FAIRCOURT SPLIT TRUST

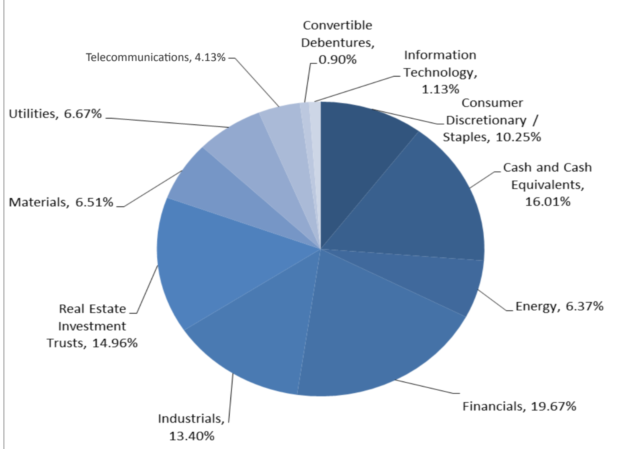
Fourth Quarter 2014

Inception Date: March 17, 2006
Fund Manager: Faircourt Asset Management Inc.
Portfolio Advisor: Faircourt Asset Management Inc.
TSX Symbols: FCS.UN & FCS.PR.C

Faircourt Split Trust was created using a dual security structure, consisting of Trust Units and Preferred Securities, to provide investors with leveraged capital growth potential based on a portfolio of North American equity securities.

TOP TEN HOLDINGS as at December 31, 2014

- Agrium Inc.
- Altria Group Inc.
- Badger Daylighting Ltd.
- Boyd Group Income Fund
- Canadian Apartment Properties REIT
- Dollarama Inc.
- Easyhome Ltd.
- Fairfax Financial Holdings Ltd.
- Milestone Apartments REIT
- Secure Energy Services Inc.



Based on % of Portfolio, Net of Options

PORTFOLIO ALLOCATION

Investment Objectives

The investment objectives of the Trust are to achieve a balance between the objectives of the Preferred Securityholders and Unitholders, subject to the prior rights of Preferred Securityholders.

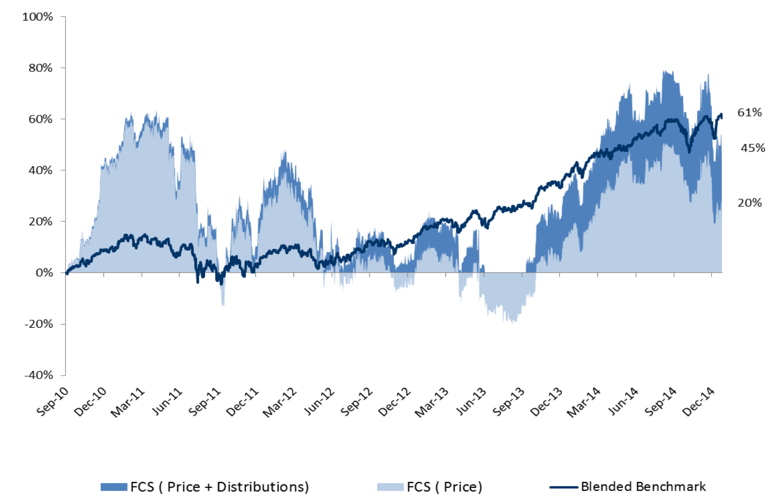
The investment objectives with respect to the Preferred Securities are (i) to provide Securityholders priority distributions of interest in the amount of $0.15625 per quarter ($0.625 per annum to yield 6.25% per annum on the subscription price of $10.00); and (ii) to repay to Preferred Securityholders, 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: (a) to provide Unitholders with a stable stream of tax efficient monthly cash distributions currently $0.02 per Trust Unit per month to yield 4.26% (market price as at December 31, 2014), a portion of which is tax-deferred; and (b) to return to Unitholders, on December 31, 2019 at least the original subscription price of the Units.

The following shows the returns since the merger for the trust units ending December 31, 2014. The returns are calculated in Canadian dollars.

PERFORMANCE SINCE SEPTEMBER 30, 2010
PAST PERFORMANCE

The Benchmark for the Fund is composed of the S&P TSX Composite Index (weight of 70%) and the S&P 500 in Cdn dollars (weight of 30%)



Source: Bloomberg. Data is based on price and includes distributions.

Returns for Year Ended December 31, 2014

	1 Year	3 Year	Since Inception
FCS Price(1)	9.33%	6.01%	9.08%
FCS NAV(1,3)	-2.70%	1.66%	4.75%
FCS Index (2)	14.56%	14.84%	11.18%

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

*FCS since inception is from period September 30, 2010 (Date of merger with FIG)
**Preferred Securities have been refinanced at 6% effective December 31, 2014, maturing June 30 2019

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FAIRCOURT

SPLIT

Faircourt Split Trust: December 2014 Update

In the fourth quarter of 2014 markets were driven by two macro economic changes that increased volatility across global capital markets. The first major macro change that occurred during Q4 was the US Federal Reserve's announced ending of quantitative easing. October marked the month where, after months of positive economic data, the Fed no longer bought bonds to support the US recovery by increasing the money supply. The monthly purchases, part of the Fed's policy reaction to pull the US economy out of the recession resulting from the 2008 financial crisis, had been steadily cut from $85 billion to $15 billion. A range of economic data supported the Fed's decision including Industrial output that increased sharply in November vs. October, rising at a rate that beat expectations by a wide margin. In addition, the year-over-year comparison for industrial activity suggests that growth is accelerating. Output increased 5.2% in November vs. the year earlier, which is the best annual gain in nearly four years. The manufacturing component, which constitutes the dominant slice of industrial output, delivered strong results as well, including a 4.8% annual increase.

Also suggesting a stronger US economy was US retail spending that rose more than expected in November. November payrolls also came in as one of the better reports in the last few years, increasing by 314,000, far exceeding the forecast of 225,000. An important element in the analysis was that wage growth picked up, providing new support for expecting that low inflation will stabilize and trend higher in the near-term. December non-farm payrolls of 252k (well past the consensus of 240k) continued to indicate a growing economy. In 2014, non-farm payrolls were up nearly 3 million, the best performance since 1999. However, despite multiple months of employment growth, wage inflation remains under control likely due to the low labour participation rate and the remaining slack in the labour market.

The second major change that occurred during Q4 was the dramatic drop in the price of oil from a high of $107 to end the year below $60/barrel. Reasons for the decline include reduced global demand as well as oversupply from Middle East nations that had been offline for the last few years, in addition to increased supply from US sources due to the growth in fracing based exploration. However, the key catalyst in for the Q4 decline was the OPEC decision not to reduce supply at its meeting in September. The slide in the price that continues into 2015 has not slowed as key OPEC members have collectively stood by the decision to not step in with supply constraints.

The oil price drop has both good news and bad news for North American markets. For the US, where 70% of its GDP comes from consumer spending, a lower oil price results in more cash in consumer pockets available for retail consumption. It is possible that with an improving job market and falling oil prices, the U.S. could enjoy the fastest economic growth in a decade. The optimism and boost in consumer spending can be attributed, in large part, to slumping oil prices.

The US Energy Information Administration recently stated that gasoline consumption in the US stood at approximately 9 million barrels/day. If the current price savings of gasoline is maintained during 2015 at roughly $1/gallon that would result in a savings of approximately $150 billion. This works out to about $750 for the average household. In Canada, the $0.48/litre drop in gas prices in the same period will save households $14 billion in a year, and a similar savings for each household.

In Canada, with oil extraction accounting for about 3 per cent of our GDP and crude oil production accounting-s for about 14 per cent of our exports the net effect is negative on the economy as a whole. In January 2015, the Bank of Canada reduced its growth estimate for the Canadian economy in the first half of 2015 from 2.4% to 1.5% primarily due to the effect of lower oil prices. Not only is Canada's balance of payments affected by reduced energy prices, but everything from employment data, to Bank profits to the value of the Canadian dollar are tied to the commodity price. While the S&P 500 witnessed continued upward momentum, the S&P/TSX was negatively impacted as earnings warnings, consumer confidence and even housing numbers all experienced adverse results due to the drop in the price of oil.

Although Canadian consumer spending in Q4 was strong on a year over year basis with growth of 3.8%, and full time employment numbers are stable, the drop in oil prices are giving the Bank of Canada concerns about the sustainability of the economic strength Canada has had over the last four years. Although the US Federal Reserve is considering the timing of rate hikes, the Bank of Canada decided in January to cut interest rates by 0.25% to fight deflationary pressures caused by the oil price drop.

We do not see oil prices returning to their previous levels quickly. As a result, we believe that the US economy (and stock market) will outperform Canada in 2015 and as a result we will continue to have significant US weighting in the fund. We do continue to see opportunities in Canada, but we are biased towards names that cater to the lower-end of the consumer market (Dollarama and Easyhome) rather than upper income of "luxury brands". We also continue to see good upside in select real estate (REIT) names, many of which will benefit from lower cost of capital as the Bank of Canada keeps rates low.

The Fund portfolio uses 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 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.

The Fund will continue to focus on holding a diversified portfolio of leading companies, many of which generate stable and growing distributions. Criteria we look for are sound business models, steady demand for products or services, growing positive cash flow, minimal need for debt or need to raise significant amounts of capital as well as having a lower dividend payout ratio. These metrics allow the company ample operating room to pay the dividend and/or repurchase shares in the event of an unexpected slowdown. Core positions such as Fairfax Financial, Dollarama, Boyd Group and Easyhome Ltd., continue to grow the NAV of the Fund and will continue to make up a healthy weighting in the portfolio going forward. Dollarama Inc., the largest operator of dollar stores in Canada, returned 36% during the year. All stores are corporate owned and offer consumers a strong value proposition at select fixed price points of $3 or less. Boyd Group Income Fund, a North American auto-body repair company has generated excellent growth over the past several years, was up 45% in 2014. We continue to see attractive organic growth in Easyhome as it expands its personal loan business. Easyhome was up 18% during the year.

Real estate investment trusts and pipeline equities continue to benefit from the low interest rate environment we are in. Both sectors benefit from lower cost of capital and as such, the improved cash flow should allow for increased dividend and distribution payments to shareholders. We have added to our REIT holdings overall, more specifically to Canadian Apartment REIT and Milestone Apartment REIT. We have also added to our power and pipeline holdings in Pembina Pipelines and Inter Pipeline. Canadian Apartment REIT and Milestone REIT were up 24% and 37% respectively in 2014.

Our largest fund holding is in Fairfax Financial that, through its subsidiaries, is engaged in property and casualty insurance, reinsurance and investment management. Its investment/hedging strategies and financial acumen differentiate the company from most financial service businesses, producing stable returns over the long term. Fairfax returned 47% during the year, easily outperforming the S&P/TSX Financials Index by 3.5x.

The Fund will also continue to employ its option-writing program to provide income to the Fund while reducing the volatility of the portfolio. The Fund generated significant cash flow from option writing of approximately $733,000 or $0.38 per weighted average number of Trust Units outstanding during the period ended December 31, 2014. The Fund declared regular monthly distributions totalling $0.24 per Trust Unit in the same period. Since inception of the option-writing program in 2009, the Fund has generated significant cash flow from option premium of approximately $7.66 million or $2.77 per weighted average number of Trust Units outstanding during the period ended December 31, 2014. As volatility has returned to heightened market levels, the Manager continues to believe that option writing can add incremental value going forward.

For the quarter ending December 31, 2014, the Fund did not meet the benchmark performance as the Fund prepared to refinance the Preferred Securities that matured December 31, 2014. As the fund moved into a cash position, it was not able to take advantage of a year-end rally for equities.

As a result, for the year ending December 31, 2014 the Fund underperformed its benchmark return of 14.56%. The NAV of the Trust Units, combined with paid distributions during the one year period ended December 31, 2014, provided a total return for holders of Trust Units of -2.70%. Through Q3 2014 the Fund returned a nine-month return of 22%. However as the Trust's 6.25% preferred securities matured on December 31, 2014 the Trust incurred expenses completing a public offering to refinance the maturing preferred securities that reduced the NAV Trust by approximately 7%. The price return of the Trust Units, combined with paid distributions during the one-year period ended December 31, 2014, provided a total return for holders of Trust Units of 9.33%.