

FAIRCOURT



# GOLD INCOME CORP. Third Quarter 2013

**Inception Date:** November 16, 2007

**Fund Manager:** Faircourt Asset Management Inc.

**Portfolio Advisor:** Faircourt Asset Management Inc.

**TSX Symbols:** FGX; FGX.WT.B

## FAIRCOURT GOLD INCOME CORP.

The Company invests in gold equities which include senior and intermediate gold producers that are part of the S&P/TSX Global Gold Index.

## INVESTMENT OBJECTIVES

The Company's investment objectives are to provide Shareholders with: (i) monthly distributions targeted to yield 5% per annum or \$0.04167 per month based on the issue price of \$10.00 per Share; and (ii) the opportunity for capital appreciation. The distribution on the Class A shares increased to \$0.048 per month in November 2011. Based on the market price as at September 30, 2013, the yield was 11.95%.

## TOP TEN HOLDINGS as at September 30, 2013

- Detour Gold Corporation
- Franco-Nevada Corp.
- Goldcorp Inc.
- IAMGOLD Corporation
- Metals Plus Income Corp.
- Randgold Resources Ltd.
- Silver Wheaton Corp.
- Silvercrest Mines Inc.
- SPDR Gold Trust
- Yamana Gold Inc.

## OPTION WRITING

Our Manager believes that option writing has the potential to add value in certain sectors that have sustained volatility. Gold equities, which have historically maintained a high degree of volatility are well suited to an option writing strategy.

The sustained volatility in the gold equity sector allows the option writer the potential to generate significant premium income. In addition, an option writing strategy is an effective way to help lower the level of volatility for an investor, and potentially improve returns. In addition to its strong current fundamentals, the Manager believes the volatility in gold stocks will remain high relative to the broader market, producing sound returns for investors.

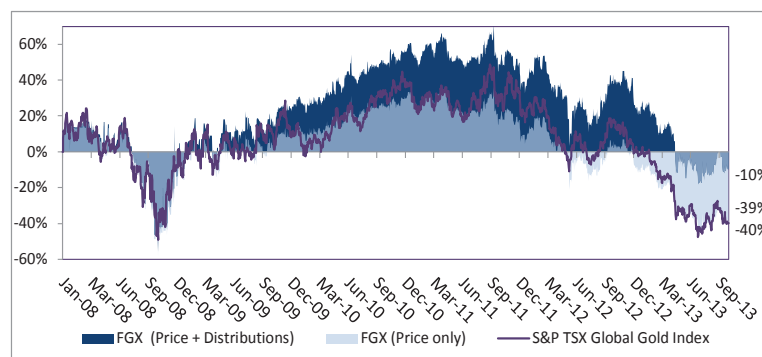
## PRECIOUS METALS OUTLOOK

The Portfolio Advisor believes the fundamentals for investments in precious metals companies continue to be strong, especially during this uncertain global economic environment. Driving the Portfolio Advisor's view are the following factors related to the demand for precious metals equity investments.

### Current Global Economic Environment Supports Gold:

- High sovereign debt to GDP ratios of OECD countries
- Sluggish economic recovery leading to the extension of quantitative easing
- Concerns about sovereign debt defaults
- Fiat currency weaknesses lead to investor concerns
- Ongoing imbalance in emerging markets vs developed market growth

## PERFORMANCE SINCE JANUARY 1, 2008



Inception date is November 16, 2007, initial portfolio fully invested January 1, 2008. Data is based on market price. Source: Bloomberg

## Returns for Period Ended September 30, 2013

	YTD	1 Year	3 Year	5 Years	Since Inception
FGX – Market Price <sup>1,2</sup>	-29.24%	-33.38%	-15.58%	-0.44%	-4.77%
FGX – Basic NAV <sup>1,3</sup>	-34.61%	-41.42%	-19.78%	-2.68%	-5.71%
S&P/TSX Global Gold Index	-41.09%	-48.73%	-22.99%	-6.97%	-8.20%

Notes:  
 (1) Assumes reinvestment of distributions;  
 (2) Source: Bloomberg  
 (3) Based on Basic NAV; Source: Faircourt Asset Management

Distribution History	2012	2011	2010	2009	2008
Total Distributions Per Share	\$0.58	\$0.57	\$0.51	\$0.50	\$0.50

## FAIRCOURT Asset Management Inc.

141 Adelaide St. West, Suite 1402, Toronto, Ontario, M5H 3L5 416.364.8989 Toll Free: 1.800.831.0304 Fax: 416.360.3466 www.faircourtassetmgmt.com  
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Management fees and expenses are associated with an investment in the fund. The performance data provided assumes reinvestment of distribution only and does not take into account redemption charges or income taxes payable by any security holder that would have reduced returns. An investment in the fund is not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer. There can be no assurance that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated.

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# GOLD INCOME CORP.



## Faircourt Gold Income Corp – September 2013 Update

Through most of the third quarter, comments from US Federal Reserve officials were analyzed very closely to measure the resolve behind the next phase of QE. “Tapering” or the reduced purchasing of US Mortgage Backed Securities and US Treasuries by the Fed, from the monthly rate of \$85 billion, was of prime importance as a signal for both the state of the US economy as well as the extent to which the Fed’s stimulus would remain. Moderate US economic growth had policy makers considering a reduction in the amount the US Fed would purchase in securities on a monthly basis. Most analysts predicted \$10-20 billion in reduced Fed support. Once the Fed steps back from purchases, the potential for higher interest rates and inflationary concerns may rise, as will the interest costs related to the US Federal Debt. Through much of the third quarter, Fed officials talked about a desire to taper given the positive economic news, employment gains and housing recovery taking place in the US.

As the prospect of tapering hovered over the markets, precious metals prices softened early in the quarter. Market participants witnessed significant selling pressure from North American “paper” backed ETFs, while demand for physical gold in many markets of the world continued to show signs of demand. The demand in India was so strong that the Government of India had to increase import duties on bars of refined gold and silver. As the quarter progressed, more sentiment was shifting to miners with strong demand for physical gold in China. By the middle of August precious metals prices began gaining momentum.

The resolve by the US Fed to taper disappeared in the last month of the quarter as previous employment gains weakened and housing numbers slowed as concerns about tapering caused a significant back up in interest rates, causing mortgage rates to rise. By the FOMC meeting in September, the global capital markets were surprised that in fact the Fed backed away from tapering, causing a spike in commodity prices and increased volatility in equity markets. Coupled with that reality was the continued impasse in Congress for a binding and complete resolution with the respect to a debt ceiling, and restraint on future spending that also caused the US dollar to weaken. As the impasse in Washington to solve the debt ceiling debate continued, the US debt was put on negative watch by Fitch Rating Agency causing further weakness in the USD. Given the political backdrop discussed, and the perceived need for continued stimulus in the US economy, it is the Manager’s view that continued exposure to precious metals is important. We still

see factors and fundamentals leading to our continued support for Gold. The conditions that supported the increase in the gold price are still in place.

We are focused on the intermediate and larger names that have significant production and can manage their balance sheets through this difficult period. In the large capitalization companies, we continue to like Goldcorp and Yamana – both companies have solid growth profiles with lower than average mine operational costs. We also believe that the royalty names, like Franco-Nevada stand to continue to do well as mining companies find that capital remains difficult to obtain and they are more willing to enter into royalty/streaming agreements. In addition, we see value in some intermediate names such as Osisko, which has consistently improved its operations over the past quarters and is a lower risk name operating in Quebec.

After a challenging first half of the year, gold equity prices stabilized in Q3 and some names were able to post significant gains in the quarter. Overall, the TSX Global Gold Index was up 3.7% during the quarter while the Fund posted a total return of 7.3% based on NAV. Strong returns in companies such as Barrick, Franco-Nevada and Yamana were offset partially by weaker share performance from firms such as Agnico Eagle, Goldcorp, and Newmont.

The Fund will continue to invest in leading global gold companies primarily involved in gold exploration, mining or production on the S&P/TSX Global Gold Index while using its option writing program to lower the fund’s volatility and generate a monthly income stream. In order to generate additional returns and reduce risk, the Fund may write covered calls on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio. Moderately high volatility provided attractive opportunities for the Fund to both reduce the volatility of the portfolio and allowed the Fund to generate cash flow from option writing of approximately \$2,437,000 or \$0.45 per weighted average number of shares outstanding during the YTD period ending September 30, 2013.