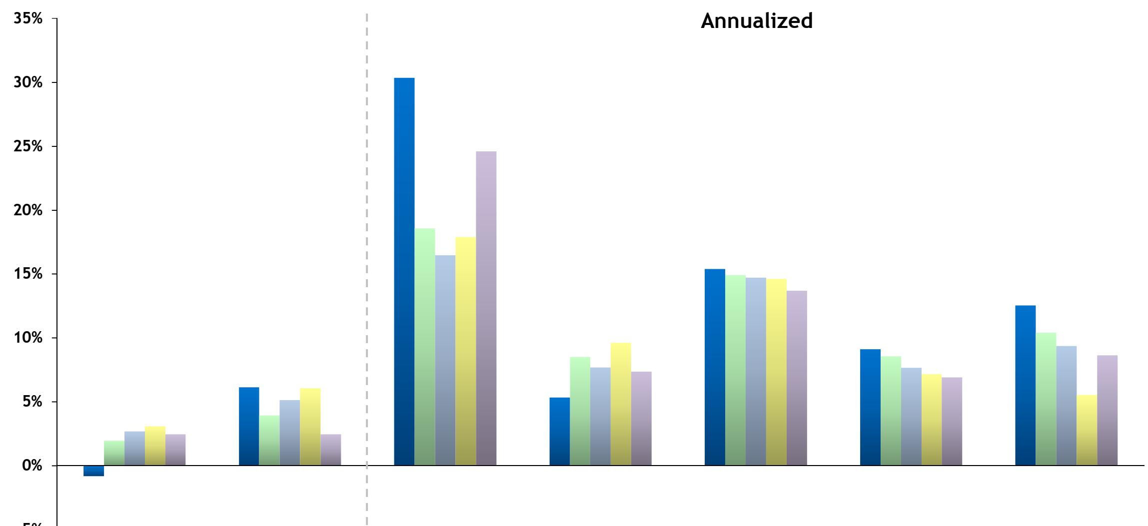
FAIRPOINTE MID-CAP CORE STRATEGY

2ND QUARTER COMMENTARY 2017

After strong outperformance in the first quarter, the Fairpointe Mid-Cap Composite underperformed in the second quarter, down 0.82% compared to the S&P 400 MidCap Index up 1.97%, the Russell MidCap Index up 2.70% and the S&P 500 Index up 3.09%. Stock selection in the technology, industrial and consumer discretionary sectors contributed to the underperformance. However, stock selection in energy and financials, and an underweighting in financials, contributed positively to performance.



	2nd Qtr 2017	1st Qtr 2017	1 Year	3 Years	5 Years	10 Years	Since ** Inception
Fairpointe Mid-Cap Composite *	-0.82%	6.13%	30.36%	5.34%	15.39%	9.13%	12.55%
S&P 400 MidCap Index	1.97%	3.94%	18.57%	8.53%	14.92%	8.56%	10.43%
Russell MidCap Index	2.70%	5.15%	16.48%	7.69%	14.72%	7.67%	9.36%
S&P 500 Index	3.09%	6.07%	17.90%	9.61%	14.63%	7.18%	5.53%
Russell 2000 Small Cap Index	2.46%	2.47%	24.60%	7.36%	13.70%	6.92%	8.64%

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

Second Quarter Review

Of our forty-seven holdings, ten stocks increased more than 10%, including two stocks that rose more than 20%. Eleven stocks declined more than 10%. The top five contributors to performance were: New York Times (NYT), Office Depot (ODP), Varian Medical Systems (VAR), Northern Trust Corporation (NTRS) and Quest Diagnostics (DGX). We trimmed positions in these holdings.

New York Times Company rose after revenues and operating profits increased in the quarter. The company continues to benefit from a strong news cycle and trusted brand. The company reached over 2 million digital-only news subscribers, partially offsetting declines in print advertising. NYT digital subscribers are skewing younger via mobile applications, which we view as positive for future growth.

Office Depot, a supplier of office products and services, gained after reporting strong operating margins. The company has displayed sustained margin improvement in the last 11 of 13 quarters, as it continues to streamline operations. The new CEO remains focused on cost savings and margin expansion in a difficult environment. Top competitor Staples recently agreed to a private equity buyout, which has renewed speculation of further industry consolidation. The Staples transaction price of 0.38x annual revenue is more than 40% above Office Depot's current valuation of 0.27x revenue.

Varian Medical Systems, the leader in radiation oncology therapy, announced strong orders and revenue that exceeded analyst expectations. Management expects strong results for the remainder of the year. Additional growth is expected from a recently announced linear accelerator product (Halcyon), which targets the value segment of the market.

Detractors from second quarter performance include: Time Inc. (TIME), Chicago Bridge & Iron (CBI), Akamai Technologies (AKAM), Cooper Tire & Rubber (CTB) and Mattel (MAT). We added to our positions based on long-term positive fundamentals.

Time, Inc., a media content company, declined after the company ended take-over discussions with Meredith Corporation. The company also reduced the dividend and lowered revenue projections. The dividend reduction offers the company financial flexibility to focus on its strategic priorities of cost cutting, portfolio re-alignment, and advertising growth. In our view, the stock is undervalued given Time's content and digital capabilities.

Chicago Bridge & Iron Company, an engineering and construction company focused on large energy infrastructure projects, declined due to an extension of project delays and labor issues that carried over from the previous quarter. The stock has rebounded from lows due to the completed sale of its Capital Services business for $700 million (strengthening the company's financial position), a positive court decision in its ongoing Westinghouse lawsuit, and strength in new orders. The new CEO is focused on improving project execution and profitability.

Akamai Technologies, a leading provider of accelerated content delivery and cloud security for networks, announced weak revenue in the content delivery segment and increased spending on product development to benefit future growth. The stock declined, reflecting this revised near-term outlook. We consider these expenditures to be a beneficial investment for the long term and added to existing positions.

Portfolio Changes

We initiated a position in **Hormel Foods Corporation** (HRL) in May. Hormel is a food company traditionally focused on meat protein, including fresh and shelf stable products such as SPAM, Jennie-O-Turkey, and Applegate natural & organic meats. The company is expanding into non-meat protein and flavor enhancing products to broaden their portfolio. In addition, they are developing their global market share focusing on China. Hormel has a strong balance sheet, top margins among peers, and a 2% dividend.

Cars.com Inc. (CARS) was spun out from current portfolio holding Tegna (TGNA) in May. Cars.com offers an industry-leading mobile platform that connects buyers with dealerships, OEMS and private sellers. The company services more than half of all franchised and independent dealers in the U.S. market, positioning them to benefit from the secular shift to on-line automotive research and shopping.

Perspective and Outlook

The domestic economic backdrop remains positive with the added tailwinds of a weaker dollar and stronger global growth. Latest estimates for first quarter GDP growth rose to 1.4%, from earlier lower estimates, and included a rise of 10.4% in capital expenditures - the highest in five years. Housing is showing strength with new home sales for May rising 9% compared to a year ago. Unemployment increased slightly to 4.4% in June, but remains in the range of full employment despite a significant rise in the labor participation rate. Based on these indicators, the economy is likely to have grown faster in the second quarter but still at a moderate rate. This 'goldilocks' economic growth environment of 'not too fast and not too slow' seems to support a more moderate fiscal policy stance of slower interest rate increases and a tempered plan to reduce the balance sheet through asset sales, as outlined recently by U.S. Federal Reserve Chair Janet Yellen.

Corporate earnings were up significantly for the first quarter of 2017 supporting market valuations. Following first quarter's 14% earnings growth for the S&P 500 Index stocks, second quarter earnings growth for the Index is currently expected to be 6.5%. If the quarter's earnings growth is positive, the upward earnings trend will have been in place for four quarters.

A continuation of these favorable economic and earnings trends will provide support for U.S. equities even in the face of ongoing policy impasses.

We remain focused on keeping the portfolio attractively valued. The portfolio's current P/E multiple of 2017 earnings is 15.1x and remains below the S&P 400 Index at 17.5x, the Russell MidCap Index at 17.3x and the S&P 500 Index at 16.7x. 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. We believe the portfolio stands poised to capture the upside in an improving economic environment.

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, 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
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 March 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 March 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.

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.