2012 Annual Report
FAIRCOURT SPLIT TRUST

FAIRCOURT
Asset Management Inc.

Leading The Way To Prosperity.

2012 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 year ended December 31, 2012 and December 31, 2011 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 Fund 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 fourth quarter of 2012 began with investors focused on the diminishing effects of stimulus measures announced in September; the prospects of solving Fiscal Cliff issues and the potential outcome of the US presidential election. After the election we witnessed an initial sell off in U.S. equity markets. Concerns arose about the state of the negotiations in Congress about the expiry of the Bush era Tax cuts along with mandated spending cuts. Global macroeconomic concerns facing China and Europe also contributed to concerns of another recession.

The continuing challenge is that aggressive fiscal policy responses prove counterproductive to GDP growth. In the US, ending payroll tax cuts and hiking tax rates will have negative effects on US GDP and have ripple effects in the markets of its major trading partners. In our opinion, the US Federal Reserve will need to keep monetary easing going into 2014 and potentially beyond, and as a result, we anticipate upside in risk assets such as commodities and consumer cyclicals.

An early bright spot for the US economic recovery has been the housing sector. With record low interest rates and renewed optimism for the economy, consumer sentiment is turning positive in the new housing segment. As household leverage has been reduced over the last four years, and small business optimism increases, excess housing inventory is being reduced to below its long term trend line and the sector is now contributing positively to GDP. The S&P/Case-Shiller Home Price Indices revealed during the quarter that both its 10- and 20 city composites increased in October on a seasonally adjusted basis. The report also states that the 20-city composite Home Price Index has increased 4.3% year over year. Analysts suggest the housing/construction sector in 2013 can contribute as much as 1.5% of U.S. GDP.

Canada

In the second half of 2012 the economy showed signs of resilience as the unemployment rate achieved its lowest level since the summer of 2009. The gradual trend through the fourth quarter from 7.4% to 7.1% is very positive for the economy as the labour market continues to show signs of resisting the considerable headwinds the global economy must overcome from Europe, in addition to the political squabbling in Washington over fiscal issues. The housing sector in Canada has showed some signs of easing in select markets across the country however the overall health of the housing market in key markets such as Toronto and Vancouver remains intact.

An area where we continue to see opportunity for investors is the Canadian equity markets, with the TSX composite trading at a lower PE than its historic average over 10 yrs, illustrating the lack of conviction on the part of investors for long term growth in the economy. Part of that concern exists from previous export market weakness and moderate demand for commodities. China, a key commodities export market for Canadian materials companies has shown stronger consumption patterns now that the transition of leadership has been completed, thus we expect demand growth to continue in base metals which will have positive ripple effects for the overall economy.

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 $3.29 per Trust Unit.

The NAV of the Trust Units, combined with paid distributions during the year ended December 31, 2012, provided a total return for holders of Trust Units of −11.18%, results which have underperformed the blended benchmark return of 8.30%. 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, 2012, energy comprised 17.40% of the market value of the Trust's investment portfolio; materials comprised 17.65%; industrials comprised 11.89%; financials comprised 8.92%; convertible debentures comprised 5.42%; information technology comprised 3.65%; utilities comprised 6.56%; REITs comprised 9.26%; consumer discretionary/staples comprised 11.65%; long call options 0.04%; covered call contracts comprised −0.08%; cash secured put contracts comprised −0.15%; and cash and cash equivalents 7.79%. As at December 31, 2012, approximately 57% in cash and short term investments has been pledged for cash secured puts. Writing put options tends to increase the Fund's exposure to the underlying instrument. 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.

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. 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 cash flow from option premium of approximately $1,924,000 or $0.55 per weighted average number of Trust Units outstanding during the year ended December 31, 2012. During the year ended December 31, 2012 the Fund has declared regular monthly distributions totaling $0.24 per Trust Unit. 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, 2012, 548,351 Trust Units were tendered for redemption to the Trust for cash proceeds of $2.70 million in accordance with the Trust's annual redemption privileges.

During the year ended December 31, 2012, a total of 5,037 combined securities (Trust Units and Preferred Securities) have been issued in accordance with the management agreement.

During the year ended December 31, 2012, 50,670 Trust Units and 25,335 Preferred Securities were issued as a result of exercise of transferable Series C Warrants of the Trust, issued to the holders of record of outstanding Units of the Trust at the close of business (Toronto time) on August 24, 2012, one transferable Series C warrant of the Trust (each, a "Series C Warrant") for each Unit held. Each Series C Warrant entitled the holder thereof to subscribe for one Unit, one half of a Preferred Security and one transferable Series D warrant at a subscription price of $10.17.

On July 6, 2012 $399,750 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 20, 2012 $5,083,760 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 18, 2012.

As at December 31, 2012, the Trust had 3,253,632 Trust Units outstanding and trading at $4.48 per Trust Unit, a discount to the underlying NAV of approximately 15%. Closed end funds may trade above, at or below their NAV per unit.

As at December 31, 2012, the Trust had 4,772,686 Preferred Securities outstanding representing a total liability of $47.73 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, 2012, the Preferred Securities were trading at $10.37 per Preferred Security, a premium to issue price of 3.7%.

Fees and Expenses

During the year, the Trust paid management fees, operating expenses and interest on preferred securities of $4.48 million. The expense ratio, net of interest on preferred securities, for Trust Unitholders was 6.44%, compared to 4.86% in 2011. 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 1.80% based on total assets, compared to 1.66% in 2011. In both cases, the increase in the ratios is mainly due to a decrease in average net assets.

Recent Developments

Market Outlook

Our portfolio approach, based on the noted macro economic backdrop is to focus on those leading companies that maintain a sound balance sheet, strong and growing cash flows, and leading products and services in expanding domestic and international markets. As a result, we maintain a diversified approach to North American equities, maintaining exposure in many of the sub-sectors within the S&PTSX and S&P 500. 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 Fund generated cash flow from option writing of approximately $1.92 million, or $0.55 per weighted average number of Trust Units outstanding during the year ended December 31, 2012. Although volatility has returned to more normalized market levels, the Manager continues to believe that option writing can add incremental value going forward.

The fund benefitted from several leading positions during the year, that in different quarters of the year generated positive returns. Consumer staples company Philip Morris the global consumer company, as well as modular building and equipment provider Black Diamond Group both generated solid returns in the first half of 2012. Black Diamond Group provides remote lodging, modular building and support services for the energy sector to oil sands projects, hospitals, schools and the mining industry. Philip Morris continues to evidence strong revenue and earnings growth as its Asian business units continue to expand in new and growing markets. The Fund's position in Cineplex, the premier theatre operator in Canada performed well during the year as a strong lineup of new releases including The Avengers, Skyfall, and The Hobbit drove solid box office results. The fund also entered a position in Disney in Q4 as we believed that market reaction to Disney's acquisition of Lucasfilm and near term earnings issues were overdone. We believe that Disney is uniquely qualified to continue to monetize the Star Wars brand and that the deal is positive for Disney in the medium and long term. In addition, Disney maintains a leading position in its theme park business and has proven over the long term that this segment contributes positively to the bottom line in all economic environments.

The fund's position in Secure Energy Services and Badger Daylighting also performed well during the year. Secure provides a range of waste disposal services for the energy sector and has been growing steadily since its IPO in 2010. Badger Daylighting is North America's largest provider of non-destructive excavating services. We believe both companies offer a compelling combination of growth and steady recurring revenue streams.

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 employ its option writing program that provides income to the Fund while reducing the volatility of the portfolio. We believe that option writing can add incremental value going forward.

International Financial Reporting Standards

As previously confirmed by the Canadian Accounting Standards Board ("AcSB"), most Canadian publicly accountable entities adopted International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on January 1, 2011. However, the AcSB has allowed most investment funds to defer adoption of IFRS until fiscal years beginning on or after January 1, 2014. Accordingly, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the year ending December 31, 2014.

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 for which the Trust has granted the Manager the right (expired in 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. 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, 2012, a total of approximately $0.87 million was charged by the Manager for management and administrative services.

During the year ended December 31, 2012, a total of 5,037 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, 2012	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)	**$ 6.13**	**$ 7.39**	**$ 5.45**	**$ 2.23**	**$ 10.02**	**$ 11.35**	**$ 13.54**
Increase (decrease) from operations:	(3)							
Total revenue		1.04	0.94	0.93	1.01	1.14	1.37	1.32
Total expenses		(1.29)	(1.20)	(1.19)	(0.92)	(0.94)	(0.99)	(0.78)
Realized gains (losses) for the period		0.07	0.60	(0.07)	(3.23)	(3.39)	(0.35)	(0.37)
Unrealized gains (losses) for the period		(0.60)	(1.16)	4.79	6.32	(3.43)	0.03	(1.63)
Total increase (decrease) in net assets from operations		**(0.78)**	**(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)	(0.24)	(0.20)	–	(0.82)	(1.06)	(0.46)
Total distributions during the period		**(0.24)**	**(0.24)**	**(0.20)**	**–**	**(0.82)**	**(1.09)**	**(0.73)**
Net assets, end of period	(3)	**$ 5.22**	**$ 6.13**	**$ 7.39**	**$ 5.45**	**$ 2.23**	**$ 10.02**	**$ 11.35**

Ratios and Supplemental Data[1]

		Year Ended December 31, 2012	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)	$ 17,116,822	$ 23,113,451	$ 39,332,694	$ 7,276,912	$ 3,697,829	$ 19,485,321	$ 32,025,759
Number of units outstanding	(5)	3,253,632	3,746,276	5,302,037	1,321,679	1,621,009	1,932,003	2,821,307
Management expense ratio	(6)	21.95%	16.48%	19.76%	29.24%	11.91%	8.43%	19.36%
Management expense ratio, excluding issue costs	(7)	21.93%	16.48%	19.76%	29.24%	11.91%	8.43%	7.81%
Less: Interest on preferred securities	(8)	−15.49%	−11.62%	−14.34%	−19.05%	−7.58%	−5.19%	−4.58%
Expense ratio net of interest on preferred securities	(9)	6.44%	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)	6.44%	4.86%	5.42%	10.19%	4.33%	3.24%	3.23%
Expense ratio – total assets	(10)	1.80%	1.66%	1.87%	2.31%	1.81%	1.68%	1.75%
Portfolio turnover rate	(11)	53.12%	38.37%	45.38%	48.91%	41.10%	34.93%	27.02%
Trading expense ratio	(12)	0.51%	0.37%	0.51%	0.66%	0.34%	0.31%	0.64%
Net asset value per unit	(13)	$ 5.26	$ 6.17	$ 7.42	$ 5.51	$ 2.28	$ 10.09	$ 11.35
Closing market price per unit	(14)	$ 4.48	$ 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 on October 10, 2008 and 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.

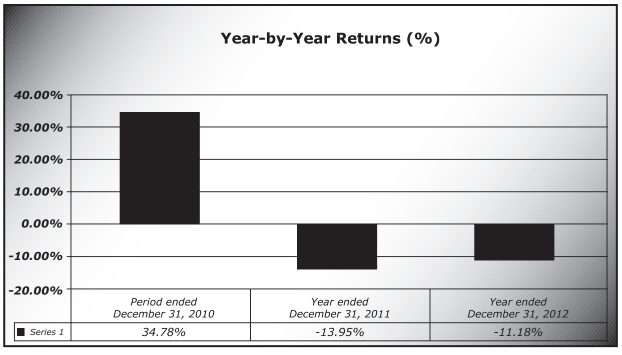
(14) The closing market price as per the TSX as at end of the period shown.

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

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, 2012, 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, 2012.

	Since Merger	1 Year
Faircourt Split Trust	1.32%	– 11.18%
Blended Index	4.67%	8.30%
S&P/TSX Composite Total Return Index	3.03%	7.19%
S&P 500 – CDN$ Total Return Index.	8.48%	10.89%

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, 2012 (based on Transaction NAV)

Summary of Investment Portfolio	% of Portfolio*
Materials	17.65%
Energy	17.40%
Industrials	11.89%
Consumer Discretionary / Staples	11.65%
Real Estate Investment Trusts	9.26%
Financials	8.92%
Cash and Cash Equivalents **	7.79%
Utilities	6.56%
Convertible Debentures	5.42%
Information Technology	3.65%
Long Positions – Call Contracts	0.04%
Short Positions – Covered Call Contracts	–0.08%
Short Positions – Cash Secured Put Contracts	–0.15%
	100.00%

Total Net Asset Value	**$17,116,822**

Top 25 Portfolio Positions		% of Portfolio*
Long Positions:		
1	Secure Energy Services Inc.	3.70%
2	Capital Power Corp.	3.26%
3	Osisko Mining Corporation	3.16%
4	McDonald's Corp.	3.16%
5	Black Diamond Group Ltd.	2.93%
6	Fairfax Financial Holdings Ltd.	2.83%
7	Cineplex Inc.	2.54%
8	Philip Morris International Inc.	2.50%
9	Toronto-Dominion Bank (The)	2.46%
10	Canadian Apartment Properties REIT	2.43%
11	Dollarama Inc.	2.33%
12	Goldcorp Inc.	2.32%
13	Canadian National Railway Co.	2.28%
14	Mag Silver Corp.	2.14%
15	Trilogy Energy Corp.	2.13%
16	Canadian Natural Resources Ltd.	2.07%
17	Bank of Nova Scotia	2.04%
18	AltaGas Ltd.	1.96%
19	Canadian Imperial Bank of Commerce	1.93%
20	Calloway REIT	1.87%
21	Killam Properties Inc.	1.76%
22	Badger Daylighting Ltd.	1.74%
23	Whiting Petroleum Corp.	1.73%
24	Wi-LAN Inc.	1.71%
25	Just Energy Income Fund, Convertible, Callable, 6.00%, 2017/06/30	1.59%
Total portfolio represented by these holdings		**58.58%**
Long Positions – Call contracts		
1	Wal-Mart Stores Inc., March 2013, $70.00 USD	0.02%
2	SPDR Gold Trust, March 2013, $169.00 USD	0.01%
3	SPDR Gold Trust, February 2013, $167.00 USD	0.01%
Total portfolio represented by long positions		**0.04%**
Short Positions – Cash Secured Puts		
1	Mag Silver Corp., January 2013 @ $12.00 CAD	–0.12%
2	Teck Resources Ltd., January 2013 @ $35.00 USD	–0.01%
3	Freeport-McMoran Copper & Gold Inc., January 2012 @ $32.00 USD	0.00%
4	Yamana Gold Inc., January 2013 @ $16.00 USD	0.00%
5	Teck Resources Ltd., January 2013 @ $34.00 USD	0.00%
6	Whiting Petroleum Corporation, January 2013 @ $40.00 USD	0.00%
7	Mosaic Co., January2012 @ $52.50 USD	0.00%
8	Apple Inc., January 2013 @ $480.00 USD	0.00%
9	Silver Wheaton Corp., January 2013 @ $33.00 USD	0.00%
Total portfolio represented by short positions		**–0.15%**
Short Positions – Covered Call Contracts		
1	Gran Tierra Energy Inc., January 2013 @ 6.00 CAD	–0.02%
2	Apple Inc., January 2013 @ $540.00 USD	–0.01%
3	Intel Corp., January 2013 @ $21.00 USD	–0.01%
4	Barrick Gold Corp., January 2013 @ 35.00 USD	–0.01%
5	Yamana Gold Inc., January 2013 @ $17.50 USD	–0.01%
6	Occidental Petroleum Corp., January 2013 @ $77.50 USD	–0.01%
7	Cenovus Energy Inc., January 2013 @ 34.00 CAD	–0.01%
8	SPDR Gold Trust, March 2013, $176.00 USD	0.00%
9	Wal-Mart Stores Inc., March 2013, $75.00 USD	0.00%
10	Whiting Petroleum Corporation, January 2013 @ $47.50 USD	0.00%
Total portfolio represented by short positions		**–0.08%**
Total portfolio represented by these holdings		**58.39%**

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, 2012 the following forward currency contract is outstanding:

Buy CAD $7,877,600, Sell USD $8,000,000 @ 0.9847, due 17-January-2013.

* 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, 2012 approximately 57% 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 25, 2013

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, 2012, the statements of net assets as at December 31, 2012 and 2011 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 the 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, 2012 and 2011 and the results of its operations, its 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 25, 2013

Statements of Net Assets

	As at December 31, 2012	As at December 31, 2011
Assets		
Investments, at fair value (cost $57,240,054; 2011 $61,459,849)	**$ 60,667,693**	$ 66,532,685
Cash and short-term investments (Note 10)	**5,120,655**	9,889,364
Distributions, dividends and interest receivable	**209,014**	241,728
Amounts receivable for investments sold	**–**	280,844
	65,997,362	76,944,621
Liabilities		
Accounts payable and accrued liabilities (Note 7)	**964,370**	834,210
Written options at fair value	**163,295**	114,869
Distributions payable to unitholders (Note 6)	**65,073**	74,926
Unrealized loss on foreign currency forward contracts (Note 9)	**90,427**	43,784
Preferred securities issued (Note 4)	**47,726,860**	52,906,650
	49,010,025	53,974,439
Net assets representing unitholders' equity (Note 5)		
Unitholders' capital	**19,488,618**	23,473,981
Contributed surplus	**5,948,812**	5,219,708
Deficit	**(8,450,093)**	(5,723,507)
	$ 16,987,337	$ 22,970,182
Units outstanding (Note 5)	**3,253,632**	3,746,276
Net assets per unit	**$ 5.22**	$ 6.13

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, 2012	Year ended December 31, 2011
Income		
Distributions and dividends (net of withholding taxes of $20,777; 2011 – $21,061)	**$ 1,463,677**	$ 2,101,136
Option premium income (Note 10)	**1,891,682**	1,770,640
	3,355,359	3,871,776
Interest income	**254,684**	397,890
	3,610,043	4,269,666
Expenses		
Management fees (Note 7)	**869,514**	1,166,269
Service fee (Note 7)	**91,117**	147,535
Audit fees	**29,932**	29,509
Legal fees	**60,872**	27,379
Securityholder reporting costs	**219,247**	197,968
Custodial fees	**27,443**	21,804
Independent review committee fees	**16,465**	16,424
Interest on preferred securities (Note 4)	**3,164,772**	3,841,089
	4,479,362	5,447,977
Net investment loss	**(869,319)**	(1,178,311)
Commissons and other portfolio transaction costs (Note 8)	**(103,741)**	(123,458)
Net realized gain on sale of investments	**400,381**	2,825,690
Net realized gain (loss) on foreign exchange	**(67,029)**	(657)
Net change in unrealized value on investments	**(2,086,878)**	(5,267,534)
Decrease in net assets from operations	**(2,726,586)**	(3,744,270)
Deficit, beginning of year	**(5,723,507)**	(1,979,237)
Deficit, end of year	**$ (8,450,093)**	$ (5,723,507)
Decrease in net assets from operations per unit(1)	**$ (0.78)**	$ (0.83)

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, 2012	Year ended December 31, 2011
Cash flows provided by (used in) operating activities		
Decrease in net assets from operations	**$ (2,726,586)**	$ (3,744,270)
Items not affecting cash and short-term investments		
Issuance of combined units for payment of management fees	**76,940**	124,888
Adjustments to reconcile decrease in net assets from operations to net cash provided by (used in) operating activities		
Purchase of investment securities	**(32,854,112)**	(32,738,602)
Proceeds from disposition of investment securities	**37,347,924**	62,647,551
Decrease in distributions, dividends and interest receivable	**32,714**	151,464
Decrease in accounts payable and accrued liabilities	**130,160**	37,847
Net change in unrealized value on investments	**2,147,474**	5,267,534
Net realized loss (gain) on sale of investments	**(400,381)**	(2,825,033)
	3,754,133	28,921,379
Cash flows provided by (used in) financing activities		
Proceeds from issuance of units, net	**257,910**	6,809
Proceeds from issuance of preferred securities	**253,350**	5,840
Redemption of preferred securities issued	**(5,483,510)**	(15,640,950)
Distributions to unitholders	**(846,673)**	(1,116,652)
Unitholder redemptions	**(2,703,919)**	(11,444,952)
	(8,522,842)	(28,189,905)
Net increase (decrease) in cash and short-term investments during the year	**(4,768,709)**	731,474
Cash and short-term investments, beginning of year	**9,889,364**	9,157,890
Cash and short-term investments, end of year	**$ 5,120,655**	$ 9,889,364
Supplemental cash flow information		
Interest paid	**$ 3,164,772**	$ 3,841,089

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

Statements of Changes in Net Assets

	Year ended December 31, 2012	Year ended December 31, 2011
Decrease in net assets from operations	**$ (2,726,586)**	$ (3,744,270)
Unitholder transactions (Note 5)		
Proceeds from issuance of units, net	**257,910**	6,809
Issuance of units from payment of management fees	**26,570**	53,228
Unitholder redemptions	**(2,703,919)**	(11,444,952)
	(2,419,439)	(11,384,915)
Distributions to unitholders		
Return of capital	**(836,820)**	(1,085,537)
Net decrease in net assets during the year	**(5,982,845)**	(16,214,722)
Net assets, beginning of year	**22,970,182**	39,184,904
Net assets, end of year	**$ 16,987,337**	$ 22,970,182

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

Statement of Investments
As at December 31, 2012

Number of Shares	Security	Cost ($)	Fair Value ($)	Percent of Portfolio	
Energy					
185,000	Bankers Petroleum Ltd.	1,501,452	592,000	0.90%	
20,000	Baytex Energy Corp.	790,355	857,400	1.31%	
45,800	Canadian Natural Resources Ltd.	1,617,598	1,313,548	2.00%	
11,800	Cenovus Energy Inc.	396,662	392,822	0.60%	
17,000	Crescent Point Energy Corp.	641,166	637,500	0.97%	
170,000	Gran Tierra Energy Inc.	1,253,146	929,900	1.42%	
93,700	Legacy Oil & Gas Inc.	912,476	639,034	0.97%	
9,100	Occidental Petroleum Corp.	783,566	694,153	1.06%	
25,000	Pacific Rubiales Energy Corp.	691,497	577,750	0.88%	
236,500	Secure Energy Services Inc.	913,363	2,334,255	3.56%	
46,400	Trilogy Energy Corp.	656,401	1,347,456	2.05%	
25,400	Whiting Petroleum Corp.	1,249,409	1,096,861	1.67%	**17.39%**
Materials					
23,000	Barrick Gold Corp.	887,432	800,422	1.22%	
6,900	BHP Billiton Ltd.	511,595	538,909	0.82%	
8,000	Freeport-McMoRan Copper & Gold Inc., Class 'B'	315,766	272,424	0.42%	
40,200	Goldcorp Inc.	1,731,266	1,462,506	2.23%	
81,600	Kinross Gold Corp.	1,201,068	787,939	1.20%	
12,000	Labrador Iron Ore Royalty Corp.	290,975	411,840	0.63%	
106,000	Mag Silver Corp.	917,465	1,076,960	1.64%	
28,000	Mag Silver Corp.*	263,200	281,635	0.43%	
250,600	Osisko Mining Corporation	2,327,304	1,992,270	3.04%	
24,000	Potash Corp. of Saskatchewan Inc.	1,341,610	972,361	1.48%	
10,000	Silver Wheaton Corp.	341,861	359,249	0.55%	
5,500	SPDR Gold Trust	920,567	887,333	1.35%	
21,100	Teck Resources Ltd.	761,160	763,687	1.16%	
56,900	Yamana Gold Inc.	957,092	973,905	1.48%	**17.65%**
Industrials					
58,900	Aecon Group Inc.	614,592	624,340	0.95%	
35,000	Alaris Royalty Corp.	744,900	829,500	1.26%	
35,800	Badger Daylighting Ltd.	817,734	1,102,998	1.68%	
70,700	Bird Construction Inc.	914,623	931,119	1.42%	
92,800	Black Diamond Group Ltd.	778,427	1,856,000	2.83%	
16,000	Canadian National Railway Co.	1,049,376	1,445,280	2.20%	
33,700	Progressive Waste Solutions Inc.	815,661	722,528	1.10%	
10,000	Republic Services Inc.	264,254	292,138	0.45%	**11.89%**
Financials					
22,500	Bank of Nova Scotia	1,201,196	1,291,950	1.97%	
15,300	Canadian Imperial Bank of Commerce	1,131,072	1,223,541	1.86%	
5,000	Fairfax Financial Holdings Ltd.	2,016,911	1,777,600	2.71%	
18,600	Toronto-Dominion Bank (The)	1,359,906	1,555,890	2.37%	**8.91%**
Real Estate Investment Trusts					
41,000	Calloway REIT	883,714	1,184,900	1.81%	
62,000	Canadian Apartment Properties REIT	1,006,683	1,536,360	2.34%	
35,000	First Capital Realty Inc.	654,827	657,650	1.00%	
34,900	H&R REIT	713,843	841,090	1.28%	
89,300	Killam Properties Inc.	870,267	1,111,785	1.69%	
24,000	Northern Property REIT	695,240	740,400	1.13%	**9.25%**
Consumer Discretionary / Staples					
50,666	Cineplex Inc.	1,024,306	1,611,179	2.46%	
25,000	Dollarama Inc.	1,548,144	1,473,750	2.25%	
22,800	McDonald's Corp.	1,815,651	2,003,221	3.05%	
19,000	Philip Morris International Inc.	1,123,336	1,582,516	2.41%	
20,000	Walt Disney Co	961,836	991,319	1.51%	**11.68%**

Statement of Investments (continued)

As at December 31, 2012

Number of Shares	Security	Cost ($)	Fair Value ($)	Percent of Portfolio	
Utilities					
37,000	AltaGas Ltd.	753,383	1,239,500	1.89%	
6,000	Canadian Utilities Ltd.	410,616	430,440	0.66%	
91,000	Capital Power Corp.	2,192,062	2,068,430	3.15%	
20,000	Pembina Pipeline Corp.	553,676	568,800	0.87%	**6.56%**
Information Technology					
1,700	Apple Inc.	880,447	902,238	1.37%	
20,000	Intel Corp.	402,136	410,826	0.63%	
240,000	Wi-LAN Inc.	1,064,380	1,084,800	1.65%	**3.65%**
Convertible Debentures					
50,000	Angle Energy Inc., Convertible, 5.75%, 2016/01/31	47,500	49,500	0.08%	
435,000	Churchill Corporation, Convertible, 6.00%, 2015/06/30	435,541	451,312	0.69%	
425,000	Cominar REIT, Series 'D', Convertible, 6.50%, 2016/09/30	455,636	467,500	0.71%	
200,000	Gasfrac Energy Services Inc., Convertible, 7.00%, 2017/02/28	200,000	152,020	0.23%	
676,000	Just Energy Exchange Corp., Convertible, Callable, 6.00%, 2014/09/30	684,236	665,860	1.01%	
1,225,000	Just Energy Income Fund, Convertible, Callable, 6.00%, 2017/06/30	1,201,002	1,007,562	1.54%	
400,000	Russel Metals Inc., Convertible, 7.75%, 2016/09/30	443,897	476,000	0.73%	
281,000	Southern Pacific Resource Corp., Convertible, Callable, 6.00%, 2016/06/30	264,475	284,091	0.43%	**5.42%**
	Total Long Positions in Equity Investments	**$ 57,170,938**	**$ 60,640,052**	**92.40%**	

Statement of Investments (continued)

As at December 31, 2012

Number of Options	Holdings/Expiry Date/Strike Price	Underlying Interest	Cost ($)	Fair Value ($)	Percent of Portfolio	
Long Positions – Call Contracts						
50	SPDR Gold Trust, February 2013, $167.00 USD	5,000	$ 23,046	$ 5,875	0.01%	
55	SPDR Gold Trust, March 2013, $169.00 USD	5,500	27,451	8,324	0.01%	
100	Wal-Mart Stores Inc., March 2013, $70.00 USD	10,000	18,619	13,442	0.02%	
	Total Long Positions – Call Contracts		**$ 69,116**	**$ 27,641**	**0.04%**	**0.04%**
Short Positions – Cash Secured Put Contracts						
(7)	Apple Inc., January 2013 @ $480.00 USD	(700)	$ (4,020)	$ (1,979)	0.00%	
(90)	Freeport-McMoran Copper & Gold Inc., January 2012 @ $32.00 USD	(9,000)	(5,423)	(3,136)	0.00%	
(400)	Mag Silver Corp., January 2013 @ $12.00 CAD	(40,000)	(45,200)	(80,000)	−0.12%	
(60)	Mosaic Co., January 2013 @ $52.50 USD	(6,000)	(4,421)	(2,748)	0.00%	
(85)	Silver Wheaton Corp., January 2013 @ $33.00 USD	(8,500)	(4,613)	(2,031)	0.00%	
(85)	Teck Resources Ltd., January 2013 @ $34.00 USD	(8,500)	(4,655)	(2,708)	0.00%	
(80)	Teck Resources Ltd., January 2013 @ $35.00 USD	(8,000)	(6,343)	(4,222)	−0.01%	
(60)	Whiting Petroleum Corporation, January 2013 @ $40.00 USD	(6,000)	(4,382)	(2,688)	0.00%	
(200)	Yamana Gold Inc., January 2013 @ $16.00 USD	(20,000)	(5,526)	(3,186)	0.00%	
	Total Short Positions – Cash Secured Put Options		**$ (84,583)**	**$ (102,698)**	**−0.16%**	**−0.16%**
Short Positions – Covered Call Contracts						
(7)	Apple Inc., January 2013 @ $540.00 USD	(700)	$ (5,387)	$ (9,758)	−0.01%	
(80)	Barrick Gold Corp., January 2013 @ 35.00 USD	(8,000)	(4,540)	(7,249)	−0.01%	
(90)	Cenovus Energy Inc., January 2013 @ 34.00 CAD	(9,000)	(4,950)	(3,870)	−0.01%	
(1,000)	Gran Tierra Energy Inc., January 2013 @ 6.00 CAD	(100,000)	(15,230)	(13,000)	−0.02%	
(200)	Intel Corp., January 2013 @ $21.00 USD	(20,000)	(7,352)	(7,169)	−0.01%	
(40)	Occidental Petroleum Corp., January 2013 @ $77.50 USD	(4,000)	(4,555)	(5,098)	−0.01%	
(55)	SPDR Gold Trust, March 2013, $176.00 USD	(5,500)	(13,452)	(3,450)	−0.01%	
(100)	Wal-Mart Stores Inc., March 2013, $75.00 USD	(10,000)	(3,642)	(2,390)	0.00%	
(70)	Whiting Petroleum Corporation, January 2013 @ $47.50 USD	(7,000)	(4,421)	(2,788)	0.00%	
(150)	Yamana Gold Inc., January 2013 @ $17.50 USD	(15,000)	(5,244)	(5,825)	−0.01%	
	Total Short Positions – Covered Call Contracts		**$ (68,773)**	**$ (60,597)**	**−0.09%**	**−0.09%**
	Total Investments before Cash and Short-term Investments		**$ 57,086,698**	**$ 60,504,398**	**92.20%**	
Cash						
	Canadian Dollar		$ 994,394	$ 994,394	1.52%	
	U.S. Dollar		143,280	143,461	0.22%	
Short-Term Investments – USD						
4,000,000	United States Treasury Bill, 0.00%, 2013/01/24		3,974,200	3,982,800	6.07%	
	Total Cash and Short-Term Investments		**$ 5,111,874**	**$ 5,120,655**	**7.80%**	**7.80%**
	Total Investments		$ 62,198,572	$ 65,625,053	100.00%	
	Less: Adjustments for transactions costs		(129,408)	–		
			$ 62,069,164	**$ 65,625,053**	**100.00%**	

* Restricted

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

Notes to the Financial Statements

December 31, 2012

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.

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 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.

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 foreign currency forward contracts.

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, 2012 the Fund had approximately $6,254,000 capital and approximately $3,818,000 non capital loss carryforwards for income tax purposes. The capital losses may be carried forward indefinitely to be applied against future capital gains. The non capital losses are available to be carried forward for twenty years. The non-capital losses carried forward may reduce future years' taxable income and will expire up to 2032. No benefit has been recognized for these unused losses in these financial statements.

g) Fair Value of Financial Instruments other than Investments

The Fund's financial instruments, other than investments and derivatives, which are composed of cash, distributions, dividends and interest receivable, amounts payable for investments purchased, 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 fair value is shown as unrealized appreciation (depreciation) of investments. Investments in long option positions are publicly traded and valued at their latest bid price on the valuation date.

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 are exercised are recorded as "Option premium income" in the Statements of Operations and Deficit. Premiums paid from buying options which expire unexercised are applied against "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.

If a call option which the Fund has bought, is exercised, the amount of the premium originally paid will increase 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, received or paid, as "Option premium income" and reduced the 'net change in unrealized value on investments' in the Statements of Operations and Deficit.

k) Warrants
Warrants are accounted for as equity in the financial statements. The fair value of warrants, net of the related warrant issue costs, is included in shareholders' capital. Any portion of the warrant capital related to warrants that expire is transferred to contributed surplus upon the expiry of the related warrants.

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, 2012:

Net Assets	Difference	Net Asset Value	Net Assets Per Unit	Difference	Net Asset Value Per Unit
$16,987,337	$ 129,485	$ 17,116,822	$ 5.22	$ 0.04	$ 5.26

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

4. Preferred Securities

The 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 6, 2012, $399,750 in aggregate principal amount of the Trust's 6.25% outstanding Preferred Securities were redeemed in accordance with the Trust's annual redemption privileges. On July 20, 2012 $5,083,760 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 permits from time to time to redeem prior to maturity, in whole or in part, any Securities issued under the Indenture. The record date of the Preferred Securities partial redemption was July 18, 2012.

On July 8, 2011 $1,644,560 in aggregate principal amount of the Trust's 6.25% outstanding Preferred Securities were redeemed in

Notes to the Financial Statements (continued)

December 31, 2012

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, 2012, 5,037 combined securities (Trust Units and Preferred Securities) have been issued in accordance with the management agreement (2011 – 7,166 combined securities were issued during the year ended December 31, 2011).

During the year ended December 31, 2012 $253,350 in aggregate principal amount of the Trust's 6.25% outstanding Preferred Securities were issued as a result of exercise of transferable Series C Warrants of the Trust, issued to the holders of record of outstanding Units of the Trust at the close of business (Toronto time) on August 24, 2012, one transferable Series C warrant of the Trust (each, a "Series C Warrant") for each Unit held. Each Series C Warrant entitled the holder thereof to subscribe for one Unit, one half of a Preferred Security and one transferable Series D warrant at a subscription price of $10.17.

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, 2012 Shares		Year Ended December 31, 2012 Amounts ($)
Balance 6.25% Preferred, beginning of year	**5,290,665**	**$**	**52,906,650**
Issuance of 6.25% Preferred from payment of management fee	**5,037**		**50,370**
Issuance of 6.25% Preferred from exercise of warrants	**25,335**		**253,350**
Redemption of 6.25% Preferred	**(548,351)**		**(5,483,510)**
Balance, end of year	**4,772,686**	**$**	**47,726,860**

	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**

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, 2012, a total of 5,037 combined securities (Trust Units and Preferred Securities) have been issued in accordance with the management agreement. During the year ended December 31, 2011, a total of 7,166 combined securities (Trust Units and Preferred Securities) were issued in accordance with the management agreement.

On August 3, 2012, the Fund completed a warrant offering whereby the Fund issued to the holders of record of outstanding Units of the Trust at the close of business (Toronto time) on August 24, 2012 one

Notes to the Financial Statements (continued)

December 31, 2012

transferable Series C Warrant of the Trust (each, a "Series C Warrant") for each Unit held. Each Series C Warrant entitled the holder thereof to subscribe for one Unit, one half of a Preferred Security and one transferable Series D Warrant at a subscription price of $10.17 on a weekly basis commencing August 31, 2012. Series C Warrants not exercised expired on November 30, 2012. A total of 3,197,925 Series C Warrants were issued in connection with the offering, a total of 50,670 Series C Warrants were exercised, a total of 3,147,255 Series C Warrants expired unexercised, and a total of 50,670 Series D Warrants were issued and are outstanding at an exercise price of $6.00. Series D Warrants not exercised expire on June 27, 2013.

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 were outstanding at an exercise price of $7.25. Series B Warrants not exercised expire on June 27, 2012. A total of 1,168 Series B Warrants expired unexercised on June 27, 2012.

	Year Ended December 31, 2012 Units	**Year Ended December 31, 2011 Units**
Balance, beginning of year	**3,746,276**	5,302,037
Redemptions	**(548,351)**	(1,564,095)
Issuance of units from payment of management fee	**5,037**	7,166
Issuance of units from exercise of warrants	**50,670**	1,168
Balance, end of year	**3,253,632**	3,746,276
Weighted average number of trust units outstanding during the year	**3,484,197**	4,528,810

Since the calculation of diluted net assets per unit and diluted increase/decrease in net assets per unit would include only in the money warrants, and D Warrants were out of the money as of December 31, 2012, which would have an anti-dilutive effect on the fund's net assets, no net asset value per unit or increase (decrease) in net assets from operations per unit on a diluted basis has been reported.

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 December 31, 2012, 548,351 Trust Units (2011 – 1,564,095) were tendered for redemption to the Trust for cash proceeds of $2.70 million (2011 – $11.44 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, 2012 (2011 – twelve regular monthly distributions of $0.02 per Trust Unit declared during the year ended December 31, 2011).

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 exercised 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 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, 2012, was $636,731 of Deferred Fees (December 31, 2011 – $464,711).

During the year ended December 31, 2012, a total of 5,037 combined securities (Trust Units and Preferred Securities) have been issued in accordance with the management agreement.

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December 31, 2012

During the year ended December 31, 2011, a total of 7,166 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, 2012 totaled $103,741 (2011 – $123,458). For the years ended December 31, 2012 and 2011 there were no soft dollar amounts paid.

9. Forward Contracts

During the year ended December 31, 2012, the Trust used currency forward contracts 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, 2012:

Contract	**Face Value Local**	**Settlement Date**	**Contract**	**Face Value Local**	**Unrealized Gain (loss)**
Sell	USD$8,000,000	17-Jan-2013	Buy	CAD$7,877,600	CAD$(90,427)

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)

During years ended December 31, 2012 and 2011 the Counterparty to the forward contract, (a Canadian chartered bank and/or an entity related to the Canadian chartered bank), has received a credit rating of BBB+ 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, 2012 a total of approximately $2,935,320 (2011 – $2,283,000) 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, 2012 and December 31, 2011 (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, 2011 was as follows:

Energy	20.68%
Materials	14.53%
Cash & Short-Term Investments	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%
Healthcare	1.93%
Short Positions – Cash Secured Put Contracts	(0.06%)
Short Positions – Covered Call Contracts	(0.09%)
	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 rates, equity market moves) may not be representative of actual market moves in these factors.

Notes to the Financial Statements (continued)

December 31, 2012

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 Canadian dollar, 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, 2012 and 2011. 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, 2012:

	Gross Currency Exposure ($)	Currency Forward Contracts	Net Currency Exposure ($)	Exposure as a % of Net Assets (%)
Assets:				
U.S. investments	$ 18,359,955	$ (7,965,597)	$ 10,394,358	61.19%
Long Positions – U.S. Call Contracts	$ 27,641	$ –	$ 27,641	0.15%
Liabilities:				
Short Positions – U.S. $ Cash Secured Put Contracts	$ (22,698)	$ –	$ (22,698)	(0.13%)
Short Positions – U.S. $ Covered Call Contracts	$ (43,727)	$ –	$ (43,727)	(0.26%)

all amounts in CAD$

As at December 31, 2011:

	Gross Currency Exposure ($)	Currency Forward Contracts	Net Currency Exposure ($)	Net 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$

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 27.9% (2011 – 19.9%), or 15.8% (2011 – 9.3%) taking into account the currency hedge.

As at December 31, 2012, 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 $518,000 (2011 – $356,000). 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 $0.12 million (2011 – $0.20 million). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Notes to the Financial Statements (continued)

December 31, 2012

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 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, 2012 and 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, as Net Assets would have increased or decreased by approximately $6.06 million (2011 – $6.65 million). 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, 2012 and 2011, 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, 2012 and 2011, the Trust used currency forwards to hedge foreign exchange risk associated with its US dollar equity investments. During years ended December 31, 2012 and 2011 the Counterparty to the forward contracts has received a credit rating of BBB+ 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. 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, 2012 and 2011, 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 Statements 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, 2012

The following tables illustrate the classification of the Trust's financial instruments within the fair value hierarchy as at December 31, 2012:

	Assets at fair value as at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Equities – long	$ 56,804,572	$ 281,635	$ –	$ 57,086,207
Convertible Debentures	$ –	$ 3,553,845	$ –	$ 3,553,845
Options – long	$ 27,641	$ –	$ –	$ 27,641
Short-term investments	$ –	$ 3,982,800	$ –	
	$ 56,832,213	$ 7,818,280	$ –	$ 64,650,493

	Liabilities at fair value as at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Options – short	$ 163,295	$ –	$ –	$ 163,295
Foreign currency forward contract	$ –	$ 90,427	$ –	$ 90,427
	$ 163,295	$ 90,427	$ –	$ 253,722

There were no significant transfers between levels during the period.

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	$ –	$ 5,091,029	$ –	$ 5,091,029
	$ 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	$ –

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, 2012, 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, CPA, 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, FGX-WD**

Metals Plus Income Corp.

Class A Shares – **MPI**

FAIRCOURT
Asset Management Inc.