FAIRCOURT SPLIT TRUST

Third Quarter 2016

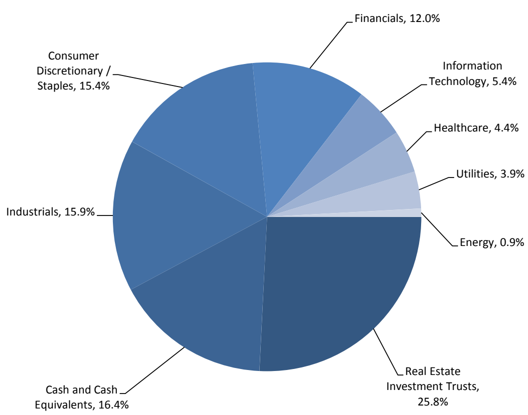
Inception Date: March 17, 2006
Fund Manager: Faircourt Asset Management Inc.
Portfolio Advisor: Faircourt Asset Management Inc.
TSX Symbols: FCS.UN & FCS.PR.C

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 September 30, 2016

- Apple Inc.
- Boyd Group Income Fund
- Canadian Apartment Properties REIT
- Canadian National Railway Co.
- Fairfax Financial Holdings Ltd.
- InterRent REIT
- Milestone Apartments REIT
- Northview Apartment REIT
- Slate Retail REIT
- Waste Connections Inc.

PORTFOLIO ALLOCATION as at September 30, 2016



Based on % of Portfolio, Net of Options

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.

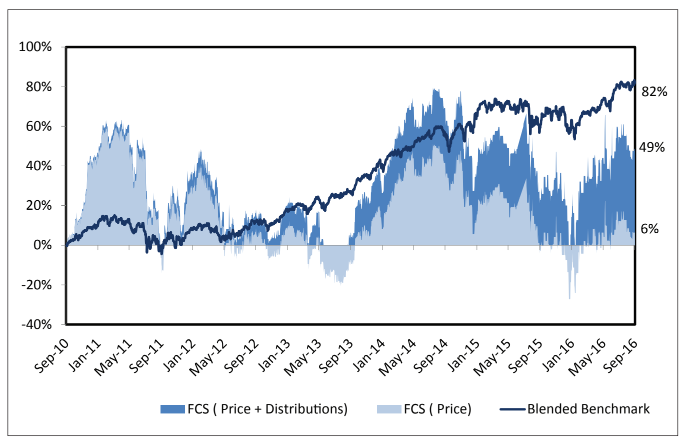
The investment objectives with respect to the Preferred Securities are (i) to provide Securityholders priority distributions of interest in the amount of $0.15 per quarter ($0.60 per annum to yield 6.0% per annum on the subscription price of $10.00); and (ii) to repay to Preferred Securityholders, on 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 September 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 September 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 dollars (weight of 30%)



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

Returns for the period ended September 30, 2016

	1 Year	3 Year	5 year	*Since Inception
FCS Price (1)	17.42%	14.52%	-1.04%	6.43%
FCS NAV (1,3)	19.46%	10.53%	8.19%	5.99%
FCS Index (2)	13.89%	11.78%	11.67%	9.74%

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)

FAIRCOURT *Asset Management Inc.*
110 Yonge St., Suite 501 Toronto, Ontario, M5C 1T4 416.364.8989 Toll Free: 1.800.831.0304 Fax: 416.360.3466 www.faircourtassetmgt.com

FAIRCOURT

SPLIT

Faircourt Split Trust: September 2016 Update

The third quarter witnessed gradual economic increases in Canada off a relatively weak first half of the year. In Canada, jobs growth improved only marginally through the quarter as the country grew away from the vast forest fires in Alberta that caused major economic disruption in Canada. We also learned that hourly wage growth hit a wall with growth of just 1.8% relative to the summer of 2015, compared to a gain of 3.25% in February of this year. The lack of wage gains and stagnant growth in hours worked, paint a picture of a struggling labour market.

In August the economy created 26,000 net new jobs compared with a loss of 31,000 net new jobs from the previous month, the unemployment rate crept up to 7% from 6.9% in July with more people were entering the labour force. We saw growth of 67,000 jobs in September that exceeded expectations, yet despite the job surge, the unemployment rate remained at 7%. The challenge is that when you take into consideration monthly fluctuations on an annual basis the economy has generated relatively flat employment without any meaningful amount of new job growth.

Given the summer weakness the Conference Board of Canada in mid August downgraded it's projection for economic growth in 2016 to just 1.4%. The wildfires from Fort McMurray in the spring are expected to subtract 0.1% from overall economic growth from the entire year. The summer also brought negative news on the trade front where Canada's trade deficit widened to its largest gap in history. The trade shortfall hit a record $3.6 billion in June, one of Canada's 10 largest monthly trade deficits of all time. What is more concerning is that five of the top ten worst monthly trade shortfalls have occurred this year despite a lower Canadian dollar.

The largest source of weakness in the Canadian economy remains the deterioration in business investment. On first blush, blame can go to the oil sector that has scaled back plans for big oil sands projects following the oil price drop since in mid-2014. However, the Conference Board of Canada has found that manufacturing sectors like transportation equipment, wood products, food, primary metal and paper industries are hitting capacity levels yet businesses in those sectors have been reluctant to invest and create expansion capacity. The issue represents a lack of long-term confidence that continues to hang over the economy. Lack of business investment is also a key concern in the US. The US Federal Reserve continues to bring up a lack of business investment as an additional concern over jobs and wages that prevents more action on interest rates.

The U.S. economy continues to grow off its historic lows, however employment wage gains seem elusive while increased business investment is lacking and excess manufacturing capacity continues to hang over the economy. In addition, the uneasiness related to the US presidential elections have created increased volatility in equity markets.

During Q3, US Job creation was strong initially, exceeding analyst expectations as the economy added 255,000 positions in July. The headline unemployment rate held steady at 4.9%, though a more encompassing measure that includes those not actively looking for work and those working part-time, moved up to 9.7%. Subsequent months resulted in less enthusiasm for the jobs market, as the below forecast September jobs report added only 156,000 jobs compared with the median forecast of 172,000 jobs in a Bloomberg survey of economists. The quarter ended with consumer confidence as reported from The University of Michigan index of consumer sentiment declined to 87.9 from 91.2 in September, much weaker than the lowest estimate any Bloomberg survey of economists had suggested. Longer-term inflation expectations declined to a record low. The conundrum that policy makers and Federal Reserve officials have is that after years of stimulus and historically low interest rates, sustained acceleration and work hour gains has remained elusive.

The Federal Reserve continued to suggest that it is prepared to begin the process of normalization of interest rates. FOMC meeting notes indicated the labour market continued to strengthen while economic activity had picked up from the modest pace seen in the first half of the year. A key concern though was that inflation continued to run below the FOMC's 2% longer-term objective.

It has been our belief that US interest rates will be lower for longer. If the Federal Reserve does raise rates this year, it would be after the November elections. And if rates were raised, it would be accompanied by dovish language regarding further increases, as was the case at the end of 2015. Our view is that with negative interest rates continuing in other major markets such as Japan and Europe, the US continues to be constrained on interest rate policy.

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 also see opportunities in Canada that focus on the consumer, offering value and convenience. We also continue to see good upside in select real estate (REIT) names. Overall, core positions such as Boyd Group, Fairfax Financial, Milestone Apartment REIT, Canadian Apartment REIT, Slate Retail REIT, and Walt Disney Co. are expected to continue to make up a healthy weighting in the portfolio going forward.

During the quarter the fund benefitted from solid returns from its position in CN Rail, which was up 12.9% and Alimentation Couche Tard, which returned 14.9%. During the quarter, the fund reduced its position in CVS Caremark as the stock began to underperform due to concerns about political changes in the U.S. leading to lower earnings going forward. The fund also entered a position in Microsoft, which has been able to significantly increase the percentage of its earnings coming from recurring cloud based services and looks attractive on both earnings and cash flow. The fund also reduced its position in Dollarama, primarily based on valuation. While the fundamentals continue to look positive for the company, management's guidance with respect to reduced sales growth resulted in our concern about valuation, and will watch the stock for attractive entry points down the road.

Given the Manager's belief that the Canadian economy remains fragile, while the U.S. economy is improving, though very slowly, we continue to maintain a solid weighting in US stocks, while concentrating on well-run companies capable of generating significant free cash flow.

We believe that REIT's will continue to do well in a continued low interest environment. Although we have altered weighting somewhat during the quarter as a result of relative valuation, we continue to consider fundamentals for multi-family residential to be compelling. Recent changes to mortgage rules by the federal government should provide a tailwind for multi-family REIT's over the next several years. We also continue to like several Canadian listed REIT's with U.S. exposure, particularly as the U.S. economy continues to outperform the Canadian economy. Milestone, which operates a number of "garden style" multi-family complexes throughout the U.S. sunbelt continues to impress with its operational efficiencies and accretive acquisitions. We also hold a healthy position in Slate Retail REIT, an operator of grocery anchored plazas in select markets in the United States. We consider Slate to be a well-run REIT that continues to grow through organic rental growth in addition to executing on accretive acquisitions.

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 $165,000 or $0.165 per weighted average number of Trust Units outstanding during the period ended September 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 $9.3 million or $3.70 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 September 30, 2016, the Net Assets Value of the Trust, combined with paid distributions, provided a total return for holders of Trust Units of 7.3%, results which outperformed the Trust's benchmark return of 5.3%.