2011 Annual Report
FAIRCOURT SPLIT TRUST

FAIRCOURT
Asset Management Inc.

Leading The Way To Prosperity.

2011 ANNUAL REPORT

FAIRCOURT SPLIT TRUST

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TSX Symbols: FCS.UN
FCS.PR.B
Eligibility: RRSP, RIF
Inception Date: March 16, 2006
Fund Manager: Faircourt Asset Management Inc.
Investment Advisor: Faircourt Asset Management Inc.

This annual management report of fund performance contains financial highlights of the investment fund. Complete annual financial statements of the investment fund are also attached. Securityholders may contact us by calling the toll-free number 1.800.831.0304, by writing to us at Faircourt Asset Management Inc., Suite 1402, 141 Adelaide Street West, Toronto, Ontario, M5H 3L5 or by visiting our website at www.faircourtassetmgt.com or by visiting the SEDAR website at www.sedar.com to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly disclosure relating to the investment fund.

Management Report of Fund Performance

This Management Report of Fund Performance presents management's view of the significant factors and developments during the past period that have affected the Fund's performance and outlook and should be read in conjunction with the audited Financial Statements of the Fund for the period ended December 31, 2011 and December 31, 2010 together with the notes related thereto. In accordance with investment fund industry practice, all figures presented in this Management Report of Fund Performance are based on the Fund's published NAV, except for the figures presented in the Net Assets per Unit table, which can be found under Financial Highlights. In accordance with NI 81-106, the figures in this table must be derived from the financial statements.

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue," and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

Investment Objective and Strategies

Faircourt Split Trust (the "Trust" the "Fund") was created using a dual security structure, consisting of Trust Units and Preferred Securities, to provide investors with leveraged capital growth potential and greater ability to choose the tax character of distributions they will receive.

The investment objectives with respect to the Preferred Securities are;

(i) to provide Securityholders, in priority to any distributions on the Trust Units, interest in the amount of $0.15625 per quarter ($0.625 per annum to yield 6.25% per annum on the subscription price of $10.00); and

(ii) to repay to Preferred Securityholders, on December 31, 2014, in priority to any return of the original subscription price to Unitholders, the original subscription price of the Preferred Securities;

The investment objectives with respect to the Trust Units are;

(i) to provide Unitholders with a stable stream of tax-efficient monthly cash distributions initially targeted to be approximately $0.09063 per Trust Unit per month ($1.08756 per annum to yield 7.25% per annum on the subscription price of $15.00), a significant portion of which is tax-deferred; and

(ii) to return to Unitholders, on December 31, 2014, at least the original subscription price of the Units.

The Investment Advisor to the Partnership is Faircourt Asset Management Inc. ("Faircourt" the "Manager"). Faircourt, together with its affiliates, currently provides management services to one TSX listed closed-end fund, Faircourt Split Trust and two TSX listed corporations, Faircourt Gold Income Corp. and Metals Plus Income Corp., and two resource funds, Faircourt Resource Fund Limited Partnership and Faircourt Exploration Flow-Through 2010 Limited Partnership. Faircourt also provides marketing and administrative support and other services to a program of Principal Protected Notes, issued by a Canadian chartered bank.

The Trust trades on the Toronto Stock Exchange under the symbols "FCS.UN" for the Units and "FCS.PR.B" for the Preferred Securities.

Risk

The risk factors which Securityholders should be aware of relating to an investment in the Trust remain substantially as discussed in the Prospectus of the Trust dated February 27, 2006 and in the Information Circular dated August 13, 2010. However, the Fund has higher leverage than at inception. As a result of this leverage, an investment in the units may be considered speculative.

Results of Operations

Market Performance

The first half of 2011 can be viewed as a time when investors increasingly embraced emerging markets growth, while also witnessing the continued deterioration of the credit worthiness of many G7 countries. 2011 began with confidence as investors embraced growth forecasts out of China that suggested continued GDP growth and domestic consumption patterns that would lead the global recovery. As was seen in 2010, emerging markets such as China and India continued to grow ahead of forecasts, putting pressure on commodity prices as demand outstripped supply as major infrastructure projects continued to produce massive urban centres.

The second quarter witnessed abrupt change in global trade as the tsunami that hit Japan not only disrupted local power supply, but also served to derail global supply chains. The ripple effects were felt in many industries, from automobiles to electronics to computers. As parts were not available, global trade began to slow, and the same drivers that helped propel the markets during the first quarter led to its weakness in Q2. This had a noticeable effect on the US economy, which slowed frin an already tepid pace of recovery.

In Canada, 30% of GDP is derived from exports, so the strength of the global economy is important to Canada. Canada's economy relies on the US, as 75% of exports, or 23% of GDP is focused south of our border. Although trade with Europe is not significant, with direct exposure to European nations of only 4% of exports, or the equivalent of 1.2% of GDP, there are concerns with respect to the global economic slowdown which has dragged down commodity prices On the TSX, sectors most negatively affected by uncertainty in financial markets and the slowdown in the global economy included commodities, technology, financial institutions and consumer discretionary. The more resilient sectors on the TSX in 2011 included health care, telecom, consumer staples, and utilities.

U.S. markets experienced significant volatility that negatively affected investor psyches. Continued challenges in residential real estate construction affected the core of the U.S. economy, and until construction re-accelerates, stubborn unemployment and tensions for further stimulus will be front and centre to resurrecting the U.S. economy. Sectors of the S&P 500 most negatively affected this past year in the U.S. included financials, industrials and materials. Sectors that continued to generate strong returns despite global uncertainties included energy, consumer discretionary and staples, and health care.

As 2011 came to a close, the global banking crisis that began in 2008 transitioned into a sovereign debt crisis, affecting many countries in the G-20. The concerns on a macro level have led to increased volatility in capital markets and investors have become more cautious.

The odds of a sovereign default have grown in Europe in 2012, but history has shown that default combined with currency depreciation can, over time, lead to growth and recovery. We must remember that countries such as Brazil have gone through the transition of default to re-birth and growth, now among the leaders in GDP growth. Growth is needed to reduce sovereign debt and reduce unemployment. This will require patience and time as well as a measure of fiscal restraint. Unfortunately, the common currency in the Eurozone makes this process more difficult and complicated.

As we enter 2012, equity prices as measured based on forward price-earnings ratios look inexpensive based on historical norms. The key for investors is earnings strength, as the big question is, will earnings continue to grow or will earnings suffer from further global economic deterioration. We see potential buying opportunities for select North American equities. The sell-off in 2011 has produced opportunities to invest in companies with world-class, global franchises and strong balance sheets. U.S. corporations still have record amounts of cash on their balance sheets of close to $2 trillion, which could lead to further shareholder-friendly moves including share buybacks and dividend increases.

Potential headwinds though still exist that could derail capital markets. Of concern are the ongoing de-leveraging going on the United States, ongoing Euro debt negotiations and the potential repercussions from threats to shipping in the Straits of Hormuz that has the potential to result in $150+ per barrel of oil.

As a result of these market realities, the fund will continue to focus on holding a diversified portfolio of leading companies, many of which generate stable and growing distributions. The Fund will also take advantage of the increased volatility noted, by generating additional income from its option writing program. Our options strategy should reduce volatility and assist in generating stable monthly distributions.

Fund Performance

The Trust's current distribution is $0.02 per month per Trust Unit ($0.24 per annum per Trust Unit). The Trust's ability to continue variable distributions will depend on market conditions and the Trust's asset coverage levels and will be evaluated on a monthly basis. Since inception of the Trust, the Trust has paid total cash distributions of $3.05 per Trust Unit.

The NAV of the Trust Units, combined with paid distributions during the year ended December 31, 2011, provided a total return for holders of Trust Units of −13.95%, results which have underperformed the blended benchmark return of −4.71%. Structural leverage impacts the NAV of the Trust enhancing the NAV during a period when the Trust's investments have appreciated and will exacerbate the decline of the NAV during a market correction. The blended benchmark for the Trust is comprised of a 70% weight in the S&P/TSX Composite Total Return Index and a 30% weight in the S&P 500 – CDN$ Total Return Index. Unlike the index gains, the Trust's return is after the deduction of fees and expenses paid by the Trust.

Portfolio Position

The Trust invests in a broad range of North American equities and income producing securities. These may include equities, income trusts, limited partnerships, real estate investment trusts, corporate bonds, convertible bonds, preferred shares, other income funds and other yield generating investments. In order to generate additional returns and reduce risk, the Trust may write covered calls on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio.

As at December 31, 2011, energy comprised 20.68% of the market value of the Trust's investment portfolio; materials comprised 14.53%; industrials comprised 11.09%; financials comprised 9.19%; convertible debentures comprised 6.84%; information technology comprised 2.69%; utilities comprised 8.91%; REITs comprised 5.57%; consumer discretionary/staples comprised 5.90%; health care comprised 1.93%; covered call contracts comprised −0.09%; cash secured put contracts comprised −0.06%; and cash and cash equivalents 12.82%. As at December 31, 2011, approximately 23% in cash and short term investments has been pledged for cash secured puts. Subsequent to the year end, the Investment Advisor continues to patiently add to positions, at reasonable values, during intervals when market prices pull back.

Option Writing

In order to generate additional returns and to reduce risk, the Trust writes covered call options on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio. Writing a call options tends to decrease the Fund's exposure to the underlying instrument. Writing put options tends to increase the Fund's exposure to the underlying instrument.

Moderately high volatility, as measured by the VIX index, or the Chicago Board Options Exchange Volatility Index, which measures the implied volatility of the S&P 500 index options, provided very attractive opportunities for the Fund to both reduce the volatility of the portfolio and allowed the Fund to generate significant option premium of approximately $1,892,000 or $0.42 per weighted average number of Trust Units outstanding during the year ended December 31, 2011. Although volatility has returned to more normalized market levels, the Manager continues to believe that option writing can add incremental value going forward.

Unitholder Activity & Preferred Securities

On June 30, 2011, 1,564,095 Trust Units were tendered for redemption to the Trust for cash proceeds of $11.44 million in accordance with the Trust's annual redemption privileges.

During the year ended December 31, 2011, a total of 7,166 combined securities (Trust Units and Preferred Securities) have been issued in accordance with the management agreement.

During the year ended December 31, 2011, 1,168 Trust Units and 584 Preferred Securities were issued as a result of exercise of transferable Series A Warrants of the Trust, issued to the holders of record of outstanding Units of the Trust at the close of business (Toronto time) on September 23, 2011, one transferable Series A warrant of the Trust (each, a "Series A Warrant") for each Unit held. Each Series A Warrant entitled the holder thereof to subscribe for one Unit, one half of a Preferred Security and one transferable Series B warrant at a subscription price of $10.92.

On July 8, 2011 $1,644,560 in aggregate principal amount of the Trust's 6.25% outstanding Preferred Securities were redeemed in accordance with the Trust's annual concurrent redemption privileges. On July 22, 2011 $13,996,390 in aggregate principal amount of the Trust's 6.25% outstanding Preferred Securities were redeemed pursuant to the terms of the Trust Indenture governing the Preferred Securities, which permit a partial redemption at such time as the principal amount of the Preferred Securities exceeds 40% of the Total Assets of the Trust. The record date of the Preferred Securities partial redemption was July 15, 2011.

As at December 31, 2011, the Trust had 3,746,276 Trust Units outstanding and trading at $5.43 per Trust Unit, a discount to the underlying NAV of approximately 12%. Closed end funds may trade above, at or below their NAV per unit.

As at December 31, 2011, the Trust had 5,290,665 Preferred Securities outstanding representing a total liability of $52.91 million. The Preferred Securities of the Trust continued to provide an attractive yield representing an annualized yield of 6.25% on the original subscription price. At December 31, 2011, the Preferred Securities were trading at $10.07 per Preferred Security, a premium to issue price of 0.7%.

Fees and Expenses

During the year, the Trust paid management fees, operating expenses and interest on preferred securities of $5.44 million. The expense ratio, net of interest on preferred securities, for Trust Unitholders was 4.86%, compared to 5.42% in 2010. The Fund's split structure results in a situation where total assets are greater than NAV (as the preferred securities are debt obligations of the Trust). The expense ratio – total assets, which is more representative of the ongoing efficiency of the administration of the Fund, is 1.66% based on total assets, compared to 1.87% in 2010. In both cases, the decrease in the ratios is mainly due to an increase in assets due to the merger with Faircourt Income & Growth Split Trust.

Recent Developments

Market Outlook

Investor sentiment is still extremely cautious. The issues weighing heavily on investor sentiment remain European sovereign risk and banking worries in Europe, slowing economic growth in China, India and other emerging markets. These issues seem to be driving a more generalized concern about the sustainability of the global economic recovery. With cautious optimism, the Funds' portfolio continues to focus on sectors that should benefit from the longer term economic turnaround, including resources, and industrials. These sectors also provide solid exposure to the global recovery, as well as ongoing growth in emerging markets. Our positioning remains constructive as we foresee interesting ongoing opportunities ahead. Now that the first phase of the recovery is behind us, when most major indices performed well, we believe that the environment during 2012 is likely to place a premium on increased security selection. We view the months ahead as longer term buying opportunities selecting companies for the Fund that exhibit strong business fundamentals, solid management teams, superior growth prospects, and attractive valuations.

We are strategically allocating more capital to equities in the commodity and materials sector as the outlook for commodity prices improves. We see select pockets of value, though, as industry leaders with large market caps are trading at attractive valuations. We continue to focus on those companies that are market leaders with strong balance sheets that have competitive positions that together will assist them in weathering volatility better than their weaker competitors. It is also expected that these leaders should rebound strongly once resilient economic growth returns. Companies such as Black Diamond Group Ltd, Pacific Rubiales Energy Corporation, Trilogy Energy Corp., Agrium Inc., Freeport-McMoRan Copper & Gold Inc., Secure Energy Services Inc., and Canadian Natural Resources Ltd., to name a few, should continue to rebound strongly once sustained economic growth returns. Balancing our growth expectations are companies in the portfolio which have historically shown recession resilience. McDonald's and Philip Morris International, with strong brands and recession resistant business lines are expected to fare relatively well during the economic downturn.

In order to generate additional returns and to reduce risk, the Trust writes covered call options on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio. Writing a call options tends to decrease the Fund's exposure to the underlying instrument. Writing put options tends to increase the Fund's exposure to the underlying instrument. All other things being equal, sustained volatility in the price of a security results in higher option premiums in respect of such security. The Manager believes energy and material stocks, which have historically maintained a high degree of volatility, are well suited to a covered call writing and cash secured put strategy. This strategy has performed well since its implementation in the latter part of 2008, funding the distribution of the Fund and also contributing to the net asset value. The Funds generated option income of approximately $1,892,000 or $0.42 per weighted average number of Trust Units outstanding during the year ended December 31, 2011.

International Financial Reporting Standards

The Manager is reviewing and developing a plan to meet the timetable published by the AcSB for changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of presentations and disclosures in the financial statements of the Fund. The Manager has currently not identified and changes that will impact net asset value as a result of the changeover to IFRS. However this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

Related Party Transactions

Pursuant to a management agreement, the Manager provides management and administrative services to the Trust, for which it is entitled to a management fee equal to 1.1% per annum of the total assets of the Trust less the amount outstanding under the loan facility (if any) plus applicable taxes. The Manager will receive an amount equivalent to 0.75% per annum calculated and payable monthly in arrears Payment of the remaining 0.35% per annum (the "Deferred Fee") is conditional and will only be paid to the Manager upon redemption of Units or Preferred Securities prior to the termination date (December 31, 2014) or upon the satisfaction of the following criteria: On the termination date, if the Trust has made distributions of the Units with a compound total return of 7.25% or more annually and the NAV per Unit is at least $15 less the per Unit amount of any additional distributions, the Deferred Fee will be paid in full to the Manager in cash.

During the year ended December 31, 2011, a total of approximating $1.17 million was paid to the Manager for management and administrative services.

During the year ended December 31, 2011, a total of 7,166 combined securities (Trust Units and Preferred Securities) have been issued in accordance with the management agreement.

The Trust also pays to the Manager a service fee equal to 0.40% per annum of the net asset value of the Trust, plus applicable taxes. The service fee is in turn paid by the Manager to investment dealers based on the proportionate number of Trust Units held by clients of such dealers at the end of each quarter.

The Manager has standing instructions from the Independent Review Committee (IRC) regarding trade allocation and inter-fund trading. Standing instructions are reviewed and re-approved annually.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal period indicated.

All references to "net assets" or "nets assets per unit" are references to net assets in accordance with Canadian GAAP as presented in the financial statements of the Fund. All references to "net asset value" or "net asset value per unit" are references to net asset value as determined in accordance with Part 14 of National Instrument 81-106.

The Trust's Net Assets Per Unit ($)(1)

		Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007	Period Ended December 31, 2006(2)
Net assets, beginning of period (net of cost of issue)	(3)	**$ 7.39**	**$ 5.45**	**$ 2.23**	**$ 10.02**	**$ 11.35**	**$ 13.54**
Initial adoption of new accounting policy	(1)	**$ –**	**$ –**	**$ –**	**$ –**	**$ (0.06)**	**$ –**
Increase (decrease) from operations:	(3)						
Total revenue		0.94	0.93	1.01	1.14	1.37	1.32
Total expenses		(1.20)	(1.19)	(0.92)	(0.94)	(0.99)	(0.78)
Realized gains (losses) for the period		0.60	(0.07)	(3.23)	(3.39)	(0.35)	(0.37)
Unrealized gains (losses) for the period		(1.16)	4.79	6.32	(3.43)	0.03	(1.63)
Total increase (decrease) in net assets from operations		**(0.83)**	**4.46**	**3.18**	**(6.61)**	**0.06**	**(1.46)**
Distributions:	(3)(4)						
From income (excluding dividends)		–	–	–	–	–	(0.17)
From dividends		–	–	–	–	(0.03)	(0.10)
From capital gains		–	–	–	–	–	–
Return of capital		(0.24)	(0.20)	–	(0.82)	(1.06)	(0.46)
Total distributions during the period		**(0.24)**	**(0.20)**	**–**	**(0.82)**	**(1.09)**	**(0.73)**
Net assets, end of period	(3)	**$ 6.13**	**$ 7.39**	**$ 5.45**	**$ 2.23**	**$ 10.02**	**$ 11.35**

Ratios and Supplemental Data(1)

		Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007	Period Ended December 31, 2006(2)
Total net asset value	(5)	$ 23,113,451	$ 39,332,694	$ 7,276,912	$ 3,697,829	$ 19,485,321	$ 32,025,759
Number of units outstanding	(5)	3,746,276	5,302,037	1,321,679	1,621,009	1,932,003	2,821,307
Management expense ratio	(6)	16.48%	19.76%	29.24%	11.91%	8.43%	19.36%
Management expense ratio, excluding issue costs	(7)	16.48%	19.76%	29.24%	11.91%	8.43%	7.81%
Less: Interest on preferred securities	(8)	−11.62%	−14.34%	−19.05%	−7.58%	−5.19%	−4.58%
Expense ratio net of interest on preferred securities	(9)	4.86%	5.42%	10.19%	4.33%	3.24%	3.23%
Expense ratio net of interest on preferred securities and before waivers or absorptions	(9)	4.86%	5.42%	10.19%	4.33%	3.24%	3.23%
Expense ratio – total assets	(10)	1.66%	1.87%	2.31%	1.81%	1.68%	1.75%
Portfolio turnover rate	(11)	38.37%	45.38%	48.91%	41.10%	34.93%	27.02%
Trading expense ratio	(12)	0.37%	0.51%	0.66%	0.34%	0.31%	0.64%
Net asset value per unit	(13)	$ 6.17	$ 7.42	$ 5.51	$ 2.28	$ 10.09	$ 11.35
Closing market price per unit	(14)	$ 5.43	$ 6.74	$ 4.06	$ 1.48	$ 7.92	$ 10.10

(1) This information is derived from the Trust's financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in Note 3 of the financial statements. The Trust's net assets per unit at the beginning and end of the period ended December 31, 2007 and going forward are shown as the Canadian GAAP net assets per unit. The net asset value per unit is shown for all prior periods. The net asset value per unit is disclosed in "Ratios and Supplemental Data".

(2) Period from March 16, 2006 (date of commencement of operations) to December 31, 2006.

(3) Presented in accordance with National Instrument 81-106 and, as a result, is not intended to act as a continuity schedule of beginning and ending net assets per unit. This is because under NI 81-106 the increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding during the relevant period, while net assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

(4) Regular monthly distributions were paid in cash. Distributions were suspended, until further notice, on October 10, 2008. Re-intstated during 2010.

(5) This information is provided as at end of the period shown. The inception date of the Trust was March 16, 2006.

(6) Management expense ratio is based on the requirements of NI 81-106 and includes the total expenses of the Trust for the stated period (excluding commissions and other portfolio costs) including interest on the Trust's Preferred Securities and issuance costs (inception year only) and is expressed as an annualized percentage of daily average net asset value of the Trust during the period. The management expense ratio is annualized for periods less than one year.

(7) Total expenses include interest on the Trust's Preferred Securities but exclude issuance costs. Issuance costs are one-time costs incurred at inception. The Preferred Securities form part of the Trust's dual security capital structure. The Management expense ratio is based on total expenses for the stated period (excluding commissions and other portfolio costs) and is expressed as an annualized percentage of daily average net asset value during the period. The management expense ratio is annualized for periods less than one year.

(8) The ratio is based on total interest on preferred securities expense for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The ratio is annualized for periods less than one year.

(9) The ratio is based on total expenses, excluding interest on preferred securities and commissions and other portfolio costs, for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The ratio is annualized for periods less than one year.

(10) The ratio is based on total expenses, excluding interest on preferred securities and commissions and other portfolio costs, for the stated period and is expressed as an annualized percentage of monthly average total assets during the period. The ratio is annualized for periods less than one year.

(11) The Trust's portfolio turnover rate indicates how actively the Trust's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the period. The higher a Trust's portfolio turnover rate in a period, the greater the trading costs payable by the Trust in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Trust. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, and excluding cash and short term investments maturing in less than one year, by the average of the monthly market value of investments during the period. Premiums paid to purchase options have been included in the value of portfolio securities purchased during the period. Premiums received from the sale of options have been included in the value of the portfolio securities sold in the period.

(12) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is annualized for periods less than one year.

(13) The net asset value per unit is based on securities held in the portfolio being valued on the last traded price of the period shown.

(14) The closing market price as per the TSX as at end of the period shown.

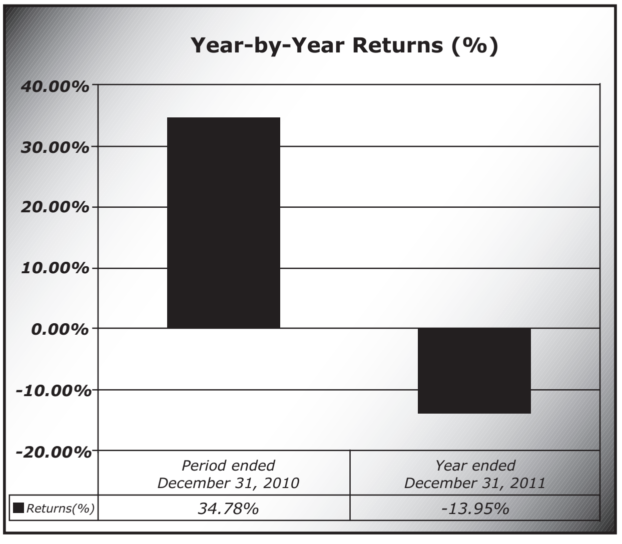
Past Performance

The following chart shows how Faircourt Split Trust has performed in the past, and can help you understand the risks of investing in the Trust. The performance information assumes that all distributions made by the investment fund in the periods shown were reinvested in additional Units of the Trust. The performance information does not include deduction of sales, redemption, distribution or optional charges (which dealers may charge) or income taxes payable that would have reduced returns or performance. The Trust's past performance does not necessarily indicate how it will perform in the future. All rates of return are calculated based on the Transactional NAV.

Year-by-Year Returns

In accordance with applicable securities laws, the return for since inception for Faircourt Split Trust is for the period covering September 30, 2010, date of merger with Faircourt Income & Growth Split Trust, to December 31, 2011.

The following bar chart shows Faircourt Split Trust's performance for each of the periods shown, and illustrates how the Trust's performance has changed from period to period. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have increased or decreased by the last day of the fiscal period. The return for 2010 is for the period covering September 30, 2010, date of merger with Faircourt Income & Growth Split Trust, to December 31, 2010.



Annual Compound Returns

The following table shows the annual compound total returns for Trust Units of Faircourt Split Trust for each of the periods indicated ending on December 31, 2011, compared with the S&P/TSX Composite Total Return Index and the S&P 500 – CDN$ Total Return Index. In accordance with applicable securities laws, the return for since inception for Faircourt Split Trust is for the period covering September 30, 2010, date of merger with Faircourt Income & Growth Split Trust, to December 31, 2011.

	Since Merger	1 Year
Faircourt Split Trust	12.53%	– 13.95%
Blended Index	3.23%	– 4.71%
S&P/TSX Composite Total Return Index	– 0.20%	– 8.71%
S&P 500 – CDN$ Total Return Index.	11.22%	4.64%

The Blended Index for the Trust is comprised of a 70% weight in the S&P/TSX Composite Total Return Index and a 30% weight in the S&P 500 – CDN$ Total Return Index.

The S&P/TSX Composite Total Return Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange. Company size and liquidity are the chief attributes determining index membership.

The S&P 500 – CDN$ Total Return Index is an index containing the stocks of 500 U.S.Large-Cap corporations, translated into CDN$. All of the stocks in the index are those of large publicly held companies and trade on major US stock exchanges such as the New York Stock Exchange and Nasdaq.

Summary of Investment Portfolio as at December 31, 2011 (based on Transactional NAV)

Summary of Investment Portfolio	% of Portfolio*
Energy	20.68%
Materials	14.53%
Cash and Cash Equivalents **	12.82%
Industrials	11.09%
Financials	9.19%
Utilities	8.91%
Convertible Debentures	6.84%
Consumer Discretionary / Staples	5.90%
Real Estate Investment Trusts	5.57%
Information Technology	2.69%
Health Care	1.93%
Short Positions – Cash Secured Put Contracts	– 0.06%
Short Positions – Covered Call Contracts	– 0.09%
	100.00%

Total Net Asset Value	**$23,113,451**

Top 25 Portfolio Positions	% of Portfolio*
Long Positions:	
1 Black Diamond Group Ltd.	3.32%
2 Capital Power Corp.	2.98%
3 Toronto-Dominion Bank (The)	2.68%
4 AltaGas Ltd.	2.67%
5 Keyera Corp.	2.41%
6 Fairfax Financial Holdings Ltd.	2.34%
7 Bank of Nova Scotia	2.20%
8 McDonald's Corp.	2.19%
9 Secure Energy Services Inc.	2.12%
10 Canadian National Railway Co.	2.09%
11 Progressive Waste Solutions Inc.	2.05%
12 Goldcorp Inc.	2.03%
13 Philip Morris International Inc.	2.03%
14 Trilogy Energy Corp.	2.03%
15 Canadian Imperial Bank of Commerce	1.97%
16 Canadian Natural Resources Ltd.	1.95%
17 Valeant Pharmaceuticals International Inc.	1.93%
18 Baytex Energy Corp.	1.92%
19 Potash Corp. of Saskatchewan	1.84%
20 Detour Gold Corp.	1.79%
21 Wajax Corp.	1.70%
22 Cineplex Inc.	1.68%
23 Kinross Gold Corp.	1.65%
24 Cathedral Energy Services Ltd.	1.58%
25 Crescent Point Energy Corp.	1.58%
Total portfolio represented by these holdings	**52.74%**
Short Positions – Cash Secured Puts	
1 Osisko Mining Corporation., January 2012 @ $9.00 CAD	– 0.01%
2 Legacy Oil & Gas Inc., January 2012 @ $10.00 CAD	– 0.01%
3 Kinross Gold Corp., January 2012 @ $11.00 USD	– 0.01%
4 Detour Gold Corp., January 2012 @ $23.00 CAD	– 0.01%
5 IAMGOLD Corp., January 2012 @ $15.00 USD	– 0.01%
6 CF Industries Holdings Inc., January 2012 @ $135.00 USD	– 0.01%
7 Freeport-McMoRan Copper & Gold Inc., January 2012 @ $32.75 USD	0.00%
8 BHP Billiton Ltd., January 2012 @ $65.00 USD	0.00%
9 Canadian Natural Resources Ltd., January 2012 @ $35.00 USD	0.00%
10 Yamana Gold Inc., January 2012 @ $14.00 CAD	0.00%
Total portfolio represented by short positions	**– 0.06%**
Short Positions – Covered Call Contracts	
1 Suncor Energy Inc., January 2012 @ $28.00 USD	– 0.02%
2 Detour Gold Corp., January 2012 @ $27.00 CAD	– 0.01%
3 Goldcorp Inc., January 2012 @ $44.00 USD	– 0.01%
4 Freeport-McMoRan Copper & Gold Inc., Class 'B', January 2012 @ $38.00 USD	– 0.01%
5 Potash Corp. of Saskatchewan, January 2012 @ $43.33 USD	– 0.01%
6 Archer-Daniels Midland Co., January 2012 @ $29.00 USD	– 0.01%
7 Pacific Rubiales Energy Corp., January 2012 @ $20.00 CAD	– 0.01%
8 Intel Corp., January 2012 @ $25.00 USD	0.00%
9 Agnico-Eagle Mines Ltd., January 2012 @ $37.50 USD	0.00%
10 Legacy Oil & Gas Inc., January 2012 @ $11.00 CAD	0.00%
11 Osisko Mining Corporation., January 2012 @ $11.00 CAD	0.00%
12 Kinross Gold Corp., January 2012 @ $12.50 USD	0.00%
13 Mosaic Co., January 2012 @ $55.00 USD	0.00%
14 Pan American Silver Corp., January 2012 @ $24.00 USD	0.00%
Total portfolio represented by short positions	**– 0.09%**
Total portfolio represented by these holdings	**52.59%**

The Trust was launched on March 16, 2006.

The Trust enters into forward currency contracts to ensure that at least 70% of its assets are denominated in, or hedged back, to Canadian dollars. As at December 31, 2011 the following forward currency contract is outstanding:

Buy CAD $8,102,400, Sell USD $8,000,000 @ 1.0128, due 5-January-2012.

* The Trust's split structure results in a situation where the total portfolio is greater than the NAV (as the preferred securities are debt obligations of the Trust). In order for the portfolio percentages to add to 100%, the positions have been calculated as a percentage of the total portfolio.

** As at December 31, 2011 approximately 23% in cash and short term investments has been pledged for cash secured puts.

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end by visiting www.faircourtassetmgt.com.

Management's Responsibility Statement

The financial statements of Faircourt Split Trust have been prepared by Faircourt Asset Management Inc. (the "Manager") and approved by its Board of Directors. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of Faircourt is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through its Audit Committee, of which a majority of the members are unrelated directors of the Board.

The Manager, with the approval of its Board of Directors, has appointed the external accounting firm of PricewaterhouseCoopers LLP as the auditor of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to Unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

Douglas Waterson
Chief Financial Officer and
Portfolio Manager

Charles Taerk
President and CEO

March 23, 2012

Independent Auditor's Report

To the Unitholders of Faircourt Split Trust (the "Trust")

We have audited the accompanying financial statements of the Trust, which comprise the statement of investments as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010 and the statements of operations and deficit, cash flows and changes in net assets for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2011 and 2010 and the results of its operations, it's cash flows and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants,
Licensed Public Accountants
Toronto, Canada
March 23, 2012

Statements of Net Assets as at December 31

	2011	2010
Assets		
Investments, at fair value (cost $61,338,436; 2010 $88,937,141)	**$ 66,417,816**	$ 98,930,638
Cash and short-term investments (Note 10)	**9,889,364**	9,157,890
Distributions, dividends and interest receivable	**241,728**	393,192
Amounts receivable for investments sold	**280,844**	–
Unrealized gain on foreign currency forward contracts (Note 9)	**–**	75,688
	76,829,752	108,557,408
Liabilities		
Accounts payable and accrued liabilities (Note 7)	**834,210**	796,363
Distributions payable to unitholders (Note 6)	**74,926**	106,041
Unrealized loss of foreign currency forward contracts (Note 9)	**43,784**	–
Preferred securities issued (Note 4)	**52,906,650**	68,470,100
	53,859,570	69,372,504
Net assets representing unitholders' equity (Note 5)		
Unitholders' capital	**23,473,981**	34,743,089
Contributed surplus	**5,219,708**	6,421,052
Deficit	**(5,723,507)**	(1,979,237)
	$ 22,970,182	$ 39,184,904
Units outstanding (Note 5)	**3,746,276**	5,302,037
Net assets per unit	**$ 6.13**	$ 7.39

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors of Faircourt Asset Management Inc.

Douglas Waterson
Director

Jane Davis
Director

Statements of Operations and Deficit

	Year ended December 31, 2011	Year ended December 31, 2010
Income		
Distributions and dividends (net of withholding taxes of $21,061; 2010 – $16,283)	**$ 2,101,136**	$ 1,461,583
Option premium income (Note 11)	**1,770,640**	594,624
	3,871,776	2,056,207
Interest income	**397,890**	114,139
	4,269,666	2,170,346
Expenses		
Management fees (Note 7)	**1,166,269**	499,624
Service fee (Note 7)	**147,535**	60,449
Audit fees	**29,509**	30,618
Legal fees	**27,379**	13,702
Securityholder reporting costs	**197,968**	133,294
Custodial fees	**21,804**	16,300
Independent review committee fees	**16,424**	6,773
Interest on preferred securities (Note 4)	**3,841,089**	2,014,717
	5,447,977	2,775,477
Net investment loss	**(1,178,311)**	(605,131)
Commissons and other portfolio transaction costs (Note 8)	**(123,458)**	(72,113)
Net realized gain (loss) on sale of investments	**2,825,690**	(150,993)
Net realized gain (loss) on foreign currency forward contracts	**(92,800)**	141,477
Net realized gain (loss) on foreign exchange	**92,143**	(78,164)
Net change in unrealized value on investments	**(5,267,534)**	11,127,982
Increase (decrease) in net assets from operations	**(3,744,270)**	10,363,058
Deficit, beginning of year	**(1,979,237)**	(12,342,295)
Deficit, end of year	**$ (5,723,507)**	$ (1,979,237)
Increase (decrease) in net assets from operations per unit[(1)]	**$ (0.83)**	$ 4.46

The accompanying notes are an integral part of these financial statements.

(1) Based on the weighted average number of units outstanding during the year (Note 5)

Statements of Cash Flows

	Year ended December 31, 2011	Year ended December 31, 2010
Cash flows provided by (used in) operating activities		
Increase (decrease) in net assets from operations	**$ (3,744,270)**	$ 10,363,058
Items not affecting cash and short-term investments		
Issuance of combined units from payment of management fees	**124,888**	210,544
Adjustments to reconcile decrease in net assets from operations to net cash provided by (used in) operating activities		
Purchase of investment securities	**(32,738,602)**	(17,189,491)
Proceeds from disposition of investment securities	**62,928,395**	25,182,110
Proceeds received upon closing of foreign currency forward contracts	**92,800**	141,477
Decrease in distributions, dividends and interest receivable	**151,464**	452,503
Increase (decrease) in accounts payable and accrued liabilities	**37,847**	(1,123,347)
Net change in unrealized value on investments	**5,267,534**	(11,127,982)
Net realized loss (gain) on sale of investments	**(2,917,833)**	(53,797)
	28,921,379	6,855,075
Cash flows provided by (used in) financing activities		
Cash acquired upon merger	**–**	15,584,940
Proceeds from issuance of units, net	**6,809**	–
Proceeds from issuance of preferred securities	**5,840**	–
Redemption of preferred securities issued	**(15,640,950)**	(13,216,790)
Distributions to unitholders	**(1,116,652)**	(396,854)
Unitholder redemptions	**(11,444,952)**	(1,251,095)
	(28,189,905)	720,201
Net increase in cash and short-term investments during the year	**731,474**	7,575,276
Cash and short-term investments, beginning of year	**9,157,890**	1,582,614
Cash and short-term investments, end of year	**$ 9,889,364**	$ 9,157,890
Supplemental cash flow information		
Interest paid	**$ 3,841,089**	$ 2,014,717

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets

	Year ended December 31, 2011	Year ended December 31, 2010
Increase (decrease) in net assets from operations	**$ (3,744,270)**	$ 10,363,058
Unitholder transactions (Note 5)		
Proceeds from issuance of units, net	**6,809**	–
Issuance of units from payment of management fees	**53,228**	79,524
Unitholder redemptions	**(11,444,952)**	(1,251,095)
	(11,384,915)	(1,171,571)
Distributions to unitholders		
Return of capital	**(1,085,537)**	(502,895)
Acquisition of net assets of Fund (Note 1)	**–**	23,286,669
Net increase (decrease) in net assets during the year	**(16,214,722)**	31,975,261
Net assets, beginning of year	**39,184,904**	7,209,643
Net assets, end of year	**$ 22,970,182**	$ 39,184,904

The accompanying notes are an integral part of these financial statements.

Statement of Investments
As at December 31, 2011

Number of Shares	Security	Cost ($)	Fair Value ($)	Percent of Portfolio	
Energy					
185,000	Bankers Petroleum Ltd.	1,501,452	815,850	1.07%	
25,800	Baytex Energy Corp.	867,679	1,468,278	1.92%	
39,200	Canadian Natural Resources Ltd.	1,386,374	1,491,058	1.95%	
167,900	Cathedral Energy Services Ltd.	1,142,039	1,200,485	1.57%	
18,000	Cenovus Energy Inc.	541,706	608,940	0.80%	
7,100	Chesapeake Energy Corp.	191,940	161,147	0.21%	
27,000	Crescent Point Energy Corp.	958,490	1,210,410	1.59%	
75,000	Delphi Energy Corp.	165,000	159,000	0.21%	
75,000	Gasfrac Energy Services Inc.	696,405	523,500	0.69%	
170,000	Gran Tierra Energy Inc.	1,253,146	836,400	1.10%	
66,500	Legacy Oil + Gas Inc., Class 'A'	598,752	695,590	0.91%	
61,500	Pacific Rubiales Energy Corp.	1,854,287	1,150,665	1.51%	
237,900	Renegade Petroleum Ltd.	957,724	689,910	0.90%	
236,500	Secure Energy Services Inc.	913,363	1,622,390	2.13%	
175,005	Spartan Oil Corp.	419,757	584,517	0.77%	
8,100	Suncor Energy Inc.	304,034	237,702	0.31%	
41,400	Trilogy Energy Corp.	474,701	1,554,984	2.04%	
66,400	Trinidad Drilling Ltd.	513,834	513,272	0.67%	
48,600	Westfire Energy Ltd.	439,830	275,562	0.36%	**20.71%**
Materials					
3,700	Agnico-Eagle Mines Ltd.	237,285	136,874	0.18%	
8,600	Agrium Inc.	659,551	587,298	0.77%	
8,200	Archer-Daniels-Midland Co.	258,413	238,800	0.31%	
37,000	Cameco Corp.	1,044,547	679,683	0.89%	
54,700	Detour Gold Corp.	1,668,102	1,371,329	1.80%	
21,900	Freeport-McMoRan Copper & Gold Inc., Class 'B'	980,711	820,405	1.08%	
34,500	Goldcorp Inc.	1,567,294	1,555,205	2.04%	
36,300	IAMGOLD Corp.	679,610	585,855	0.77%	
108,800	Kinross Gold Corp.	1,973,028	1,262,576	1.65%	
22,000	Labrador Iron Ore Royalty Corp., Stapled Units	533,455	821,920	1.08%	
11,000	Mosaic Co. (The)	822,163	564,854	0.74%	
43,900	Osisko Mining Corp.	481,007	429,781	0.56%	
10,000	Pan American Silver Corp.	320,661	221,775	0.29%	
33,600	Potash Corp. of Saskatchewan Inc.	1,821,631	1,413,876	1.85%	
29,000	Yamana Gold Inc.	434,822	434,375	0.57%	**14.58%**
Industrials					
20,000	Badger Daylighting Ltd.	418,700	423,600	0.56%	
90,700	Bird Construction Inc.	1,173,357	1,041,236	1.36%	
137,800	Black Diamond Group Ltd.	1,155,897	2,539,654	3.33%	
20,000	Canadian National Railway Co.	1,311,720	1,601,400	2.10%	
78,700	Progressive Waste Solutions Ltd.	1,904,822	1,568,491	2.06%	
33,900	Wajax Corp.	940,713	1,304,472	1.71%	**11.11%**
Financials					
33,200	Bank of Nova Scotia	1,772,432	1,685,232	2.21%	
20,500	Canadian Imperial Bank of Commerce	1,515,489	1,511,875	1.98%	
4,100	Fairfax Financial Holdings Ltd.	1,662,475	1,791,700	2.35%	
26,900	Toronto-Dominion Bank (The)	1,966,745	2,051,125	2.69%	**9.23%**
Real Estate Investment Trusts					
41,000	Calloway REIT	918,485	1,097,570	1.44%	
46,000	Canadian Apartment Properties REIT	686,681	1,026,260	1.34%	
34,900	H&R REIT	739,408	811,076	1.06%	
84,300	Killam Properties Inc.	809,982	974,508	1.28%	
12,000	Northern Property REIT	323,323	356,400	0.47%	**5.59%**
Consumer Discretionary / Staples					
50,000	Cineplex Inc.	1,005,066	1,282,000	1.68%	
16,400	McDonald's Corp.	1,183,037	1,674,272	2.19%	
19,500	Philip Morris International Inc.	1,064,495	1,557,892	2.04%	**5.92%**

Statement of Investments (continued)
As at December 31, 2011

Number of Shares	Security	Cost ($)	Fair Value ($)	Percent of Portfolio	
Utilities					
64,300	AltaGas Ltd.	1,309,257	2,047,312	2.68%	
91,000	Capital Power Corp.	2,192,061	2,285,010	2.99%	
35,000	Inter Pipeline Fund, Class 'A'	279,665	649,250	0.85%	
36,931	Keyera Corp.	1,103,450	1,837,687	2.41%	**8.94%**
Health Care					
31,100	Valeant Pharmaceuticals International Inc.	956,491	1,477,561	1.94%	**1.94%**
Information Technology					
35,900	Intel Corp.	721,835	886,463	1.16%	
200,000	Wi-LAN Inc.	839,580	1,174,000	1.54%	**2.70%**
Convertible Debentures					
275,000	Alacer Gold Corp., Convertible, 4.75%, 2012/04/30	289,350	361,185	0.47%	
50,000	Angle Energy Inc., Convertible, 5.75%, 2016/01/31	47,500	49,130	0.06%	
435,000	Churchill Corp. (The), Convertible, 6.00%, 2015/06/30	435,541	443,744	0.58%	
200,000	Cineplex Inc., Convertible, Callable, 6.00%, 2012/12/31	220,253	274,840	0.36%	
425,000	Cominar REIT, Series 'D', Convertible, 6.50%, 2016/09/30	455,636	462,188	0.61%	
676,000	Just Energy Group Inc., Convertible, Callable, 6.00%, 2014/09/30	684,236	691,210	0.91%	
1,225,000	Just Energy Group Inc., Convertible, Callable, 6.00%, 2017/06/30	1,201,002	1,157,748	1.52%	
400,000	Russel Metals Inc., Convertible, 7.75%, 2016/09/30	443,897	446,000	0.58%	
281,000	Southern Pacific Resource Corp., Convertible, 6.00%, 2016/06/30	264,475	266,248	0.35%	
800,000	Wi-LAN Inc., Convertible, 6.00%, 2016/09/30	800,000	800,080	1.05%	**6.49%**
	Total Long Positions in Equity Investments	**$ 61,459,849**	**$ 66,532,685**	**87.19%**	

Statement of Investments (continued)

As at December 31, 2011

Number of Options	Holdings/Expiry Date/Strike Price	Underlying Interest	Cost ($)	Fair Value ($)	Percent of Portfolio	
Short Positions – Cash Secured Put Contracts						
(44)	BHP Billiton Ltd., ADR, January 2012, $65.00 USD	(4,400)	$ (4,031)	$ (3,674)	0.00%	
(68)	Canadian Natural Resources Ltd., January 2012, $35.00 USD	(6,800)	(4,447)	(3,462)	0.00%	
(18)	CF Industries Holding Inc., January 2012, $135.00 USD	(1,800)	(5,021)	(4,289)	–0.01%	
(87)	Detour Gold Corp., January 2012, $23.00 CAD	(8,700)	(4,698)	(4,350)	–0.01%	
(73)	Freeport-McMoRan Copper & Gold Inc., Class 'B', January 2012, $32.75 USD	(7,300)	(4,626)	(3,568)	0.00%	
(127)	IAMGOLD Corp., January 2012, $15.00 USD	(12,700)	(5,094)	(5,173)	–0.01%	
(173)	Kinross Gold Corp., January 2012, $11.00 USD	(17,300)	(4,448)	(5,637)	–0.01%	
(200)	Legacy Oil + Gas Inc., Class 'A', January 2012, $10.00 CAD	(20,000)	(4,800)	(6,000)	–0.01%	
(222)	Osisko Mining Corp., January 2012, $9.00 CAD	(22,200)	(5,328)	(5,550)	–0.01%	
(143)	Yamana Gold Inc., January 2012, $14.00 CAD	(14,300)	(4,290)	(2,860)	0.00%	
	Total Short Positions – Cash Secured Put Options		**$ (46,783)**	**$ (44,563)**	**–0.06%**	**–0.06%**
Short Positions – Covered Call Contracts						
(37)	Agnico-Eagle Mines Ltd., January 2012, $37.50 USD	(3,700)	$ (6,304)	$ (3,768)	0.00%	
(82)	Archer-Daniels-Midland Co., January 2012, $29.00 USD	(8,200)	(4,299)	(4,342)	–0.01%	
(145)	Detour Gold Corp., January 2012, $27.00 CAD	(14,500)	(9,990)	(8,700)	–0.01%	
(50)	Freeport-McMoRan Copper & Gold Inc., Class 'B', January 2012, $38.00 USD	(5,000)	(4,495)	(5,091)	–0.01%	
(43)	Goldcorp Inc., January 2012, $44.00 USD	(4,300)	(4,219)	(7,400)	–0.01%	
(114)	Intel Corp., January 2012, $25.00 USD	(11,400)	(4,543)	(3,831)	–0.01%	
(152)	Kinross Gold Corp., January 2012, $12.50 USD	(15,200)	(4,377)	(2,941)	0.00%	
(136)	Legacy Oil + Gas Inc., Class 'A', January 2012, $11.00 CAD	(13,600)	(4,624)	(3,400)	0.00%	
(43)	Mosaic Co. (The), January 2012, $55.00 USD	(4,300)	(5,219)	(2,758)	0.00%	
(164)	Osisko Mining Corp., January 2012, $11.00 CAD	(16,400)	(5,576)	(3,280)	0.00%	
(100)	Pacific Rubiales Energy Corp., January 2012, $20.00 CAD	(10,000)	(4,900)	(4,500)	–0.01%	
(100)	Pan American Silver Corp., January 2012, $24.00 USD	(10,000)	(5,038)	(3,564)	0.00%	
(66)	Potash Corp. of Saskatchewan Inc., January 2012, $43.33 USD	(6,600)	(4,721)	(4,772)	–0.01%	
(81)	Suncor Energy Inc., January 2012, $28.00 USD	(8,100)	(6,325)	(11,959)	–0.02%	
	Total Short Positions – Covered Call Contracts		**$ (74,630)**	**$ (70,306)**	**–0.09%**	**–0.09%**
	Total Investments before Cash and Short-Term Investments		**$ 61,338,436**	**$ 66,417,816**	**87.04%**	
Cash						
	Canadian Dollar		$ 4,122,771	$ 4,122,771	5.40%	
	U.S Dollar		675,572	675,572	0.89%	
Short-Term Investments – USD						
5,000,000	United States, Treasury Bill, 0.02%, 2011/03/22		5,142,730	5,091,021	6.67%	
	Total Cash and Short-Term Investments		**$ 9,941,073**	**$ 9,889,364**	**12.96%**	**12.96%**
	Total Investments		$ 71,279,509	$ 76,307,180	100.00%	
	Less: Adjustments for transactions costs		(116,451)	–		
			$ 71,163,058	**$ 76,307,180**	**100.00%**	

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

December 31, 2011

1. Operations

Faircourt Split Trust (the "Trust" or the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on February 27, 2006 pursuant to a trust agreement dated February 27, 2006. CIBC Mellon Global Securities Services Company acts as Custodian. Faircourt Asset Management Inc. is the Manager (the "Manager"), Investment Advisor and Trustee and is responsible for managing the affairs and providing portfolio management services to the Trust. The Trust was listed on the Toronto Stock Exchange ("TSX") and effectively commenced operations on March 16, 2006. The Trust Units trade on the TSX under the symbol FCS.UN, and the Preferred Securities trade on the TSX under the symbol FCS.PR.B.

The Trust invests in a broad range of North American equities and income producing securities. These may include equities, income trusts, limited partnerships, real estate investment trusts, corporate bonds, convertible bonds, preferred shares, other income funds and other yield generating investments. In order to generate additional returns and reduce risk, the Trust may write covered calls on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio.

At special meetings held on September 20, 2010 for Preferred Securityholders and September 27, 2010 for Unitholders, Preferred Securityholders and Unitholders of Faircourt Income & Growth Split Trust ("FIG") and Faircourt Split Trust ("FCS") approved the merger of FIG with FCS. The Manager has adopted the purchase method to account for the merger whereby FCS has been identified as the acquirer (the "Continuing Fund") and FIG has been identified as the acquiree (the "Terminated Fund").

The merger was effective on September 30, 2010 based on closing Net Asset Values as of September 29, 2010. The assets and liabilities of FIG were tendered in exchange for Units and Preferred Securities of the Continuing Fund at fair market value. The preferred securities of each of FIG were exchanged on a one-for-one basis for 6.25% preferred securities of the Continuing Fund. FIG Trust Units were exchanged for FCS Trust Units at an exchange ratio calculated based on the relative net asset value of FIG and FCS as at the close of trading on the TSX on September 29, 2010. Also in connection with the Merger, holders of FCS 5.75% preferred securities were redeemed in full on September 30, 2010 for an amount equal to $10.00 plus interest, both accrued and future, to March 31, 2011. The net asset values per unit and exchange ratios are as follows:

Trust	Sept-29 NAV	Exchange Ratio	Trust Units Issued of Continuing Fund (FCS.UN)	Preferred Securities Issued of Continuing Fund (FCS.PR.B)	Net Assets Acquired by Continuing Fund
Faircourt Income & Growth Split Trust	$ 5.30333	0.954377	4,190,622	6,833,908	$ 23,286,669

Net assets acquired is comprised of cash $15,584,940, investments of $76,926,784, preferred securities obligation of $68,339,080, accrued liabilities of $1,613,631 and other net assets of $727,656.

The acquisition was recorded using the purchase method of accounting for business combinations and was done on a taxable basis for both the Unitholders and the holders of Preferred Securities enabling FCS to preserve its realized capital losses from the current taxation year and loss carryforwards from prior taxation years.

In accordance with the provisions of the Income Tax Act on taxable mergers, all unrealized losses and all unrealized gains were realized at the merger date. On that date, the assets of the Terminated Fund were transferred to the Continuing Fund without incurring a tax liability for either Fund. However, tax losses, if any, in the Terminated Fund expired as a result of the merger. All investments of the Terminated Fund were deemed to have been transferred to the applicable Continuing Fund at their fair market value for income tax purposes.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which include estimates and assumptions made by management that may affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements:

a) Valuation of Investments

Investments are deemed to be held for trading and recorded at fair value. The Trust's investments in long positions that are publicly traded are valued at their latest bid price on the valuation date. Investments in short positions, such as covered call option contracts on securities held in the portfolio and/or cash secured put option contracts on securities desired to be held in the portfolio, are publicly traded and valued at their latest offer price on the valuation date. Short-term investments, such as treasury bills, are valued at bid quotations from recognized investment dealers. The cost of investments is based on their average cost. The difference between fair value and average cost is reported as net change in unrealized value on investments.

In September 2008, the Canadian Securities Administrators adopted amendments to National Instrument 81-106 – Investment Fund Continuous Disclosure ("NI 81-106") which require all investment funds to calculate net asset value for all purposes other than financial statements in accordance with part 14.2 of NI 81-106. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP called GAAP Net Assets (or "net assets"), and another which is calculated in accordance with the offering documents called Transactional NAV (or "net asset value"), for all other purposes such as purchases and redemptions. As a result, the net assets for financial reporting purposes may differ from the net asset value. A reconciliation of GAAP Net Assets per unit and Transactional NAV per unit is provided in Note 3.

Notes to the Financial Statements (continued)

December 31, 2011

b) Investment Transactions and Income Recognition

Investment transactions are recorded on the trade date and any realized gains or losses are recognized using the average cost of the investments, which exclude brokerage commissions and other trading expenses. Unrealized gains or losses are recognized using the average cost of the investments. Interest income and expenses are recognized on an accrual basis. Dividends are recognized on the ex-dividend date.

c) Transaction Costs

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities are expensed and presented on the Statement of Operations and deficit.

The cost of investments for each security is determined on an average cost basis.

d) Forward Foreign Exchange Contracts

The Trust enters into forward currency contracts to ensure that at least 70% of its assets are denominated in, or hedged back to, Canadian dollars. A forward currency contract is an obligation to purchase or sell a currency against another currency, at a future date and price, which has been agreed upon by the two parties (the Trust and the Counterparty). The contract is traded over the counter and not on an organized commodities or securities exchange. The forward currency contracts are valued using the relevant exchange rates of the underlying currency present valued to account for future settlement dates and any gains or losses are recorded as unrealized gains or losses for financial statement purposes until the contract settlement date. When the contracts are closed or delivered, gains and losses are recognized as net realized gain or loss on sale of investments.

e) Translation of Foreign Currency

The fair value of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the London close (11am Eastern Time) rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing at the time of such transactions.

f) Income Taxes

The Trust qualifies as a mutual fund trust under the Income Tax Act (Canada). Provided the Trust makes distributions in each year of its net income and net realized capital gains, the Trust will not generally be liable for income tax. It is the intention of the Trust to distribute all of its net income and net realized capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

As at December 31, 2011 the Fund had approximately $12,508,000 net capital and approximately $2,805,000 non capital loss carryforwards for income tax purposes. The net capital losses may be carried forward indefinitely to be applied against future net capital gains. The non capital losses may be carried forward twenty years. Non-capital losses carried forward may reduce future net investment income.

g) Fair Value of Financial Instruments other than Investments

The Fund's financial instruments, other than investments and derivatives, which are composed of cash and short-term investments, distributions, dividends and interest receivable, accounts payable and accrued liabilities, distributions payable to shareholders, and preferred securities issued, are classified as loans and receivables or financial liabilities, as applicable, and their fair value is determined using amortized cost which approximates fair value due to their short-term nature.

h) Net Assets per Unit

Net assets per unit is computed by dividing the totals net assets by the total number of trust units outstanding at the time.

i) Cash and Short-Term Investments

Cash and short-term investments is comprised of cash on deposit and short-term debt instruments with terms to maturity less than 90 days.

j) Options

Investments in short positions, such as covered call option contracts on securities held in the portfolio and/or cash secured put option contracts on securities desired to be held in the portfolio, are publicly traded and valued at their latest offer price on the valuation date. The premium received from a written option is included in cash and a liability is set up for the short options position. This liability is valued at an amount equal to the fair value of the option that would have the effect of closing the position. The difference between the premium and the market value is shown as unrealized appreciation (depreciation) of investments.

Premiums received from writing options which expire unexercised are recorded as "Option premium income" in the Statements of Operations and Deficit. Premiums received from writing call options which is exercised are recorded as "Option premium income" in the Statements of Operations and Deficit.

If a put option which the Fund has written, is exercised, the amount of the premium originally received will reduce the cost of the security which the Fund purchases upon exercise of the option. For presentation in the financial statements, the Fund has reallocated such premiums as "Option premium income" and reduced the 'net change in unrealized value on investments' in the Statements of Operations.

3. Reconciliation of Net Asset Value Per Unit to Net Assets Per Unit

The reconciliation of the Trust's net asset value per unit (Transactional) and the Trust's net assets per unit (GAAP) is presented in the following tables:

As at December 31, 2011:

Net Assets	Difference	Net Asset Value	Net Assets Per Unit	Difference	Net Asset Value Per Unit
$22,970,182	$ 143,269	$23,113,451	$ 6.13	$ 0.04	$ 6.17

Notes to the Financial Statements (continued)

December 31, 2011

As at December 31, 2010:

Net Assets	Difference	Net Asset Value	Net Assets Per Unit	Difference	Net Asset Value Per Unit
$39,184,904	$ 147,790	$39,332,694	$ 7.39	$ 0.03	$ 7.42

4. Preferred Securities

In connection with the Merger, as described in Note 1, holders of FCS 5.75% preferred securities were redeemed in full on September 30, 2010 for an amount equal to $10.00 plus interest, both accrued and future, to March 31, 2011. Payment date was October 7, 2010.

The new Preferred Securities are subordinate to all senior indebtedness of the Trust (including trade creditors), cumulative, bear interest payable quarterly at the annual rate of 6.25% from the date of issue and mature on December 31, 2014 and can be redeemed at $10.00 plus any accrued and unpaid interest, by the Trust at any time that the principal amount outstanding exceeds 40% of the Trust's total assets.

Preferred Securities may be surrendered together with an equal number of Trust Units for redemption annually provided that notice of the redemption is provided to the Manager during the year from May 15th until 5:00pm on the last business day in May ("Redemption Deadline"), subject to the Trust's right to suspend redemptions in certain circumstances. Redemptions will occur on June 30th ("Redemption Date") of each year and will be settled on or before the 15th business day following the applicable Redemption Date. A Securityholder who surrenders Preferred Securities together with Trust Units for redemption prior to the Redemption Deadline will receive payment for each Combined Security equal to the Combined Value (together with any accrued and unpaid interest thereon) determined as of the Redemption Date, less redemption costs.

On July 8, 2011 $1,644,560 in aggregate principal amount of the Trust's 6.25% outstanding Preferred Securities were redeemed in accordance with the Trust's annual concurrent redemption privileges. On July 22, 2011 $13,996,390 in aggregate principal amount of the Trust's 6.25% outstanding Preferred Securities were redeemed pursuant to the terms of the Trust Indenture governing the Preferred Securities, which permit a partial redemption at such time as the principal amount of the Preferred Securities exceeds 40% of the Total Assets of the Trust. The record date of the Preferred Securities partial redemption was July 15, 2011.

In accordance with the Management Fee Agreement, the Trust has granted to the Manager the right (expired 2009 except for deferred fee payment) to have all of the Management Fee payable to it in respect of such month paid in combined securities (Trust Units and Preferred Securities). During the year ended December 31, 2011, 7,166 combined securities (Trust Units and Preferred Securities) have been issued in accordance with the management agreement (2010 – 13,102 combined securities were issued during the year ended December 31, 2010).

During the year ended December 31, 2011 $5,840 in aggregate principal amount of the Trust's 6.25% outstanding Preferred Securities were issued as a result of exercise of transferable Series A Warrants of the Trust, issued to the holders of record of outstanding Units of the Trust at the close of business (Toronto time) on September 23, 2011, one transferable Series A warrant of the Trust (each, a "Series A Warrant") for each Unit held. Each Series A Warrant entitled the holder thereof to subscribe for one Unit, one half of a Preferred Security and one transferable Series B warrant at a subscription price of $10.92.

Issued & Outstanding:

	Year Ended December 31, 2011 Shares	Year Ended December 31, 2011 Amounts ($)
Balance 6.25% Preferred, beginning of year	**6,847,010**	**$ 68,470,100**
Issuance of 6.25% Preferred from payment of management fee	**7,166**	**71,660**
Issuance of 6.25% Preferred from exercise of warrants	**584**	**5,840**
Redemption of 6.25% Preferred	**(1,564,095)**	**(15,640,950)**
Balance, end of year	**5,290,665**	**$ 52,906,650**

	Year Ended December 31, 2010 Shares	Year Ended December 31, 2010 Amounts ($)
Balance 5.75% Preferred, beginning of year	1,321,679	$ 13,216,790
Issuance of 5.75% Preferred from payment of management fee	–	–
Redemption of 5.75% Preferred	(1,321,679)	(13,216,790)
Issued 6.25% Preferred upon merger	6,833,908	68,339,080
Issuance of 6.25% Preferred from payment of management fee	13,102	131,020
Balance, end of year	**6,847,010**	**$ 68,470,100**

Notes to the Financial Statements (continued)

December 31, 2011

5. Units of the Trust

The Trust is authorized to issue an unlimited number of transferable, redeemable Trust Units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Trust. Each Trust Unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. Commencing in June 2011, Trust Units may be redeemed annually provided that notice of the redemption is provided to the Manager during the year from May 15th until 5:00pm on the last business day in May ("Redemption Deadline"). Redemptions will occur on June 30th ("Redemption Date") of each year and will be settled on or before the 15th business day following the redemption date. A Unitholder who surrenders Trust Units together with Preferred Securities for redemption will receive payment for each Combined Security equal to the Combined Value determined as of the Redemption Date, less redemption costs. A Unitholder who surrenders Trust Units alone for redemption will receive an amount equal to the Combined Value determined as of the Redemption Date, less redemption costs and the costs incurred by the Trust in purchasing a Preferred Security either in the market or pursuant to the Call Right. Redemption proceeds will be paid on or before the 15th Business Day following the redemption date.

In connection with any redemption of Trust Securities, the Manager shall be entitled to receive the Deferred Fee in respect of such Trust Securities. In accordance with the Management Fee Agreement, the Trust has granted to the Manager the right (expired 2009 except for deferred fee payment) to have all of the Management Fee payable to it in respect of such month paid in combined securities (Trust Units and Preferred Securities). During the year ended December 31, 2011, a total of 7,166 combined securities (Trust Units and Preferred Securities) have been issued in accordance with the management agreement. During the year ended December 31, 2010, a total of 13,102 combined securities have been issued in accordance with the management agreement.

On August 26, 2011, the Fund completed a warrants offering whereby the Fund issued to the holders of record of outstanding Units of the Trust at the close of business (Toronto time) on September 23, 2011, one transferable Series A warrant of the Trust (each, a "Series A Warrant") for each Unit held. Each Series A Warrant entitled the holder thereof to subscribe for one Unit, one half of a Preferred Security and one transferable Series B warrant at a subscription price of $10.92 on December 2, 2011. Series A Warrants not exercised expired on December 2, 2011. A total of 3,745,108 Series A Warrants were issued in connection with the offering, a total of 1,168 Series A Warrants were exercised, a total of 3,743,940 Series A Warrants expired unexercised and a total of 1,168 Series B Warrants are outstanding at an exercise price of $7.25. Series B Warrants not exercised expire on June 27, 2012.

	Year Ended December 31, 2011 Units	**Year Ended December 31, 2010 Units**
Balance, beginning of year	**5,302,037**	1,321,679
Redemptions	**(1,564,095)**	(223,366)
Issued on merger of Fund	**—**	4,190,622
Issuance of units from payment of management fee	**7,166**	13,102
Issuance of units from exercise of warrants	**1,168**	–
Balance, end of year	**3,746,276**	5,302,037
Weighted average number of trust units outstanding during the year	**4,528,810**	2,323,296

When shares of the Fund are redeemed at a price per share which is lower than the par value per share, the difference is included in Contributed Surplus on the Statement of Net Assets. If the redemption price is greater than the par value of capital, the difference is first charged to Contributed Surplus until the entire account is eliminated, and the remaining amount is charged to Retained Earnings (deficit) in the Statements of Net Assets. On June 30, 2011, 1,564,095 Trust Units (2010 – 223,366) were tendered for redemption to the Trust for cash proceeds of $11.44 million (2010 – $1.25 million) in accordance with the Trust's annual redemption privileges.

6. Distributions Payable to Unitholders

Distributions, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable no later than the tenth business day of the following month. On March 9, 2010 the Trust reinstated the monthly distribution on the Trust Units at $0.02 per Trust Unit. The Trust's ability to continue variable distributions, as announced on March 9, 2010, is dependent on market conditions, the results of the annual redemption, and the Trust's asset coverage levels and will be evaluated by the Manager on a monthly basis.

There were twelve regular monthly distributions of $0.02 per Trust Unit declared during the year ended December 31, 2011 (2010 – ten regular monthly distributions of $0.02 per Trust Unit declared during the year ended December 31, 2010).

7. Management and Service Fees

Pursuant to a management agreement, the Manager provides management and administrative services to the Trust, for which it is entitled to a management fee equal to 1.1% per annum of the total assets of the Trust less the amount outstanding under the loan facility plus applicable taxes. The Manager will receive an amount equivalent to 0.75% per annum calculated and payable monthly in arrears for which the Trust has granted to the Manager the right (expired 2009 except for deferred fee payment) to have this portion of the Management Fee payable to it in respect of such month paid in combined securities (Trust Units and Preferred Securities). The Manager will exercise its right to receive the minimum fee in combined securities for the first three years following the date of the closing of the offering (March 16, 2006). Payment of the remaining 0.35% per annum (the "Deferred Fee") is conditional and will only be paid to the Manager upon redemption of Trust Units or Preferred Securities prior to the termination date (December 31, 2014) or upon the satisfaction of the following criteria: On the termination date, if the Trust has made distributions of the Trust Units with a compound total return of 7.25% or more annually and the NAV per Unit is at least $15 less the per Unit amount of any additional distributions, the Deferred Fee will be paid in full to the Manager in

Notes to the Financial Statements (continued)

December 31, 2011

cash. If the Trust has not satisfied these tests, Unitholders will receive in full, upon the Termination Date, the amount that otherwise would have been payable to the Manager. In the event that Trust Units or Preferred Securities are redeemed prior to the Termination Date, the Deferred Fee that has accrued on such Trust Units or Preferred Securities as at the date of such redemption will be paid to the Manager in Combined Securities on the next scheduled monthly payment date whether or not the performance criteria set out above have been achieved at the time of such redemption. Included in accounts payable and accrued liabilities at December 31, 2011, was $464,711 of Deferred Fees (December 31, 2010 – $245,180).

During the year ended December 31, 2011, a total of 7,166 combined securities (Trust Units and Preferred Securities) have been issued in accordance with the management agreement. During the year ended December 31, 2010, a total of 13,102 combined securities have been issued in accordance with the management agreement.

The Trust also pays to the Manager a service fee equal to 0.40% per annum of the net asset value of the Trust, plus applicable taxes. The service fee is in turn paid by the Manager to investment dealers based on the proportionate number of Trust Units held by clients of such dealers at the end of each quarter.

8. Brokerage Commissions

Brokerage commissions paid to dealers for portfolio transactions during the year ended December 31, 2011 totaled $123,458 (2010 – $72,113). For the years ended December 31, 2011 and 2010 there were no soft dollar amounts paid.

9. Forward Contracts

During the year ended December 31, 2011, the Trust used currency forwards to hedge foreign exchange risk associated with its US dollar equity investments.

The following foreign currency forward contract was held by the Trust at December 31, 2011:

Contract	Face Value Local	Settlement Date	Contract	Face Value Local	Unrealized Gain (loss)
Sell	USD$8,000,000	5-Jan-2012	Buy	CAD$8,102,400	CAD$(43,784)

The following foreign currency forward contract was held by the Trust at December 31, 2010:

Contract	Face Value Local	Settlement Date	Contract	Face Value Local	Unrealized Gain (loss)
Sell	USD$8,000,000	14-Jan-2011	Buy	CAD$8,026,400	CAD$ 75,688

During years ended December 31, 2011 and 2010 the Counterparty to the forward contracts, (a Canadian chartered bank and/or an entity related to the Canadian chartered bank), has received a credit rating of A-1 from Standard & Poors and AA Low from DBRS.

10. Option Writing

In order to generate additional returns and to reduce risk, the Trust will write covered call options on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio.

As at December 31, 2011 a total of approximately $2,283,000 (2010 – $2,016,000) in cash and short-term investments has been pledged for cash secured puts.

11. Financial Instrument Risk

The Trust may be exposed to a variety of financial risks. The Trust's exposure to financial risks for year ended December 31, 2011 and December 31, 2010 (see below) are concentrated in its investment holdings, including derivative instruments. The Statement of Investments groups securities by asset type and market segment.

The portfolio allocation, based on percentage of portfolio, on December 31, 2010 was as follows:

Energy	31.25%
Materials	13.91%
Industrials	11.16%
Financials	8.84%
Cash & Short-Term Investments	8.46%
Convertible Debentures	6.46%
Information Technology	5.76%
Utilities	4.62%
Real Estate Investment Trusts	3.15%
Consumer Discretionary / Staples	2.97%
Health Care	2.73%
Telecommunications	0.77%
Short Positions – Cash Secured Put Contracts	(0.02%)
Short Positions – Covered Call Contracts	(0.06%)
	100.00%

The Trust's overall risk management practice seeks to minimize potentially adverse effects of financial instrument risks on the Trust's financial performance. The Trust's risk management practice includes the monitoring of compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Trust's performance by employing and overseeing professional and experienced Portfolio Advisors that regularly monitor the Trust's positions, market events and diversify investment portfolios within the constraints of the investment guidelines. Sensitivity analysis' provided in the following sections are for illustrative purposes only and may have no bearing on the Fund's financial results. Further, the percent changes for the market factors (interest rates, exchange

Notes to the Financial Statements (continued)

December 31, 2011

rates, equity market moves) may not be representative of actual market moves in these factors.

a) Currency Risk

Currency risk is the risk that the value of investments (including cash and short-term investments) denominated in currencies, other than the functional currency of the Trust, will fluctuate due to changes in foreign exchange rates. Equities and bonds in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Trust's functional currency in determining fair value.

As a portion of the Trust's investments may be comprised of securities the value of which may be denominated in U.S. dollars or other foreign currencies, and as a portion of the distributions received on the Portfolio may be received in U.S. dollars, the Net Assets and the value of distributions received by the Trust will, when measured in Canadian dollars, be affected by fluctuations in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar. The investment restrictions for the Fund require that at least 70% of the assets of the Fund be denominated or hedged back to Canadian dollars. The remaining 30% may be hedged at the Manager's discretion.

The tables below summarize the Trust's exposure to currency risk as at December 31, 2011 and 2010. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principle (notional) amount of forward currency contracts, if any). Other financial assets (including dividends and interest receivable and receivables for investments sold) and financial liabilities (including payable for investments purchased) that are denominated in foreign currencies do not expose the Trust to significant currency risk.

As at December 31, 2011:

	Gross Currency Exposure ($)	Currency Forward Contracts	Net Currency Exposure ($)	Exposure as a % of Net Assets (%)
Assets:				
U.S. investments	$ 15,332,982	$ (8,146,001)	$ 7,186,981	31.3%
Liabilities:				
Short Positions – U.S. $ Cash Secured Put Contracts	$ (25,308)	–	$ (25,308)	(0.11%)
Short Positions – U.S. $ Covered Call Contracts	$ (50,426)	–	$ (61,383)	(0.22%)

* all amounts in CAD$

As at December 31, 2010:

	Gross Currency Exposure ($)	Currency Forward Contracts	Net Currency Exposure ($)	Net Exposure as a % of Net Assets (%)
Assets:				
U.S. investments	$ 17,534,965	$ (7,950,712)	$ 9,584,253	24.5%
Liabilities:				
Short Positions – U.S. $ Cash Secured Put Contracts	$ (20,792)	–	$ (20,792)	(0.00%)
Short Positions – U.S. $ Covered Call Contracts	$ (61,383)	–	$ (61,383)	(0.01%)

* all amounts in CAD$

The Trust's split structure results in a situation where the total portfolio is greater than the Net Assets (as the preferred securities are debt obligations of the Trust). The gross currency exposure as a percentage of total portfolio was 19.9% (2010 – 16.1%), or 9.3% (2010 – 8.8%) taking into account the currency hedge.

As at December 31, 2011, if the Canadian dollar had strengthened or weakened by 5% in relation to the U.S dollar, with all other factors remaining constant, Net Assets would have decreased or increased by approximately $356,000 (2010 – $475,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value of the Trust's interest bearing investments will fluctuate due to changes in market interest rates. The Trust's exposure to interest rate risk is concentrated in its investment in income trusts' debt securities (such as bonds, T-Bills, and money market instruments). Holders of Preferred Securities are also exposed to interest rate risk through their investment in the Trust. The Trust is obligated to pay interest on the Preferred Securities at a fixed rate of 6.25% per annum, the market price of the Trust Units and the Preferred Securities may be affected by the level of interest rates prevailing from time to time. Other assets and liabilities are short-term in nature and/or non-interest bearing. Although other investments in the Trust's portfolio, such as income trusts and high yielding equities may respond to interest rate moves, the securities do not have constant payouts like bonds. As such, their price movements are more appropriately considered under other market risk.

The majority of the Trust's investments are non-interest bearing. The Trust does have investments in longer duration bonds and convertible bonds. If prevailing interest rates were raised or lowered by 1%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $197,000 (2010 – $270,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

c) Other Market Risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the

Notes to the Financial Statements (continued)

December 31, 2011

individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other assets and liabilities are monetary items that are short term in nature and are not subject to other market risk.

i) Trading Price of the Trust Units
The Trust Units may trade in the market at a premium or at a discount to the Net Assets per Unit and as such there can be no assurance that the Trust Units will trade at the Net Assets per Unit.

ii) Leverage Related to the Structure of the Trust
Holders of the Trust Units are subject to a form of leverage as the Preferred Securities rank ahead of the Trust Units in the capital structure of the Trust. As such the Preferred Securities are paid out first, such that any change in the fair value of the investments will first flow to the Trust Units. Accordingly, any decrease in the net asset value of the Portfolio will result in a greater proportionate decrease in the net asset value of the Trust Units. If, at the Termination Date, the Total Assets of the Trust are less than or equal to the amount of the aggregate of all liabilities of the Trust (including Senior Indebtedness and the aggregate principal amount of the Preferred Securities and all accrued and unpaid interest thereon), the Trust Units will have no value.

Leverage related to the structure of the Trust is currently higher than historical levels and as such market movements will be amplified.

As at December 31, 2011, the majority of the Trust's investments were traded on global stock exchanges. If equity prices on the global stock exchanges had increased or decreased by 10% as at the year end, with all other factors remaining constant, Net Assets would have increased or decreased by approximately $6,642,000 (2010 – $9,893,000). Leverage materially impacts the Net Assets of the Trust as it will increase the Net Assets during a year when the Trust's investments have appreciated and will exacerbate the decline of the Net Assets during a falling market. The Trust employs a split structure and as such the Units are leveraged investment. Therefore, the impact of portfolio fluctuations on NAV per Unit will be magnified. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

d) Credit Risk
Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Trust's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. All convertible bond holdings are not rated. As at December 31, 2011 and 2010, the Trust did not have significant exposure to credit risk.

All transactions in listed securities, including short term investments, are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. The trade will fail if either party fails to meet its obligation.

During the years ended December 31, 2011 and 2010, the Trust used currency forwards to hedge foreign exchange risk associated with its US dollar equity investments. During years ended December 31, 2011 and 2010 the Counterparty to the forward contracts has received a credit rating of A-1 from Standard & Poors and AA Low from DBRS. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient and approved credit rating.

e) Liquidity Risk
The Trust's exposure to liquidity risk is concentrated in the annual cash redemption of Trust Units and the Preferred Shares. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust retains sufficient cash and short-term investment positions to maintain liquidity and/or is permitted to borrow in the short-term to ensure liquidity.

As at December 31, 2011 and 2010, the Trust did not have significant exposure to liquidity risk. All liabilities of the Trust mature within 12 months or less.

12) Capital Management

The Trust was created using a dual security structure, consisting of Trust Units and Preferred Securities, to provide investors with leveraged capital growth potential and greater ability to choose the tax character of distributions, if any, they will receive. The Trust invests in a broad range of North American equities and income producing securities. These may include equities, income trusts, limited partnerships, real estate investment trusts, corporate bonds, convertible bonds, preferred shares, other income funds and other yield generating investments. In order to generate additional returns and reduce risk, the Trust may write covered calls on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio.

The capital of the Trust is represented by unitholders' capital, preferred securities and retained earnings, as disclosed in the Statement of Net Assets. Unitholders are entitled to distributions, if any, and to payment of a proportionate share based on the Trust's net assets per unit upon redemption. The relevant movements are shown on the Statement of Changes in Net Assets.

The Trust's objectives in managing its capital from Preferred Securities are;

(i) to provide Securityholders, in priority to any distributions on the Trust Units, interest in the amount of $0.15625 per quarter ($0.625 per annum to yield 6.25% per annum on the subscription price of $10.00); and

(ii) to repay to Preferred Securityholders, on December 31, 2014, in priority to any return of the original subscription price to Unitholders, the original subscription price of the Preferred Securities.

In accordance with it's investment objectives and risk management practices, as outlined above and throughout Note 11, the Trust endeavours to invest it's capital in appropriate investments while maintaining sufficient liquidity to meet redemptions.

13) Fair Value Measurements

The Fund uses the following three-level hierarchy for disclosure of the inputs to its fair value measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

Notes to the Financial Statements (continued)

December 31, 2011

The following tables illustrate the classification of the Trust's financial instruments within the fair value hierarchy as at December 31, 2011:

	Assets at fair value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Equities – long	$ 61,580,312	$ –	$ –	$ 61,580,312
Convertible Debentures	$ –	$ 4,952,373	$ –	$ 4,952,373
Short-term investments	$ –	$ 5,091,021	$ –	$ 5,091,021
	$ 61,580,312	$ 10,043,394	$ –	$ 71,623,706

	Liabilities at fair value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Options – short	$ 114,869	$ –	$ –	$ 114,869
Foreign currency forward contract	$ –	$ 43,784	$ –	$ 43,784
	$ 114,869	$ 43,784	$ –	$ 158,653

There were no significant transfers between levels during the period.

The following table reconciles the Fund's Level 3 fair values measurements as at December 31, 2011:

Fair value measurements using Level 3 inputs

Balance, as at December 31, 2010	$ 108,906
Purchases	$ –
Sale	$ (134,750)
Gain on sale	$ 25,844
Balance, as at December 31, 2011	$ –

The following tables illustrate the classification of the Trust's financial instruments within the fair value hierarchy as at December 31, 2010:

	Assets at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Equities – long	$ 90,965,985	$ –	$ –	$ 90,965,985
Warrants	$ –	$ –	$ 108,906	$ 108,906
Convertible Debentures	$ –	$ 6,957,769	$ –	$ 6,957,769
Short-term investments	$ –	$ 6,861,444	$ –	$ 6,861,444
Foreign currency forward contract	$ –	$ 75,688	$ –	$ 75,688
	$ 90,965,985	$ 13,894,901	$ 108,906	$ 104,969,792

	Liabilities at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Options – short	$ 82,175	$ –	$ –	$ 82,175
	$ 82,175	$ –	$ –	$ 82,175

There were no significant transfers between levels during the year.

Notes to the Financial Statements (continued)

December 31, 2011

The following table reconciles the Fund's Level 3 fair values measurements as at December 31, 2010:

Fair value measurements using Level 3 inputs

Balance, as at December 31, 2009	$	–
Purchases	$	–
Gains (Losses)		
Unrealized	$	108,906
Balance, as at December 31, 2010	$	108,906

Management uses valuation techniques to determine the fair value for each Level 3 investment which depend on a number of different assumptions and inputs. A significant number of the key assumptions used in the valuation of individual investments are company specific. There are no alternative assumptions that are broadly applicable across the Level 3 investment portfolio of the Fund, however, changes in key assumptions may cause material changes in the value of the investments held by the Fund. If the value of the Level 3 investments were to increase or decrease by 10%, the value of the Fund would increase or decrease by approximately $11,000.

14) Comparative Financial Statements

Certain items in the prior year comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current years' financial statements.

Corporate Information

Faircourt Asset Management Inc. ("Faircourt") was created to design, distribute and market innovative structured investment products to retail investors throughout Canada. Faircourt is credited with being the innovator of Canada's first funds of Income Trusts using a dual security structure. As at December 31, 2011, Faircourt, together with its affiliates, currently provides management services to one TSX listed closed-end fund, Faircourt Split Trust, two TSX listed corporations, Faircourt Gold Income Corp. and Metals Plus Income Corp., and two resource funds, Faircourt Resource Fund Limited Partnership and Faircourt Exploration Flow-Through 2010 Limited Partnership. Faircourt also provides marketing and administrative support and other services to a continuing program of Principal Protected Notes, issued by a Canadian chartered bank.

For more information, please visit the Manager's website at **www.faircourtassetmgt.com**.

Directors & Officers

Jane Davis
Director

Stephen Kangas, CA, CFA
Director

Marshall Miller
Director

Charles Taerk
President, CEO & Director

Douglas Waterson, CA, CFA
Chief Financial Officer, Portfolio Manager & Director

Legal Counsel
Stikeman Elliott LLP

Borden Ladner Gervais LLP

Auditors
PricewaterhouseCoopers LLP

Trust Units/Shares

Trustee & Custodian
CIBC Mellon Global Securities Services

Registrar, Transfer Agent & Distribution Agent
Canadian Stock Transfer Company, Inc.
Computershare Ltd.

Preferred Securities

Indenture Trustee, Registrar, Transfer Agent & Payment Agent
BNY Trust Company of Canada

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Closed End Funds (listed on the TSX)

Faircourt Split Trust
Trust Units – **FCS.UN**
Preferred Securities – **FCS.PR.B**

Faircourt Gold Income Corp.
Class A Shares – **FGX**
Warrants – **FGX-WB**

Metals Plus Income Corp.
Class A Shares – **MPI**

FAIRCOURT
Asset Management Inc.