

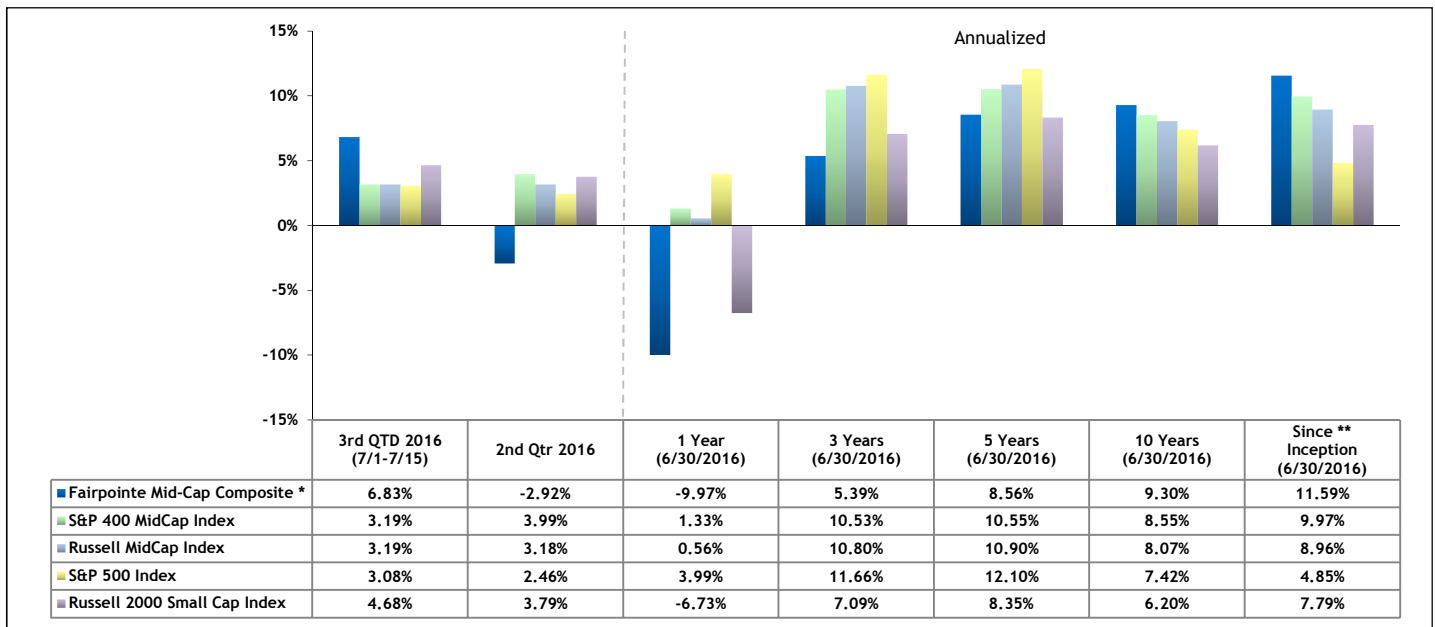
FAIRPOINTE MID-CAP CORE STRATEGY
2ND QUARTER COMMENTARY 2016

Brexit Disruption and Recovery

Prior to the historic Brexit vote and dramatic market sell-off, the Fairpointe Mid-Cap Composite was up 6.0% year-to-date through June 23rd, 2016. Up to this point, the Fairpointe Mid-Cap Composite was outperforming our Morningstar mid-cap blend peer group (+4.6%), but had lagged the benchmark S&P 400 (+9.4%) and the Russell MidCap (+6.7%). The subsequent post-Brexit market reaction significantly disrupted global markets for a few short days and produced a disproportionately negative impact on our portfolio performance.

Recovery for both the market and our portfolio were swift. As of Friday, July 15th, the Mid-Cap Composite was up 7.4% year-to-date versus the benchmark S&P 400 (+11.3%) and the Russell MidCap (+8.8%). This represented a full retracement and a restoration of the positive trends in support of the portfolio's relative value that was beginning to assert itself during the first quarter of this year. Our overweight in energy and materials and our underweight in healthcare have once again become tailwinds to relative performance in the most recent June-July period.

Brexit provided an opportunity to add to several holdings that had become significantly under-valued. Maintaining our long-term focus, we took advantage of the Brexit macro-disruptions to invest in high-quality undervalued companies that offer significant potential to outperform over the long-term. Since inception, the annualized return for the Fairpointe Mid-Cap Composite is 11.6%, versus the benchmark S&P 400 at 9.9%, the Russell MidCap at 8.9%, and the broader market S&P 500 at 4.9% through June 30, 2016.



Second Quarter Review

The Fairpointe Mid-Cap Composite declined 2.9% in the second quarter, while the S&P 400 Index and Russell MidCap Index returned 3.9% and 3.2%, respectively. Stock specific factors impacted a number of our holdings which we discuss below. The underperformance also represents changing investor preferences for dividend paying versus growth stocks in a nearly zero interest rate environment. Both indices have significant exposure to REITs and utilities (in aggregate over 15%) which pay high dividends and are among the best performing sectors year-to-date. We believe prices have reached a point where investors are over-paying for dividend paying stocks that offer little growth while our holdings in economically-sensitive sectors are heavily discounted and well-positioned to generate attractive relative returns.

Of our forty five holdings, nine stocks declined more than 10%, and six stocks rose more than 10%. The top five contributors to performance in the second quarter of 2016 were: Transocean Ltd. (RIG), McDermott International (MDR), FMC Corporation (FMC), NVIDIA Corporation (NVDA) and Quest Diagnostics (DGX). We took advantage of positive moves to trim these positions.

During the quarter, the rebound in oil prices helped **Transocean** and **McDermott**. Transocean, a leading provider of offshore drilling rigs, continues to upgrade its fleet and right-size operations which will benefit shareholders when energy capital spending resumes. McDermott provides engineering and construction services to the energy industry. The company recently announced several new contracts. **FMC Corporation**, a chemical company in agricultural, health and nutrition, and specialty metals (lithium) markets, was our third best contributor. The company made a major acquisition last year and suffered some short-term business disruptions. The company is benefiting from post-acquisition cost synergies and strong lithium pricing which led to better than expected results. **NVIDIA Corporation**, a designer of computer graphics processing units (GPUs), and **Quest Diagnostics**, a leading provider of medical diagnostic testing services worldwide, were also top contributors in the second quarter.

Detractors to second quarter performance included: Office Depot, Inc. (ODP), Copa Holdings (CPA), Juniper Networks, Inc. (JNPR), Cree, Inc. (CREE) and BorgWarner Inc. (BWA). We added to these five undervalued positions in the quarter.

Office Depot declined after the U.S. Federal Trade Commission challenged the company's merger with Staples on anticompetitive grounds. Office Depot received a \$250 million break-up fee and has authorized the repurchase of up to \$100 million of stock. The company continues to cut costs and increase profitability. We believe investors are underestimating the company's earnings potential. **Copa Holdings**, a Panamanian airline serving destinations in Latin and North America, underperformed in the quarter due to concerns regarding Latin American economies. **Juniper Networks**, a supplier of routers and switches for telecom networks, disappointed as capital deployments were pushed out to the second half of the year. **Cree**, a leading producer of energy efficient LED lighting technology is attractively valued near the low-end of its ten-year price-to-book multiple. We expect LED lighting to continue to take market share in the coming years. **BorgWarner** is a global leader in fuel-efficient automotive powertrain technology. We believe investors over-reacted to BWA's exposure to Brexit, as less than 3% of the company's revenue is generated in the United Kingdom.

Portfolio Changes

Stericycle, Inc. (SRCL) was added to the portfolio during the second quarter. Stericycle provides healthcare and commercial businesses with secure medical and hazardous waste disposal as well as sensitive document destruction. The stock declined after the company missed earnings guidance and extended the time expected to achieve synergies from its recent acquisition of Shred-It. The sell-off provided an attractive entry point with the stock selling near the low-end of its historic price-to-earnings range. We eliminated our position in **Owens Corning** (OC), a leading supplier

of fiberglass composites, roofing shingles and insulation. The stock had moved higher on increased earnings and profitability and we realized a profit on our position.

Perspective and Outlook

We remain positive on the U.S. economy. Housing is strong, unemployment is low and wage growth is driving consumer spending. These improving data points bolster our confidence in the U.S. equity market and our holdings. The price of oil has rebounded to an economic level that, given previous cost cutting and efficiency measures by oil sector companies, is leading to renewed investment with large energy producers beginning to spend on long-cycle projects. Although the Brexit referendum caused turmoil in stock markets, it did not change the basic economic outlook for the energy sector. Stable energy prices will lead to more capital expenditures, increased employment and ultimately, increased consumer spending – all positive for global economic growth. The overall portfolio remains attractively-valued relative to the indices. We view the portfolio's current valuation on a price-to-revenue basis as unusually attractive at 0.6x versus the S&P 400 Index at 1.1x and S&P 500 Index at 1.7x. The portfolio trades at 14.1x price-to-earnings versus 16.4x for the S&P 400 Index and 15.5x for the S&P 500 Index. We continue to manage the portfolio in a manner consistent with our long-term strategy and objective of investing in stocks that will outperform the market over time.

As always, we thank you for your continued 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		S & P MidCap	Russell MidCap	Composite Dispersion
				Gross	Net			
				2015	5,607			
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 March 31, 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 March 31, 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, 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.