FAIRPOINTE MID-CAP CORE STRATEGY

1ST QUARTER COMMENTARY 2019

Equity markets experienced a strong rally in the first quarter of 2019, rebounding from December's correction. The Fairpointe Mid-Cap Core Strategy proved to be well positioned for the rally with strong performance for the quarter both on an absolute and relative basis, returning 15.07%, compared to the S&P 400 MidCap Index of 14.49% and the S&P 500 Index of 13.65%, but lagging the Russell MidCap Index return of 16.54%.

First Quarter Review

First quarter performance was broad based, with 26 of our 48 holdings up more than 10% during the quarter, and 13 increasing more than 25%. Only two stocks declined more than 5%.

The top five contributors to performance in the first quarter were: The New York Times Company (NYT), TEGNA Inc. (TGNA), Office Depot, Inc. (ODP), Domtar Corporation (UFS), and Mattel, Inc. (MAT). We trimmed positions in these holdings.

The New York Times Company continues to benefit from the so-called "Trump bump"—a dramatic rise in interest in American political news and President Trump specifically. In February, the company announced that it added 265,000 new digital subscribers during the last quarter of 2018, the most significant increase since Trump's election. In contrast to the rest of the industry, which has cut both reporting staffs and budgets, the Times announced that its newsroom staff had grown to 1,600 people, the largest number in the company's history. The company's commitment to digital is paying off. Digital ad revenue rose 23% during 2018, while print ad revenue fell by 10%. We are impressed by the company's plans for further digital growth. It has a goal of 10 million digital subscribers by 2025. The stock still has room for additional growth.

TEGNA Inc. operates 47 television stations and two radio stations in 39 markets and offers marketing services through TEGNA Marketing Solutions. The company reported better than expected results due to subscriber gains and continued revenue from political advertising and the stock increased over 30% in the quarter. We believe the stock has even further potential due to TEGNA's strong broadcasting business and expected growth from local programming initiatives. Political advertising is expected to pick up significantly with the upcoming 2020 election, which should further boost the company's revenue and earnings.

TEGNA's stock remains undervalued due to investors negative perception around "cord cutting", a concern that clouds the outlook for many cable and broadcasting companies. However, TEGNA has not been affected by this trend, and we believe that much of this trepidation is unfounded.

Mattel, Inc. shares rose on better than expected earnings and anticipated profit improvement in 2019. There remains substantial opportunity to earn higher profit margins as management executes its turnaround plan.

Among the detractors from first quarter performance were Magna International, Inc. (MGA), Cooper Tire & Rubber Company (CTB), Juniper Networks, Inc. (JNPR), The Interpublic Group of Companies, Inc. (IPG) and Scholastic Corporation (SCHL). During the quarter, we eliminated remaining small positions in Arconic (ARNC), BorgWarner (BWA), FMC Corporation (FMC), Gerdau S A Sponsored ADR (GGB), and Interpublic Group (IPG).

Cooper Tire & Rubber Company declined after reducing its outlook due to tariffs. Additionally, management expects first quarter 2019 operating profit margin to be lower than the first quarter of 2018 as a result of some unique issues, which include restructuring charges related to shutting down light vehicle tire production in England and continued challenges within the Chinese market. Longer term, we expect company earnings will benefit from new retail partners and exciting new OEM relationships.

Juniper Networks shares were largely flat over the quarter due to mixed financial guidance for the year. The outlook for the first half of the year was significantly below expectations due to weakness with cloud customers, disruptions from its salesforce reorganization and the US government shutdown. However, management expects results to improve throughout the year as it realizes the benefits from its revamped go-to-market organization and new product introductions largely aimed at 5G networks, next generation mobile internet connectivity.

Our sole addition to the portfolio this quarter was **Magna International Inc**., a Canadian-based, global automotive supplier and the largest manufacturer of original auto parts in North America. It is a diversified and entrepreneurial company and is increasing its presence around the world. In 2018, Magna announced two new joint ventures with Beijing Electric Vehicle Co. to build all-electric automobiles. Because the company can produce vehicles with conventional, hybrid, and electric powertrains, Magna is well situated within the automotive sector, regardless of trends toward clean power. Magna is also the industry leader in brand-independent engineering and complete vehicle manufacturing. That segment of the business increased by 39%, according to recent announcements. Finally, Magna has invested in top-notch production facilities and has developed new technologies that enable it to produce at a lower cost and with less waste than its peers. However, these advancements have meant higher initial costs for the company. Magna, due to its strong international position, unparalleled scale of operations, and critical investments in innovative technologies, is well positioned for long-term growth.

Perspective and Outlook

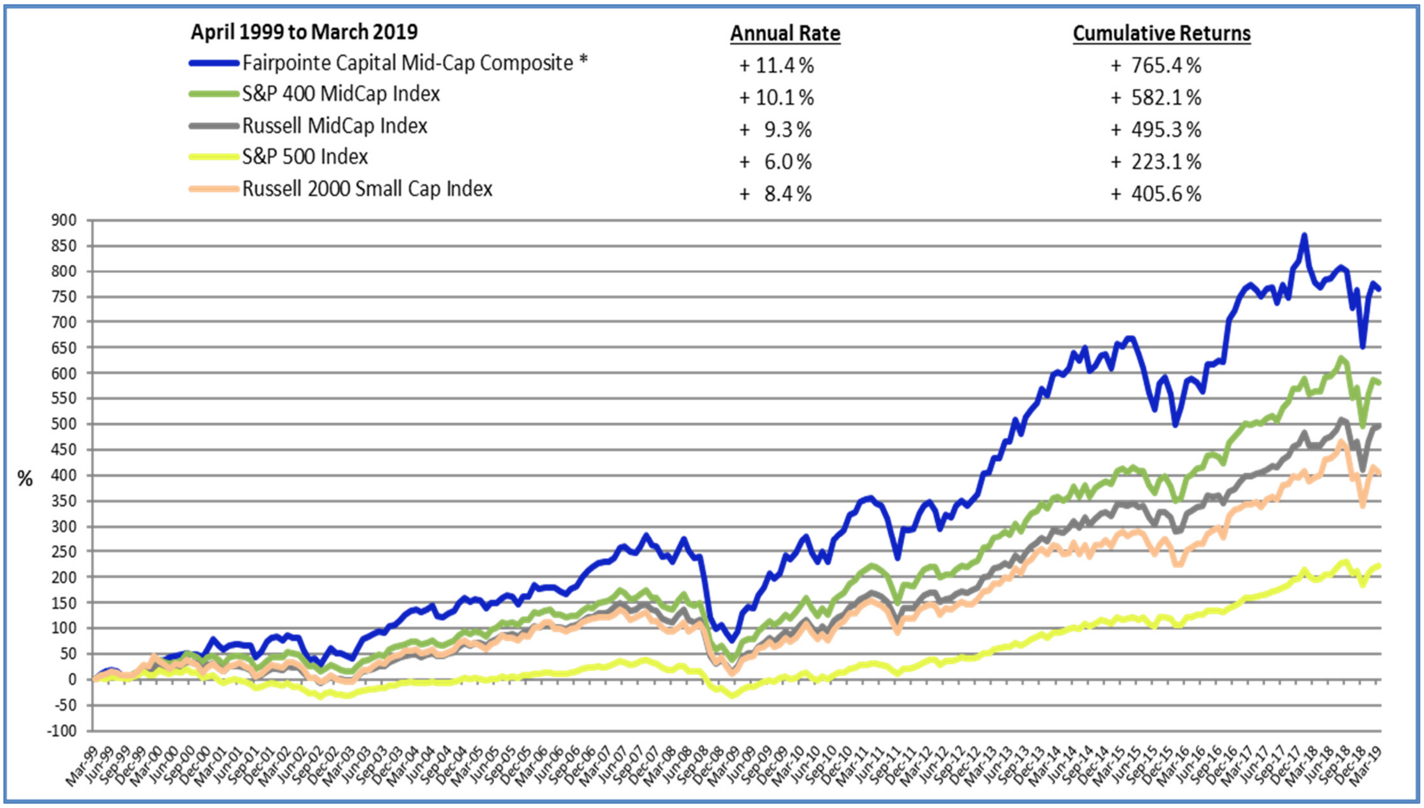
Despite the strong first quarter, the Fairpointe Mid-Cap portfolio is still more attractively valued than benchmark indices. The current P/E multiple is 12.9x compared to 15.6x for the S&P 400 MidCap and 16.3x for the Russell MidCap benchmarks, respectively. The portfolio's current price-to-revenue is near its all-time low at 0.7x, versus the S&P 400 Index at 1.2x, the Russell MidCap Index at 1.7x and the S&P 500 Index at 2.1x.

Due to the portfolio's attractive valuation, we expect that merger and acquisition activity could pick up. Despite strong corporate earnings growth and a potentially slowing economy, the M&A market remains relatively active, primarily because debt remains cheap. Many large companies are looking for ways to buy growth, and the attractive prices of many of our holdings are compelling. In fact, some companies in our portfolio are currently engaged in M&A discussions.

Even as markets performed well in the first quarter of 2019, the broader economic outlook shifted somewhat. The Fed expressed concerns about slowing U.S. economic growth during its March meeting and announced that it expects no additional interest rate increases in 2019. This is a change from its previous outlook, which anticipated at least two to three more increases over the next year. Most Fed officials now expect a single rate increase in 2020 and zero increases in 2021.

Global economic issues are still posing difficulties. Multiple trade negotiations remain ongoing and unpredictable, and Brexit is clearly a concern for investors. The concern is not so much focused on the UK separating from the EU, but rather the tremendous amount of uncertainty that the entire situation has caused. And, as any seasoned investor knows, markets hate uncertainty. This has created problems for capital markets as a whole, but especially for the Euro-zone—which could be affected by the chaos for the next year or two. As a result, the dollar is up significantly versus the euro. This means that when companies translate their European revenues back to dollars, their results may not look so strong. In addition to the broad-based economic uncertainty created by Brexit, it is also creating noteworthy challenges for individual multinational companies.

Rather than become distracted by these uncertainties, we remain focused on the strength of the companies within the portfolio and our position relative to benchmarks. MidCap growth continued to outpace value. In our view, this out-performance is mostly the byproduct of the massive shift toward passive index funds, which hold stocks based on algorithmic rules, rather than specific stock information. To put it another way, the rising tide of passive funds has lifted the boat of many stocks that are not well positioned for growth. Our portfolio remains relatively undervalued, and we believe this is an exciting time for active management styles that focus on identifying individual companies that are attractively valued and poised to generate long-term growth. The trend to passive funds has also left mid-cap stocks largely overlooked, even though mid-cap stocks outperform over the long term (see chart below). We are encouraged to see that so far this year, the S&P 400 MidCap is ahead of the large and small S&P indices. This may be the year of renewed interest in mid-cap and fundamental value-based investing.



*** Net of Fees; Performance represented from April 1, 1999** **Source: Advent Axys/IDC**

Despite the unpredictability of broader markets, we continue to stay the course with our process and stay true to our valuation discipline. As always, we will add to positions where we have high conviction and reduce or eliminate positions where we do not.

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			
2018	2,935	2,755	Eight	(17.62%)	(18.25%)	(11.08%)	(9.06%)	0.24%
2017	5,415	5,091	Seven	12.87%	12.01%	16.24%	18.52%	0.27%
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.

* 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 and Russell MidCap indices. The S&P MidCap 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 September 30, 2018.

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, 2018. 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.

The three-year annualized ex-post standard deviation - December 31, 2018 - composite is 16.63% and 13.32% S&P MidCap and 11.98% Russell MidCap; December 31, 2017 - composite is 15.71% and 10.91% S&P MidCap and 10.36% Russell MidCap; December 31, 2016 - composite is 15.87% and 12.23% S&P MidCap and 11.55% Russell MidCap; December 31, 2015 - composite is 14.30% and 11.70% S&P MidCap and 10.85% Russell MidCap; December 31, 2014- composite is 13.4% and 11.1% S&P MidCap and 10.1% Russell MidCap; December 31, 2013 - composite is 18.4% and 15.0% S&P MidCap and 14.0% Russell MidCap; December 31, 2012 - composite is 20.6% and 17.9% S&P MidCap and 17.2% Russell MidCap; December 31, 2011 - composite is 25.0% and 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.