

2017 Interim Report  
FAIRCOURT SPLIT TRUST



**Leading The Way To Prosperity.**

# 2017 INTERIM REPORT



# FAIRCOURT SPLIT TRUST

## Table of Contents

### MANAGEMENT REPORT OF FUND PERFORMANCE

Investment Objective and Strategies	3
Risk	3
Results of Operations	3
Recent Developments	5
Related Party Transactions	5
Financial Highlights	6
Past Performance	7
Year-by-Year Returns	7
Summary of Investment Portfolio	8

NOTICE OF NO AUDITOR REVIEW	9
-----------------------------	---

### FINANCIAL STATEMENTS

Statements of Financial Position	10
Statements of Comprehensive Income	10
Statements of Cash Flows	11
Statements of Changes in Net Assets Attributable to Holders of Redeemable Units	11
Schedule of Investments	12
Notes to the Financial Statements	14

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 interim period that have affected the Fund's performance and outlook and should be read in conjunction with the unaudited Financial Statements of the Fund for the period ended June 30, 2017 and the audited financial statements for the year ended December 31, 2016 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" or 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](http://www.sedar.com) or the company website at [www.faircourtassemgt.com](http://www.faircourtassemgt.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 second quarter witnessed continued diverging market returns in Canada versus the U.S., as investors south of the border maintained a solid trajectory despite mixed economic signals coming from economists and analysts while Canadian markets suffered despite improving economic conditions.

In Canada, real estate investment exposure was a primary target that attracted significant attention. Concerns emanating from this sector lead to reduced overall market returns as investors interpreted the news as a potential weakness for the financial sector with mortgage irregularities. The source was Home Capital (HCG) that saw its shares plummet over 75% as improper conduct by mortgage brokers was found, causing three executives including the company's founder to resign. Investors were concerned that it wasn't isolated to HCG, but rather a sign of an overheated real estate market.

This interim management report of fund performance contains financial highlights of the investment fund. Complete 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.faircourtassemgt.com](http://www.faircourtassemgt.com) or by visiting the SEDAR website at [www.sedar.com](http://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



Prior to announcing Q2 earnings, the big six Canadian banks also had signs of credit quality deterioration in the US, that weighed on their share price during the quarter. However, all of these noted concerns proved unfounded with the Banks announcing stellar second quarter earnings results that showed once again the resiliency of our banking system. In the end, HCG was saved by an investment and loan package from Warren Buffett's Berkshire Hathaway.

A longer-term contributor to the weaker Canadian equity performance was the pressure exerted from lower energy prices and their effects on equity prices in the oil patch. Year-to-date, the energy sector is down more than 20%. Energy weakness is emanating from two different directions. One is the lower cost/barrel environment that due to technological innovation in new basins. US producers are able to be profitable at a price point that is unprofitable for many Canadian producers. The other issue facing the energy sector is the declining relevance of OPEC in influencing world oil prices. With higher non-OPEC production, most notably from technological developments in the US, OPEC production cuts are having less effect on world oil prices, putting OPEC countries in a difficult position as many of them have unsustainable budget deficits that can not be funded at current prices.

As the quarter ended, the Bank of Canada reported the country's economic expansion is continuing, the last 12 months providing GDP growth of 3.3%, the fastest economic expansion since 2014, and the best economic performance in the last twelve months within all G-7 countries.

During the second quarter in the US, the economy appeared to be slowing down as the University of Michigan's consumer confidence index fell in June to its lowest level since November. Retail sales numbers declined in April and May, while construction spending in the US fell in April. Those factors continued to weigh down overall growth for the US economy. It has been a focus of President Trump to bring in legislation that will both reduce red tape and boost growth. But Republicans in Congress have focused first on trying to repeal and replace Obama-care, and Trump has released few details about tax reform or infrastructure spending.

Despite these concerns, good news for the economy was released at the end of the quarter as the Institute for Supply Management (ISM) noted that the PMI or purchasing managers index, a key reading on the health of the manufacturing sector registered an increase of 2.9% from May, representing the 10<sup>th</sup> month in a row where the manufacturing sector saw increases.

The Fund uses a diversified approach to North American equities maintaining exposure in many, but not all, of the sub-sectors within the S&P/TSX and S&P 500. The Fund will continue to focus on holding a diversified portfolio of leading companies, many of which generate stable and growing distributions. Criteria we look for are sound business models, long term steady demand for products or services, growing positive cash flow, minimal need for debt or need to raise significant amounts of capital as well as having a lower dividend payout ratio.

A long-term position that continues to generate strong gains in the Fund is Boyd Group. Boyd is one of the largest operators of non-franchised collision repair centres in North America, operating

in five Canadian provinces and twenty US states. The company continues to grow through accretive acquisitions with a strong balance sheet and very favourable long-term industry trends. As the average age of automobiles on the road extends to over 10 years, the demand for repairs and maintenance out of warranty is resilient. In addition its distribution to investors continues to be generated within a conservative payout ratio. We continue to see a long runway of growth and acquisitions for Boyd, as they pursue their consolidation strategy in a highly fragmented market.

We believe the North American economy continues to strengthen and rail transport is a key component of the continents growth. It is considered a backbone of the U.S. and Canadian economies with a rail network that runs coast to coast. We have invested in CN not just because of its vast rail network and efficient operation. CN, with its diversified geographical operations generates significant earnings in the United States, which provides a sound hedge against any potential regional weakness that may upend the Canadian economy. Subsequent to period end, we adjusted our rail position in CN in favour of CP Rail, based on relative valuation, which had widened sufficiently to make CP Rail look quite attractive going forward.

Our view regarding multi-family residential real estate remains positive. We continue to consider fundamentals for multi-family residential to be compelling. Canadian Apartment Properties REIT continues to generate solid returns.

#### Fund Performance

In March, the Trust's distribution was increased from \$0.04 per month per Trust Unit to \$0.06 per month per Trust Unit (\$0.72 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 \$4.93 per Trust Unit.

For the period ending June 30, 2017, the Net Assets Attributable to Holders of Redeemable Units per Trust Unit, combined with paid distributions during the period ended June 30, 2017, provided a total return for holders of Trust Units of 6.94%, results which have outperformed the blended benchmark return of 2.29%. 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 June 30, 2017 REITs comprised 19.1% of the market value of the Trust's investment portfolio; consumer discretionary/staples



comprised 19.9%; industrials comprised 14.1%; financials comprised 8.6%; utilities comprised 4.7%; materials comprised 2.3%; information technology comprised 1.0%; power and pipeline comprised 0.7%; cash secured put contracts comprised -0.4%; covered call contracts comprised -0.2%; and cash and cash equivalents 30.2%. As at June 30, 2017, approximately 73% of cash and short term investments and approximately 10% 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 \$0.53 million or \$0.53 per weighted average number of Trust Units outstanding during the period ended June 30, 2017. During the period ended June 30, 2017 the Fund has declared regular monthly distributions totaling \$0.32 per Trust Unit. The Manager continues to believe that option writing can add incremental value going forward.

#### Unitholder Activity & Preferred Securities

On June 30, 2017, 169,749 redeemable Trust Units were tendered for redemption to the Trust for cash proceeds of \$0.98 million in accordance with the Trust's annual redemption privileges. Payment was made in full on July 7, 2017.

On June 30, 2017 \$95,860 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 7, 2017.

As at June 30, 2017, the Trust had 827,935 redeemable Trust Units outstanding and trading at \$5.40 per Trust Unit, a discount to the underlying NAV of approximately 6.1%. Closed end funds may trade above, at or below their NAV per unit.

As at June 30, 2017, the Trust had 1,198,148 Preferred Securities outstanding representing a total liability of \$11.98 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 June 30, 2017, the Preferred Securities were trading at \$10.07 per Preferred Security, a premium to issue price of approximately 0.7%.

#### Fees and Expenses

During the period, the Trust paid management fees, operating expenses and interest on preferred securities of \$0.60 million. The management expense ratio (MER) was 19% comparing to 20% in the prior year due to higher average assets. The Trust's MER is significantly affected by interest payments on the preferred securities.

#### Recent Developments

On July 27, 2017 \$1,600,000 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, 2017.

#### 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") for these services and reimburses the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Trust. The Management Fee is 1.1% per annum of the total assets of the Trust, plus applicable taxes.

During the period ended June 30, 2017 a total of approximately \$0.12 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 (\$) <sup>(1)</sup>

	Period Ended June 30, 2017	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
<b>Net assets, beginning of period</b>	<sup>(2)</sup> \$ 5.66	\$ 5.20	\$ 5.74	\$ 6.11	\$ 5.26	\$ 6.13
<b>Increase (decrease) from operations:</b>						
Total revenue	0.67	1.09	1.02	1.09	1.23	1.04
Total expenses	(0.57)	(1.08)	(0.97)	(1.51)	(1.25)	(1.29)
Realized gains (losses) for the period	1.28	1.16	0.34	3.00	(0.39)	0.07
Unrealized gains (losses) for the period	(0.97)	(0.21)	(0.47)	(2.20)	0.99	(0.60)
<b>Total increase (decrease) in net assets from operations</b>	<b>0.41</b>	<b>0.96</b>	<b>(0.08)</b>	<b>0.38</b>	<b>0.57</b>	<b>(0.78)</b>
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	(0.32)	(0.48)	(0.38)	(0.24)	(0.24)	(0.24)
<b>Total distributions during the period</b>	<b>(0.32)</b>	<b>(0.48)</b>	<b>(0.38)</b>	<b>(0.24)</b>	<b>(0.24)</b>	<b>(0.24)</b>
<b>Net assets, end of period</b>	<sup>(2)</sup> \$ <b>5.75</b>	\$ <b>5.66</b>	\$ <b>5.20</b>	\$ <b>5.74</b>	\$ <b>6.11</b>	\$ <b>5.22</b>

### Ratios and Supplemental Data <sup>(1)</sup>

	Period Ended June 30, 2017	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	<sup>(4)</sup> \$ 4,757,848	\$ 5,648,168	\$ 6,361,351	\$ 8,991,839	\$ 14,047,074	\$ 17,116,822
Number of units outstanding	<sup>(4)</sup> 827,935	997,684	1,222,856	1,567,396	2,300,703	3,253,632
Management expense ratio	<sup>(5)</sup> 19.07%	20.03%	16.64%	22.01%	24.00%	21.95%
Management expense ratio, before waivers or absorptions	19.07%	20.03%	16.64%	22.01%	24.00%	21.95%
Portfolio turnover rate	<sup>(6)</sup> 46.59%	133.87%	134.21%	127.61%	74.93%	53.12%
Trading expense ratio	<sup>(7)</sup> 0.70%	0.71%	0.67%	0.78%	0.99%	0.51%
Net asset value per unit	<sup>(8)</sup> \$ 5.75	\$ 5.66	\$ 5.20	\$ 5.74	\$ 6.11	\$ 5.26
Closing market price per unit	<sup>(9)</sup> \$ 5.40	\$ 4.95	\$ 4.47	\$ 5.64	\$ 5.36	\$ 4.48

- 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.
- 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.
- Regular monthly distributions were paid in cash. Tax character of the distributions is a mid-year estimate only and may change substantially for year-end.
- This information is provided as at end of the period shown. The inception date of the Trust was March 16, 2006.
- 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.
- 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.
- 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.
- 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.
- 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.

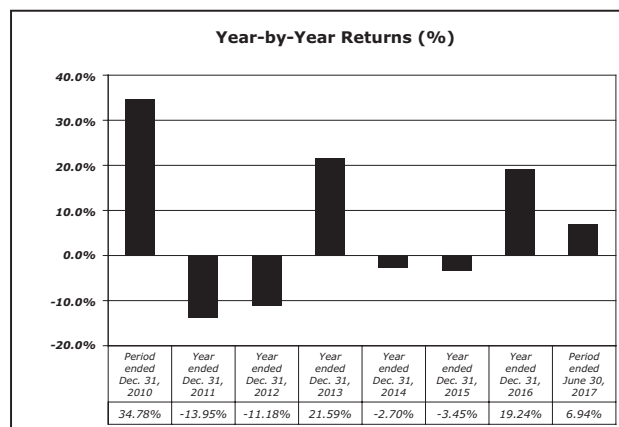
The Blended Index for the Trust is comprised of a 70% weight in the S&P/TSX Composite Total Return Index and a 30% weight in the S&P 500 – CDN\$ Total Return Index.

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.

## 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.







## Summary of Investment Portfolio as at June 30, 2017

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	Summary of Investment Portfolio	% of Net Asset Value
Cash and Cash Equivalents*	30.18%	Cash and Cash Equivalents*	114.02%
Consumer Discretionary / Staples	19.89%	Consumer Discretionary / Staples	75.15%
Real Estate Investment Trusts	19.10%	Real Estate Investment Trusts	72.11%
Industrials	14.12%	Industrials	53.33%
Financials	8.60%	Financials	32.57%
Utilities	4.72%	Utilities	17.83%
Materials	2.27%	Materials	8.59%
Information Technology	1.00%	Information Technology	3.76%
Power and Pipeline	0.71%	Power and Pipeline	2.67%
Short Positions – Covered Call Contracts	-0.22%	Short Positions – Covered Call Contracts	-0.79%
Short Positions – Cash Secured Put Contracts	-0.37%	Short Positions – Cash Secured Put Contracts	-1.42%
	<b>100.00%</b>	Other Net Liabilities	-277.82%
		<b>100.00%</b>	
<b>Total Portfolio</b>	<b>\$17,975,802</b>	<b>Total Net Asset Value</b>	<b>\$4,757,848</b>

Top 25 Portfolio Positions	% of Portfolio	Top 25 Portfolio Positions	% of Net Asset Value
<b>Long Positions – Equities:</b>			
1 Slate Retail REIT	4.69%	1 Slate Retail REIT	17.70%
2 Canadian National Railway Co.	4.68%	2 Canadian National Railway Co.	17.69%
3 Walt Disney Co	4.53%	3 Walt Disney Co	17.11%
4 Waste Connections Inc.	4.18%	4 Waste Connections Inc.	15.80%
5 Canadian Apartment Properties REIT	3.83%	5 Canadian Apartment Properties REIT	14.46%
6 Brookfield Infrastructure Partners LP	3.69%	6 Brookfield Infrastructure Partners LP	13.93%
7 InterRent REIT	3.47%	7 InterRent REIT	13.09%
8 WPT Industrial REIT	2.81%	8 WPT Industrial REIT	10.63%
9 Toronto Dominion Bank	2.54%	9 Toronto Dominion Bank	9.61%
10 Home Depot Inc.	2.44%	10 Home Depot Inc.	9.21%
11 New Flyer Industries Inc.	2.42%	11 New Flyer Industries Inc.	9.12%
12 Dollarama Inc.	2.07%	12 Dollarama Inc.	7.81%
13 Hudson's Bay Co.	2.05%	13 Hudson's Bay Co.	7.76%
14 Goeasy Ltd.	2.00%	14 Goeasy Ltd.	7.54%
15 Pure Multi Family REIT LP	1.81%	15 Pure Multi Family REIT LP	6.86%
16 Alimentation Couche-Tard Inc.	1.73%	16 Alimentation Couche-Tard Inc.	6.53%
17 Boyd Group Income Fund	1.61%	17 Boyd Group Income Fund	6.06%
18 Park Lawn Corp.	1.57%	18 Park Lawn Corp.	5.93%
19 Carriage Services Inc.	1.46%	19 Carriage Services Inc.	5.52%
20 Walgreens Boots Alliance Inc.	1.41%	20 Walgreens Boots Alliance Inc.	5.34%
21 Manulife Financial Corp.	1.35%	21 Manulife Financial Corp.	5.11%
22 Slate Office REIT	1.34%	22 Slate Office REIT	5.04%
23 Pizza Pizza Royalty Corp.	1.34%	23 Pizza Pizza Royalty Corp.	5.06%
24 Boston Pizza Royalties Income Fund	1.29%	24 Boston Pizza Royalties Income Fund	4.88%
25 Stella-Jones Inc.	1.23%	25 Stella-Jones Inc.	4.65%
<b>Total portfolio represented by long positions</b>	<b>61.54%</b>	<b>Total Net Asset Value represented by long positions</b>	<b>232.47%</b>
<b>Short Positions – Covered Call Contracts</b>			
1 Hudbay Minerals Inc., July 2017 @ \$7.00 CAD	-0.08%	1 Hudbay Minerals Inc., July 2017 @ \$7.00 CAD	-0.28%
2 Lundin Mining Corp., July 2017 @ \$7.00 CAD	-0.08%	2 Lundin Mining Corp., July 2017 @ \$7.00 CAD	-0.30%
3 Walgreens Boots Alliance Inc., July 2017 @ \$79.00 USD	-0.02%	3 Walgreens Boots Alliance Inc., July 2017 @ \$79.00 USD	-0.07%
4 Walt Disney Co, July 2017 @ \$106.00 USD	-0.04%	4 Walt Disney Co, July 2017 @ \$106.00 USD	-0.13%
<b>Total portfolio represented by short positions</b>	<b>-0.22%</b>	<b>Total Net Asset Value represented by short positions</b>	<b>-0.79%</b>
<b>Short Positions – Cash Secured Put Contracts</b>			
1 Alimentation Couche-Tard Inc., July 2017 @ \$62.00 CAD	-0.06%	1 Alimentation Couche-Tard Inc., July 2017 @ \$62.00 CAD	-0.23%
2 Boyd Group Income Fund, July 2017 @ \$94.00 CAD	-0.02%	2 Boyd Group Income Fund, July 2017 @ \$94.00 CAD	-0.08%
3 Boyd Group Income Fund, July 2017 @ \$96.00 CAD	-0.04%	3 Boyd Group Income Fund, July 2017 @ \$96.00 CAD	-0.16%
4 Dollarama Inc., July 2017 @ \$120.00 CAD	-0.02%	4 Dollarama Inc., July 2017 @ \$120.00 CAD	-0.06%
5 Franco-Nevada Corp., July 2017, \$92.00 CAD	-0.04%	5 Franco-Nevada Corp., July 2017, \$92.00 CAD	-0.17%
6 Home Depot Inc., July 2017 @ \$155.00 USD	-0.07%	6 Home Depot Inc., July 2017 @ \$155.00 USD	-0.28%
7 Manulife Financial Corp., July 2017, \$24.00 CAD	-0.01%	7 Manulife Financial Corp., July 2017, \$24.00 CAD	-0.04%
8 Microsoft Corp., July 2017 @ \$70.00 USD	-0.06%	8 Microsoft Corp., July 2017 @ \$70.00 USD	-0.23%
9 New Flyer Industries Inc., July 2017 @ \$56.00 CAD	-0.05%	9 New Flyer Industries Inc., July 2017 @ \$56.00 CAD	-0.19%
<b>Total portfolio represented by short positions</b>	<b>-0.37%</b>	<b>Total Net Asset Value represented by short positions</b>	<b>-1.42%</b>
<b>Total portfolio represented by these holdings</b>	<b>60.95%</b>	<b>Total Net Asset Value represented by these holdings</b>	<b>230.26%</b>
<b>Cash and Cash Equivalents*</b>	<b>30.18%</b>	<b>Cash and Cash Equivalents*</b>	<b>114.02%</b>

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 June 30, 2017 the following forward currency contract is outstanding:

Buy CAD \$2,336,040.00, Sell USD\$1,800,000.00 @ 1.2978, due 31-July-2017

\* As at June 30, 2017 approximately 73% 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.faircourtasstetmgt.com](http://www.faircourtasstetmgt.com).





---

## Notice of No Auditor Review of the Semi-Annual Financial Statements

Faircourt Asset Management Inc., the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Fund's independent auditors have not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Chartered Professional Accountants Canada.



## Interim Statements of Financial Position (Unaudited)

	As at June 30, 2017	As at December 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Investments	\$ 12,656,096	\$ 16,164,158
Cash and short-term investments (Note 11)	5,424,765	1,708,210
Distributions, dividends and interest receivable	56,612	60,963
Unrealized gain on foreign currency forward contracts (Note 10)	-	11,418
	<u>18,137,473</u>	<u>17,944,749</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	159,324	141,142
Written options (Note 11)	105,059	38,192
Distributions payable to unitholders (Note 7)	59,861	39,907
Redemption payable (Note 5, Note 6)	1,073,529	-
Unrealized loss on foreign currency forward contracts (Note 10)	372	-
Preferred securities issued (Note 5)	11,981,480	12,077,340
	<u>13,379,625</u>	<u>12,296,581</u>
<b>Net assets attributable to holders of redeemable units (Note 6)</b>	<b>\$ 4,757,848</b>	<b>\$ 5,648,168</b>
Redeemable trust units outstanding (Note 6)	827,935	997,684
<b>Net assets attributable to holders of redeemable units per unit</b>	<b>\$ 5.75</b>	<b>\$ 5.66</b>

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

## Interim Statements of Comprehensive Income (Unaudited)

	Period ended June 30, 2017	Period ended June 30, 2016
<b>Income</b>		
Net gains (losses) on investments and derivatives		
Distributions and dividends	\$ 145,032	\$ 159,843
Interest for distribution purposes	3,312	1,508
Income from derivatives (Note 11)	527,407	571,940
Realized gain on sale of investments	1,318,599	654,921
Realized gain (loss) on foreign currency forward contracts	67,020	(6,400)
Change in unrealized appreciation (depreciation) on investments and derivatives	(967,030)	338,974
	<u>1,094,340</u>	<u>1,720,786</u>
Other income		
Foreign exchange loss	(87,450)	(136,371)
	<u>1,006,890</u>	<u>1,584,415</u>
<b>Expenses</b>		
Management fees (Note 8)	120,413	122,354
Service fee (Note 8)	13,257	13,743
Audit fees	15,621	14,272
Legal fees	5,319	10,598
Securityholder reporting costs	42,013	52,370
Custodial fees	5,273	7,370
Independent review committee fees	8,086	8,147
Interest on preferred securities (Note 5)	362,320	415,728
Commissions and other portfolio transaction costs (Note 9)	20,892	25,078
Withholding taxes	7,088	5,315
	<u>600,282</u>	<u>674,975</u>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>406,608</b>	<b>909,440</b>
<b>Increase in net assets attributable to holders of redeemable units per unit</b> <sup>(1)</sup>	<b>\$ 0.41</b>	<b>\$ 0.74</b>

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

(1) Based on the weighted average number of units outstanding during the period (Note 6)



## Interim Statements of Cash Flows (Unaudited)

	Period ended June 30, 2017	Period ended June 30, 2016
<b>Cash flows provided by (used in) operating activities</b>		
Increase in net assets attributable to holders of redeemable units	\$ 406,608	\$ 909,440
<b>Adjustments for:</b>		
Purchase of investment securities and derivatives	(7,083,516)	(10,907,892)
Proceeds from disposition of investment securities and derivatives	11,044,600	13,095,079
Decrease in distributions, dividends and interest receivable	4,351	15,595
Increase (decrease) in accounts payable and accrued liabilities	18,182	(25,117)
Net change in unrealized depreciation (appreciation) on investments and derivatives	944,234	(344,042)
Net realized gain on sale of investments	(1,318,599)	(654,921)
	<b>4,015,860</b>	<b>2,088,142</b>
<b>Cash flows used in financing activities</b>		
Distributions to holders of redeemable units	(299,305)	(293,484)
<b>Net increase in cash and short-term investments during the period</b>	<b>3,716,555</b>	<b>1,794,658</b>
<b>Cash and short-term investments, beginning of period</b>	<b>1,708,210</b>	<b>2,051,890</b>
<b>Cash and short-term investments, end of period</b>	<b>\$ 5,424,765</b>	<b>\$ 3,846,548</b>
<b>Represented by:</b>		
Cash	3,867,158	3,846,548
Short-Term Investments	1,557,607	-
	<b>\$ 5,424,765</b>	<b>\$ 3,846,548</b>
<b>Supplemental cash flow information</b>		
Interest received *	\$ 3,312	\$ 1,508
Dividends received, net of withholding taxes *	\$ 146,095	\$ 173,574
Interest paid (financing)	\$ (362,320)	\$ (415,728)

\* Included in operating activities

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

## Interim Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited)

	Period ended June 30, 2017	Period ended June 30, 2016
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>\$ 406,608</b>	<b>\$ 909,440</b>
<b>Unitholder transactions (Note 6)</b>		
Unitholder redemptions	(977,669)	(1,252,159)
<b>Distributions to holders of redeemable units</b>		
Return of capital	(319,259)	(293,484)
<b>Net decrease in net assets attributable to holders of redeemable units during the period</b>	<b>(890,320)</b>	<b>(636,203)</b>
<b>Net assets attributable to holders of redeemable units, beginning of period</b>	<b>5,648,168</b>	<b>6,361,351</b>
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 4,757,848</b>	<b>\$ 5,725,148</b>

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

# Schedule of Investments

As at June 30, 2017  
(Unaudited)



Number of Shares	Security	Cost (\$)	Fair Value (\$)	Percent of Portfolio	
<b>Power and Pipeline</b>					
5,000	Inter Pipeline Ltd.	\$ 140,120	\$ 127,000	0.71%	<b>0.71%</b>
<b>Industrials</b>					
3,000	Boyd Group Income Fund	182,989	288,450	1.61%	
8,000	Canadian National Railway Co.	714,897	841,760	4.68%	
8,000	New Flyer Industries Inc.	390,393	433,920	2.42%	
5,000	Stella-Jones Inc.	217,941	221,300	1.23%	
9,000	Waste Connections Inc.	567,987	751,770	4.18%	<b>14.12%</b>
<b>Financials</b>					
15,000	Element Fleet Management Corp.	185,037	133,500	0.73%	
300	Fairfax Financial Holdings Ltd.	159,044	168,603	0.93%	
13,000	Goeasy Ltd.	256,758	358,800	2.00%	
10,000	Manulife Financial Corp.	240,649	243,100	1.35%	
2,000	Royal Bank of Canada	181,626	188,320	1.05%	
7,000	Toronto Dominion Bank	424,554	457,450	2.54%	<b>8.60%</b>
<b>Real Estate Investment Trusts</b>					
7,000	American Homes 4 Rent	195,775	205,182	1.15%	
20,500	Canadian Apartment Properties REIT	413,381	688,185	3.83%	
77,000	InterRent REIT	550,016	622,930	3.47%	
37,500	Pure Multi Family REIT LP	303,588	326,250	1.81%	
30,000	Slate Office REIT	239,615	240,000	1.34%	
61,700	Slate Retail REIT	796,777	842,205	4.69%	
29,900	WPT Industrial REIT	445,755	505,581	2.81%	<b>19.10%</b>
<b>Consumer Discretionary / Staples</b>					
5,000	Alimentation Couche-Tard Inc.	304,424	310,800	1.73%	
10,000	Boston Pizza Royalties Income Fund	172,290	232,000	1.29%	
7,500	Carriage Services Inc.	207,733	262,597	1.46%	
3,000	Dollarama Inc.	331,972	371,730	2.07%	
2,200	Home Depot Inc.	430,393	438,285	2.44%	
31,900	Hudson's Bay Co.	350,746	369,083	2.05%	
15,000	Park Lawn Corp.	256,020	282,300	1.57%	
14,000	Pizza Pizza Royalty Corp.	191,695	240,520	1.34%	
2,500	Walgreens Boots Alliance Inc.	263,042	254,253	1.41%	
5,900	Walt Disney Co	746,349	814,123	4.53%	<b>19.89%</b>
<b>Utilities</b>					
12,500	Brookfield Infrastructure Partners LP	542,367	663,000	3.69%	
3,000	Transcanada Corp.	137,250	185,460	1.03%	<b>4.72%</b>
<b>Information Technology</b>					
2,000	Microsoft Corp.	178,676	179,039	1.00%	<b>1.00%</b>
<b>Materials</b>					
25,000	Hudbay Minerals Inc.	244,865	187,500	1.04%	
30,000	Lundin Mining Corp.	233,400	221,100	1.23%	<b>2.27%</b>
<b>Total Long Positions – Equity Investments</b>		<b>\$ 11,198,124</b>	<b>\$ 12,656,096</b>	<b>70.41%</b>	



## Schedule of Investments (continued)

As at June 30, 2017  
(Unaudited)

Number of Options	Holdings/Expiry Date/Strike Price	Underlying Interest	Cost (\$)	Fair Value (\$)	Percent of Portfolio	
<b>Short Positions – Covered Call Contracts</b>						
(250)	Hudbay Minerals Inc., July 2017 @ \$7.00 CAD	(25,000)	\$ (4,625)	\$ (13,500)	-0.08%	
(300)	Lundin Mining Corp., July 2017 @ \$7.00 CAD	(30,000)	(7,050)	(14,100)	-0.08%	
(25)	Walgreens Boots Alliance Inc., July 2017 @ \$79.00 USD	(2,500)	(5,747)	(3,377)	-0.02%	
(40)	Walt Disney Co, July 2017 @ \$106.00 USD	(4,000)	(4,518)	(6,390)	-0.04%	
<b>Total Short Positions – Covered Call Contracts</b>			<b>\$ (21,940)</b>	<b>\$ (37,367)</b>	<b>-0.22%</b>	<b>-0.22%</b>
<b>Short Positions – Cash Secured Put Contracts</b>						
(80)	Alimentation Couche-Tard Inc., July 2017 @ \$62.00 CAD	(8,000)	\$ (6,640)	\$ (10,880)	-0.06%	
(50)	Boyd Group Income Fund, July 2017 @ \$94.00 CAD	(5,000)	(4,900)	(3,625)	-0.02%	
(50)	Boyd Group Income Fund, July 2017 @ \$96.00 CAD	(5,000)	(8,400)	(7,625)	-0.04%	
(30)	Dollarama Inc., July 2017 @ \$120.00 CAD	(3,000)	(6,240)	(2,850)	-0.02%	
(50)	Franco-Nevada Corp., July 2017, \$92.00 CAD	(5,000)	(6,600)	(7,900)	-0.04%	
(40)	Home Depot Inc., July 2017 @ \$155.00 USD	(4,000)	(9,120)	(13,090)	-0.07%	
(100)	Manulife Financial Corp., July 2017, \$24.00 CAD	(10,000)	(2,650)	(1,700)	-0.01%	
(40)	Microsoft Corp., July 2017 @ \$70.00 USD	(4,000)	(8,550)	(10,909)	-0.06%	
(45)	New Flyer Industries Inc., July 2017 @ \$56.00 CAD	(4,500)	(4,410)	(9,113)	-0.05%	
<b>Total Short Positions – Cash Secured Put Contracts</b>			<b>\$ (57,510)</b>	<b>\$ (67,692)</b>	<b>-0.37%</b>	<b>-0.37%</b>
<b>Total Investments and Derivatives before Cash and Short-Term Investments</b>			<b>\$ 11,118,674</b>	<b>\$ 12,551,037</b>	<b>69.82%</b>	
<b>Cash</b>						
	Canadian Dollar		\$ 2,436,256	\$ 2,436,256	13.55%	
	U.S Dollar		1,430,902	1,430,902	7.96%	
<b>Short-Term Investments – USD</b>						
1,200,000	United States Treasury Bill, 0.75%, 2017/07/27		1,586,098	1,557,607	8.67%	
<b>Total Cash and Short-Term Investments</b>			<b>\$ 5,453,256</b>	<b>\$ 5,424,765</b>	<b>30.18%</b>	<b>30.18%</b>
<b>Total Investments, Derivatives, Cash and Short-Term Investments</b>			<b>\$ 16,571,930</b>	<b>\$ 17,975,802</b>	<b>100%</b>	
Less: Adjustments for transactions costs (Note 3)			(23,618)	-		
			<b>\$ 16,548,312</b>	<b>\$ 17,975,802</b>	<b>100%</b>	

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

# Notes to the Financial Statements

June 30, 2017  
(Unaudited)



## 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 August 25, 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 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.



# Notes to the Financial Statements

June 30, 2017  
(Unaudited)

## 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.

## 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. 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.

## h) Fair Value of Financial Instruments other than Investments and Derivatives

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



# Notes to the Financial Statements

June 30, 2017  
(Unaudited)



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 upon expiry or exercise of the option. Premiums paid for buying options are applied against "Income from derivatives" in the Statements of Comprehensive Income.

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.

#### 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, 2017 \$95,860 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 7, 2017.

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.

#### Issued & Outstanding:

	Period Ended June 30, 2017 Shares	Period Ended June 30, 2017 Amounts (\$)
Balance 6.00% Preferred, beginning of period	1,207,734	\$ 12,077,340
Redemption of 6.00% Preferred	(9,586)	(95,860)
<b>Balance, end of period</b>	<b>1,198,148</b>	<b>\$ 11,981,480</b>
	Period Ended June 30, 2016 Shares	Period Ended June 30, 2016 Amounts (\$)
Balance 6.00% Preferred, beginning of period	1,393,500	\$ 13,935,000
Redemption of 6.00% Preferred	(85,766)	(857,660)
<b>Balance, end of period</b>	<b>1,307,734</b>	<b>\$ 13,077,340</b>



# Notes to the Financial Statements

June 30, 2017  
(Unaudited)

As at June 30, 2017, the 6.00% Preferred Securities ended trading on the Toronto Stock Exchange at \$10.07 per Security (June 30, 2016, the 6.00% Preferred Securities ended trading at \$10.11). The fair value of the liability represented by the outstanding Preferred Securities as at June 30, 2017 was approximately \$12.07 million (June 30, 2016 – \$13.22 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.

	Period Ended June 30, 2017 Units	Period Ended June 30, 2016 Units
Balance, beginning of period	997,684	1,222,856
Redemption	(169,749)	(225,172)
<b>Balance, end of period</b>	<b>827,935</b>	997,684
Weighted average number of trust units outstanding during the period	996,746	1,221,619

At June 30, 2017 the Redeemable Trust Units ended trading on the Toronto Stock Exchange at \$5.40 per Unit (June 30, 2016 – \$5.00 per Unit). The fair value of the liability represented by the outstanding redeemable Trust Units as at June 30, 2017 was approximately \$4.47 million (June 30, 2016 – \$5.00 million).

On June 30, 2017, 169,749 redeemable Trust Units were tendered for redemption to the Trust for cash proceeds of \$0.98 million in accordance with the Trust’s annual redemption privileges. Payment was made in full on July 7, 2017.

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.

## 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. On March 8, 2017 the Trust announced a change in the distribution rate. Commencing with the March 2017 distribution, the Trust increased its monthly distribution to \$0.06 per Trust Unit. The Trust’s ability to continue variable distributions 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 two regular monthly distributions of \$0.04 per Trust Unit and four regular monthly distributions of \$0.06 per Trust Unit declared during the period ended June 30, 2017 (2016 – six regular monthly distributions of \$0.04 per Trust Unit declared during the period ended June 30, 2016).

## 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. The Management Fee is 1.1% per annum of the total assets of the Trust, plus applicable taxes, calculated daily and payable monthly in arrears to the Manager.

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 June 30, 2017 included in accounts payable and accrued liabilities is approximately \$18,000 of management fee and approximately \$6,100 of service fee payable to the Manager (December 31, 2016 – approximately \$16,400 of management fee and approximately \$5,500 of service fee payable to the Manager).

## 9. Brokerage Commissions

Brokerage commissions paid to dealers for portfolio transactions during the period ended June 30, 2017 totaled \$20,892 (2016 – \$25,078). For the periods ended June 30, 2017 and 2016 there were no soft dollar amounts paid.

## 10. Forward Contracts

As at June 30, 2017 and December 31, 2016, the Trust used currency forward contracts to hedge foreign exchange risk associated with its US dollar equity investments.

# Notes to the Financial Statements

June 30, 2017  
(Unaudited)



The following foreign currency forward contract was held by the Trust at June 30, 2017:

Contract	Face Value Local	Settlement Date	Contract	Face Value Local	Unrealized Gain (loss)
Sell	USD\$ 1,800,000	31-Jul-2017	Buy	CAD\$ 2,336,040	CAD\$ (372)

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

As at June 30, 2017 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, 2016 – 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 June 30, 2017 a total of approximately \$4.0 million (December 31, 2016 – \$0.75 million) in cash and short-term investments has been pledged for cash secured puts.

As at June 30, 2017 securities at carrying value of approximately \$1.2 million (December 31, 2016 – \$2.0 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 June 30, 2017 and December 31, 2016 (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 June 30, 2017 is included in the Schedule of Investments.

The portfolio allocation, based on percentage of portfolio, as at December 31, 2016 was as follows:

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 – Cash Secured Put Contracts	(0.07%)
Short Positions – Covered Call Contracts	(0.14%)
	<b>100.00%</b>

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 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 June 30, 2017 and December 31, 2016, 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,



# Notes to the Financial Statements

June 30, 2017  
(Unaudited)

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 June 30, 2017:

Currency	Non-monetary Exposure	Monetary Exposure	Currency Forward Contract	Net Exposure	Impact, Total
United States Dollar	\$2,625,293	2,988,221	\$(2,337,660)	3,275,854	\$163,793
Percentage of Net Assets Attributable to Holders of Redeemable Units all amounts in CAD\$	55.18%	62.81%	(49.14)%	68.85%	3.44%

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 all amounts in CAD\$	67.71%	28.78%	(47.49)%	49.00%	2.45%

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 June 30, 2017 the gross currency exposure as a percentage of total portfolio was 31.23% (December 31, 2016 – 30.56%) or 18.22% (December 31, 2016 – 15.52%) 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 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 will amplify market movements.

As at June 30, 2017 and December 31, 2016, the majority of the Trust's investments were traded on global stock exchanges. If equity prices had increased or decreased by 10% as at June 30, 2017, 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 \$1.27 million (December 31, 2016 – \$1.62 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

# Notes to the Financial Statements

June 30, 2017  
(Unaudited)



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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016 the Trust used currency forwards to hedge foreign exchange risk associated with its US dollar equity investments. As at June 30, 2017 the counterparty to the forward contracts has received a credit rating of A+ from Standard & Poors and AA from DBRS (December 31, 2016 – 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 June 30, 2017 and December 31, 2016, 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.





## Notes to the Financial Statements

June 30, 2017  
(Unaudited)

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 June 30, 2017 and December 31, 2016:

### As at June 30, 2017

Assets	Level 1		Level 2		Level 3		Total
Equities – long	\$	12,656,096	\$	-	\$	-	\$ 12,656,096
	\$	12,656,096	\$	-	\$	-	\$ 12,656,096
Liabilities	Level 1		Level 2		Level 3		Total
Options – short	\$	105,059	\$	-	\$	-	\$ 105,059
Foreign currency forward contract	\$	-	\$	372	\$	-	\$ 372
	\$	105,059	\$	372	\$	-	\$ 105,431

### 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

Cash and short term investments are classified as Level 1 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.

## Notes to the Financial Statements

June 30, 2017  
(Unaudited)

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

**Period ended June 30, 2017:**

	HFT	FVTPL
Distributions and dividends	\$ -	\$ 145,032
Interest for distribution purposes	\$ -	\$ 3,312
Income from derivatives	\$ 527,407	\$ -
Realized gain on sale of investments	\$ -	\$ 1,318,599
Realized gain on foreign currency forward contracts	\$ 67,020	\$ -
Change in unrealized depreciation on investments and derivatives	\$ (156,319)	\$ (810,711)
	\$ 438,108	\$ 656,232

**Period ended June 30, 2016:**

	HFT	FVTPL
Distributions and dividends	\$ -	\$ 159,843
Interest for distribution purposes	\$ -	\$ 1,508
Income from derivatives	\$ 571,940	\$ -
Realized gain on sale of investments	\$ -	\$ 654,921
Realized loss on foreign currency forward contracts	\$ (6,400)	\$ -
Change in unrealized appreciation (depreciation) on investments and derivatives	\$ (1,286)	\$ 340,260
	\$ 564,254	\$ 1,156,532

**15. Subsequent Event**

On July 27, 2017 \$1,600,000 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, 2017.





# 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 June 30, 2017, 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](http://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

## Portfolio Management

---

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

## Faircourt Asset Management Inc.

---

110 Yonge St., Suite 501  
Toronto, Ontario M5C 1T4

Phone: 416-364-8989  
1-800-831-0304

Fax: 416-360-3466

Email: [info@faircourtassetmgt.com](mailto:info@faircourtassetmgt.com)

Website: [www.faircourtassetmgt.com](http://www.faircourtassetmgt.com)

## 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. —