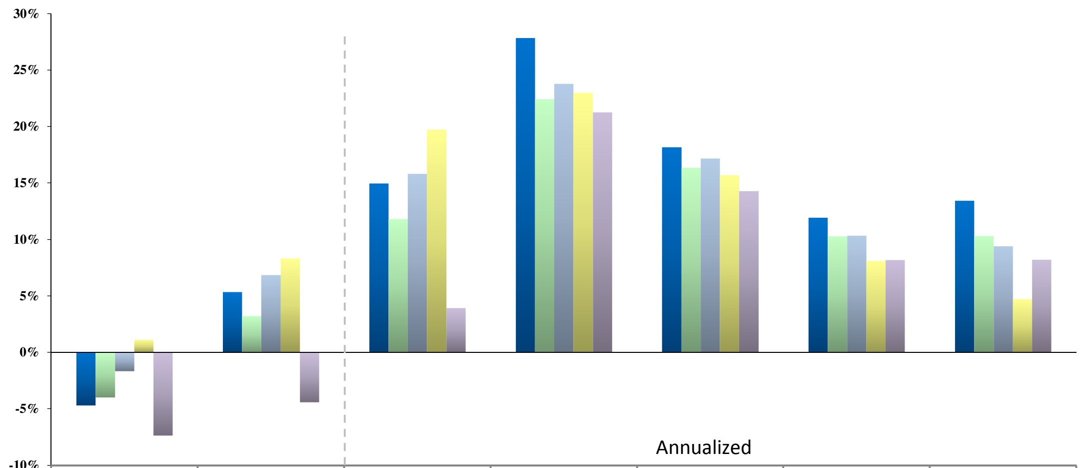
FAIRPOINTE CAPITAL

FAIRPOINTE MID-CAP EQUITY

3rd QUARTER COMMENTARY, 2014

Following a strong first and second quarter, the U.S. stock market showed mixed results in the third quarter of 2014. The Fairpointe Mid-Cap Composite was down 4.68%, underperforming the mid-cap benchmarks. The S&P 400 declined 3.98% and Russell MidCap 1.66%. The large cap S&P 500 was up 1.13% and the small cap Russell 2000 declined 7.36%. Year-to-date the Fairpointe Mid-Cap Composite is up 5.36%, the S&P 400 is up 3.22%, the Russell MidCap is up 6.87%, the S&P 500 is up 8.34% and the Russell 2000 is down 4.41%.



	3rd Qtr 2014	YTD 2014	1 Year	3 Years	5 Years	10 Years	Since Inception **
Fairpointe Mid-Cap *	-4.68%	5.36%	14.98%	27.85%	18.18%	11.94%	13.43%
S&P 400 MidCap Index	-3.98%	3.22%	11.82%	22.43%	16.37%	10.29%	10.33%
Russell MidCap Index	-1.66%	6.87%	15.83%	23.79%	17.19%	10.34%	9.41%
S&P 500 Index	1.13%	8.34%	19.73%	22.99%	15.70%	8.11%	4.74%
Russell 2000 Small Cap Index	-7.36%	-4.41%	3.93%	21.26%	14.29%	8.19%	8.21%

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

Third Quarter 2014 Review

The performance contribution[1] in the third quarter was skewed to underperforming stocks with six stocks up more than 10% and 16 stocks down more than 10%. The top contributor was United States Steel Corporation (X), an integrated steel producer of flat-rolled and tubular products, returning 50.6% during the quarter after financial results for the second quarter showed progress in reducing costs. U.S. Steel is in the midst of a multi-year plan, called the Carnegie Way, to realign operations and reduce costs. In September, U.S. Steel announced that it would divest its Canadian subsidiary thereby improving profitability and reducing pension liabilities.

Citrix Systems (CTXS), another top contributor, rose 14.1% after exceeding earnings estimates for the second quarter. Citrix provides software and services that enable workers to access enterprise applications from anywhere using a variety of devices including personal computers, tablets and smartphones. The company's products help customers build private and public clouds to support mobile users.

Rounding out the top five contributors were: Staples (SPLS) up 12.7%, the company moved more aggressively to address overcapacity issues; Edwards Lifesciences (EW) up 19.0%, the company started shipping a new heart

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

valve in the United States; and Bunge (BG) up 11.8%, Bunge announced a strategic review of sugarcane milling business in Brazil.

Detractors to second quarter performance included: The New York Times Company (NYT), down 26.0%; Owens Corning (OC), down 17.6%; Mattel (MAT), down 10.9%; AGCO Corporation (AGCO), down 19.0% and Nuance Communications (NUAN), down 17.9%. The New York Times reported weaker revenues in the second quarter which put pressure on the stock. Subsequently, on October 1 the company announced that third quarter circulation and advertising revenues were better than previously expected and that additional cost cutting measures would be taken to assure longer-term profitability.

Owens Corning, a recent addition to the portfolio, is a world leader in glass fiber technology. Results in the first half of the year were negatively impacted by severe weather in the United States and an excess inventory of roofing materials. We expect the company to benefit from increased U.S. residential and commercial construction as the economy continues to improve.

Mattel, the largest toy company, has faced headwinds in 2014 after a disappointing holiday season and has reported weaker than expected earnings in each of the last three quarters. However, the company has strong cash flow, a tradition of returning cash to shareholders and a current dividend yield of 5%. We expect earnings comparisons to become positive in the fourth quarter.

AGCO is a global producer of agricultural equipment including tractors, combines and grain storage products. Its brands include Challenger, Fendt, Massey Ferguson, Valtra and GSI. The company grew through a series of acquisitions; management is now streamlining operations to increase profitability. Current demand is being negatively impacted by lower farm incomes due to bumper crops, particularly in North America and Europe. Additionally, a shift in demand to higher horsepower tractors is not occurring as quickly as had been expected. We view these problems as relatively short-term and expect profitability to improve in future quarters.

Portfolio Changes

During the quarter, three stocks were added to the portfolio: Finisar (FNSR), Gerdau (GGB) and Transocean (RIG).

Finisar is the world's largest supplier of optical solutions for the communications industry providing subsystems and components to original equipment manufacturers (OEMs). Earnings were down in the most recent quarter due to more sales of lower margin products and this trend is expected to continue for several quarters. Longer term, we expect that the company will benefit from internet traffic growth including mobile users, video traffic and cloud services.

Gerdau is the largest producer of long steel, used in construction, industrial and automotive sectors. Demand in North America is growing, but demand is weak in Brazil and Latin America. Gerdau has focused on improving margins and has eliminated some non-essential operations. We expect the company to show improved results when growth picks up in Brazil and other world economies.

Transocean, a leading provider of offshore drilling services for energy companies, is currently trading at depressed multiples (10x 2015 consensus earnings estimates). The company has embarked on margin improvement initiatives to be completed by the end of 2015 and is divesting non-core assets and reducing debt. The stock is selling at the low end of its historic P/E and P/S ranges and we expect the shares to go up once the outlook becomes clearer.

One position was eliminated during the third quarter: First Solar (FSLR). First Solar manufactures thin-film solar power modules and constructs solar power plants. The company has been increasing the efficiency of its solar panels and has used its financial strength to produce turn-key power plants. During the period that we owned the stock in the portfolio, the price nearly tripled and was sold based on valuation.

Perspective and Outlook

The trends discussed in recent commentaries are continuing: housing and auto related industries are recovering, employment is increasing and consumer spending is picking up. Manufacturing is expanding in North America as companies take advantage of a competitive cost environment. The European Central Bank and the Fed are continuing low interest rate policies. Mergers and acquisitions have picked up with the majority of deals involving foreign buyers of U.S. companies. While the economic outlook is positive, we would not be surprised to see additional volatility based on escalating geopolitical tensions.

The recent decline in stocks has provided a buying opportunity. We have selectively added to some of our holdings. By actively rebalancing our holdings, we have managed to keep our portfolio attractively valued relative to the mid-cap benchmarks and the S&P 500 Index.

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 Gross	Net	S&P MidCap	Russell MidCap	Composite Dispersion
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.
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 June 30, 2014.

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 June 30, 2014. 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.