FAIRCOURT SPLIT TRUST

Second Quarter 2016

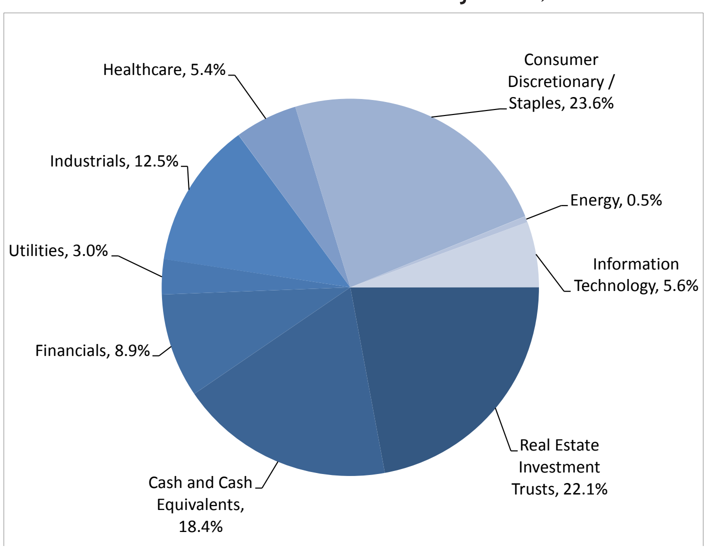
Inception Date: March 17, 2006
Fund Manager: Faircourt Asset Management Inc.
Portfolio Advisor: Faircourt Asset Management Inc.
TSX Symbols: FCS.UN & FCS.PR.C

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 June 30, 2016

- Boyd Group Income Fund
- CAP REIT
- Canadian National Railway Co.
- CVS Health Corp.
- Dollar General Corp.
- Dollarama Inc.
- Fairfax Financial Holdings Ltd.
- Milestone Apartments REIT
- Slate Retail REIT
- Walt Disney Co

PORTFOLIO ALLOCATION as at June 30, 2016



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.

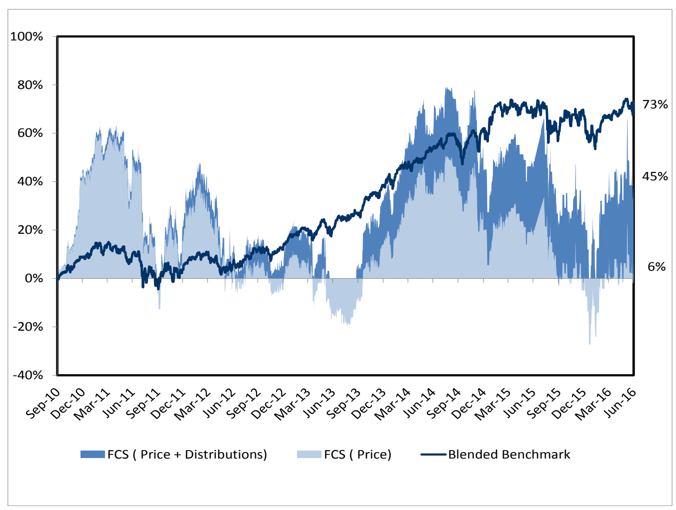
The investment objectives with respect to the Preferred Securities are (i) to provide Securityholders priority distributions of interest in the amount of $0.15 per quarter ($0.60 per annum to yield 6.0% per annum on the subscription price of $10.00); and (ii) to repay to Preferred Securityholders, on June 30, 2019 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 $0.04 per Trust Unit per month to yield 9.60% (market price as at June 30, 2016), 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 June 30, 2016. 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



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

Returns for the Period Ended June 30, 2016

	1 Year	3 Year	5 year	*Since Inception
FCS Price (1)	-0.47%	14.52%	-1.04%	6.72%
FCS NAV (1,3)	4.60%	14.84%	-0.46%	4.97%
FCS Index (2)	2.31%	11.65%	8.83%	9.22%

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

*FCS.UN since inception is from period September 30, 2010 (Date of merger with FIG.UN)

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FAIRCOURT

SPLIT

Faircourt Split Trust: June 2016 Update

The Faircourt North American equity portfolio performed well during the second quarter despite the growing level of uncertainty that plagued major North American equity markets.

The second quarter of 2016 began with continued strengthening in the US economy with monthly job gains and the initial signs of wage inflation taking shape in the US. The median US worker saw an increase of 3.5% in wages as of May according the Federal Reserve Bank of Atlanta that noted wage growth has been accelerating since October. Wage growth is gaining traction, however uneven monthly jobs reports within the quarter caused concerns as the May report resulted in job gains of only 11,000, well below the monthly average. The June report produced a more buoyant 287,000 result that shows on average, jobs are being created. As the US economy continues to grow, monthly job gains may flatten as the economy reaches full employment and a narrowing of job opportunities in select highly skilled areas arise.

Manufacturing and capital spending in the US still show a lack of resolve with durable goods orders remaining weak with no sign of a recovery in heavy manufacturing. The economy continues to have excess capacity that despite the labour gains noted, continues to put a negative light on the overall health of the US economy.

As the quarter progressed and in response to the more stable US economic results, analysts began to anticipate a rate hike announcement by the Federal Reserve, the second of four hikes planned by the FOMC earier this year. The result of the UK referendum on leaving the EU has delayed that announcement; one we believe will be put off for quite some time.

In Canada results in both employment and manufacturing sectors paint a picture that illustrate the worst may not be over for the Canadian economy. It was anticipated that as the value of the Canadian dollar dropped with global commodity market weakness over the last two years, Canadian manufacturing would be a net beneficiary, as a more competitive Cdn dollar would generate jobs into export oriented manufacturing, helping to counter losses from the natural resource base. This has not happened as of yet and is causing many economists at the Bank of Canada to be concerned about GDP growth away from the resource sector.

Nationally, the goods producing sector continues to lose employment, while significant increases in the value of retail trade and real estate is ongoing. These trends show that there is an increasing dependence on household debt financing consumer spending. With interest rates remaining low combined with a concern for speculative purchases in Vancouver and Toronto, there have been calls for increased regulation and limitation with respect to residential mortgage lending. We note that some analysts and regulatory agencies are concerned about the sustainability of housing prices in key markets that are already stretched versus income levels.

A key weakness for the national economy during the first half of the year has been the Alberta wildfires that shut down more than 1.1 million barrels a day of oilsands production or roughly 30% of Canada's daily oil production, a disruption to supply that may have played a role in the recent rise of oil prices around the world.

As the world waited for the Brexit vote date to arrive, most observers believed that "Remain" would win out over the "Leave" vote. On June 23rd, the world was surprised to learn that UK voters wanted to leave and wanted independence from decisions involving labour migration and varied EU regulation.

The issue now is how does this affect our investment outlook. The initial period of adjustment will be filled with political positioning and the beginning of a negotiation process that

The articles of the EU provide for an exit mechanism through negotiations, however the specifics are left to the parties involved. Some of the bigger issues that Britons were vocal about included limiting the flow of labour throughout Europe, as well as a reduction in financial contributions to the EU. For any potential relationship with the EU as a whole, those two issues will be paramount for the EU to uphold,, as they could lose other member states if the UK gets preferential status without recognizing those elements. Perhaps more worrying to the EU, though is that a number of other countries have significant internal opposition to EU policies. The Brexit vote may embolden these groups, and failure to resolve these issues could lead to more fractures within the EU.

While these negotiations take place, the economies of both the EU and UK are already quite weak, and will suffer due to the level of uncertainty of outcomes. Interest rate policy has been and will continue to be affected, leading to a more pronounced period of negative interest rates with additional stimulus from coordinated central bank efforts.

This has profound implications for North American interest rate policy. Already, US Fed Chair Janet Yellen has made statements in recent Fed minutes and press conferences to outline her concerns for the global economy. It has been well documented that as the US economy continues on its stable trajectory, all else being equal, interest rates in the US would be on the rise. The one challenge to raising rates has been the strength of the US dollar that continues to lead all currencies. That is at a time when US economics are not necessarily robust, but much further along than Europe. By adding this level of volatility and uncertainty to the global currency markets, we see no reason for the Fed to adjust interest rate policy over the next 6 to 12 months.

It is with these complex issues in mind that we take a look at our North American equity positions and view our exposures to determine whether changes are required. Based on our beliefs, our portfolios are already well positioned for the long term.

Our overweight position in REIT's should continue to do well, taking advantage of the low interest rate environment. We continue to hold key positions in Canadian Apartment Properties (CAP) REIT that generated a return of 16% in the quarter; Milestone REIT with a return of 14.9% in the quarter and Northview Apartment REIT, up 22.4% in the quarter, all providing multi-family residential exposure in both Canada and select markets in the US through Milestone.

We maintain a good weighting in Consumer Staples such as Dollarama in Canada, and Dollar General in the US, businesses that continue to do well in the low growth, low interest rate environment offering competitive price points for retail customers. Year to date these holdings have generated 13.1% and 22.4% respectively.

Of the names we mention above, there is no underlying exposure to Europe, and despite any short term volatility due to global dynamics, we continue to believe in the long term prospects for these companies. We are also underweight financials – a sector that we believe will fare more poorly as the uncertainty from the Brexit vote continues to weigh on global financial markets and depress bank shares. An exception to this is Fairfax Financial, which is our largest position in financials. Due to its conservative and contrarian investment portfolio, Fairfax tends to outperform in difficult market conditions. Year to date Fairfax has generated a return of 8.1% for the fund.

The Fund uses a diversified approach to North American equities maintaining exposure in many, but not all, of the sub-sectors within the S&P/TSX and S&P 500. 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, long term 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.

The Manager maintains a meaningful US weighting in the Fund. We alsosee opportunities in Canada that focus on the consumer, offering value andconvenience.

In order to generate additional returns and reduce risk, the Fund writes covered calls on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio. We believe that option writing can continue to add incremental value going forward. The Fund generated significant cash flow from option writing of approximately $0.26 million or $0.21 per weighted average number of Trust Units outstanding during the period ended June 30, 2016. The Fund declared regular monthly distributions totaling $0.12 per Trust Unit for the same period. Since inception of the option-writing program in 2009, the Fund has generated significant cash flow from option premium of approximately $9.1 million or $3.64 per weighted average number of Trust Units outstanding. The Manager continues to believe that option writing can add incremental value going forward. The Trust's current distribution is $0.04 per month per Trust Unit ($0.48 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 $4.37 per Trust Unit.

For the quarter ending June 30, 2016, the Net Assets Value of the Trust, combined with paid distributions, provided a total return for holders of Trust Units of 6.75%, results which outperformed the Trust's benchmark return of 4.41%. For the year to date, the Net Assets Value of the Trust, combined with paid distributions, provided a total return for holders of Trust Units of 12.33%, results which outperformed the Trust's benchmark return of 6.01%