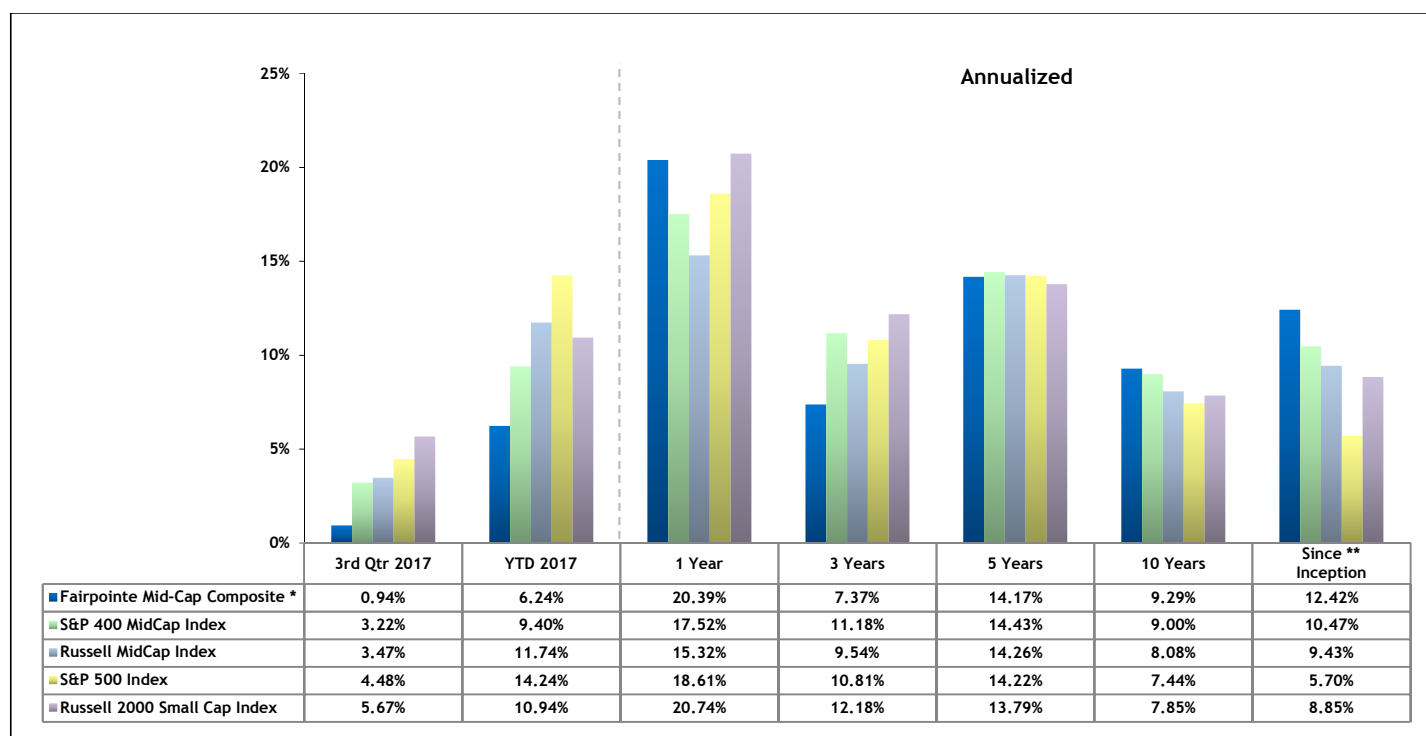


FAIRPOINTE MID-CAP CORE STRATEGY
3RD QUARTER COMMENTARY 2017

The Fairpointe Mid-Cap Composite returned 0.94% in the third quarter, lagging the S&P 400 MidCap Index up 3.22%, the Russell MidCap Index up 3.47%, and the S&P 500 Index up 4.48%. Growth and momentum stocks continued to outperform value-oriented stocks in the quarter and investors are paying higher multiples for growth stocks. September marked a significant reversal of this trend with small and midcap stocks leading the market. Our portfolio is positioned toward value, which we believe will generate strong long-term performance.



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

Third Quarter Review

Of our forty-six holdings, thirteen stocks increased more than 10%, including five stocks that rose more than 20%. Eight stocks declined more than 10%. The top five contributors to performance were: Lions Gate Entertainment Corp. (LGFA and LGFB), FMC Corporation (FMC), Werner Enterprises, Inc. (WERN), Teradata Corporation (TDC), and Cree, Inc. (CREE). We trimmed positions in these holdings.

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 recent acquisition of the Starz distribution network has smoothed the variability of earnings from box office revenues. Recent strength in the movie slate, which includes La La Land, helped the company report earnings above expectations. Lions Gate films received twenty-six Academy Award nominations this year. The combined Lions Gate and Starz content and distribution platforms enable the company to adapt to evolving viewing patterns, such as unbundling of cable services. Lions Gate can supply content to virtually any distribution network while the Starz premium subscription cable network should benefit from growing direct subscription revenue.

FMC Corporation is a specialty chemical company increasingly focused on the agricultural crop protection market. The company is adding a crop protection segment from DuPont and divesting non-agriculture-related units. The company also plans to spin-off its small but highly profitable lithium business, which provides lithium for electric vehicle batteries. This unit has contributed to the stock's recent strength.

Werner Enterprises is one of the nation's five largest trucking companies. Earnings have exceeded expectations in each of the past five quarters, overcoming a challenging freight market in 2016 and significant fleet upgrades over the last two years. Freight demand is currently strong, despite conflicting factors such as a supply tightening due to the hurricanes and Amazon's growing business. Werner is also well positioned to benefit from the start (December 2017) of government-mandated use of electronic logging devices (ELD) by commercial trucks. Given the expense of these devices and the limitations they will put on driving hours, it is expected that a significant number of trucks, particularly independent owner-operated trucks, will leave the market. Werner was an early adopter of ELD technology and will benefit from this disruption.

Detractors from third quarter performance include: Mattel, Inc. (MAT), Office Depot, Inc. (ODP), Patterson Companies, Inc. (PDCO), Unisys Corporation (UIS), and Quest Diagnostics Incorporated (DGX). We selectively added to some of these positions during the quarter.

Mattel is a leading global toy company with iconic brands including Fisher-Price, Barbie, Hot Wheels, Matchbox and Thomas & Friends. New management is refreshing core brands with more emphasis on digital toys in partnership with technology companies, like Google. This has been a difficult year for Mattel, beginning with an inventory overhang from a disappointing 2016 holiday season and the recent bankruptcy announcement by Toys "R" Us. However, the tide is turning in Mattel's favor, as core brands are showing improvement, new movies for Barbie and Toy Story approach, and strategic initiatives take hold. With this outlook, the current valuation is compelling.

Office Depot, a North American supplier of office products and services, operates in a consolidating industry disrupted by online retail giant Amazon. The company is reducing its footprint and transforming its business model to that of a small and medium sized- business support center. The company recently announced the acquisition of CompuCom, which provides tech support for businesses. In some cases, this tech support is through onsite 'tech cafes,' which may be incorporated into Office Depot's remaining stores. Profitability has improved over the past two years and the new acquisition is expected to add over \$1 billion to revenues and will be accretive to earnings.

Patterson Companies distributes supplies and equipment and provides services to dental and animal health markets. The company has a 31% share of the domestic dental market and a 23% share in animal health, which includes both companion and production animals. Dental revenues have recently been weak, due in part to the termination of an exclusive sales agreement. Over time, this change should be positive as it permits Patterson to sell a broader range of competing equipment. Another temporary headwind is the costs associated with the implementation of an ERP system, which is now in the final stages. The re-alignment of the business should position the company for profitable growth in the future.

Perspective and Outlook

The equity market has been supported by a strong economic backdrop and positive earnings growth. The outlook for these underlying factors remains positive. Domestic unemployment has continued to register new lows and the global economy is gaining strength. In September, the OECD increased its projection for Global GDP growth to 3.5% in 2017 and 3.7% in 2018, from 3% in 2016.

Corporate earnings for the S&P 500 are expected to grow for a fifth straight quarter, but at a lower rate than recent quarters. Following first and second quarters' earnings growth for the S&P 500 Index of 13.9% and 10.3%, respectively, third quarter earnings growth for the Index is currently expected to be 2.9%. However, the favorable outlook is skewed toward companies with more than 50% of their revenues coming from outside the U.S. that will benefit from stronger

global growth and a weaker dollar. Their earnings growth is projected to be 7.9%, while more domestically-oriented companies, with less than 50% revenue from outside the U.S., are projected to have declining earnings of 0.1%, according to FactSet. The foreign based revenue for our portfolio is 37%, which compares to 26% for the Russell Mid-Cap Index. This revenue sourcing reflects the fact that our companies are competing effectively on a global scale and that the portfolio has a relatively balanced exposure to domestic and global policy shifts.

We intend to take advantage of opportunities that might arise as expectations are tested during this earnings season. With a current P/E multiple of 15.9x using 2018 consensus earnings estimates, the portfolio has a significant discount versus the midcap benchmarks – 17.9x for the S&P 400 Index, 18.1x for the Russell MidCap Index and 17.6x for the S&P 500 Index. 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.

As a final note, we are pleased to welcome Fran Tuite, CFA, to our investment team as a Portfolio Manager.

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		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 June 30, 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 June 30, 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.