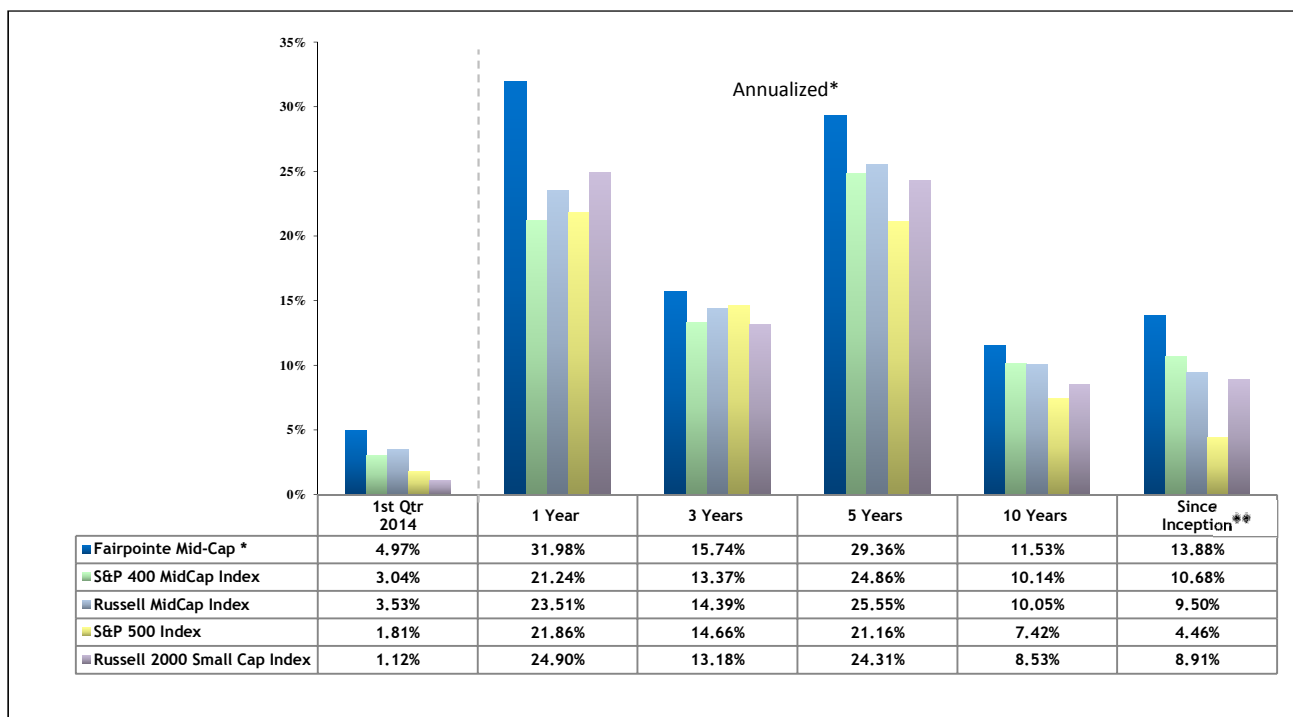


**FAIRPOINTE MID-CAP CORE
1st QUARTER COMMENTARY, 2014**

Following a very strong 2013, the U.S. stock market continued its upward trend during the first quarter of 2014. The mid-cap benchmark indices, S&P 400 and Russell MidCap, were up 3.0% and 3.5%, respectively. The large cap S&P 500 was up 1.8% and the small cap Russell 2000 increased 1.1%. The Fairpointe Mid-Cap Composite was up 5% outperforming all the above indices.



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

First Quarter 2014 Review

The performance contribution¹ continues to be broad-based with 17 stocks up more than 10% and only five stocks down more than 10%. The top contributor was Akamai Technologies, returning 23.4% during the quarter and 86.7% for the last 12 months. Strong secular tailwinds from internet traffic growth continue to favor Akamai as a leader in accelerating content delivery. The company announced better than expected quarterly results and the renewal of a large contract with an important client. At a recent investor presentation, Akamai discussed ongoing investments in sales to address the international market and research and development investments to better address the fast growing internet security market. Akamai has an extensive global network of servers and intelligent software that accelerates more Web traffic than any other participant. As a result, Akamai is uniquely positioned to identify, absorb, and block cyber-attacks before they reach their client's servers.

¹Performance contribution represents stock weighting, transactions, dividend and price movement.

Forest Laboratories (FRX), another top contributor, rose 56.6% after receiving a take-over offer from Actavis, a larger pharmaceutical company based in Ireland. The price premium unlocked the value of Forest's strong pipeline of pharmaceutical products. Juniper Networks, up 14.1%, benefitted from renewed demand for its routers and switches as long-awaited telecom infrastructure spending resumed. Alcoa (AA) was up 21.4%, following a 33.8% rise last quarter, and DeVry Education Group rose 19.4%.

Detractors to first quarter performance included: Staples (SPLS) down 27.9%; Itron (ITRI) down 14.2%; McDermott International (MDR), down 14.6%; Citrix Systems (CTXS), down 9.2%; and Polypore International (PPO) down 12.1%.

Staples, our worst performer, reported weak fourth quarter results particularly in its North American stores. We are disappointed that shares are back to levels at which we initially purchased them in August 2012. However, our thesis remains intact. The shares are attractively valued at 0.3x revenues, 11x forward earnings and a dividend yield of 4%. Staples, the largest global office-products company and second largest internet retailer behind Amazon, should be able to offset secular and cyclical headwinds through expanded product offerings, market share gains due to fallout from the Office Max/Office Depot merger, stabilized international operations, and aggressive downsizing of its retail footprint.

Itron is the only remaining pure play smart-metering company offering energy and water usage monitoring technologies to municipalities and utilities globally. Weak economic conditions in Europe, the market with the greatest growth opportunities for Itron, have delayed the adoption of these technologies. Itron's stock is trading near its historical lows in terms of valuation. We added to our position during the quarter as we expect adoption rates and revenues to grow along with improving economic conditions.

McDermott's strategic move into subsea has been plagued with execution issues. The company's new CEO is addressing these issues with a comprehensive review. Recent financial restructuring will allow the company to prefund their needs for the next two years. The stock is attractively valued at current levels.

Portfolio Changes

During the quarter, four stocks were added to the portfolio: Quest Diagnostics (DGX), U.S. Steel (X), Cooper Tire (CTB) and Mattel (MAT). Quest Diagnostics is a leading provider of laboratory services that assist physicians in making healthcare decisions. Quest has a network of more than 2000 patient service centers across the country, providing scale and cost advantages relative to regional competitors and hospitals. The company's stock has underperformed the market due to investors' fears of future healthcare reimbursement cuts. We believe these risks are already discounted in Quest's current stock price. U.S. Steel has a market value of \$3.9 billion and depressed revenues of \$17.4 billion. We started buying the stock in February and it has already contributed to performance. The company, under a new and very experienced CEO, is implementing a major transformation to improve results independently of a cyclical rebound. The company should also benefit from lower energy costs and a return of manufacturing to the U.S.

Cooper Tire & Rubber came into focus after a failed takeover last year by India's Apollo Tyres, which originally agreed to pay \$35 per share for Cooper. One of Cooper's joint venture partners in China shut down due to a strike, which may have been in protest of the pending acquisition. As this all played out, the stock went from \$24, up to nearly \$35, and right back down to below \$24. Cooper is the fourth largest U.S. tire manufacturer

focusing primarily on replacement tires at mid- to low-price points. Roughly 70% of sales come from North America. Cooper has recently entered the original equipment market in the U.S. with a contract to supply tires for the Ford Focus. Mattel, a previous holding in the portfolio, declined to an attractive valuation level following a disappointing fourth quarter 2013 earnings announcement.

Forest Laboratories (FRX) was eliminated during the quarter after the announced takeover by Actavis. H&R Block (HRB) and McGraw Hill Financial (MHFI) were also eliminated from the portfolio. All three stocks appreciated significantly during our holding period – FRX returned 115%; HRB returned 66%; and MHFI returned 100%.

Perspective and Outlook

As we discussed in our 4th quarter commentary, the following key trends continue to unfold. Supported by low interest rates, our domestic economy is in recovery mode. Housing and auto related industries continue their cyclical recovery while stronger employment trends support consumer income growth and spending activity. Manufacturing is returning to North America as companies position their production closer to demand and can take advantage of lower transportation and energy costs and a more favorable labor environment. As capacity utilization in the U.S. increases, we look for additional capital spending and subsequent growth throughout the economy. We also expect merger and acquisition activity to accelerate. Companies with leading market share positions and strong balance sheets, such as those in our mid-cap portfolio, have been and will continue to be attractive acquisition targets.

The Fairpointe Mid-Cap Composite remains attractively valued relative to the S&P 400 and the Russell MidCap benchmarks. While valuations have moved up across the equity market, we continue to find undervalued stocks. Recent additions to the portfolio have already contributed to performance, with four of our ten best performing stocks this quarter purchased since the beginning of 2013.

We thank you for your continued interest and support.

Thyra E. Zerhusen, Chief Investment Officer

Marie L. Lorden, Portfolio Manager

Mary L. Pierson, 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			
				2013	6,999			
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.
2005*	-	695	Five or Fewer	2.67%	1.83%	12.56%	12.65%	N.A.
2004*	-	496	Five or Fewer	20.69%	19.74%	16.48%	20.22%	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 December 31, 2013.

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, 2013. 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, 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.