FAIRPOINTE MID-CAP STRATEGY

1ST QUARTER COMMENTARY 2020

Like the rest of the world, we too have been saddened by the global pandemic and its significant impact on lives, and people's livelihoods. As a result of this unprecedented set of events, markets around the world have dropped rapidly and precipitously. During the first quarter of 2020, the Fairpointe Mid-Cap Strategy was down 30.24% (net of fees) compared to the S&P 400 MidCap Index down 29.70%, the Russell MidCap Index down 27.07% and the S&P 500 Index down 19.60%. For the month of March 2020, the Strategy was down 20.23% (net of fees) compared to the S&P 400 MidCap Index down 20.25%, the Russell MidCap Index down 19.49% and the S&P 500 Index down 12.35%.

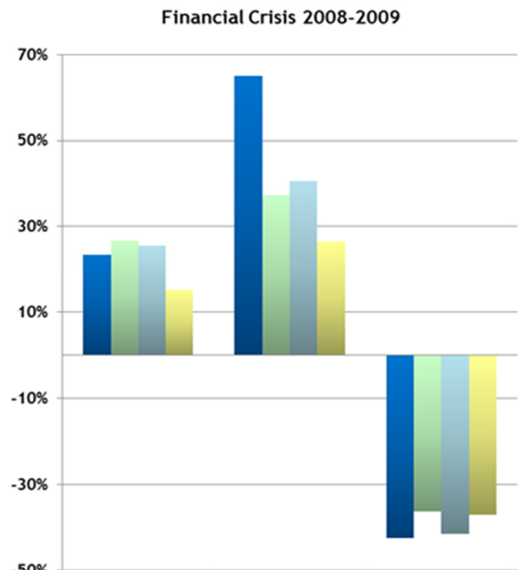
Of course, no one can predict precisely when this crisis will end. Rather than sitting on the sidelines in fear, as investment professionals, we must instead use clear, rational thinking to persevere. We believe that our rigorous fundamental research and thoughtful stock selection will serve our investors well, despite the challenging environment. Right now, the market is reacting as if all stocks are the same and will be equally affected by the COVID-19 pandemic. Although down markets often operate this way—with all securities struggling—the passive investing boom has amplified this reaction. As investors pull their assets from passive funds, those assets come out—in a weighted fashion—from every fund holding, regardless of a company's relative long-term health.

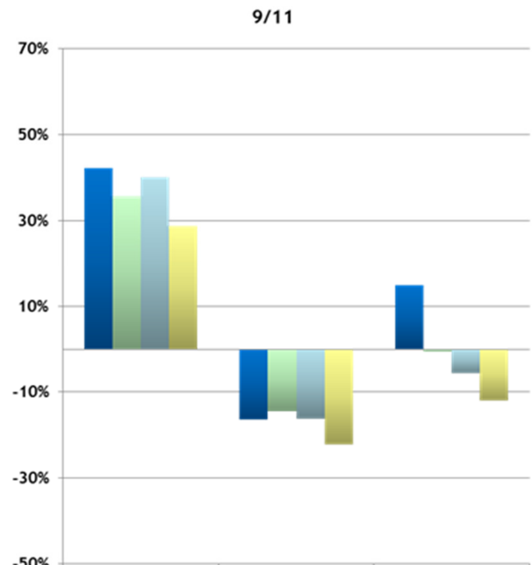
This across-the-board drop in stock prices has given us the ability to buy high quality businesses at low prices. Because some of our holdings are included in large, passive ETFs, their prices fell alongside the rest of the market. This created attractive buying opportunities for us. However, in retrospect, we might have benefited even more had we waited another week or two before making such investments; nevertheless, we were able to increase our positions in several holdings at steep discounts, relative to their recent prices and our assessment of their long-term value.

As markets return to normal—which they eventually will—we believe that investors will be less drawn to passive, buy-the-index approaches and will instead focus on specific, well-positioned companies. Active investment managers can do well in such an environment because they specialize in identifying strong companies; analyze balance sheets, review contingency plans, and can patiently await a rebound.

A cornerstone of Fairpointe's approach has always been to talk frequently with company management teams in order to get an in-depth, behind-the-scenes view of a company and its industry. The current crisis is no exception. We continue to talk to our portfolio companies to learn more about their plans, positioning and outlook. One message we have heard repeatedly is that, as the pandemic clears, market share positions are likely to shift. The quarantine period will have a more negative impact on weaker and/or smaller companies. Financially stronger and more focused players could gain additional market share. It is precisely this kind of shifting that active managers can identify and capitalize upon.

It is important to remember that we have managed the portfolio through very difficult periods before. The aftermath of the devastating September 11 attacks, as well as the global financial crisis of 2008-2009 are two examples. Then as now, we adhered to our investment process, and were able to substantially outperform our competitors as markets recovered. Following September 11, we immediately eliminated the remaining positions of three take-over stocks and used that cash to add to depressed holdings. As a result of these actions, we generated a return of 25% for the fourth quarter and 14% for the year 2001, substantially outperforming all indices - the S&P 400 Index down 0.6%, the Russell MidCap Index down 5.6%, and the S&P 500 Index down 11.9%. Similarly, as the global financial crisis wreaked havoc in the financial markets in 2008, the portfolio was down over 40% in line with most other indices. However, in 2009 we were up over 65% again substantially outperforming the benchmarks - the S&P 400 Index up 37.4%, the Russell MidCap Index up 40.5%, and the S&P 500 Index up 26.5% as highlighted in the chart below. We credit this outperformance not only to our disciplined investment process that emphasizes a long-term perspective and solid company fundamentals, but also to our experience. Our investment professionals average 30 years of industry experience. This experience has taught us not to panic, but rather to stay the course. We encourage our clients not to panic---this too, shall pass. When fear takes over the broader markets, it is a good time to make targeted investments.





	2010	2009	2008	2003	2002	2001
Fairpointe Capital Mid-Cap Composite	23.50%	65.03%	-42.53%	42.22%	-16.29%	14.81%
S&P 400 MidCap Index	26.64%	37.38%	-36.23%	35.62%	-14.51%	-0.60%
Russell MidCap Index	25.48%	40.48%	-41.46%	40.06%	-16.19%	-5.62%
S&P 500 Index	15.06%	26.46%	-37.00%	28.68%	-22.06%	-11.93%

Portfolio Changes

In terms of specific actions during the quarter, we added four new names to the portfolio (Check Point Software Technologies Ltd, Hexcel Corp, Charles Schwab Corporation, Waters Corp) and two positions were eliminated (QIAGEN NV, TechnipFMC). With a focus on customer service and technology, **Charles Schwab** has grown to over $3 trillion in assets on its platform. We believe the company will continue to gain market share and grow its assets and customer base. We were able to acquire the shares at a valuation not seen since the financial crisis. **Checkpoint Software** is the largest pure-play security vendor globally and provides industry-leading solutions to protect customers from all types of cyberattacks. The company’s software makes Internet communications and critical data secure, reliable and available everywhere. The company has long-term growth opportunities in Internet security and a debt free balance sheet. **Hexcel** is a market leader in carbon fiber composites to global aerospace and industrial markets. Composites offer significant advantages as they are five times stronger and 30% lighter than aluminum. In the long-term, Hexcel will grow its content penetration to help customers meet efficiency and emissions targets. **Waters Corporation** is the world's leading specialty measurement company focused on improving human health and well-being through chromatography, mass spectrometry and thermal analysis innovations used in discovering new pharmaceuticals, assuring the safety of the world’s food and water supplies, and ensuring the integrity of a chemical entity in production. The company generates strong free cash flows. We were able to initiate our position at an attractive valuation with the stock near its five-year low valuation range. **QIAGEN** was sold after receiving a takeover bid from Thermo Fisher Scientific. We considered it a fair offer and with the stock trading close to the bid price, and our concern for potential regulatory risk to the deal, we opted to sell before the official closing. We eliminated our position in energy services company **TechnipFMC** as we saw better opportunities elsewhere.

The portfolio benefited from an increase in merger and acquisition activity. During the past quarter, as mentioned earlier, one of our holdings had a takeover offer, and another holding is now in a bidding process. We purchased QIAGEN NV at the end of December, and at the beginning of March, it was announced that the company would be acquired by Thermo Fisher Scientific. With the announcement, QIAGEN ’s stock price increased over 20%. One of our longer-term holdings, Tegna, a broadcasting station company, has recently received several takeover offers at approximately $20 per share. In our view, the company can be successful without a deal, as the experienced management is executing their business plan well. The stock price should see $20 per share without being acquired. Regardless, the increase in merger and acquisition activity within the portfolio is an encouraging sign as other investors recognize the value of our portfolio companies.

Our year-to-date improvement in relative performance gives us some reassurance that we can continue to make sound decisions during this difficult period. And in fact, our portfolio managers have increased their own personal investments in the portfolio.

First Quarter Review

In the first quarter, the top five contributors to performance were QIAGEN NV (QGEN), Akamai Technologies, Inc. (AKAM), Werner Enterprises, Inc. (WERN), Hormel Foods Corporation (HRL) and Check Point Software Technology (CHKP).

QIAGEN offers end-to-end advanced molecular testing solutions to navigate the research process faster, better, and more efficiently. In the first quarter, the company received a takeover offer from Thermo Scientific at a 20% premium. We viewed the valuation as fair and we exited the position as we did not want to take regulatory approval risk.

Akamai Technologies, has outperformed the market by a large margin, driven by its strong growth in revenue and earnings as it benefits from the increase in internet traffic and the move to the cloud.

Werner Enterprises benefited from strong demand for household products and groceries as consumers stocked up on essentials due to the pandemic. The Strategy trimmed its position on strength.

The five largest detractors to performance were Meredith Corporation (MDP), Cars.com, Inc. (CARS), Hexcel Corporation (HXL), Cooper Tire & Rubber Company (CTB) and Domtar Corporation (UFS).

Meredith, a media company, has struggled to integrate its acquisition of TIME Inc. Meredith’s stock was caught in a perverse trading strategy by an ETF that mimics the S&P High Yield Dividend Aristocrats. The ETF had increased it’s holding in Meredith’s stock as the dividend yield grew but was forced to sell when Meredith’s market capitalization dropped below a minimum threshold (Meredith has paid a dividend for 73 years and increased it in the last 27 years). This forced selling of 20% of the shares put further pressure on the stock price. We consider the stock undervalued as the market is ignoring the strong cash flows from the broadcasting assets.

CARS’ revenue is generated from auto dealer subscription services and national advertising. We expect demand to be adversely impacted in the near-term until the crisis abates. Data provided to dealers about buyers will come increasingly valuable as dealer inventories build.

Hexcel’s stock price declined due to the extraordinary air travel freeze from the social distancing measures taken to slow the spread of the virus. The company's market position in lightweight composites is strong and content growth will resume when air travel demand recovers. Hexcel also makes products utilized in wind turbines and other markets unrelated to aerospace.

Portfolio Outlook

These are difficult times for everyone. As previously stated, our team has managed through crises before and come out stronger and we believe this time will be no different. We continue to analyze holdings for financial strength and liquidity. We are closely monitoring our watch-list and expect to have further opportunities to add new stock ideas in the coming months. We will continue to upgrade the portfolio with a focus on companies with strong market positions, balance sheets and long-term growth prospects. We believe the portfolio is well positioned to perform as life returns to normal. Please stay safe and we will all get through this together.

Thank you for your interest and support.

Fairpointe Investment Team

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
2019	1,347	1,198	Five or Fewer	17.15%	16.36%	26.20%	30.54%	N.A.
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.

* 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 through December 31, 2019.

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 December 31, 2019. 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, 2019 - composite is 17.85% and 14.46% S&P MidCap and 12.89% Russell MidCap; 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.