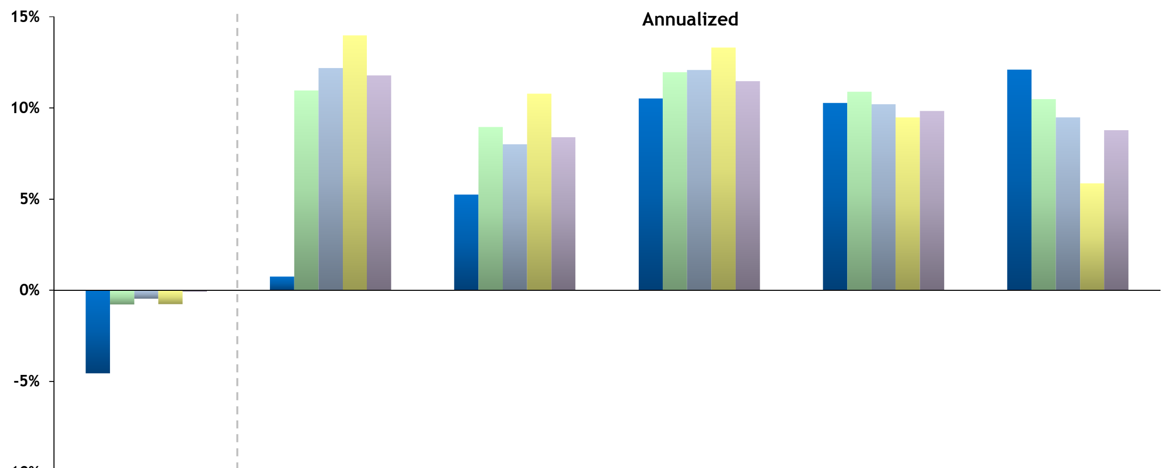
FAIRPOINTE MID-CAP CORE STRATEGY

1ST QUARTER COMMENTARY 2018

The Fairpointe Mid-Cap Composite was down 4.55% compared to the S&P 400 MidCap Index down 0.77%, the Russell MidCap Index down 0.46% and the S&P 500 Index down 0.76%. In the first quarter, performance was impacted by several stock specific factors, which we describe in detail in the paragraphs that follow. Value broadly underperformed growth again this quarter. For example, the Russell Midcap Value Index declined 2.50% while the Russell Midcap Growth Index returned a positive 2.17%. We think this trend has begun to turn, as we've seen positive performance in the second quarter.



	1st Qtr 2018	1 Year	3 Years	5 Years	10 Years	Since** Inception
Fairpointe Mid-Cap Composite *	-4.55%	0.75%	5.25%	10.53%	10.28%	12.11%
S&P 400 MidCap Index	-0.77%	10.97%	8.96%	11.97%	10.90%	10.48%
Russell MidCap Index	-0.46%	12.20%	8.01%	12.09%	10.21%	9.48%
S&P 500 Index	-0.76%	13.99%	10.78%	13.31%	9.49%	5.86%
Russell 2000 Small Cap Index	-0.08%	11.79%	8.39%	11.47%	9.84%	8.79%

* Net of Fees ** Performance represented from April 1, 1999

First Quarter Review

Of our forty-five holdings, eight stocks increased more than 10%, including three stocks that rose more than 25% during the first quarter. Thirteen stocks declined more than 10%, with two stocks down more than 25%. Increased volatility in the first quarter in the broader market contributed to the extreme moves within the portfolio.

The top five contributors to performance in the first quarter were: The New York Times Company (NYT), Gerdau SA (GGB), Akamai Technologies, Inc. (AKAM), Cree, Inc. (CREE), and Unisys Corporation (UIS). Akamai and Cree were also top performers in the prior quarter. We trimmed positions in these holdings.

The New York Times Company, a global media organization, rose over 40% last year and continued to rise on further success with its digital platform. Digital-only subscribers have doubled over the last two years to over 2.6 million and the company expects an additional 25% year-over-year increase in the current quarter. Advertising revenue declined 1.3% year-over-year compared to an expected decline of 8%. For the long-term, New York Times management continues to focus on improving online offerings and reallocating expenses to growth areas.

Gerdau, a global steel producer, is benefiting from rising steel prices in its key markets of the U.S. and Brazil. Steel demand has rebounded in Brazil due to a return to growth in the economy and the company's U.S. steel production stands to benefit from tariffs on imported steel. Under new leadership, Gerdau is divesting certain non-core assets leading to a stronger financial position.

Akamai Technologies has a global network of internet servers to provide content delivery, cloud infrastructure services, and security to its customers. The company reported strong earnings and raised their outlook in early February. Cloud security revenue rose 32% compared to a year ago and now represents close to 20% of overall revenues. Media Delivery traffic was also ahead of expectations and the company announced a 5% headcount reduction as part of an ongoing strategic review.

Detractors from first quarter performance include: Patterson Companies, Inc. (PDCO), Lions Gate Entertainment Corp. (LGF.A and LGF.B), Office Depot, Inc. (ODP), TEGNA, Inc. (TGNA) and Mattel, Inc. (MAT). Although four of these companies are classified as consumer discretionary stocks, their performance issues were stock specific rather than a sector-wide development. We added selectively to these positions during the quarter.

Patterson Companies is the second largest dental products distributor and the largest animal health distributor in the U.S. The most recent quarterly results were below expectations due to weaker than expected dental sales while animal revenues improved. Sales were impacted by a recent IT system implementation which caused the salesforce to divert efforts to customer service. In addition, the new CEO Mark Walchirk hired new sales representatives that are not yet fully productive. We are scheduled to meet Mr. Walchirk later this month and believe he has a good grasp of the issues and has a plan to improve the dental results. Valuation is attractive at 11.8x earnings compared to 10-year average of 16x. Expected improvement in execution should lead to a revaluation of the stock toward historical levels.

Lions Gate Entertainment produces and distributes motion pictures and television programming. The company has a library of more than 16,000 film and television titles including The Hunger Games, Divergent, Mad Men and Orange Is the New Black, as well as an extensive library aimed at young adults, such as the Twilight Series. The company acquired distribution platform STARZ, last year. In early February, Lions Gate announced lower earnings guidance for the coming three years citing a delayed movie release schedule. In addition, the current regulatory environment is causing uncertainty about future acquisitions within media, specifically the scrutiny of the AT&T and Time Warner merger. Lions Gate's fundamentals remain intact, supported by TV production strength and direct Starz subscriber growth outside of traditional cable bundles.

Office Depot provides office products and technology solutions to retail and corporate customers, focusing on small and mid-sized businesses for growth. As a follow-up to last October's acquisition of CompuCom, a computer services company, management announced plans to invest $40 million to grow CompuCom and the broader services offerings in 2018. Shares reacted negatively to the news, although the strategy of becoming a more service-oriented company appears sound and should enhance long-term earnings growth. Shares are significantly undervalued in our view, trading at 3.2x projected 2018 EBITDA, well below the private market value of peers at 5.2x.

Portfolio Changes

Time Inc. (TIME) was acquired by Meredith Corporation (MDP) on January 31, 2018. As Time shareholders, we received $18.50 per share in the all-cash transaction. Following the merger, we initiated a position in Meredith. We believe the synergies in the merger will be substantial, especially in sales and marketing. Meredith management will retain the Time properties that are best positioned to enhance Meredith's earnings power such as People magazine, a top brand which is aligned with their traditionally female-focused properties. The process of divesting properties that do not fit their audience profile and target advertising such as TIME, Sports Illustrated, Fortune, and Money has begun.

As noted in prior letters, the portfolio owns positions in McDermott and Chicago Bridge & Iron which are in the process of merging in an all-stock deal. Both stocks surged strongly in January, only to tumble in February and March due to concerns regarding McDermott's financing terms and the shareholder vote. McDermott management has demonstrated the ability to manage complex projects and Chicago Bridge & Iron has a strong track-record of engineering and construction expertise. We believe the combination creates a powerful, worldwide competitor with industry leading onshore-offshore integration capabilities. We added to both positions during the quarter and we have seen them rebound strongly in early April after the companies pre-announced positive quarterly results and Institutional Shareholder Services (ISS) endorsed the deal. We believe this is only the beginning of appreciation as the extent of the synergies from the merger becomes more evident.

Perspective and Outlook

The fundamental backdrop continues to be positive with the global economy remaining strong and domestic earnings continuing to grow at historically high rates. Experience has shown that this positive environment does not prevent the market from correcting significantly. Volatility returned to the market in the first quarter driven by trade policy uncertainty. The most recent conciliatory comments from China are indicative of the pattern of confrontation followed by negotiation that has characterized the current U.S. presidency and fosters uncertainty and volatility. In the past year, stock market performance has been driven by a small number of securities while value stocks have lagged. Lately we have seen a re-pricing of some of these high-growth companies and, with increased volatility in the market, it is becoming a better environment for stock-pickers, where we have traditionally performed well. We continue to take advantage of market fluctuations to position the portfolio for long-term performance.

We expect our holdings to generate earnings growth given a constructive economic backdrop. In addition, Fairpointe's U.S.-centric holdings will benefit from corporate tax reform. We want to stress that our strategy remains one of investing in good companies which appear undervalued in the short-term but have the characteristics necessary for long-term appreciation. Some business transformations have taken longer than anticipated. However, the recent rise of several of our holdings that had lagged in prior periods is indicative of value. We have also seen an increase in merger and acquisition activity. In addition to the McDermott International (MDR) and Chicago Bridge & Iron (CBI) merger, there has been speculation about possible mergers or acquisitions of several other portfolio companies, including Bunge (BG), Mattel (MAT) and Lions Gate Entertainment (LGF.A and LGF.B). Our emphasis on owning companies with strong fundamental businesses often makes these holdings good acquisition targets.

We remain focused on keeping the portfolio attractively valued. The portfolio's 2018 P/E multiple is 14.7x and remains below the S&P 400 Index at 16.3X, the Russell MidCap Index at 16.3x and the S&P 500 Index at 16.2x. The portfolio's current price-to-revenue is near its all-time low at 0.8x, versus the S&P 400 Index at 1.4x, the Russell MidCap Index at 1.7x and the S&P 500 Index at 2.1x.

Thank you for your continued interest and support.

Thyra E. Zerhusen, Chief Investment Officer
Marie L. Lorden, Portfolio Manager
Mary L. Pierson, Portfolio Manager
Brian M. Washkowiak, CFA, Portfolio Manager

DISCLOSURE

Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Composite Number of Accounts	Annual Performance Results Composite Gross	Annual Performance Results Composite Net	S&P MidCap	Russell MidCap	Composite Dispersion
2017	5,415	5,091	Seven	12.87%	12.01%	16.24%	18.52%	0.27%
2016	5,178	4,844	Eight	25.56%	24.59%	20.74%	13.80%	0.41%
2015	5,607	5,308	Eight	(9.74%)	(10.42%)	(2.18%)	(2.44%)	0.81%
2014	7,733	7,389	Seven	10.79%	9.97%	9.77%	13.22%	0.38%
2013	6,999	6,692	Seven	45.67%	44.58%	33.50%	34.76%	1.00%
2012	3,853	3,633	Six	17.76%	16.83%	17.88%	17.28%	N.A.
2011	3,398	3,210	Five or Fewer	(5.36%)	(6.10%)	(1.73%)	(1.55%)	N.A.
2010*	-	2,871	Five or Fewer	24.49%	23.50%	26.64%	25.48%	N.A.
2009*	-	1,493	Five or Fewer	66.28%	65.03%	37.38%	40.48%	N.A.
2008*	-	722	Five or Fewer	(42.05%)	(42.53%)	(36.23%)	(41.46%)	N.A.

* Information presented prior to May 1, 2011 pertains to portfolios managed by the Portfolio Managers while affiliated with prior firms. The presentation conforms to GIPS® guidelines regarding the portability of investment results.
N.A. – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Mid-Cap Composite contains fully discretionary equity accounts that follow the mid-cap style. Mid-Cap Composite represents portfolios that seek long-term total return through capital appreciation by investing primarily in mid-cap stocks. For comparison purposes the composite is measured against the S&P MidCap 400 and Russell MidCap indices. The S&P MidCap 400 is a market value weighted total return index that represents the performance of the medium-capitalization sector of the U.S. Securities market. The Russell MidCap is a market value weighted total return index that represents the midcap segment which measures the performance of the 800 smallest companies in the Russell 1000 index. Both indices are representative of the types of equity assets invested by Fairpointe Capital. Market indices are unmanaged and do not reflect the deduction of fees. You cannot invest in an Index and the performance of the Index does not represent the performance of any specific investment. The minimum account size for this composite is $2.5 million. Prior to May 1, 2011 the account minimum was $5 million. Effective March 31, 2013, the account minimum has gone back to $5 million.

Fairpointe Capital LLC (Fairpointe) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Fairpointe has been independently verified for the periods May 1, 2011 through December 31, 2017.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Mid-Cap composite has been examined for the periods May 1, 2011 through December 31, 2017. The verification and performance examination reports are available upon request.

Fairpointe Capital is an independent registered investment adviser. The firm maintains a complete list of composite descriptions which are available upon request. Please send inquiries to mkatauskas@fairpointecapital.com or call 312-477-3300.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. Market, economic, company, and industry specific conditions are considered during the investment selection process. This was a period of generally rising security prices.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all dividends, capital gains, and other earnings. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance is calculated using actual fees. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for the composite was 1.0% on the first $10 million and 0.65% on the remainder. Effective March 31, 2013, the fee schedule is 0.85% on the first $10 million and 0.65% on the remainder. Actual investment advisory fees incurred by clients may vary.

The three-year annualized ex-post standard deviation - December 31, 2017 - composite is 15.71% and 10.91% S&P MidCap and 10.36% Russell MidCap; December 31, 2016 - composite is 15.87% and 12.23% S&P MidCap and 11.55% Russell MidCap; December 31, 2015 - composite is 14.30% and 11.70% S&P MidCap and 10.85% Russell MidCap; December 31, 2014- composite is 13.4% and 11.1% S&P MidCap and 10.1% Russell MidCap; December 31, 2013 - composite is 18.4% and 15.0% S&P MidCap and 14.0% Russell MidCap; December 31, 2012 - composite is 20.6% and 17.9% S&P MidCap and 17.2% Russell MidCap; December 31, 2011 - composite is 25.0% and 21.9% S&P MidCap and 21.6% Russell MidCap, respectively.

The Mid-Cap Composite was created May 1, 2011. Performance presented prior to May 1, 2011 occurred while the Portfolio Managers were affiliated with prior firms and the Portfolio Managers were the only individuals responsible for selecting the securities to buy and sell.