

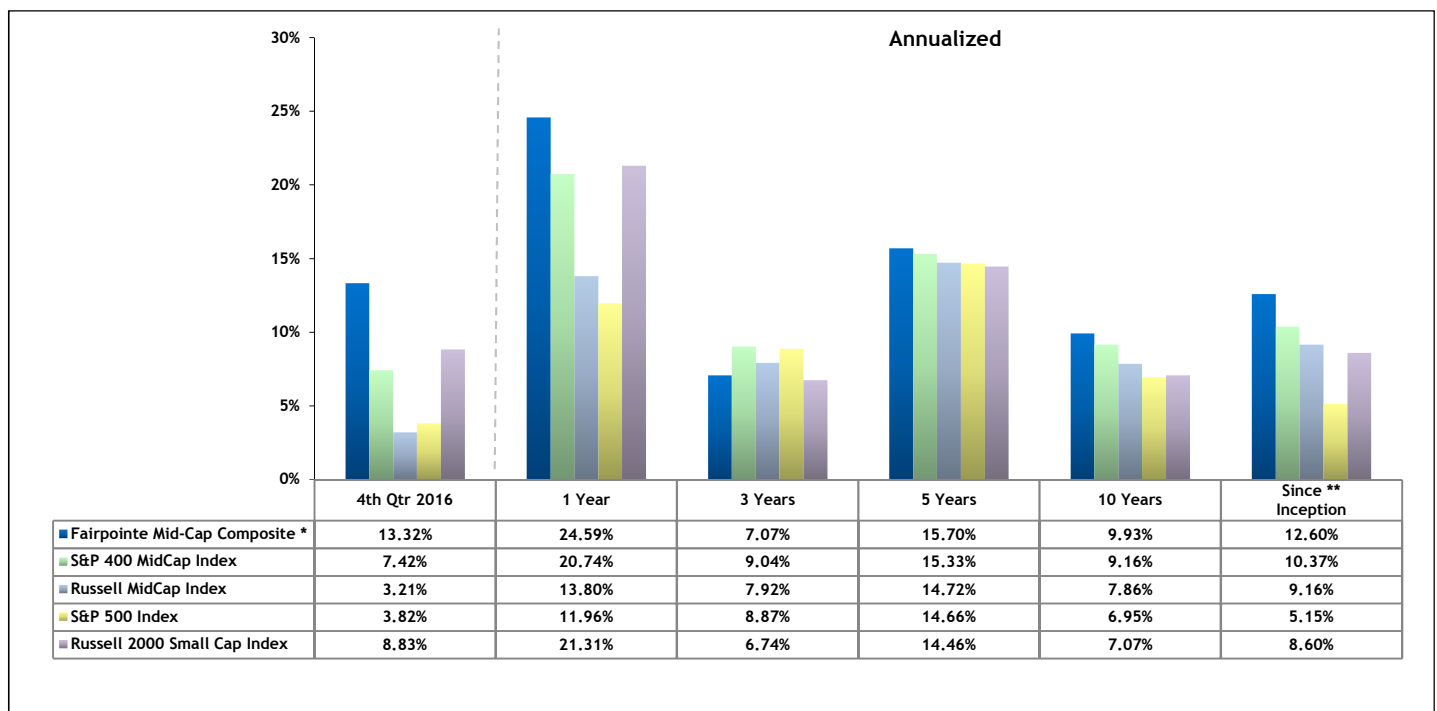
FAIRPOINTE MID-CAP CORE STRATEGY
4TH QUARTER COMMENTARY 2016

2nd Half Outperformance Continues Through Year-End

2016 was a notable year, with the Syrian war and refugee crisis, Brexit and the U.S. election occupying the stage. The financial markets reflected this drama as extreme market swings followed unexpected political outcomes. On the economic front, events were positive with oil prices stabilizing and the U.S. economy generally strengthening along with a nominal increase in interest rates. Even the slowing of the Chinese economy – which has pre-occupied the market in prior years – played a minor role as Chinese authorities retreated from disruptive economic reforms.

The U.S. election dominated the market in the fourth quarter, with the year ending in a stock market melt-up based on the potential for a changed economic landscape. Expectations include the coming administration’s pro-growth agenda of tax cuts, reduced regulation, a foreign profit repatriation tax holiday, unleashed infrastructure spending and restricted import competition. Not surprisingly, smaller companies, which tend to be more domestically focused, broadly outperformed their larger more global counterparts.

The Fairpointe Mid-Cap Composite outperformed the major market indices in the quarter, rising 13.3% compared to the S&P 400 MidCap Index (+7.4%), the Russell MidCap Index (+3.2%) and the S&P 500 Index (+3.8%). For the full year, the Fairpointe Mid-Cap Composite also outperformed. The portfolio generated strong returns in both the post-Brexit and post-election periods as we took advantage of the disruptions to add to positions which then rebounded.



Fourth Quarter Review

Strong performance was broad-based. Of our forty-five holdings, twenty-eight stocks rose more than 10%, including eleven stocks that rose more than 25%. Two stocks declined more than 10%. The top five contributors to performance were: U.S. Steel (X), DeVry Education Group (DV), McDermott International (MDR), Northern Trust (NTRS), and Lions Gate Entertainment (LGF, LGFA and LGFB). Both U.S. Steel and McDermott are also among our top contributors for the full year (along with Copa Airlines and Gerdau). We trimmed positions in these holdings.

U.S. Steel, a global steel producer, continued its year-long rebound based on import tariffs and higher steel prices from anticipated infrastructure construction activity. The company has recently announced the re-opening of production lines previously idled. The stock is also our top contributor for the full year. **DeVry Education Group**, a for-profit higher education provider, rose as regulatory investigations were resolved and the company reported an increase in revenue, signaling a possible reversal of recent trends. We expect further benefits as new management continues to reallocate resources toward profitable segments. **McDermott International**, an oil services company, rose on firming energy prices and increased project bidding activity.

Detractors from fourth quarter performance included: Teradata (TDC), Varian Medical Systems (VAR), Mattel (MAT), Stericycle (SRCL) and Tegna (TGNA). Stericycle, initiated in June, and Tegna are also among our worst performers for the full year. We added to all five positions during the quarter.

Teradata, a data warehousing and analytics provider, pulled back from strong performance last quarter after the company indicated at their analyst day that 2017 would be another transition year. While this is a delayed timeline for the expected turnaround, the company is making concrete changes that support the long-term growth outlook, including divesting non-core assets. **Varian Medical Systems**, a provider of radiation therapy equipment and software, declined over concerns that a repeal of the Affordable Care Act would dampen hospital capital expenditures. Even if the 20 million insured by Obamacare were to be eliminated, the effect on Varian would be limited since over fifty percent of Varian's revenue comes from outside the U.S. In addition, technological advances have improved the cost effectiveness of treatment sufficiently to offer a compelling incentive for U.S. hospitals to upgrade their equipment. **Mattel**, a toy manufacturer, suffered from expectations that heavy holiday discounting, weaker than expected demand and mixed reception of various brands would dampen earnings. Strong cost-cutting measures and brand rebalancing are expected to drive future earnings growth.

Portfolio Changes

We initiated a position in **Patterson Companies** (PDCO), a distributor of dental and veterinary supplies. Short-term pressure on earnings provided an attractive entry point for a business with strong long-term growth prospects. The company serves one-third of the U.S. dental market where growth is tied to an aging population and increased demand for cost-saving techniques and products. We eliminated our position in **NVIDIA** (NVDA), which rose significantly over our 4 ½ year holding period. The company is the premier provider of GPUs or graphic processing units. GPUs have traditionally been used for gaming but also offer unique capabilities for artificial intelligence and machine and deep learning, which are at the core of the new wave of computing. We substantially trimmed our holding in **U.S. Steel** (X) given the stock's dramatic rise this year and the potential for a pullback tied to delayed infrastructure spending. Lions Gate Entertainment (LGF), a Canadian company, purchased U.S. company, Starz, during the quarter and subsequently split into two classes of shares – voting (LGFA) and non-voting (LGFB). We own both classes of shares. In addition to the tax inversion benefits and other cost synergies of the combined company, the new Lionsgate will have a smoother

revenue stream combining Starz's stable distribution business with the lumpy revenue stream of the movie production segment. Long-term holding Alcoa split into two companies during the quarter: Alcoa (AA), which is the traditional upstream commodity producer, and Arconic (ARNC), which includes the downstream value-added business units.

Perspective and Outlook

The U.S. president-elect will begin his period in office with a second inheritance, namely, a strong U.S. economy. Unemployment declined to a new multi-year low in November of 4.6%, a level not seen since August 2007. Latest releases show third quarter GDP growth accelerated to an upwardly revised 3.5%. U.S. interest rate increases have resumed in reflection of this strength.

As we enter 2017, we are positive on the domestic economy. The U.S. continues to offer an attractive destination for investments. However, many competing factors will influence the economy this year. The new U.S. administration and the uncertain path of policy shifts, higher borrowing costs, a stronger dollar, the path of China's economic growth, the state of the European Union and a potential reversal of globalization will all be factors to monitor closely.

As bottom-up investors we view earnings reporting season as important in refocusing the market's attention on stock specific factors. Last earnings season, the S&P 500 surprised the market by reporting positive earnings growth after five quarters of down earnings. Our portfolio also reported positive earnings growth as expected. The upcoming earnings season is significant because it could serve as a reality check on recent market exuberance as companies report results and offer their updated outlooks based on a changed economic policy landscape.

We responded to last year's appreciation by rebalancing the portfolio, as always, to maintain attractive absolute and relative valuation. The portfolio's P/E multiple on 2017 earnings is 15.8x, which is below the S&P 400 Index at 18.7x and 16.9x for the S&P 500 Index. The portfolio's current price-to-revenue is near its historical low at 0.8x versus the S&P 400 Index at 1.3x and S&P 500 Index at 1.8x.

As we approach the beginning of our 18th year as a mid-cap strategy, we thank you for your continued support and wish you a prosperous new year.

Thyra E. Zerhusen, Chief Investment Officer
Marie L. Lorden, Portfolio Manager
Mary L. Pierson, Portfolio Manager
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 | | | |
| 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. |
| 2007* | - | 1,176 | Five or Fewer | 13.81% | 13.02% | 7.98% | 5.60% | 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 September 30, 2016.

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 September 30, 2016. 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, 2016, the three-year annualized ex-post standard deviation of the composite is 15.87% and the benchmarks are 12.23% S&P MidCap and 11.55% Russell MidCap, respectively. 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.