthPointe's clients may include, but are not limited to: individuals (including high net worth individuals), registered investment companies ("Funds"), pension and profit sharing plans, corporate investment capital and surplus capital accounts, domestic governmental entities, investment advisers, insurance companies, colleges, hospitals, charitable organizations, endowment funds, foundations, estates, trusts, holding companies, commingled trusts, investment partnerships sponsored by NorthPointe, and Keogh and IRA rollover accounts. Minimum account size information is detailed in Item 5 above, and may be modified in client specific situations.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear.

NorthPointe generally seeks long-term capital appreciation for client accounts through investment in common stocks or their equivalent. The risks of these types of securities is outlined below.

Certain investment strategies may focus on particular capitalization ranges of the market, e.g., small company stocks, large capitalization stocks, etc. Depending upon the investment strategy selected by the client, NorthPointe may manage an account pursuant to a growth style of investing, i.e., seeking equity securities of companies that NorthPointe believes have above-average rates of earnings growth, or a value style of investing, i.e., seeking equity securities that NorthPointe believes are undervalued in the market relative to their intrinsic value, and which may be experiencing poor operating conditions that NorthPointe believes to be temporary.

Trading in client accounts may be long-term or short-term. Depending on the investment objective selected and level of customization involved, annual portfolio turnover or trades executed annually for the account may be substantial or minimal and various methods of analysis may be used. For equity portfolios, NorthPointe conducts fundamental or other economic analysis to develop “target” portfolios of securities, from which securities may be added or removed depending on the particular client’s investment guidelines.

Advice to clients is based on the investment objectives and restrictions as set forth in the prospectus, offering memorandum, private placement memorandum or Advisory agreement.

## **Risks**

**Equity Securities.** Equity securities represent ownership interests in a company or partnership and consist of common stocks, preferred stocks, warrants to acquire common stock, securities convertible into common stock, and investments in master limited partnerships. Investments in equity securities in general are subject to market risks that may cause their prices to fluctuate over time. Fluctuations in the value of equity securities in which an account invests will cause the market value of the account to fluctuate. NorthPointe purchases equity securities traded in the United States on registered exchanges or the over-the-counter market for its advisory accounts. Equity securities are described in more detail below:

- **Common Stock.** Common stock represents an equity or ownership interest in an issuer. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of bonds and preferred stock take precedence over the claims of those who own common stock.
- **Preferred Stock.** Preferred stock represents an equity or ownership interest in an issuer that pays dividends at a specified rate and that has precedence over common stock in the payment of dividends. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of bonds take precedence over the claims of those who own preferred and common stock.
- **Exchange-Traded Funds.** An ETF is a fund whose shares are bought and sold on a securities exchange as if it were a single security. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> (“QQQs<sup>SM</sup>”), and iShares<sup>®</sup>. NorthPointe could purchase an ETF to temporarily gain exposure to a portion of the U.S. or foreign market while awaiting an opportunity to purchase securities directly. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more

volatile than the underlying portfolio of securities and ETFs have management fees that increase their costs versus the costs of owning the underlying securities directly. See also “Securities of Investment Companies” below.

- **Warrants.** Warrants are instruments that entitle the holder to buy an equity security at a specific price for a specific period of time. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments.
- **Convertible Securities.** Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted or exchanged (by the holder or by the issuer) into shares of the underlying common stock (or cash or securities of equivalent value) at a stated exchange ratio. A convertible security may also be called for redemption or conversion by the issuer after a particular date and under certain circumstances (including a specified price) established upon issue. If a convertible security held by a Fund is called for redemption or conversion, the Fund could be required to tender it for redemption, convert it into the underlying common stock, or sell it to a third party.

Convertible securities generally have less potential for gain or loss than common stocks. Convertible securities generally provide yields higher than the underlying common stocks, but generally lower than comparable non-convertible securities. Because of this higher yield, convertible securities generally sell at a price above their “conversion value,” which is the current market value of the stock to be received upon conversion. The difference between this conversion value and the price of convertible securities will vary over time depending on changes in the value of the underlying common stocks and interest rates. When the underlying common stocks decline in value, convertible securities will tend not to decline to the same extent because of the interest or dividend payments and the repayment of principal at maturity for certain types of convertible securities. However, securities that are convertible other than at the option of the holder generally do not limit the potential for loss to the same extent as securities convertible at the option of the holder. When the underlying common stocks rise in value, the value of convertible securities may also be expected to increase. At the same time, however, the difference between the market value of convertible securities and

their conversion value will narrow, which means that the value of convertible securities will generally not increase to the same extent as the value of the underlying common stocks. Because convertible securities may also be interest-rate sensitive, their value may increase as interest rates fall and decrease as interest rates rise. Convertible securities are also subject to credit risk, and are often lower-quality securities.

Certain accounts may also choose to invest in zero coupon convertible securities. Zero coupon convertible securities are debt securities which are issued at a discount to their face amount and do not entitle the holder to any periodic payments of interest prior to maturity. Rather, interest earned on zero coupon convertible securities accretes at a stated yield until the security reaches its face amount at maturity. Zero coupon convertible securities are convertible into a specific number of shares of the issuer's common stock. In addition, zero coupon convertible securities usually have put features that provide the holder with the opportunity to sell the securities back to the issuer at a stated price before maturity. Generally, the prices of zero coupon convertible securities may be more sensitive to market interest rate fluctuations than conventional convertible securities.

- **Micro and Small-Capitalization Issuers.** Investing in equity securities of micro and small capitalization companies often involves greater risk than is customarily associated with investments in larger capitalization companies. This increased risk may be due to the greater business risks of smaller size, limited markets and financial resources, narrow product lines and frequent lack of depth of management. The securities of micro and smaller companies may be traded in the over-the-counter market or on a national securities exchange; however, they may not be traded in volumes typical for that exchange. Consequently, the securities of micro and smaller companies are less likely to be as liquid as larger cap companies' stock, may have limited market stability, and may be subject to more abrupt or erratic market movements than securities of larger, more established growth companies or the market averages in general.
- **Initial Public Offerings ("IPOs")** – NorthPointe may invest a portion of account assets in securities of companies offering shares in IPOs. IPOs may have a magnified performance impact on an account with a small asset base. Because IPO shares frequently are volatile in price, an account may hold IPO shares for a very short period of time. This may increase the turnover of an account's portfolio and may lead to increased expenses for an account, such as commissions and transaction costs. As with any security, by selling IPO shares, an account may realize taxable gains. In addition, the market for IPO shares can be speculative and/or inactive for extended periods of time. The limited number of shares available for trading in some IPOs may make it more

difficult for an account to buy or sell significant amounts of shares without an unfavorable impact on prevailing prices. Holders of IPO shares can be affected by substantial dilution in the value of their shares, by sales of additional shares and by concentration of control in existing management and principal shareholders.

An account's investment in IPO shares may include the securities of unseasoned companies (companies with less than three years of continuous operations), which presents risks considerably greater than common stocks of more established companies. These companies may have limited operating histories and their prospects for profitability may be uncertain. These companies may be involved in new and evolving businesses and may be vulnerable to competition and changes in technology, markets and economic conditions. They may be more dependent on key managers and third parties and may have limited product lines.

- **Interests in Publicly Traded Limited Partnerships.** Accounts that invest in U.S. common stock may also invest in interests in publicly traded limited partnerships (limited partnership interests or units) which represent equity interests in the assets and earnings of the partnership's trade or business. Unlike common stock in a corporation, limited partnership interests have limited or no voting rights. However, many of the risks of investing in common stocks are still applicable to investments in limited partnership interests. In addition, limited partnership interests are subject to risks not present in common stock. For example, interest income generated from limited partnerships deemed not to be 'publicly traded' will not be considered 'qualifying income' under the Code and may trigger adverse tax consequences. Also, since publicly traded limited partnerships are a less common form of organizational structure than corporations, the limited partnership units may be less liquid than publicly traded common stock. Also, because of the difference in organizational structure, the fair value of limited partnership units in a Fund's portfolio may be based either upon the current market price of such units, or if there is no current market price, upon the pro rata value of the underlying assets of the partnership. Limited partnership units also have the risk that the limited partnership might, under certain circumstances, be treated as a general partnership giving rise to broader liability exposure to the limited partners for activities of the partnership. Further, the general partners of a limited partnership may be able to significantly change the business or asset structure of a limited partnership without the limited partners having any ability to disapprove any such changes. In certain limited partnerships, limited partners may also be required to return distributions previously made in the event that excess distributions have been made by the partnership, or in the event that the general partners, or their affiliates, are entitled to indemnification.

**American Depositary Receipts (“ADRs”)** – ADRs as well as other “hybrid” forms of ADRs, including European Depositary Receipts (“EDRs”) and Global Depositary Receipts (“GDRs”), are certificates evidencing ownership of shares of a foreign issuer. These certificates are issued by depository banks and generally trade on an established market in the United States or elsewhere. A custodian bank or similar financial institution in the issuer’s home country holds the underlying shares in trust. The depository bank may not have physical custody of the underlying securities at all times and may charge fees for various services, including forwarding dividends and interest and corporate actions. ADRs are alternatives to directly purchasing the underlying foreign securities in their national markets and currencies. ADRs are subject to many of the risks associated with investing directly in foreign securities. European Depositary Receipts are similar to ADRs, except that they are typically issued by European banks or trust companies.

ADRs can be sponsored or unsponsored. While these types are similar, there are differences regarding a holder's rights and obligations and the practices of market participants. A depository may establish an unsponsored facility without participation by (or acquiescence of) the underlying issuer; typically, however, the depository requests a letter of non-objection from the underlying issuer prior to establishing the facility. Holders of unsponsored depository receipts generally bear all the costs of the facility. The depository usually charges fees upon the deposit and withdrawal of the underlying securities, the conversion of dividends into U.S. dollars or other currency, the disposition of non-cash distributions, and the performance of other services. Sponsored depository receipt facilities are created in generally the same manner as unsponsored facilities, except that sponsored depository receipts are established jointly by a depository and the underlying issuer through a deposit agreement. The deposit agreement sets out the rights and responsibilities of the underlying issuer, the depository, and the depository receipt holders. With sponsored facilities, the underlying issuer typically bears some of the costs of the depository receipts (such as dividend payment fees of the depository), although most sponsored depository receipts holders may bear costs such as deposit and withdrawal fees. Depositories of most sponsored depository receipts agree to distribute notices of shareholder meetings, voting instructions, and other shareholder communications and information to the depository receipt holders at the underlying issuer’s request. The depository of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited security or to pass through, to the holders of the receipts, voting rights with respect to the deposited securities.

## **Risks of Foreign Securities:**

Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations may involve significant risks in addition to the risks inherent in U.S. investments.

**Political and Economic Factors** - Local political, economic, regulatory, or social instability, military action or unrest, or adverse diplomatic developments may affect the value of foreign investments. Listed below are some of the more important political and economic factors that could negatively affect an investment in foreign securities:

- The economies of foreign countries may differ from the economy of the United States in such areas as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency, budget deficits and national debt;
- Foreign governments sometimes participate to a significant degree, through ownership interests or regulation, in their respective economies. Actions by these governments could significantly influence the market prices of securities and payment of dividends;
- The economies of many foreign countries are dependent on international trade and their trading partners and they could be severely affected if their trading partners were to enact protective trade barriers and economic conditions;
- The internal policies of a particular foreign country may be less stable than in the United States. Other countries face significant external political risks, such as possible claims of sovereignty by other countries or tense and sometimes hostile border clashes; and,
- A foreign government may act adversely to the interests of U.S. investors, including expropriation or nationalization of assets, confiscatory taxation and other restrictions on U.S. investment. A country may restrict control foreign investments in its securities markets. These restrictions could limit the Fund's ability to invest in a particular country or make it very expensive for the Fund to invest in that country. Some countries require prior governmental approval and limit the types or amount of securities or companies in which a foreigner can invest. Other countries may restrict the ability of foreign investors to repatriate their investment income and capital gains.

**Options** - Clients may request, either as part of a hedging strategy or as part of an income strategy, that we purchase and sell options on behalf of their accounts. Purchasing and selling options involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security for a specific price at a certain time or during a certain period. Purchasing options involves the risk

that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss).

An option is a contract between two parties for the purchase and sale of a financial instrument for a specified price (known as the “strike price” or “exercise price”) at any time during the option period. Unlike a futures contract, an option grants a right (not an obligation) to buy or sell a financial instrument. Generally, a seller of an option can grant a buyer two kinds of rights: a “call” (the right to buy the security) or a “put” (the right to sell the security). Options have various types of underlying instruments, including specific securities, indices of securities prices, foreign currencies, interest rates and futures contracts. Options may be traded on an exchange (exchange-traded-options) or may be customized agreements between the parties (over-the-counter or “OTC” options). Like futures, a financial intermediary, known as a clearing corporation, financially backs exchange-traded options. However, OTC options have no such intermediary and are subject to the risk that the counter-party will not fulfill its obligations under the contract.

**Hedging Risk** – Clients may use derivative instruments for hedging purposes as noted above with respect to Options. Hedging through the use of these instruments does not eliminate fluctuations in the underlying prices of the securities that the Account owns or intends to purchase or sell. While entering into these instruments tends to reduce the risk of loss due to a decline in the value of the hedged asset, such instruments may also limit any potential gain that may result from the increase in value of the asset. To the extent that Client accounts engage in hedging strategies, there can be no assurance that such strategy will be effective or that there will be a hedge in place at any given time.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of NorthPointe or the integrity of NorthPointe’s management.

NorthPointe has not been subject to legal or disciplinary events in the conduct of its investment advisory activities.



## **Item 10 – Other Financial Industry Activities and Affiliations**

Prior to September 28, 2007, NorthPointe Capital was an affiliated party to Nationwide which held indirectly several registered investment advisers, various broker-dealers, insurance products, investment companies, and trust companies. As of September 28, 2007, NorthPointe Holdings LLC acquired the interest in NorthPointe owned by Nationwide. As a result, NorthPointe is no longer affiliated with Nationwide.

Neither NorthPointe nor any of its management persons have any other relationship or arrangement that is material to NorthPointe's advisory business.

## **Item 11 – Code of Ethics**

NorthPointe has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 of the Investment Advisers Act of 1940 in order to prevent persons who are actively engaged in investment advisory services or portfolio selection for clients from participating in fraudulent, deceptive or manipulative acts, practices or courses of conduct in connection with managing client accounts.

The Code establishes certain standards of business conduct to which certain persons of NorthPointe are expected to adhere. In particular, the Code is designed to uphold the following principles: (1) that NorthPointe's duty at all times is to place the interests of NorthPointe's clients first; (2) that all personal securities transactions conducted by an officer, member or employee of NorthPointe shall be conducted consistently with the provisions of the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of that individual's position of trust and responsibility; and (3) that NorthPointe's officers, members and employees shall not take inappropriate advantage of their positions with NorthPointe.

The Code outlines prohibited transactions and conduct by certain officers, members and employees of NorthPointe. The Code mandates that particular employees of NorthPointe submit holdings and transactions reports and certifications of compliance with the Code to NorthPointe's Chief Compliance Officer ("CCO") on an initial, quarterly and annual basis. The CCO is responsible for imposing appropriate sanctions for violations of the Code.

The Code also contains an insider trading provision that is designed to prevent the misuse of material, nonpublic information by NorthPointe and its officers, members and employees. The Code expressly forbids any officer, member or employee from either trading on material non-public information, or communicating material non-public information to others in violation of

federal law. All employees of NorthPointe must acknowledge the terms of the Code annually, or as amended.

NorthPointe anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which NorthPointe has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which NorthPointe, its affiliates and/or clients, directly or indirectly, have a position of interest. As mentioned above, NorthPointe's employees and persons associated with NorthPointe are required to follow NorthPointe's Code. Subject to satisfying the Code and applicable laws, officers, directors and employees of NorthPointe and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for NorthPointe's clients.

In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between NorthPointe and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with NorthPointe's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. NorthPointe will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

NorthPointe's clients or prospective clients may request a copy of NorthPointe's Code by contacting NorthPointe's Chief Compliance Officer, Terry H. Gardner, at 248.457.1593 or [tgardner@northpointecapital.com](mailto:tgardner@northpointecapital.com).

It is NorthPointe's policy that the firm will not effect any principal or agency cross securities transactions for client accounts. NorthPointe will also not cross trades directly between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, neither of which NorthPointe is or has. While it is possible that some accounts may at times be selling a security while other accounts are buying the same security, NorthPointe will execute all such trades through normal market means.

## **Item 12 – Brokerage Practices**

The practices and procedures described below are reflective of written policies and procedures adopted by the NorthPointe. Clients have the ability to impose certain limitations on NorthPointe's broad brokerage practices with respect to the client's specific account (directed brokerage, commission recapture, etc). As a result, NorthPointe may not have all of the powers and authority indicated under this Item 12 for each of its accounts.

*Full Brokerage Discretion:* In regard to those client accounts where NorthPointe has the authority to determine brokers through whom orders will be executed, a number of factors are considered in arriving at such determinations. These factors include research capabilities, execution capabilities, back office and processing capabilities, reputation and perceived soundness of the firm and the level of rates that can be obtained. NorthPointe does not adhere to any rigid formulas in making the selection of the applicable broker, but weighs a combination of the preceding criteria. Consistent with the foregoing, NorthPointe seeks best net price and execution when it is instructed to select brokers and negotiate brokerage commissions. In selecting a broker who is believed capable of providing the best combination of price and execution, NorthPointe may consider research services provided NorthPointe and its clients. NorthPointe may pay a higher commission than otherwise obtainable from other brokers in return for such services only if a good faith determination is made that the commission is reasonable in relation to the services provided.

While NorthPointe generally seeks competitive commission rates in those instances where it is authorized to do so, it may not necessarily pay the lowest commission or spread available. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entails higher commissions or spreads than would be the case with other transactions with more routine services. NorthPointe may also direct a broker to execute a trade and "step out" a portion of the commission in favor of another broker that provides brokerage or research related services to NorthPointe as described above.

*Client-Directed Brokerage:* Rates negotiated by the client, or by a brokerage firm designated by the client as the firm through which specified or all of such client's transactions are to be conducted, may not be the lowest available rates and may not be as low as the rate which NorthPointe would have obtained for the client had NorthPointe been authorized to select the brokerage firm for the transaction. If the brokerage firm to which NorthPointe is directed by the client to execute trades is not a broker that NorthPointe's uses in its normal course of business, the client may be subject to additional credit and settlement risk. For over-the-counter securities, NorthPointe may not be able to obtain best execution if the designated broker the client has selected is not a market maker. Also, as described further below, a client making such designation may also lose the possible advantage that non-designating clients may derive from potential aggregation of orders for several clients as a single block transaction, and the client may forgo savings on execution costs through volume discounts that NorthPointe might be able to negotiate for other clients who do not direct brokerage trades. Where possible, NorthPointe may use step out transactions in fulfilling a client-directed brokerage arrangement, although it is not obligated to aggregate client orders simply if a step-out is possible. The use of step-out transactions may result in information about NorthPointe's trading being disclosed to other trading firms and investors who may seek to take advantage of this information.

#### Soft Dollars

Section 28 (e) of the Securities Exchange Act of 1934 ("Section 28(e)") permits an investment adviser, under certain circumstances, to cause an account to pay a broker or dealer a commission for effecting a transaction in excess of the amount of commission another broker or dealer would have charged for effecting the transaction in recognition of the value of brokerage and research services provided by the broker or dealer. This includes commissions paid on riskless principal transactions under certain conditions. Brokerage and research services include (1) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (3) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement, and custody). In the case of research services, NorthPointe believes that access to independent investment research is beneficial to its investment decision-making processes and, therefore, to its clients.

To the extent research services may be a factor in selecting brokers, such services may be in written form or through direct contact with individuals and may include information as to particular companies and securities as well as market, economic or institutional areas and information which assists in the valuation of investments. Examples of research-oriented

services for which NorthPointe might utilize client commissions include research reports, computerized financial data, publications, risk management services, performance attribution reports, consulting services, meeting with securities analysts and corporate executives, among others. Research services furnished by brokers may be used in servicing all accounts and not all such services may be used in connection with the account which paid commissions to the broker providing such services. Research information received from brokers by mutual fund management personnel or personnel principally responsible for individually managed portfolios are not necessarily shared by and between such personnel. Accordingly, research information received by NorthPointe's personnel may not necessarily be used in servicing all of NorthPointe's accounts. Any investment advisory or other fees paid by clients to NorthPointe are not reduced as a result of NorthPointe's receipt of research services.

In some cases NorthPointe may receive a service from a broker or dealer that has both a "research" and a "non-research" use. When this occurs, NorthPointe makes a good faith allocation, under all the circumstances, between the research and non-research uses of the service. The percentage of the services that is used for research purposes may be paid for with client commissions, while NorthPointe will use its own funds to pay for the percentage of the service that is used for non-research purpose. In making this good faith allocation, NorthPointe faces a potential conflict of interest, but NorthPointe believes that its allocation procedures are reasonably designed to ensure that it appropriately allocates the anticipated use of such services to their research and non-research uses.

Certain clients restrict the use of commissions from portfolio transactions for obtaining research services. In such cases, NorthPointe seeks to ensure that commissions from such accounts do not support the provision of third-party research (i.e. research produced by parties independent of the broker-dealer), although full-service broker-dealers providing proprietary research as part of their overall service may be used to execute transactions on behalf of all of NorthPointe's clients, including clients that restrict the use of commissions for the purpose of obtaining research.

NorthPointe may also direct a broker to execute a trade and step out a portion of the commission in favor of another broker that provides brokerage or research related services to NorthPointe as described above. NorthPointe may also use step-out transactions in fulfilling a client-directed brokerage arrangement. As mentioned above, the use of step-out transactions may result in information about NorthPointe's trading being disclosed to other trading firms and investors who may seek to take advantage of this information.

NorthPointe does not consider sales of shares of the mutual funds it advises or client referrals as a factor in the selection of brokers or dealers to execute portfolio transactions for a Fund.

Soft dollar benefits are not limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

NorthPointe employs a comprehensive process to monitor the quality of brokerage and research services received from brokers with whom we place trades. This process includes evaluating the amount of commissions budgeted to be allocated to specific firms, actual versus budgeted commissions, quality of services, quality of research, quality of execution, availability of stock we are interested in, and similar factors. The firm has also established a formal committee made up of top management of the firm, as well as trading and portfolio management personnel to monitor the commissions the firm pays, as well as the quality and extent of services received from brokers.

Through these policies and processes we believe that we are able to control any possible conflicts of interest that may arise through the use of client commissions for the receipt of research.

The primary conflict of interest results from the fact that soft dollars are used to pay for research. If that benefit was not available under the regulations, NorthPointe would be required to pay for that research out of its own resources. In addition, soft dollar benefits could result in paying commissions higher than might otherwise be available from other brokerage firms, or using a particular brokerage firm for client trades because of the availability of soft dollar credits, rather than a firm that may provide better execution without soft dollar credit.

As noted above, we believe that we have policies and procedures in place to adequately address any such actual or perceived conflicts of interest with respect to client commissions and soft dollars.

### **Item 13 – Review of Accounts**

Clients typically receive monthly reports. Such client reporting includes information regarding appraisal (holdings) purchases, sales, transactions, gains & losses and performance as of the end of each month. At their request clients may receive more frequent or additional types of reporting. Clients may also request to receive information quarterly rather than monthly.

Where NorthPointe serves as a sub adviser of a registered investment company, it also provides reports as to portfolio management, performance and compliance supervision to the hiring investment adviser as well as to the fund's relevant board of trustees/directors.

#### **Item 14 – Client Referrals and Other Compensation**

NorthPointe currently has no additional compensation arrangements. In the event NorthPointe agrees to pay solicitor or referral fees to individuals who introduce clients to the Adviser, these fees will be disclosed to the client and governed by written agreements, all as permitted by Rule 206(4)-3 under the Investment Advisers Act of 1940.

#### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets, although such arrangements are between the client and their custodian. NorthPointe urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Affiliates of NorthPointe serve as the general partner of three private funds sponsored by NorthPointe. As such, NorthPointe is deemed to have custody of those funds. As such, NorthPointe has elected to engage a public accounting firm to perform surprise asset counts of the assets in those funds, in accordance with SEC rules. The report from the accounting firm is filed with the SEC as required. The last such security count occurred as of May 31, 2013.

#### **Item 16 – Investment Discretion**

NorthPointe usually receives discretionary authority from the Client at the outset of an advisory relationship to select the identity and amount of securities to be bought and sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, NorthPointe observes the investment

policies, limitations and restrictions of the clients for which it advises. For registered investment companies, NorthPointe's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to NorthPointe in writing.

#### **Item 17 – Voting Client Securities**

NorthPointe has written policies and procedures regarding the voting of securities in accounts where it has proxy-voting responsibility. These policies and procedures seek to ensure that proxy-voting decisions are made in the best interests of clients, whether or not the client's proxy voting is subject to the fiduciary standards of ERISA. When voting proxies for client accounts, NorthPointe's primary objective is to make voting decisions solely in the best interests of clients. In fulfilling its obligations to clients, NorthPointe will seek to act in a manner that it believes is most likely to enhance the economic value of the underlying securities held in client accounts.

At any time, a Client may instruct NorthPointe in writing to direct their vote in a particular solicitation for the Client's account. Additionally, a Client can request a report of votes for their particular account by contacting Ken Kosiorek, Manager of Client Services at 248.457.1200 or [kkosiorek@northpointecapital.com](mailto:kkosiorek@northpointecapital.com).

While it is expected that NorthPointe generally will seek to vote proxies in a uniform manner for all clients, NorthPointe, in conjunction with the portfolio manager of an account, may determine that the specific circumstances of such account require that the account's proxies be voted differently. Additionally, clients may have adopted their own proxy voting policies, and such policies may dictate votes on particular matters that would differ from the manner in which NorthPointe votes. In these cases we will follow the client guidelines for their specific proxy votes.

To assist in voting proxies, NorthPointe has retained Institutional Shareholder Services ("ISS"), a subsidiary of RiskMetrics Group. ISS is an independent adviser that specializes in providing a variety of fiduciary-level proxy-related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided by ISS include in-depth research, voting recommendations (which NorthPointe is not obligated to follow), vote execution, and recordkeeping.



In cases where NorthPointe is required to vote proxies with respect to an issuer that is a money management or other client, NorthPointe will automatically default to ISS's recommendation.

As noted above, NorthPointe has adopted voting guidelines, which represent NorthPointe's usual voting position on certain recurring proxy issues that are not expected to involve unusual circumstances.

NorthPointe may elect to vote a particular proxy in a manner contrary to its generally stated guidelines if it determines that doing so is, in its good faith judgment, in the best interest of NorthPointe's clients.

In the case where an advisory client of NorthPointe chooses to participate in a securities lending program, NorthPointe will NOT call securities back from out on loan in order to vote the proxy of those securities. This policy is applicable to all advisory clients executing advisory agreements after September 30, 2008.

A copy of NorthPointe's proxy voting policies and procedures is available upon request.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about NorthPointe's financial condition. NorthPointe has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.