

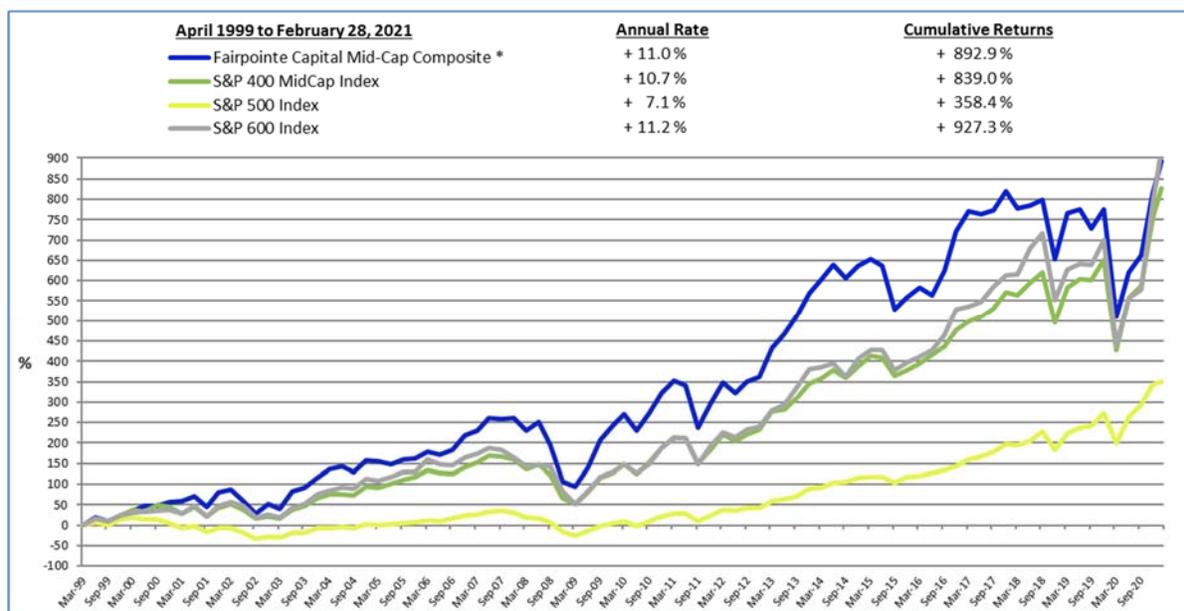
Don't Ignore the Middle – The Case for Mid-Caps

Fairpointe Capital has specialized in active mid-cap stock investing since 1999. Many investors allocate capital in large and small cap categories and overlook the mid-cap space. We think this is a mistake for long-term investors, as mid-cap stocks offer several advantages over small and large caps.

Mid-caps offer higher growth potential than large cap stocks. Fairpointe's process focuses on companies that can grow profits and gain market share. Mid-cap is an interesting space, which offers exposure to growing companies that can become large caps. For example, Fairpointe owned Apple, Nvidia and Monsanto when they were mid-caps. Compared to small caps, mid-caps are considered less risky and volatile. Mid-cap companies are more established and have better access to capital markets to fund growth through reinvestment in the business or through acquisition. We find that mid-caps attract more experienced management teams than small cap stocks. Finally, mid-caps offer better trading liquidity.

The mid-cap space also offers greater opportunity for takeovers. Since inception, Fairpointe's mid-cap strategy has averaged 1.8 takeovers per year. Due to our focus on market leading companies with strong fundamentals, we expect future takeovers. Currently, our long-term holding Varian Medical Systems is being acquired by Siemens Healthineers and Cooper Tire by Goodyear Tire at a 30% premium. Cooper Tire has a leading position in replacement tires and a growing OEM business making it a good strategic fit for Goodyear. A weak U.S. dollar, low borrowing rates, and cooling from the trade wars of the prior administration create a favorable backdrop for merger and acquisition activity.

Mid-caps offer more opportunity for management engagement. We routinely have conversations with company executives regarding their strategy and we actively vote proxies. In 2019, Fairpointe held 35 in-person meetings with company management teams and 85 follow-up calls post earnings. In addition, the team held over 50 meetings/calls with prospective portfolio companies.



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

Mid-caps have outperformed over the long-term. The chart highlights Fairpointe's mid-cap strategy relative to market benchmarks since inception. As you can see, Fairpointe's strategy outperformed mid and large cap benchmarks. Fairpointe's outperformance was interrupted for the past several years by massive moves into large cap growth stocks fueled by passive investing, slow GDP growth, and low interest rates. We believe it is an opportune time for long-term investors to allocate to the mid-cap category. Year-to-date the Fairpointe strategy is up 8.4% (in-line with the S&P 400) substantially outperforming the 1.7% return of the S&P 500, and the 2.5% return of the Nasdaq. A recovering economy and a shift to fundamental investing align well with Fairpointe's strategy.

DISCLOSURE

The Mid-Cap Composite contains fully discretionary equity accounts that follow the mid-cap style. The 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 Index. 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 index is 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. In 2020, the Russell MidCap benchmark was removed from all of Fairpointe's published strategies. 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. The Mid-Cap composite was created January 1, 2005. Performance presented prior to May 1, 2011 occurred while the Portfolio Management Team was affiliated with prior firms and the Team was solely responsible for selecting the securities to buy and sell.

Fairpointe Capital is an independent registered investment adviser.

The firm maintains compliant presentations and a complete list of composite descriptions which are both available upon request. Please send inquiries to cbolender@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 net of management fees and include the reinvestment of all dividends, capital gains, and other earnings. Net of fee performance is calculated using actual fees.

Policies for valuing portfolios, calculating performance, preparing compliant presentations and a list of all holdings since inception of Fairpointe are available upon request.