2016 Annual Report
FAIRCOURT SPLIT TRUST

FAIRCOURT
Asset Management Inc.

Leading The Way To Prosperity.

2016 ANNUAL REPORT

FAIRCOURT SPLIT TRUST

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TSX Symbols: FCS.UN
FCS PR.C
Eligibility: RRSP, RIF
Inception Date: March 16, 2006
Fund Manager: Faircourt Asset Management Inc.
Investment Advisor: Faircourt Asset Management Inc.

Management Report of Fund Performance

This Management Report of Fund Performance presents management's view of the significant factors and developments during the past year 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 years ended December 31, 2016 and December 31, 2015 together with the notes related thereto.

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 $0.15 per quarter ($0.60 per annum to yield 6.00% 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:

(i) to provide Unitholders with a stable stream of income together with long term capital appreciation which will be achieved through exposure to an actively managed, diversified portfolio of Income Fund Securities and Dividend Equities with an emphasis on portfolio stability and preservation of capital; and

(ii) to return to Unitholders at least the original subscription price of the Units upon termination of the Trust.

The Investment Advisor to the Fund is Faircourt Asset Management Inc. ("Faircourt" or the "Manager"). Faircourt, together with its affiliates, currently provides management services to one TSX listed closed-end trust, Faircourt Split Trust and one TSX listed corporation, Faircourt Gold Income Corp. Faircourt also acts as Portfolio Advisor to several investment funds sponsored by BMO Nesbitt Burns as well as a family of mutual funds under the UIT Funds banner that includes UIT Energy Class, UIT Gold Class and UIT Alternative Health Fund.

The Trust trades on the Toronto Stock Exchange under the symbols "FCS.UN" for the Units and "FCS.PR.C" for the Preferred Securities.

In order to generate additional returns and to reduce risk, the Fund 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 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.

Risk

Risk factors are discussed in the Fund's 2016 annual information form which is available at www.sedar.com or the company website at www.faircourtassetmgt.com. Risks of investing in the Fund did not change materially during the period. However, as the Fund provides leveraged exposure to equity markets, an investment in the Fund may be considered speculative.

Results of Operations

Market Commentary & Outlook

The Fund uses a diversified approach to investing in North American equities maintaining exposure to 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. A few of the 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.

The fourth quarter of 2016 saw major gains for equities as capital markets had clarity on a number of issues. First, the US elections in early November ended with a Republican Congress and Republican President in Donald Trump. A second factor was the announcement at the end of November when OPEC countries finally came to agreement on supply cut backs that assisted in elevating both global energy prices and North American energy stocks while revitalizing US shale production. The final announcement of the quarter came from the US Federal Reserve as Chair Janet Yellen raised the federal funds target rate by ¼ of 1% for the first move in rates in one year.

This annual management report of fund performance contains financial highlights of the investment fund. Complete audited 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 501, 110 Yonge Street, Toronto, Ontario, M5C 1T4 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.

In Canada, 2016 witnessed a weak first half of the year followed by growth in the third quarter rebounding strongly, but more moderate growth in the fourth quarter. As a result, interest rate policy and economic accommodation will continue to operate on a different set of parameters relative to our southern neighbours.

We expect to maintain a significant US weighting in the Fund. We continue to see opportunities in Canada, but we are biased towards names that cater to the consumer offering value and convenience. We also continue to see good upside in select real estate (REIT) names. Core positions such as Dollarama, Boyd Group, 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.

We adjusted our portfolios in Q4 reflecting valuation achievement goals as well as changes in interest rates and anticipated changes in economic forces in North America. Our team has increased its weighting in financials adding Royal Bank, and adding to our existing position in TD, that along with Fairfax and added exposure to US Financials and Element Financial round out our financials exposure.

The Fund has also added a weighting to mining and materials including Lundin Mining. Lundin is a global mining company with operations in Chile, Congo, Portugal, Sweden, and the U.S. We believe that Lundin will continue to operate efficiently due to its strong balance sheet and disciplined spending programs. We also believe that 2017 could be an especially healthy year for copper, which is the company's largest mining segment.

We continue to consider fundamentals for multi-family residential REIT's 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 has been a key holding of the fund. The REIT operates a number of "garden style" multi-family complexes throughout the U.S. sunbelt continues to impress with its operational efficiencies and accretive acquisitions. Subsequent to year-end, Milestone received a take-out bid at an approximate 16% premium to its current share price, which was subsequently revised upward by an additional 0.6%. 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. Pure-Multi Family operates in sunbelt locations such as Dallas, Houston and Phoenix. Dallas and Houston markets will continue to grow with renewed energy industry activity and combined with Phoenix, these cities are consistently ranked at the top for both job *and* population growth for the entire U.S. WPT is a TSX listed REIT that focuses on the US Midwest operating an industrial warehouse and logistics network. The Fund also holds a position in American Homes 4 Rent, a leader in the single-family rental home industry. Key strengths include the benefits of a national organization, state-of-the-art leasing technologies, and experienced in-house management, offering unique homes in many different communities.

While there are significant risks to the global economy, we believe that the U.S. economy will continue to perform well and help absorb weakness in other regions. As a result, we will continue to position the Fund with significant exposure to the domestic U.S. economy.

Fund Performance

The Trust's current distribution is $0.04 per month per Trust Unit ($0.48 for the year 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 $4.61 per Trust Unit.

For the year ending December 31, 2016, the Net Assets Attributable to Holders of Redeemable Units per Trust Unit, combined with paid distributions during the one year period ended December 31, 2016, provided a total return for holders of Trust Units of 19.2%, results which have outperformed the blended benchmark return of 17.2%. Structural leverage impacts Net Assets attributable to holders of redeemable Units enhancing it during a period when the Trust's investments have appreciated and will exacerbate the decline 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.

As at December 31, 2016 REITs comprised 23.4% of the market value of the Trust's investment portfolio; consumer discretionary/staples comprised 20.2%; industrials comprised 18.5%; financials comprised 17.7%; healthcare comprised 1.2%; information technology comprised 1.4%; materials comprised 1.1%; energy comprised 1.2%; cash secured put contracts comprised −0.1%; covered call contracts comprised −0.01%; and cash and cash equivalents 9.6%. As at December 31, 2016, approximately 44% of cash and short term investments and approximately 13% of the Funds invested securities were pledged for the Fund's option writing program.

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 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. 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 Assets Attributable to Holders of Redeemable Units. Moderate 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 select opportunities for the Fund to both reduce the volatility of the portfolio and allowed the Fund to generate significant income from option premium of approximately $0.9 million or $0.79 per weighted average number of Trust Units outstanding during the year ended December 31, 2016. During the year ended December 31, 2016 the Fund has declared regular monthly distributions totaling $0.48 per Trust Unit. The Manager continues to believe that option writing can add incremental value going forward.

Unitholder Activity & Preferred Securities

On June 30, 2016, 225,172 redeemable Trust Units were tendered for redemption to the Trust for cash proceeds of $1.25 million in accordance with the Trust's annual redemption privileges. Payment was made in full on July 6, 2016.

On June 30, 2016 $857,660 in aggregate principal amount of the Trust's 6.00% outstanding Preferred Securities were tendered for redemption to the Trust in accordance with the Trust's annual concurrent redemption privileges. Payment was made on July 6, 2016. On July 27, 2016 $1,000,000 in aggregate principal amount of the Trust's 6.00% outstanding Preferred Securities were redeemed pursuant to the terms of the Trust Indenture governing the Preferred Securities, which permit from time to time redemptions prior to maturity, in whole or in part, of any securities issued under the Indenture. The record date of the Preferred Securities partial redemption was July 25, 2016.

As at December 31, 2016, the Trust had 997,684 redeemable Trust Units outstanding and trading at $4.95 per Trust Unit, a discount to the underlying NAV of approximately 12.5%. Closed end funds may trade above, at or below their NAV per unit.

As at December 31, 2016, the Trust had 1,207,734 Preferred Securities outstanding representing a total liability of $12.1 million. The Preferred Securities of the Trust continued to provide an attractive yield representing an annualized yield of 6.00% on the original subscription price. At December 31, 2016, the Preferred Securities were trading at $10.12 per Preferred Security, a premium to issue price of approximately 1%.

Fees and Expenses

During the year, the Trust paid management fees, operating expenses and interest on preferred securities of $1.2 million. The management expense ratio (MER) was 20% comparing to 17% in the prior year due to lower average assets. The Trust's MER is significantly affected by interest payments on the preferred securities.

Recent Developments

There have been no recent developments in the market outlook or operations of the Fund that represent a material change for investors other than as described in the Fund Performance. Subsequent to year-end the Fund announced that the monthly distribution would be increased from $0.02 per month to $0.04 per month beginning with the March 2017 distribution.

Related Party Transactions

Pursuant to a management agreement, the Manager provides management and administrative services to the Trust. The Trust is obligated to pay the Manager a management fee (the "Management Fee") and reimburses the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Trust. Up to June 30, 2014 the Manager received an amount equivalent to 0.75% of the total assets of the Trust per annum calculated and payable monthly in arrears to the Manager. Payment of the remaining 0.35% of the total assets of the Trust per annum (the "Deferred Fee") would only be paid to the Manager upon redemption of Units or 6.25% Preferred Securities or upon the satisfaction of the following criteria: on December 31, 2014, if the Trust has made distributions on the Units with a compound total return of 7.25% (or more) annually and the net asset value per Unit was at least $15 less the per Unit amount of any additional distributions, the Deferred Fee would be paid in full to the Manager in cash. If the Trust has not satisfied these tests the amount that otherwise would have been payable to the Manager would be added back to the assets of the Trust. Up to June 30, 2014 the aggregate Management Fee payable by the Trust (including the Deferred Fee) was 1.10% per annum of the total assets of the Trust, plus applicable taxes. Pursuant to the special meeting held on April 30, 2013, effective July 1, 2014, the Manager is no longer entitled to the Deferred Fee portion of the Management Fee and the Deferred Fee that has accrued on Units or 6.25% Preferred Securities as at such date was added back to the assets of the Trust. The Management Fee will continue at a rate of 0.75% per annum of the total assets of the Trust, plus applicable taxes, calculated and payable monthly in arrears to the Manager until June 30, 2015. As at July 1, 2015, the Management Fee increased to 1.10% of the total assets of the Trust, plus applicable taxes.

During the year ended December 31, 2016 a total of approximately $0.23 million was charged by the Manager for management and administrative services.

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 redeemable 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.

The Trust's Net Assets Per Unit ($)(1)

		Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Net assets, beginning of period	(2)	**$ 5.20**	**$ 5.74**	**$ 6.11**	**$ 5.26**	**$ 6.13**
Increase (decrease) from operations:	(2)					
Total revenue		1.09	1.02	1.09	1.23	1.04
Total expenses		(1.08)	(0.97)	(1.51)	(1.25)	(1.29)
Realized gains (losses) for the period		1.16	0.34	3.00	(0.39)	0.07
Unrealized gains (losses) for the period		(0.21)	(0.47)	(2.20)	0.99	(0.60)
Total increase (decrease) in net assets from operations		**0.96**	**(0.08)**	**0.38**	**0.57**	**(0.78)**
Distributions:	(2)(3)					
From income (excluding dividends)		–	–	–	–	–
From dividends		–	–	–	–	–
From capital gains		–	–	–	–	–
Return of capital		(0.48)	(0.38)	(0.24)	(0.24)	(0.24)
Total distributions during the period		**(0.48)**	**(0.38)**	**(0.24)**	**(0.24)**	**(0.24)**
Net assets, end of period	(2)	**$ 5.66**	**$ 5.20**	**$ 5.74**	**$ 6.11**	**$ 5.22**

Ratios and Supplemental Data(1)

		Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Net assets attributable to holders of redeemable units	(4)	$ 5,648,168	$ 6,361,351	$ 8,991,839	$ 14,047,074	$ 17,116,822
Number of units outstanding	(4)	997,684	1,222,856	1,567,396	2,300,703	3,253,632
Management expense ratio	(5)	20.03%	16.64%	22.01%	24.00%	21.95%
Management expense ratio, before waivers or absorptions		20.03%	16.64%	22.01%	24.00%	21.95%
Portfolio turnover rate	(6)	133.87%	134.21%	127.61%	74.93%	53.12%
Trading expense ratio	(7)	0.71%	0.67%	0.78%	0.99%	0.51%
Net asset value per unit	(8)	$ 5.66	$ 5.20	$ 5.74	$ 6.11	$ 5.26
Closing market price per unit	(9)	$ 4.95	$ 4.47	$ 5.64	$ 5.36	$ 4.48

(1) The data for years 2013 onward is derived from the Trust's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The information for prior years is derived from the Trust's annual audited financial statements prepared based on Canadian GAAP.

(2) 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.

(3) Regular monthly distributions were paid in cash.

(4) This information is provided as at end of the period shown. The inception date of the Trust was March 16, 2006.

(5) 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 distributions, commissions and other portfolio costs) including interest on the Trust's Preferred Securities and issuance costs (in applicable years) 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.

(6) 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.

(7) 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.

(8) 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.

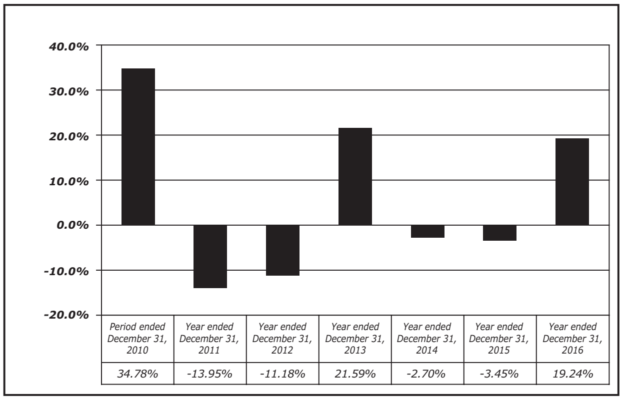
(9) The closing market price as per the TSX as at end of the period shown.

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, 2016, 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, 2016.

	Since Merger	**Past 5 Years**	**Past 3 Years**	**Past 1 Year**
Faircourt Split Trust	5.41%	3.88%	3.85%	19.24%
Blended Index	10.18%	12.11%	10.23%	17.18%
S&P/TSX Composite Total Return Index	6.52%	8.24%	7.06%	21.08%
S&P 500 – CDN$ Total Return Index	18.73%	21.14%	17.64%	8.09%

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, 2016

The Trust's split structure results in the Trust's investment portfolio exceeding Net Assets, which significantly affects calculated investment holding percentages. Therefore, the investment portfolio summary has been presented both as a percentage of portfolio and Net Assets.

Summary of Investment Portfolio	% of Portfolio
Real Estate Investment Trusts	23.42%
Consumer Discretionary / Staples	20.21%
Industrials	18.50%
Financials	17.67%
Cash and Cash Equivalents *	9.58%
Utilities	5.96%
Information Technology	1.40%
Healthcare	1.23%
Energy (Long Positions – Call Contracts)	1.16%
Materials	1.08%
Short Positions – Covered Call Contracts	−0.14%
Short Positions – Cash Secured Put Contracts	−0.07%
	100.00%
Total Portfolio	**$17,834,176**

Summary of Investment Portfolio	% of Net Asset Value
Real Estate Investment Trusts	73.99%
Consumer Discretionary / Staples	63.78%
Industrials	58.47%
Financials	55.78%
Cash and Cash Equivalents *	30.24%
Utilities	18.80%
Information Technology	4.43%
Healthcare	3.89%
Energy (Long Positions – Call Contracts)	3.67%
Materials	3.40%
Short Positions – Covered Call Contracts	−0.43%
Short Positions – Cash Secured Put Contracts	−0.24%
Other Net Liabilities	−215.78%
	100.00%
Total Net Asset Value	**$5,648,168**

Top 25 Portfolio Positions	% of Portfolio
Long Positions – Equities:	
1 Milestone Apartments REIT	5.86%
2 Canadian Apartment Properties REIT	5.36%
3 Canadian National Railway Co.	5.07%
4 Boyd Group Income Fund	4.80%
5 Slate Retail REIT	4.78%
6 Fairfax Financial Holdings Ltd.	4.73%
7 Walt Disney Co.	4.62%
8 Alimentation Couche-Tard Inc.	4.44%
9 Ishares US Financials ETF	3.81%
10 Waste Connections Inc.	3.54%
11 Brookfield Infrastructure	3.15%
12 Goeasy Ltd.	2.74%
13 WPT Industrial REIT	2.67%
14 Toronto-Dominion Bank (The)	2.60%
15 Home Depot Inc.	2.52%
16 Royal Bank Of Canada	2.04%
17 Stella-Jones Inc.	1.95%
18 New Flyer Industries Inc.	1.83%
19 Element Financial Corp.	1.75%
20 Dollarama Inc.	1.65%
21 Carriage Services Inc.	1.62%
22 Walgreens Boots Alliance Inc.	1.56%
23 InterRent REIT	1.46%
24 Microsoft Corp.	1.40%
25 Pizza Pizza Royalty Corp.	1.39%
Total portfolio represented by long positions	**77.34%**
Long Positions – Call Contracts	
1 SPDR S&P Oil & Gas Exploration & Production ETF, January 2017 @ $32.00 USD	1.16%
Total portfolio represented by long positions	**1.16%**
Short Positions – Covered Call Contracts	
1 Alimentation Couche-Tard Inc., Class 'B', January 2017 @ $64.00 CAD	−0.01%
2 Canadian National Railway Co., January 2017 @ $90.00 CAD	−0.05%
3 New Flyer Industries Inc., January 2017 @ $40.00 CAD	−0.05%
4 Royal Bank of Canada, January 2017 @ $92.00 CAD	−0.01%
5 Walt Disney Co., (The) January 2017 @ $107.00 USD	−0.02%
Total portfolio represented by short positions	**−0.14%**
Short Positions – Cash Secured Put Contracts	
1 Dollarama Inc., January 2017 @ $98.00 CAD	−0.03%
2 Microsoft Corp., January 2017 @ $63.00 USD	−0.04%
Total portfolio represented by short positions	**−0.07%**
Total portfolio represented by these holdings	**78.29%**
Cash and Cash Equivalents *	**9.58%**

Top 25 Portfolio Positions	% of Net Asset Value
Long Positions – Equities:	
1 Milestone Apartments REIT	18.50%
2 Canadian Apartment Properties REIT	16.94%
3 Canadian National Railway Co.	16.00%
4 Boyd Group Income Fund	15.15%
5 Slate Retail REIT	15.11%
6 Fairfax Financial Holdings Ltd.	14.93%
7 Walt Disney Co.	14.60%
8 Alimentation Couche-Tard Inc.	14.01%
9 Ishares US Financials ETF	12.04%
10 Waste Connections Inc.	11.19%
11 Brookfield Infrastructure	9.94%
12 Goeasy Ltd.	8.64%
13 WPT Industrial REIT	8.43%
14 Toronto-Dominion Bank (The)	8.21%
15 Home Depot Inc.	7.96%
16 Royal Bank Of Canada	6.44%
17 Stella-Jones Inc.	6.17%
18 New Flyer Industries Inc.	5.78%
19 Element Financial Corp.	5.52%
20 Dollarama Inc.	5.23%
21 Carriage Services Inc.	5.10%
22 Walgreens Boots Alliance Inc.	4.91%
23 InterRent REIT	4.62%
24 Microsoft Corp.	4.43%
25 Pizza Pizza Royalty Corp.	4.38%
Total Net Asset Value represented by long positions	**244.21%**
Long Positions – Call Contracts	
1 SPDR S&P Oil & Gas Exploration & Production ETF, January 2017 @ $32.00 USD	3.67%
Total Net Asset Value represented by long positions	**3.67%**
Short Positions – Covered Call Contracts	
1 Alimentation Couche-Tard Inc., Class 'B', January 2017 @ $64.00 CAD	−0.02%
2 Canadian National Railway Co., January 2017 @ $90.00 CAD	−0.16%
3 New Flyer Industries Inc., January 2017 @ $40.00 CAD	−0.16%
4 Royal Bank of Canada, January 2017 @ $92.00 CAD	−0.04%
5 Walt Disney Co., (The) January 2017 @ $107.00 USD	−0.05%
Total Net Asset Value represented by long positions	**−0.43%**
Short Positions – Cash Secured Put Contracts	
1 Dollarama Inc., January 2017 @ $98.00 CAD	−0.11%
2 Microsoft Corp., January 2017 @ $63.00 USD	−0.13%
Total Net Asset Value represented by short positions	**−0.24%**
Total Net Asset Value represented by these holdings	**247.21%**
Cash and Cash Equivalents *	**30.24%**

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, 2016 the following forward currency contract is outstanding:

Buy CAD $2,692,600.00, Sell USD$2,000,000.00 @ 1.3463, due 26-January-2017

* As at December 31, 2016 approximately 44% 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 International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 3 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.

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 27, 2017

Independent Auditor's Report

To the Unitholders of Faircourt Split Trust (the "Trust")

We have audited the accompanying financial statements of the Fund which comprise the statements of financial position as at December 31, 2016 and December 31, 2015 and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2016 and December 31, 2015, 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 these financial statements in accordance with International Financial Reporting Standards, 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 these 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 Fund as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants,
Licensed Public Accountants
Toronto, Canada
March 28, 2017

Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
Assets		
Current assets		
Investments	**$ 16,164,158**	$ 18,470,808
Cash and short-term investments (Note 11)	**1,708,210**	2,051,890
Distributions, dividends and interest receivable	**60,963**	73,122
Unrealized gain on foreign currency forward contracts (Note 10)	**11,418**	–
	17,944,749	20,595,820
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	**141,142**	198,534
Written options (Note 11)	**38,192**	52,001
Distributions payable to unitholders (Note 7)	**39,907**	48,914
Unrealized loss on foreign currency forward contracts (Note 10)	**–**	20
Preferred securities issued (Note 5)	**12,077,340**	13,935,000
	12,296,581	14,234,469
Net assets attributable to holders of redeemable units (Note 6)	**$ 5,648,168**	$ 6,361,351
Redeemable trust units outstanding (Note 6)	**997,684**	1,222,856
Net assets attributable to holders of redeemable units per unit	**$ 5.66**	$ 5.20

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

Charles Taerk
Director

Statements of Comprehensive Income (Loss)

	Year ended December 31, 2016	Year ended December 31, 2015
Income		
Net gains (losses) on investments and derivatives		
Distributions and dividends	**$ 340,374**	$ 497,992
Interest for distribution purposes	**2,822**	5,796
Income from derivatives (Note 11)	**879,933**	931,707
Realized gain on sale of investments	**1,510,811**	384,131
Realized loss on foreign currency forward contracts	**(127,200)**	(280,200)
Change in unrealized depreciation on investments and derivatives	**(230,907)**	(651,210)
	2,375,833	888,216
Other income		
Foreign exchange gain (loss)	**(53,747)**	423,051
	2,322,086	1,311,267
Expenses		
Management fees (Note 8)	**232,889**	234,841
Service fee (Note 8)	**26,513**	36,215
Audit fees	**25,151**	32,662
Legal fees	**16,044**	16,136
Securityholder reporting costs	**87,339**	144,731
Custodial fees	**9,192**	9,487
Independent review committee fees	**9,429**	16,329
Interest on preferred securities (Note 5)	**788,413**	868,126
Commissions and other portfolio transaction costs (Note 9)	**42,096**	54,663
Withholding taxes	**13,114**	9,594
	1,250,180	1,422,784
Increase (decrease) in net assets attributable to holders of redeemable units	**1,071,906**	(111,517)
Increase (decrease) in net assets attributable to holders of redeemable units per unit (1)	**$ 0.96**	$ (0.08)

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 6)

Statements of Cash Flows

	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows provided by (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	**$ 1,071,906**	$ (111,517)
Adjustments for:		
Purchase of investment securities and derivatives	**(21,957,567)**	(27,041,728)
Proceeds from disposition of investment securities and derivatives	**25,529,926**	28,853,376
Decrease in distributions, dividends and interest receivable	**12,159**	33,455
Decrease in accounts payable and accrued liabilities	**(57,392)**	(321,496)
Net change in unrealized depreciation on investments and derivatives	**219,855**	664,279
Realized gain on sale of investments	**(1,510,811)**	(384,131)
	3,308,076	1,692,238
Cash flows used in financing activities		
Redemption of preferred securities	**(1,857,660)**	(1,065,000)
Distributions to holders of redeemable units	**(541,937)**	(495,355)
Amounts paid on redemption of redeemable units	**(1,252,159)**	(2,006,050)
	(3,651,756)	(3,566,405)
Net decrease in cash and short-term investments during the period	**(343,680)**	(1,874,167)
Cash and short-term investments, beginning of year	**2,051,890**	3,926,057
Cash and short-term investments, end of year	**$ 1,708,210**	$ 2,051,890
Represented by:		
Cash	**501,567**	246,221
Short-Term Investments	**1,206,643**	1,805,669
	$ 1,708,210	$ 2,051,890
Supplemental cash flow information		
Interest received *	**$ 2,822**	$ 9,702
Dividends received, net of withholding taxes *	**$ 345,526**	$ 488,398
Interest paid (financing)	**$ (788,413)**	$ (868,126)

* Included in operating activities

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

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

	Year ended December 31, 2016	Year ended December 31, 2015
Increase (decrease) in net assets attributable to holders of redeemable units	**$ 1,071,906**	$ (111,517)
Unitholder transactions (Note 6)		
Unitholder redemptions	**(1,252,159)**	(2,006,050)
Distributions to holders of redeemable units		
Return of capital	**(532,930)**	(512,921)
Net decrease in net assets attributable to holders of redeemable units during the period	**(713,183)**	(2,630,488)
Net assets attributable to holders of redeemable units, beginning of year	**6,361,351**	8,991,839
Net assets attributable to holders of redeemable units, end of year	**$ 5,648,168**	$ 6,361,351

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

Schedule of Investments

As at December 31, 2016

Number of Shares	Security	Cost ($)	Fair Value ($)	Percent of Portfolio	
Materials					
30,000	Lundin Mining Corp.	$ 205,050	$ 192,000	1.08%	**1.08%**
Industrials					
10,000	Boyd Group Income Fund	532,529	855,600	4.80%	
10,000	Canadian National Railway Co.	817,692	903,600	5.07%	
8,000	New Flyer Industries Inc.	326,504	326,720	1.83%	
8,000	Stella-Jones Inc.	366,532	348,640	1.95%	
8,000	Uni-Select Inc.	229,148	235,920	1.32%	
6,000	Waste Connections Inc.	567,987	632,040	3.53%	**18.50%**
Financials					
25,000	Element Fleet Management Corp.	304,934	311,500	1.75%	
1,300	Fairfax Financial Holdings Ltd.	689,188	843,050	4.73%	
20,000	goeasy Ltd.	395,012	488,000	2.74%	
5,000	iShares U.S. Financials ETF	669,053	680,315	3.81%	
4,000	Royal Bank of Canada	356,640	363,480	2.04%	
7,000	Toronto-Dominion Bank (The)	424,554	463,540	2.60%	**17.67%**
Real Estate Investment Trusts					
7,000	American Homes 4 Rent, Class 'A'	195,775	196,947	1.10%	
30,500	Canadian Apartment Properties REIT	619,683	956,784	5.36%	
35,000	InterRent REIT	213,588	261,100	1.46%	
55,000	Milestone Apartments REIT	620,968	1,045,000	5.86%	
27,500	Pure Multi-Family REIT L.P., Class 'A'	218,528	227,975	1.28%	
56,700	Slate Retail REIT, Class 'U'	733,164	853,335	4.78%	
5,000	Smart REIT	147,879	161,450	0.91%	
29,900	WPT Industrial REIT	445,755	475,956	2.67%	**23.42%**
Consumer Discretionary / Staples					
13,000	Alimentation Couche-Tard Inc., Class 'B'	789,602	791,440	4.44%	
10,000	Boston Pizza Royalties Income Fund	174,715	228,300	1.28%	
7,500	Carriage Services Inc.	207,733	288,058	1.62%	
3,000	Dollarama Inc.	273,161	295,140	1.65%	
2,500	Home Depot Inc.	412,136	449,520	2.52%	
5,000	Mattel Inc.	194,772	184,730	1.04%	
1,000	Park Lawn Corp.	16,000	15,730	0.09%	
14,000	Pizza Pizza Royalty Corp.	191,695	247,240	1.39%	
2,500	Walgreens Boots Alliance Inc.	263,042	277,463	1.56%	
5,900	Walt Disney Co. (The)	746,348	824,608	4.62%	**20.21%**
Utilities					
15,000	Algonquin Power & Utilities Corp.	163,900	170,850	0.96%	
12,500	Brookfield Infrastructure Partners L.P.	542,367	561,500	3.15%	
5,000	Inter Pipeline Ltd.	140,120	148,200	0.83%	
3,000	TransCanada Corp.	137,250	181,620	1.02%	**5.96%**
Health Care					
15,000	Chartwell Retirement Residences	174,344	219,750	1.23%	**1.23%**
Information Technology					
3,000	Microsoft Corp.	237,853	249,999	1.40%	**1.40%**
	Total Equity Investments	**$ 13,745,201**	**$ 15,957,100**	**89.47%**	

Schedule of Investments (continued)

As at December 31, 2016

Number of Options	Holdings/Expiry Date/Strike Price	Underlying Interest	Cost ($)	Fair Value ($)	Percent of Portfolio	
Long Positions – Call Contracts						
160	SPDR S&P Oil & Gas Exploration & Production ETF, January 2017 @ $32.00 USD	16,000	$ 77,016	$ 207,058	1.16%	
	Total Long Positions – Call Contracts		**$ 77,016**	**$ 207,058**	**1.16%**	**1.16%**
Short Positions – Cash Secured Put Contracts						
(40)	Dollarama Inc., January 2017 @ $98.00 CAD	(4,000)	$ (4,920)	$ (6,000)	–0.03%	
(40)	Microsoft Corp., January 2017 @ $63.00 USD	(4,000)	(4,395)	(7,510)	–0.04%	
	Total Short Positions – Cash Secured Put Contracts		**$ (9,315)**	**$ (13,510)**	**–0.07%**	**–0.07%**
Short Positions – Covered Call Contracts						
(50)	Alimentation Couche-Tard Inc., Class 'B', January 2017 @ $64.00 CAD	(5,000)	$ (4,000)	$ (1,250)	–0.01%	
(50)	Canadian National Railway Co., January 2017 @ $90.00 CAD	(5,000)	(9,600)	(9,250)	–0.05%	
(70)	New Flyer Industries Inc., January 2017 @ $40.00 CAD	(7,000)	(5,530)	(9,100)	–0.05%	
(40)	Royal Bank of Canada, January 2017 @ $92.00 CAD	(4,000)	(4,760)	(2,400)	–0.01%	
(40)	Walt Disney Co., (The) January 2017 @ $107.00 USD	(4,000)	(5,655)	(2,682)	–0.02%	
	Total Short Positions – Covered Call Contracts		**$ (29,545)**	**$ (24,682)**	**–0.14%**	**–0.14%**
	Total Investments and Derivatives before Cash and Short-Term Investments		**$ 13,783,357**	**$ 16,125,966**	**90.42%**	
Cash						
	Canadian Dollar		$ 82,587	$ 82,587	0.46%	
	U.S. Dollar		419,814	418,980	2.35%	
Short-Term Investments – USD						
900,000	United States Treasury Bill, 0.37%, 2017/01/26		$ 1,212,505	$ 1,206,643	6.77%	
	Total Cash and Short-Term Investments		**$ 1,714,906**	**$ 1,708,210**	**9.58%**	**9.58%**
	Total Investments, Derivatives, Cash and Short-Term Investments		$ 15,498,263	$ 17,834,176	100.00%	
	Less: Adjustments for transactions costs (Note 3)		(16,510)	–		
			$ 15,481,753	**$ 17,834,176**	**100.00%**	

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

Notes to the Financial Statements

December 31, 2016

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 Redeemable Units of the Trust (''Trust Units'') trade on the TSX under the symbol FCS.UN, and the Preferred Securities trade on the TSX under the symbol FCS.PR.C.

At a special meeting held on April 30, 2013 unitholders of the Trust (''Unitholders'') approved a resolution to implement a reorganization (the ''Reorganization''), which among other things allowed (i) Unitholders, at their option, to retain their investment in the Trust after its scheduled termination date of December 31, 2014 for an additional term ending June 30, 2019; (ii) for the termination date of the Trust to be extended for further successive terms of up to five (5) years, as determined by the Manager, in its capacity as the trustee of the Trust; and (iii) removing the deferred portion of the management fee payable by July 1, 2014; (iv) to adjust the management fee to 0.75% of the total net assets of the trust for the period from July 1, 2014 to June 30, 2015; (v) to set the management fee from and after July 1, 2015 to 1.1% of the total assets of the trust plus applicable taxes.

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 address of the Trust's registered office is 110 Yonge St., Suite 501, Toronto, Ontario M5C 1T4.

These financial statements were authorized for issue by the Manager on March 27, 2017.

2. Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

3. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements:

a) Financial instruments

The Trust classifies its investments as financial assets or financial liabilities at fair value through profit or loss which are subdivided into:

Financial assets and liabilities held for trading (HFT), which are classified as such if they are acquired for the purpose of selling and/or repurchasing in the near term to generate a profit from short term fluctuations in price. This category includes long option positions, short positions, such as covered call option contracts on securities held in the portfolio and/or cash secured put option contracts and forward foreign exchange contracts; and

Financial assets and liabilities designated at fair value through profit or loss at inception, which are designated as such upon initial recognition on the basis of being part of a group of financial instruments that are managed and have their performance evaluated on a fair value basis, in accordance with the Trust's investment strategy. The Trust's long non-derivative investments have been designated at fair value through profit or loss (FVTPL).

The Trust recognizes a financial asset or a financial liability at fair value when it becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, all investments are measured at fair value.

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

b) Fair value measurement

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid ask spread. In circumstances where the last traded price is not within the bid ask spread, the Manager determines the point within the bid ask spread that is most representative of fair value based on the specific facts and situation. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The Trust may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using reputable pricing sources (such as pricing agencies), indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Trust may value positions using other methods considered appropriate, including its own models.

Refer to Note 14 for further information about the Trust's fair value measurement.

c) 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. Change in unrealized appreciation/depreciation is recognized using the average cost of the investments. Average cost does not include amortization of premiums or discounts on fixed income. Interest for distribution purposes shown on the Statements of Comprehensive Income (Loss) represents the coupon interest received by the Trust accounted for on accrual basis. The Trust does not amortize premiums paid or discounts received on the purchase of fixed income securities. Interest expenses are recognized on an accrual basis. Dividends are recognized on the ex dividend date.

d) Transaction Costs

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities are expensed and presented in the Statements of Comprehensive Income (Loss).

Notes to the Financial Statements
December 31, 2016

e) 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

f) Translation of Foreign Currency
The Trust's functional and presentation currency is the Canadian Dollar. 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.

Realized and unrealized foreign exchange gains/losses are presented within Foreign exchange gain (loss) in the Statements of Comprehensive Income (Loss). This balance represents the realized and unrealized gains (losses) of cash, cash equivalents and short-term investments. The foreign exchange gains (losses) on investments are included in the realized gain on sale of investments.

g) Taxation
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. Since the Trust does not record income taxes, the tax benefit of capital and non capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. As at December 31, 2016 the Trust had approximately $7.1 million capital and approximately $6.8 million noncapital 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 2036.

The Trust currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income (Loss).

h) Fair Value of Financial Instruments other than Investments, Derivatives, Cash, and Short-Term Investments
The Trust's financial instruments, other than investments, derivatives, cash, and short-term investments, which are composed of distributions, dividends and interest receivable, accounts payable and accrued liabilities, distributions payable to unitholders 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. The Trust's Net Assets attributable to holders of redeemable Trust Units is presented as the fair value of the Fund's assets less the fair value of the Fund's liabilities (excluding the net assets attributable to holders of redeemable units), which approximates the annual redemption amount.

i) Impairment of financial assets
At each reporting date, the Trust assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Trust recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

j) Net Assets attributable to holders of redeemable Trust Units per unit
Net Assets attributable to holders of redeemable Trust Units per unit is computed by dividing the total Net Assets attributable to holders of redeemable Units by the total number of trust units outstanding at the time. Refer to Note 6 regarding the total number of outstanding trust units.

k) Cash and Short-Term Investments
Cash and short-term investments are comprised of cash on deposit and short term highly liquid debt instruments with terms to maturity less than 90 days that are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

l) 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 fair value based on quoted market prices at the close of trading on the valuation date or at mid price between bid and ask in absence of trading on the valuation date. In circumstances where the last traded price is not within the bid ask spread, the Manager determines the point within the bid ask spread that is most representative of fair value based on the specific facts and situation. The premium received from a written option is included in cash and a liability is set up for the short options position. Until expiry or exercise of the option 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 fair value based on quoted market prices at the close of trading on the valuation date or at mid price between bid and ask in absence of trading on the valuation date. In circumstances where the last traded price is not within the bid ask spread, the Manager determines the point within the bid ask spread that is most representative of fair value based on the specific facts and situation.

Premiums received from writing options are recorded as "Income from derivatives" in the Statements of Comprehensive Income (Loss) upon expiry or exercise of the option. Premiums paid for buying options are applied against "Income from derivatives" in the Statements of Comprehensive Income (Loss).

Notes to the Financial Statements

December 31, 2016

m) Accounting standards issued but not yet adopted

IFRS 9 Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the entity's own credit risk changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future 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 period. Actual results could differ from these estimates.

The following discusses the most significant accounting judgments and estimates that the Trust has made in preparing the financial statements:

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Trust, the Manager is required to make significant judgments about whether or not the business of the Trust is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement (IAS 39). The most significant judgments made include the determination that the fair value option can be applied to investments which are not classified as held for trading.

Fair value measurement of derivatives and securities not quoted in an active market

Fair values of such instruments are determined using reputable pricing sources or indicative prices from market makers or, if they are not available, by using its own models. Short term investments are valued at bid quotations from recognized investment dealers. Foreign exchange forward contracts are valued using the relevant forward exchange rates of the underlying currency.

5. 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 6.00% from the date of issue and mature on June 30, 2019 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 occur on June 30th ("Redemption Date") of each year and are 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 receives payment for each Combined Security (Trust Unit and Preferred Security) equal to the Combined Value (a total of net asset value per unit plus the original subscription price of a preferred security together with any accrued and unpaid interest thereon) determined as of the Redemption Date, less redemption costs.

On June 30, 2016 $857,660 in aggregate principal amount of the Trust's 6.00% outstanding Preferred Securities were tendered for redemption to the Trust in accordance with the Trust's annual concurrent redemption privileges. Payment was made on July 6, 2016. On July 27, 2016 $1,000,000 in aggregate principal amount of the Trust's 6.00% outstanding Preferred Securities were redeemed pursuant to the terms of the Trust Indenture governing the Preferred Securities, which permit from time to time redemptions prior to maturity, in whole or in part, of any securities issued under the Indenture. The record date of the Preferred Securities partial redemption was July 25, 2016.

On June 30, 2015 $65,000 in aggregate principal amount of the Trust's 6.00% outstanding Preferred Securities were tendered for redemption to the Trust in accordance with the Trust's annual concurrent redemption privileges. Payment was made on July 8, 2015. On July 31, 2015 $1,000,000 in aggregate principal amount of the Trust's 6.00% outstanding Preferred Securities were redeemed pursuant to the terms of the Trust Indenture governing the Preferred Securities, which permit from time to time redemptions prior to maturity, in whole or in part, of any securities issued under the Indenture. The record date of the Preferred Securities partial redemption was July 27, 2015.

Issued & Outstanding:

	Year Ended December 31, 2016 Shares	**Year Ended December 31, 2016 Amounts ($)**
Balance 6.00% Preferred, beginning of year	**1,393,500**	**$ 13,935,000**
Redemption of 6.00% Preferred	**(185,766)**	**(1,857,660)**
Balance, end of year	**1,207,734**	**$ 12,077,340**

	Year Ended December 31, 2015 Shares	Year Ended December 31, 2015 Amounts ($)
Balance 6.00% Preferred, beginning of year	1,500,000	$ 15,000,000
Redemption of 6.00% Preferred	(106,500)	(1,065,000)
Balance, end of year	**1,393,500**	**$ 13,935,000**

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As at December 31, 2016, the 6.00% Preferred Securities ended trading on the Toronto Stock Exchange at $10.12 per Security (December 31, 2015, the 6.00% Preferred Securities ended trading at $10.08). The fair value of the liability represented by the outstanding Preferred Securities as at December 31, 2016 was approximately $12.22 million (December 31, 2015 – $14.05 million).

6. Redeemable 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 occur on June 30th ("Redemption Date") of each year and are settled on or before the 15th business day following the redemption date. A Unitholder who surrenders Trust Units together with Preferred Securities for redemption receives payment for each Combined Security (Trust Unit and Preferred Security) equal to the Combined Value determined as of the Redemption Date, less redemption costs. A Unitholder who surrenders Trust Units alone for redemption receives 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 Trust's right to call Preferred Securities. Redemption proceeds are paid on or before the 15th business day following the redemption date.

	Year Ended December 31, 2016 Units	Year Ended December 31, 2015 Units
Balance, beginning of year	**1,222,856**	1,567,396
Redemption	**(225,172)**	(344,540)
Balance, end of year	**997,684**	1,222,856
Weighted average number of trust units outstanding during the year	**1,111,500**	1,394,654

At December 31, 2016 the Redeemable Trust Units ended trading on the Toronto Stock Exchange at $4.95 per Unit (December 31, 2015 – $4.47 per Unit). The fair value of the liability represented by the outstanding redeemable Trust Units as at December 31, 2016 was approximately $4.94 million (December 31, 2015 – $5.47 million).

On June 30, 2016, 225,172 redeemable Trust Units were tendered for redemption to the Trust for cash proceeds of $1.25 million in accordance with the Trust's annual redemption privileges. Payment was made in full on July 6, 2016.

On June 30, 2015, 344,540 redeemable Trust Units were tendered for redemption to the Trust for cash proceeds of $2.01 million in accordance with the Trust's annual redemption privileges. Payment was made in full on July 8, 2015.

7. 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. On May 27, 2015 the Trust announced a change in the distribution rate. Commencing with the June 2015 distribution, the Trust increased its monthly distribution to $0.04 per Trust Unit. The Trust's ability to continue variable distributions, as announced on March 9, 2010 and May 27, 2015, 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 $0.04 per Trust Unit declared during the year ended December 31, 2016 (2015 – five regular monthly distributions of $0.02 per Trust Unit and seven regular monthly distribution of $0.04 per Trust Unit declared during the year ended December 31, 2015).

8. Management and Service Fees
Pursuant to a management agreement, the Manager provides key management personnel, and management and administrative services to the Trust.

The Trust is obligated to pay the Manager a management fee (the "Management Fee") for these services and reimburses the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Trust. Up to June 30, 2014 the Manager received an amount equivalent to 0.75% of the total assets of the Trust per annum calculated and payable monthly in arrears to the Manager. Payment of the remaining 0.35% of the total assets of the Trust per annum (the "Deferred Fee") would only be paid to the Manager upon redemption of Units or 6.25% Preferred Securities or upon the satisfaction of the following criteria: on December 31, 2014, if the Trust has made distributions on the Units with a compound total return of 7.25% (or more) annually and the net asset value per Unit was at least $15 less the per Unit amount of any additional distributions, the Deferred Fee would be paid in full to the Manager in cash. If the Trust had not satisfied these tests the amount that otherwise would have been payable to the Manager would be added back to the assets of the Trust. Up to June 30, 2014 the aggregate Management Fee payable by the Trust (including the Deferred Fee) was 1.10% per annum of the total assets of the Trust, plus applicable taxes. Pursuant to the special meeting held on April 30, 2013 (see Note 1), effective July 1, 2014, the Manager was no longer entitled to the Deferred Fee portion of the Management Fee and the Deferred Fee that has accrued on Units or 6.25% Preferred Securities as at such date was added back to the assets of the Trust. The Management Fee continued at a rate of 0.75% per annum of the total assets of the Trust, plus applicable taxes, calculated and payable monthly in arrears to the Manager until June 30, 2015. As of July 1, 2015, the Management Fee increased to 1.10% of the total assets of the Trust, plus applicable taxes. Effective July 1, 2014, all portions of the Management Fee payable by the Trust are paid in cash.

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 redeemable Trust Units held by clients of such dealers at the end of each quarter.

As at December 31, 2016 included in accounts payable and accrued liabilities is approximately $16,400 of management fee and approximately $5,500 of service fee payable to the Manager (December 31, 2015 – approximately $19,900 of management fee and approximately $6,600 of service fee payable to the Manager).

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9. Brokerage Commissions

Brokerage commissions paid to dealers for portfolio transactions during the year ended December 31, 2016 totaled $42,096 (2015 – $54,663). For the years ended December 31, 2016 and 2015 there were no soft dollar amounts paid.

10. Forward Contracts

As at December 31, 2016 and December 31, 2015, 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, 2016:

Contract	Face Value Local	Settlement Date	Contract	Face Value Local	Unrealized Gain (loss)
Sell	USD$2,000,000	31-Jan-2017	Buy	CAD$2,692,600	CAD$11,418

The following foreign currency forward contract was held by the Trust at December 31, 2015:

Contract	Face Value Local	Settlement Date	Contract	Face Value Local	Unrealized Gain (loss)
Sell	USD$1,000,000	29-Jan-2016	Buy	CAD$1,389,000	CAD$(20)

As at December 31, 2016 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 A+ from Standard & Poors and AA from DBRS (December 31, 2015 – A+ from Standard & Poors and AA from DBRS).

11. 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, 2016 a total of approximately $0.75 million (December 31, 2015 – $0.76 million) in cash and short-term investments has been pledged for cash secured puts.

As at December 31, 2016 securities at carrying value of approximately $2.0 million (December 31, 2015 – $3.3 million) have been pledged for covered call contracts.

The Trust does not have any amounts offset in its financial statements or subject to enforceable master netting or other similar agreements that were not offset.

12. Financial Instrument Risk

The Trust may be exposed to a variety of financial risks. The Trust's exposure to financial risks as at December 31, 2016 and December 31, 2015 (see below) are concentrated in its investment holdings, including derivative instruments. The Schedule of Investments groups securities by asset type and market segment. The portfolio allocation as at December 31, 2016 is included in the Schedule of Investments.

The portfolio allocation, based on percentage of portfolio, as at December 31, 2015 was as follows:

Real Estate Investment Trusts	24.02%
Consumer Discretionary / Staples	20.50%
Industrials	13.16%
Financials	14.33%
Cash and Cash Equivalents	10.02%
Healthcare	10.65%
Materials	4.08%
Information Technology	3.49%
Short Positions – Cash Secured Put Contracts	(0.09%)
Short Positions – Covered Call Contracts	(0.16%)
	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 Trust'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.

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, the 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

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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 attributable to holders of redeemable Trust Units 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 Trust require that at least 70% of the assets of the Trust be denominated or hedged back to Canadian dollars. The remaining 30% may be hedged at the Manager's discretion.

The tables below indicate the foreign currencies to which the Trust had significant exposure to as at December 31, 2016 and December 31, 2015, in Canadian Dollar terms, and the notional amounts of foreign exchange forward contracts. The tables also illustrates the potential impact on the Net Assets attributable to holders of redeemable Trust Units if the Canadian Dollar had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant. Other financial assets (including dividends and interest receivable) and financial liabilities that are denominated in foreign currencies do not expose the Trust to significant currency risk. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2016:

Currency	Non-monetary Exposure	Monetary Exposure	Currency Forward Contract	Net Exposure	Impact, Total
United States Dollar	$3,824,461	1,625,503	$(2,682,100)	2,767,864	$138,393
Percentage of Net Assets Attributable to Holders of Redeemable Units	67.71%	28.78%	(47.49)%	49.00%	2.45%

all amounts in CAD$

As at December 31, 2015:

Currency	Non-monetary Exposure	Monetary Exposure	Currency Forward Contract	Net Exposure	Impact, Total
United States Dollar	$5,549,746	$1,831,920	$(1,389,100)	$ 5,992,566	$299,628
Percentage of Net Assets Attributable to Holders of Redeemable Units	87.24%	28.80%	(–21.84)%	94.20%	4.71%

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). As at December 31, 2016 the gross currency exposure as a percentage of total portfolio was 30.56% (December 31, 2015 – 36.06%) or 15.52% (December 31, 2015 – 29.27%) taking into account the currency hedge.

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 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 6.00% per annum. The market price of the Trust Units and the Preferred Securities may also 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 real estate investment 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, accordingly, the Trust is not subject to significant amounts of risk due to fluctuations in the prevailing level of market interest rates.

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 Net Assets attributable to holders of redeemable Trust Units per unit and as such there can be no assurance that the redeemable Trust Units will trade at Net Assets attributable to holders of redeemable Trust Units per unit.

ii) Leverage Related to the Structure of the Trust

Holders of the redeemable Trust Units are subject to a form of leverage as the Preferred Securities rank ahead of the redeemable 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 redeemable 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 redeemable 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 (excluding the redeemable Trust Units, including Senior Indebtedness and the

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aggregate principal amount of the Preferred Securities and all accrued and unpaid interest thereon), the redeemable 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, 2016 and December 31, 2015, the majority of the Trust's investments were traded on global stock exchanges. If equity prices had increased or decreased by 10% as at December 31, 2016, excluding written options, with all other factors remaining constant, Net Assets attributable to holders of redeemable Trust Units would have increased or decreased by approximately $1.62 million (December 31, 2015 – $1.85 million). Leverage materially impacts the Net Assets attributable to holders of redeemable Trust Units as it will increase the Net Assets attributable to holders of redeemable Trust Units during a period when the Trust's investments have appreciated and will exacerbate the decline of the Net Assets attributable to holders of redeemable Trust Units during a falling market. The Trust employs a split structure and as such the redeemable Units are a leveraged investment. Therefore, the impact of portfolio fluctuations on Net Assets attributable to holders of redeemable Trust Units 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. As at December 31, 2016 and December 31, 2015, 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.

As at December 31, 2016 and December 31, 2015 the Trust used currency forwards to hedge foreign exchange risk associated with its US dollar equity investments. As at December 31, 2016 the counterparty to the forward contracts has received a credit rating of A+ from Standard & Poors and AA from DBRS (December 31, 2015 – A+ from Standard & Poors and AA 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 redeemable Trust Units and Preferred Securities. 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, 2016 and December 31, 2015, the Trust did not have significant exposure to liquidity risk. The Preferred Securities mature on June 30, 2019, but are redeemable annually by preferred securityholders. All other liabilities of the Trust mature within 12 months or less.

13. Capital Management

The Trust was created using a dual security structure, consisting of redeemable 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.

Redeemable Trust Units and Preferred Securities issued and outstanding are considered to be the capital of the Trust. 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 $0.15 per quarter ($0.60 per annum to yield 6.00% 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.

In accordance with its investment objectives and risk management practices, as outlined above and throughout Note 12, the Trust endeavours to invest its capital in accordance with its investment strategy while maintaining sufficient liquidity to meet redemptions.

14. Fair Value Measurements

The Trust 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 that the entity can access at the measurement date;

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 are unobservable for the asset or liability.

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If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following tables illustrate the classification of the Trust's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2016 and December 31, 2015:

As at December 31, 2016

Assets	Level 1	Level 2	Level 3	Total
Equities – long	$ 15,957,100	$ –	$ –	$ 15,957,100
Options – Long	$ 207,058	$ –	$ –	$ 207,058
Foreign currency forward contract	$ –	$ 11,418	$ –	$ 11,418
	$ 16,164,158	$ 11,418	$ –	$ 16,175,576

Liabilities	Level 1	Level 2	Level 3	Total
Options – short	$ 38,192	$ –	$ –	$ 38,192
	$ 38,192	$ –	$ –	$ 38,192

As at December 31, 2015

Assets	Level 1	Level 2	Level 3	Total
Equities – long	$ 18,365,878	$ 104,930	$ –	$ 18,470,808
	$ 18,365,878	$ 104,930	$ –	$ 18,470,808

Liabilities	Level 1	Level 2	Level 3	Total
Options – short	$ 52,001	$ –	$ –	$ 52,001
Foreign currency forward contract	$ –	$ 20	$ –	$ 20
	$ 52,001	$ 20	$ –	$ 52,021

Cash and short-term investments are classified as level in the fair value hierarchy. There were no significant transfers between levels during the periods.

All fair value measurements above are recurring.

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

a) Equities
The Trust's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. At times, certain of the Trust's equity holdings may not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

b) Derivative assets and liabilities
Derivative assets and liabilities consist of long and short option positions and foreign currency forward contracts which are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads. Options are classified as Level 1 when the security is actively traded and a reliable price is observable. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit related inputs are determined not to be significant to fair value, are classified as Level 2.

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The following tables present the net gains (losses) on financial instruments at FVTPL by category.

Year ended December 31, 2016:

		HFT		FVTPL
Distributions and dividends	$	–	$	340,374
Interest for distribution purposes	$	–	$	2,822
Income from derivatives	$	879,933	$	–
Realized gain on sale of investments	$	–	$	1,510,811
Realized loss on foreign currency forward contracts	$	(127,200)	$	–
Change in unrealized depreciation on investments and derivatives	$	103,472	$	(334,379)
	$	856,205	$	1,519,628

Year ended December 31, 2015:

		HFT		FVTPL
Distributions and dividends	$	–	$	497,992
Interest for distribution purposes	$	–	$	5,796
Income from derivatives	$	931,707	$	–
Realized gain on sale of investments	$	–	$	384,131
Realized loss on foreign currency forward contracts	$	(280,200)	$	–
Change in unrealized depreciation on investments and derivatives	$	18,466	$	(669,676)
	$	669,973	$	218,243

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, 2016, Faircourt currently provides management services to one TSX listed closed-end fund, Faircourt Split Trust and one TSX listed corporation, Faircourt Gold Income Corp. Faircourt also acts as Portfolio Advisor to several investment funds sponsored by BMO Nesbitt Burns as well as a family of mutual funds under the UIT Funds banner that includes UIT Energy Class, UIT Gold Class and UIT Alternative Health Fund.

For more information, please visit the Manager’s website at **www.faircourtassetmgt.com**.

Directors & Officers

Charles Taerk
President, CEO & Director

Douglas Waterson, CPA, CA, CFA
Chief Financial Officer, Portfolio Manager & Director

Legal Counsel
Stikeman Elliott LLP

Auditors
PricewaterhouseCoopers LLP

Trust Units/Shares

Custodian
CIBC Mellon Global Securities Services

Registrar, Transfer Agent & Distribution Agent
CST Trust Company

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.C**

Faircourt Gold Income Corp.

Class A Shares – **FGX**

FAIRCOURT
Asset Management Inc.