

## MID-CAP CORE STRATEGY

### ABOUT FAIRPOINTE CAPITAL

Fairpointe Capital LLC is an independent, registered investment advisor located in Chicago, Illinois. The firm is 100% employee and majority women-owned. Fairpointe is a certified WBENC business. Fairpointe manages two proprietary strategies, Mid-Cap Equity and ESG Equity, for institutional and individual clients, and sub-advises the AMG Managers Fairpointe Mid Cap Fund and the AMG Managers Fairpointe ESG Fund. Fairpointe also sub-advises the Parvest Equity USA Mid Cap Fund available to non-U.S. investors. Total firm assets under management are \$4.4 billion as of June 30, 2018.

### INVESTMENT PHILOSOPHY

Incepted in 1999, the Mid-Cap Core Equity Strategy utilizes a disciplined, fundamental bottom-up, valuation-based process to select companies that are inefficiently priced relative to the earnings growth outlook over the next three to five years. We have a preference for companies with products or services that make their customers more efficient or profitable, and are critical to their success. We look for a compelling business model, experienced management, financial strength and attractive valuation.

### INVESTMENT PROCESS

The investment process includes in-depth internal research, enabling us to identify financially sound companies that offer solid growth prospects, while selling below what we believe is their intrinsic value. Ideas are generated from a variety of sources including SEC filings, industry publications, conferences, sell side research, screens, talking to industry leaders, user experience and competitors of existing holdings. The Portfolio Managers utilize the range of the Russell MidCap Index to define their MidCap universe, generally between \$2.5 - \$34.7 billion.

We use a combination of quantitative screens and qualitative fundamental research to narrow the initial universe of approximately 1100 securities to the 45-50 securities held in the portfolio. We screen on the following quantitative criteria: top line growth, Price/Earnings, Price/Revenue, and Price/Cash Flow and low leverage; all relative to the company's own history, competitors and the market.

In addition to quantitative measures, we look for companies with the following characteristics:

- Industry leaders in focused businesses with the ability to grow market share
- Proven, effective management
- Strong or improving balance sheets

An integral part of our investment analysis is interaction with management teams. Meetings and conference calls with management typically focus on issues related to the business outlook, market share/competitive positioning, and company strategy.

### PORTFOLIO CONSTRUCTION

Additional portfolio characteristics include:

- ✓ Concentrated portfolio of 45-50 stocks
- ✓ Sector weight maximum of 2.5x mid-cap benchmarks (S&P MidCap 400 Index / Russell MidCap Index)
- ✓ 6% maximum position per holding

## PORTFOLIO MANAGERS

### Thyra E. Zerhusen

CEO and Chief Investment Officer  
Swiss Federal Institute of Technology, MS  
University of Illinois, MA in Economics  
40 years industry experience



### Marie L. Lorden

Portfolio Manager  
Elmhurst College, BS  
Keller Graduate School of Management, MBA  
22 years industry experience



### Mary L. Pierson

Co-CEO and Portfolio Manager  
DePauw University, BA  
Northwestern University, MA in Economics  
The University of Chicago, MBA  
28 years industry experience

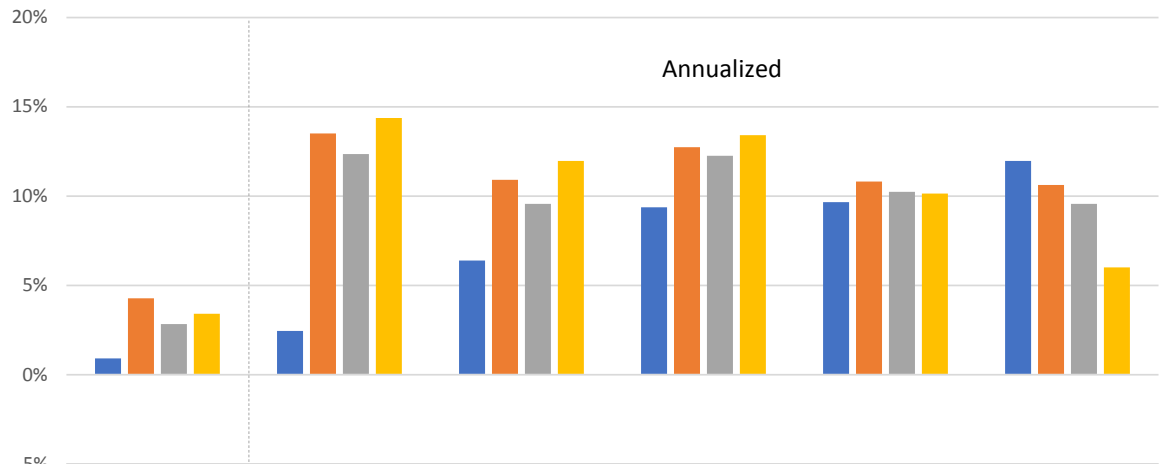


### Brian M. Washkowiak, CFA

Portfolio Manager  
Illinois State University, BA  
23 years industry experience



## For the period ended June 30, 2018



	2Q2018	1 Year	3 Year	5 Year	10 Year	Since Inception**
■ Fairpointe Mid-Cap*	0.88%	2.47%	6.35%	9.35%	9.65%	12.00%
■ S&P 400 MidCap Index	4.29%	13.50%	10.89%	12.69%	10.78%	10.58%
■ Russell MidCap Index	2.82%	12.33%	9.58%	12.22%	10.23%	9.51%
■ S&P 500 Index	3.43%	14.37%	11.93%	13.42%	10.17%	5.97%

### TOP TEN HOLDINGS

1. McDermott International
2. Mattel
3. Juniper Networks
4. Hormel Foods
5. Teradata Corporation
6. Tegna
7. Stericycle
8. Domtar Corporation
9. New York Times
10. LKQ Corporation

### PORTFOLIO CHARACTERISTICS

P/E (forward 1-year)	13.5
P/Sales (forward 1-year)	0.8
Long Term Debt/Capitalization	37%
ROE 5-year Average	12.3%
Long-Term Earnings Growth Rate (3-5 year)	10.8%
P/E to Long-Term Earnings Growth Rate	1.2
Average Mkt Cap (\$mil)	\$7,148
Dividend Yield	1.5%
Turnover (3-year annualized)	21.7%
Alpha (3-year)	-5.46
Beta (3-year)	1.25

The above information is based on a representative account.

### HOLDINGS BY SECTOR

Sectors	% of Equity Portfolio	% of S&P 400 Index (ETF)	Over/Under
Consumer Discretionary	32.5	12.9	19.6
Consumer Staples	8.2	3.5	4.7
Information Technology	20.8	16.2	4.6
Energy	6.7	5.4	1.3
Telecommunications	0.0	0.1	-0.1
Health Care	7.9	9.3	-1.4
Materials	5.4	7.1	-1.6
Industrials	12.5	14.5	-2.0
Utilities	0.0	4.9	-4.9
Real Estate	0.0	9.6	-9.6
Financials	6.0	16.5	-10.5

The above information is based on a representative account.

#### DISCLOSURE

The Mid-Cap Composite contains fully discretionary equity accounts that follow the mid-cap style. The 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 weighed 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 weighed total return index that represents the mid-cap 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. The Mid-Cap composite was created January 1, 2005. Performance presented prior to May 1, 2011 occurred while the Portfolio Management Team was affiliated with prior firms and the Team was solely responsible for selecting the securities to buy and sell.

Fairpointe Capital is an independent registered investment adviser.

The firm maintains compliant presentations and a complete list of composite descriptions which are both available upon request. Please send inquiries to [mkatauskas@fairpointecapital.com](mailto: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 net of management fees and include the reinvestment of all dividends, capital gains, and other earnings. Net of fee performance is calculated using actual fees.