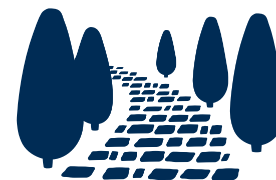
FAIRCOURT

SPLIT TRUST



First Quarter 2018

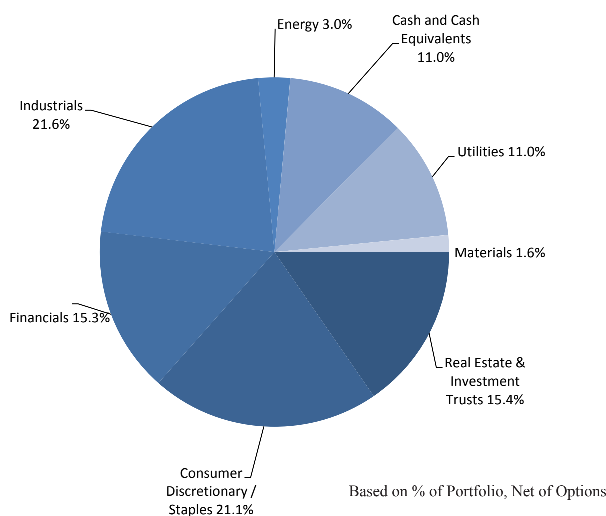
Inception Date: March 17, 2006
Fund Manager: Faircourt Asset Management Inc.
Portfolio Advisor: Faircourt Asset Management Inc.
TSX Symbols: FCS.UN & FCS.PR.C

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

TOP TEN HOLDINGS as at March 31, 2018

- Alimentation Couche-Tard
- Brookfield Infrastructure
- CAP REIT
- Canadian Pacific Railway
- Home Depot
- InterRent REIT
- New Flyer Industries
- Stella-Jones
- Toronto-Dominion Bank
- Walt Disney Co

PORTFOLIO ALLOCATION



Based on % of Portfolio, Net of Options

Investment Objectives

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

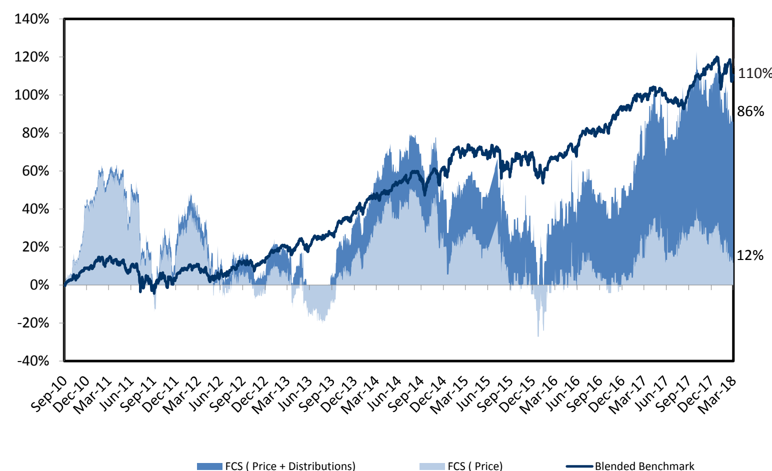
The investment objectives with respect to the Preferred Securities are (i) to provide Securityholders priority distributions of interest in the amount of $0.15 per quarter ($0.60 per annum to yield 6.0% per annum on the subscription price of $10.00); and (ii) to repay to Preferred Securityholders, on June 30, 2019 in priority to any return of the original subscription price to Unitholders, the original subscription price of the Preferred Securities.

The investment objectives with respect to the Trust Units are: (a) to provide Unitholders with a stable stream of tax efficient monthly cash distributions currently $0.06 per Trust Unit per month to yield 13.71% (market price as at March 31, 2018), a portion of which is tax-deferred; and (b) to return to Unitholders, on December 31, 2019 at least the original subscription price of the Units.

The following shows the returns since the merger for the trust units ending September 30, 2010. The returns are calculated in Canadian dollars.

PERFORMANCE SINCE SEPTEMBER 30, 2010
PAST PERFORMANCE

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



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

Returns for Year Ended March 31, 2018

	1 Year	3 Year	5 Year	Since Inception*
FCS Price (1)	10.58%	6.95%	9.41%	8.63%
FCS NAV (1,3)	-1.63%	3.20%	6.66%	5.49%
FCS Index (CAD) (2)	4.26%	6.28%	10.49%	9.51%

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

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

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Management fees and expenses are associated with an investment in the fund. The performance data provided assumes reinvestment of distribution only and does not take into account redemption charges or income taxes payable by any security holder that would have reduced returns. An investment in the fund is not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer. There can be no assurance that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated.

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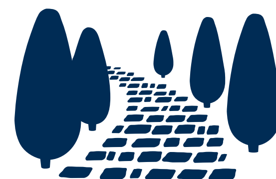
SPLIT



Faircourt Split Trust: March 2018 Update

In January, Canadian GDP growth softened after a strong 2017. A combination of a slower housing market and increased concerns about the potential for changes to NAFTA were weighing on investor's minds. A less robust housing market is beginning to have a significant effect with foreign buyer taxes in Toronto and Vancouver, a new mortgage stress test for uninsured buyers, and an increase on long end of the interest rate curve all having a role in leading to a drop in national home sales.

While trade concerns and a softening in the housing market hang over equity markets, inflation picked up more than analysts expected in February to the fastest level in more than three years. Consumer prices accelerated in the quarter and the concern is that inflation may add pressure on the Bank of Canada which has to date kept the economic expansion moving forward going with the low interest rates. Higher prices for gas, automobiles and mortgage interest are key drivers. With added wage pressure from the mandated higher minimum wage rates imposed in Ontario, the national economy has additional challenges. Despite inflationary worries the BOC is also warning that the economy may have weakness, and as such the Bank of Canada may have a reason to be cautious with respect to its approach on interest rates.

Even with the headwinds noted above, the economy delivered 32,300 net new jobs in March that helped hold the national unemployment rate at record lows. StatsCan stated the jobless rate stayed at 5.8% matching its lowest level since 1976.

In the US, first-quarter earnings estimates are strong, with S&P earnings projected to have grown 17% in the first quarter, aided by new tax laws. Some of the elements of US tax changes include incentives for corporation that have since the 1990's sent capital, IP, and earnings outside the US to countries with more competitive tax regimes. Now, there is not only a repatriation incentive but there is also a lower tax rate once you move operations back to US. More capital investment should lead to more jobs being created, and we may see higher wage inflation, a leading indicator of inflationary pressure for the US economy.

The US added 313,000 jobs in February, the most since July 2016. For the 5th month in a row, the jobless rate remained unchanged at 4.1%, a 17-year low while the labour participation also increased as hundreds of thousands of people came back into the job market. Since October, year-over-year wage growth had been rising leaving the 12-month average at 2.6%, higher than last year's average, but still below what many economists believe would signal a tight job market.

The increase in average hourly earnings in January was widely cited as causing a market sell-off over speculation that the Federal Reserve might raise rates more aggressively than it has planned. That could put a damper on lending, hiring and business expansion.

The question is whether it is possible that the US can have sustainable job growth with the unemployment rate at historical lows without significant wage pressure? We believe there is a significant danger that the recent tax reform stokes an already tight labour market leading to wage inflation. February, the S&P 500 suffered it's first monthly drop in over a year, ending one of the index's longest monthly winning streaks on record.

Equity markets ran into rising bond yields that were pricing in the threat of inflation. Investors also worried the US economy, boosted by huge tax cuts, would overheat and force the Federal Reserve to raise interest rates. The fear is that inflation will cause the US Fed to cool the economy off by aggressively raising rates, ending the party on Wall Street.

In addition to inflation risks that have presented market jitters, the threat of trade wars has also had a significant impacton global equity markets. During March, equity markets suffered negative trading days as President Trump announcement that he would impose tariffs, initially on steel and aluminum and then focussed his attention on billions of dollars of Chinese imports.

A main target of the President's trade war mongering is China. US trade representatives have announced tariffs on up to $60 billion of imported goods from China in retaliation for what the President calls decades of intellectual property theft. And whether people agree with his tactics, it is hard to argue against this point. For years, China has signed trade deals and then demanded companies provide intellectual property to Chinese controlled subsidiaries. The President imposed tariffs of 25% and 10%, respectively, on steel and aluminum imports, which prompted China to say it would retaliate with tariffs of its own. The announcement of levies against global steel and aluminum imports in early March led to the implementation of levies on March 23, however 50% of all US steel imports were exempt from those tariffs as the President excluded Brazil, South Korea, Mexico and Canada from tariffs. In retaliation to US tariffs, China announced 25% tariffs on $3 billion worth of US goods, yet that only amounts to $750 million of a $19 trillion economy.

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

As the North American economy continues to grow, having exposure to the rail business provides the Fund with leverage to that growth. The Fund owns both CN and CP. Continued growth in the U.S. economy is dependent on North American rail service. Railroads are the backbone of commercial transportation in North America moving about 40% of the freight in the United States, more than that carried by trucks, ships or pipelines. With a strong economy, businesses transport more freight and railroads receive a hefty share of the increase in activity. Railroads, in addition to their other advantages, also have a lighter carbon footprint than the trucking industry. Although CN reports its earnings in Canadian dollars, a large portion of its revenues and expenses is denominated in U.S. dollars.

During the quarter we took advantage of an opportunity in the market and established a position in Hydro One, (TSX:H) Canada's largest electricity transmission and distribution service provider. Hydro One pays a healthy dividend while it distributes electricity to 38% of Canada's population. The company also has expansion plans with its announced $6.7 billion acquisition of northwestern U.S. energy company Avista Corp. a regulated utility that operates in Alaska, Idaho, Montana, Oregon, and Washington. US Regulators have cleared the acquisition and barring unforeseen hurdles, H should begin operating in the western states in the second half of this year.

Parklawn Corporation (TSX:PLC) is the largest publicly traded funeral, cremation and cemetery provider in Canada. Since 2013 PLC has grown from 6 cemetery properties in Toronto to a portfolio of 102 properties and businesses operating across Canada and the US. Its annual results witnessed strong revenue growth in its fiscal year ending December 31, 2107 with a year-over-year increase of 29.8% and after adjusting for certain non-cash and non-recurring items, PLC adjusted net earnings increased by 75.2% to $8,559,921 in 2017. As in other names we have held in the portfolio such as Boyd Group, we see PLC as an effective consolidator in a fragmented industry, acquiring single location operators and regional enterprises improving and streamlining existing facilities.

To generate additional returns and reduce risk, the Fund writes covered calls on securities held in the portfolio and cash secured put options on securities desired to be held in the portfolio. We believe that option writing can continue to add incremental value going forward.

Since inception of the option-writing program in 2009, the Fund has generated significant income from option premium of approximately $10.7 million or $4.88 per weighted average number of Trust Units outstanding.

The Fund generated significant income from option writing of approximately $0.24 million or $0.21 per weighted average number of Trust Units outstanding during the quarter ended March 31, 2018 declaring regular monthly distributions totaling $0.18 per Trust Unit.

For the quarter ending March 31, 2018, the Fund's market price return combined with paid distributions during the year generated a -9.42% return under-performing the benchmark return of -2.53% for the benchmark in the quarter.