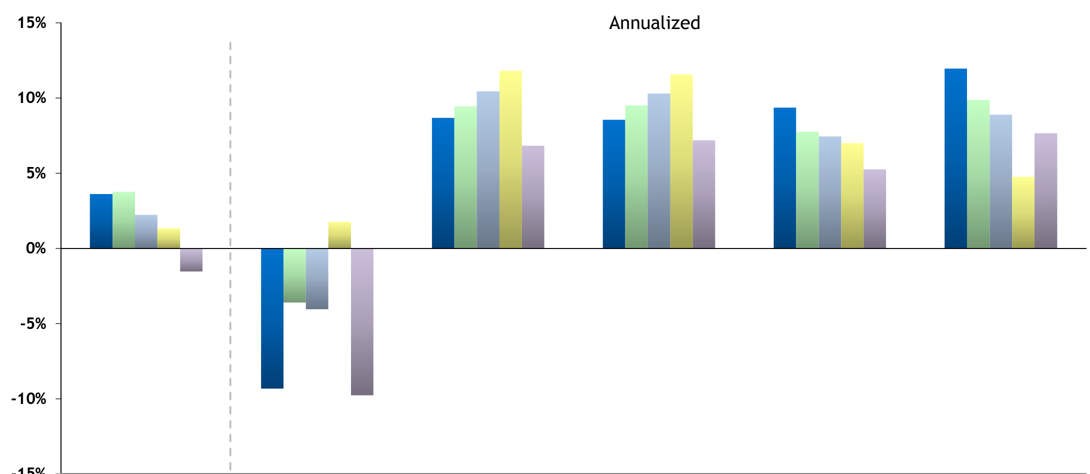
FAIRPOINTE MID-CAP CORE STRATEGY

1ST QUARTER COMMENTARY 2016

The Fairpointe Mid-Cap Composite continued to rebound in the first quarter, up 3.6%, versus the S&P 400, up 3.8% and the Russell MidCap Index, up 2.2%. The performance was particularly strong in February (up 5.8%), when many of our holdings recovered significantly from depressed January levels. The earnings reporting season, beginning in late January, produced a dramatic shift in both sentiment and results. Growth and momentum stocks, which led the market in 2015, underperformed in the first quarter. Recent strong earnings announcements by some of our holdings surprised a market focused almost entirely on macro factors and headline news.

Indications are for a more measured outlook in China as political realities slow the pace of reform. The U.S. Federal Reserve has pushed back interest rate increases moderating the strength of the dollar. Energy prices have recovered from January lows due to reduced U.S. production.



	1st Qtr 2016	1 Year	3 Years	5 Years	10 Years	Since ** Inception
Fairpointe Mid-Cap Composite *	3.62%	-9.31%	8.68%	8.56%	9.36%	11.97%
S&P 400 MidCap Index	3.78%	-3.60%	9.46%	9.52%	7.78%	9.87%
Russell MidCap Index	2.24%	-4.04%	10.45%	10.30%	7.45%	8.90%
S&P 500 Index	1.35%	1.78%	11.82%	11.58%	7.01%	4.77%
Russell 2000 Small Cap Index	-1.52%	-9.76%	6.84%	7.20%	5.26%	7.67%

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

First Quarter Review

The performance contribution[1] was mixed with 13 stocks up more than 10% and nine stocks down more than 10%. The top five contributors to performance in the first quarter of 2016 were: United States Steel (X), Copa Holdings (CPA), Mattel (MAT), Office Depot (ODP), and Whirlpool (WHR).

U.S. Steel, a large global producer of steel products, increased over 100% as steel import tariffs were announced, restructuring efforts continued and the macro outlook improved. This rebound reflects stronger oil and commodity prices during the quarter.

Copa Holdings, an airline company based in Panama, serves Latin America and an expanding set of destinations in North America. The stock rebounded strongly during the quarter as load factors and local currencies improved.

[1] Performance contribution represents stock weighting, transactions, dividend and price movement.

Mattel continued its significant rebound reflecting a revitalized product portfolio under new leadership.

Detractors from first quarter performance included: DeVry Education Group (DV), Raymond James Financial (RJF), Transocean (RIG), Jabil Circuit (JBL), and Unisys (UIS).

DeVry sold off as the Federal Trade Commission and Department of Education accused the company of deceptive advertising practices in its DeVry University unit (which accounts for less than 1% of earnings). The company is working to resolve these issues. DeVry is restructuring its operations, has a debt-free balance sheet and is trading near a 10-year low on a price-to-book value basis.

Raymond James Financial declined due to concerns regarding global financial markets, lower trading volumes and additional costs related to a new fiduciary rule from the Department of Labor. Raymond James has a strong financial advisor franchise and is attractively valued.

Transocean is a leading provider of offshore drilling rigs. The company's stock declined after providing a challenging outlook through 2017. Transocean's $15.5 billion backlog and current liquidity of $5.3 billion (cash and undrawn bank loans) will get the company through the energy downturn. We added to all three positions on weakness.

Portfolio Changes

Two stocks were added to the portfolio:

Whirlpool Corporation is the largest global manufacturer of household appliances. The company's major brands include Whirlpool, KitchenAid, Maytag, Amana and Jenn-Air, as well as other major brand names in more than 170 countries. Recent acquisitions have positioned the company to benefit from geographic diversity and cost synergies, which should result in margin expansion and earnings growth. Trading at the mid-point of the company's 5-year valuations, we found an attractive entry point. The company pays a dividend yielding 2.1%.

Lions Gate Entertainment produces and distributes movies and television programming. The company has a relatively risk-averse approach to the production of both television programming and feature films. Recent productions include Hunger Games, Divergent, Mad Men and Orange Is the New Black. The stock has declined in recent weeks due to less-than-expected box office revenues from Allegiant and concerns regarding the end of the Hunger Games franchise. We view the recent decline as an opportunity to buy the stock at a favorable valuation. Lions Gate is well-positioned to increase earnings over the next several years as distribution channels for original content increase. The company has a 1.7% dividend yield.

Five stocks were eliminated from the portfolio:

Citrix Systems is a leading provider of desktop virtualization and cloud solutions. Recent activism at the company became disruptive and led to the departure of the CEO. We exited the position with a profit.

Finisar is the world's largest supplier of optical solutions to the communications industry. We decided to exit the position as new product revenue did not materialize as quickly as expected.

Gannett, a media company was spun into two public companies in 2015 – Gannett and Tegna. Gannett retained the publishing assets and Tegna (TGNA) the broadcasting and digital assets. Gannett appreciated significantly during our holding period and was sold in favor of keeping the faster growing company, Tegna.

Staples is the world's largest office products company and second largest internet retailer behind Amazon. The stock was eliminated after the U.S. Federal Trade Commission challenged the planned merger with Office Depot (ODP). Office Depot is a current holding.

Xylem is a pure-play water company which spun out of ITT Corporation in 2011. The company manufactures wastewater pumps for residential, agricultural and industrial use. The stock was sold near the high end of its valuation range.

Perspective and Outlook

The outlook has not changed much since our fourth quarter letter. The unemployment rate is at its lowest level since 2007, automobile sales remain strong, and housing starts and non-residential spending show modest growth. In December, the Federal Reserve confirmed the strength of the U.S. economy by increasing interest rates for the first time in almost a decade. The authorization of long-overdue federal infrastructure spending should provide an additional boost to the domestic economy. Low oil prices are having a mixed effect on the economy, increasing consumer spending while reducing energy sector spending. The markets' focus on China's economic growth and the pace of U.S. interest rate hikes will continue to provide opportunities to long-term investors.

The overall portfolio remains attractively valued in spite of the strong appreciation in the first quarter. We took advantage of market volatility to trim some of our higher valued stocks and add new holdings that are attractively valued. We view the portfolio's current valuation on a 2016 price-to-revenue basis as unusually attractive at 0.7x versus the S&P 400 Index at 1.2x and S&P 500 Index at 1.8x. We are encouraged by the recent shift of focus in the market toward more fundamental stock specific factors and believe the portfolio is well positioned for the long-term.

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Brian M. Washkowiak, Portfolio Manager

DISCLOSURE

Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Composite Number of Accounts	Annual Performance Results Composite		S&P MidCap	Russell MidCap	Composite Dispersion
				Gross	Net			
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.
2007*	-	1,176	Five or Fewer	13.81%	13.02%	7.98%	5.60%	N.A.
2006*	-	848	Five or Fewer	22.21%	21.27%	10.32%	15.26%	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, 2015.

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, 2015. 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.

At December 31, 2015, the three-year annualized ex-post standard deviation of the composite is 14.30% and the benchmarks are 11.70% S&P MidCap and 10.85% Russell MidCap, respectively. At December 31, 2014, the three-year annualized ex-post standard deviation of the composite is 13.4% and the benchmarks are 11.1% S&P MidCap and 10.1% Russell MidCap, respectively. At December 31, 2013, the three-year annualized ex-post standard deviation of the composite is 18.4% and the benchmarks are 15.0% S&P MidCap and 14.0% Russell MidCap, respectively. At December 31, 2012, the three-year annualized ex-post standard deviation of the composite is 20.6% and the benchmarks are 17.9% S&P MidCap and 17.2% Russell MidCap, respectively. At December 31, 2011, the three-year annualized ex-post standard deviation of the composite is 25.0% and the benchmarks are 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.