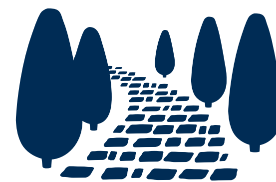


FAIRCOURT

SPLIT TRUST

Fourth Quarter 2019

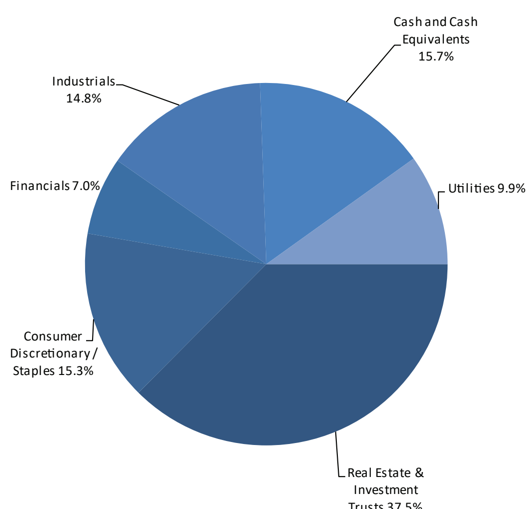
Inception Date: March 17, 2006
Fund Manager: Faircourt Asset Management Inc.
Portfolio Advisor: Faircourt Asset Management Inc.
NEO Symbol: FCS.UN

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 December 31, 2019

- Americold Realty Trust
- Brookfield Asset Mgmt Inc
- Brookfield Infrastructure
- BSR REIT
- CAP REIT
- Costco Wholesale Corp
- Granite REIT
- InterRent REIT
- Prologis Inc
- Waste Connections Inc.

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.

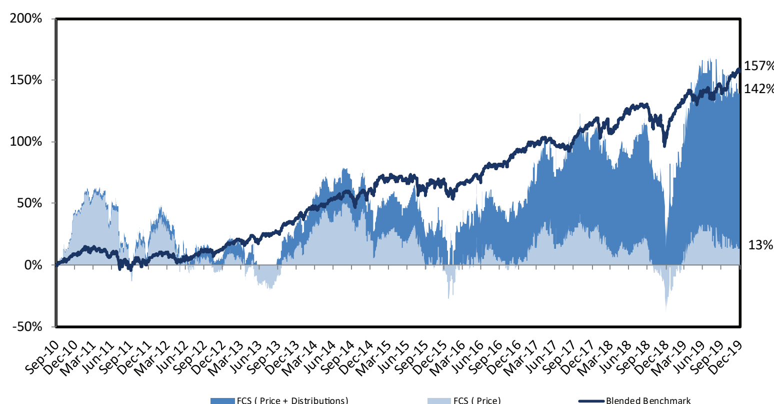
The investment objectives with respect to the Preferred Securities are (i) to provide Securityholders priority distributions of interest in the amount of $0.15 per quarter ($0.60 per annum to yield 6.0% per annum on the subscription price of $10.00); and (ii) to repay to Preferred Securityholders, on June 30, 2024 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 13.5% (market price as at December 31, 2019), a portion of which is tax-deferred; and (b) to return to Unitholders, on June 30, 2024 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 December 31, 2019

	1 Year	3 Year	5 Year	Since Inception*
FCS Price (1)	112.15%	17.08%	10.85%	11.84%
FCS NAV (1,3)	81.83%	13.05%	10.71%	7.83%
FCS Index (CAD) (2)	23.58%	9.01%	8.65%	10.12%

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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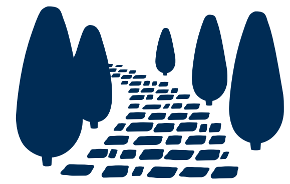
Management fees and expenses are associated with an investment in the fund. The performance data provided assumes reinvestment of distribution only and does not take into account redemption charges or income taxes payable by any security holder that would have reduced returns. An investment in the fund 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.

FAIRCOURT SPLIT TRUST



Fourth Quarter 2019

The US economy wavered in 2019 after growth revved up in 2018 to a 13-year high. The second half of 2019 featured a change in direction with US Federal Reserve policy, heightened tensions related to US-China trade issues, and a weakening economic picture in Canada without any significant action from the Bank of Canada. Despite the first step in the China-US trade deal being signed in early Jan 2020, there are ongoing trade tensions with China that have hurt U.S. manufacturing and investment. The softening in the US economy led to the US Federal Reserve, beginning in August, to end its tightening stance from 2018 with three interest rate cuts largely in the second half of the year, partly reversing four rate increases in the previous year. For the year the S&P/TSX Composite returned 19%, which was the best performance for the CDN market since 2009. For the S&P 500, performance for 2019 reached 28.9%, with 10 of 11 sectors generating positive returns

Aided by a more accommodative US Federal Reserve, U.S. GDP came in at a 2.1% over the summer. In addition, durable goods orders rebounded in October from a decrease the month before, while initial claims for state unemployment benefits declined. The pace of growth in the U.S. economy was left at 2.1% in the third quarter, as strong consumer spending was offset by weaker business investment in inventories. The US Federal Reserve has helped fuel the "goldilocks" economic backdrop, not too much inflation, not too much growth and interest rates just right to keep the economy moving forward.

US – China trade dispute; during much of 2019, there were threats of increased barriers to trade between the two largest economies in the world. However, more important than merely the trade dispute was China's stance with respect to US technology and how over the years, it had misused proprietary US technology. Over the years it was as if US companies and various US Administrations had turned a blind eye to the practice. The current President wanted to change the practice as part of his American jobs and America First initiatives. The combining of trade issues and technology sharing have spilled over to create an uneasy trade negotiation. As the second half of the year progressed market reaction was that a deal was in the works. However as we write, only minor trade agreements have been reached. We believe that sabre rattling by either side in this dispute could lead once again to rallying in the gold price.

Despite the changing interest rate environment in the US, the Bank of Canada held off on changing its interest rate stance, resisting pressure from market analysts who have been worried over a weakening economic picture. In August, the CD Howe Institute's Monetary Policy Council, in an independent assessment of the strength of the economy suggested the BOC should lower the benchmark rate to 1.25% from 1.75%. Despite stronger jobs reports late in the year, the CD Howe Institute still feels that a reduction in the benchmark would be beneficial to assist in sustaining economic growth.

The employment picture was uncertain as the year ended. Canada's gross domestic product, which tracks broad activity in goods and services in the economy, declined 0.1% in October from the previous month to a seasonally adjusted 1.975 trillion Canadian dollars ($1.5 trillion). October's month-over-month decrease was the first in eight months. On a year-over-year basis, the Canadian economy grew 1.2%. The October GDP report was the latest in a string of disappointing indicators for the Canadian economy, which outside of housing is demonstrating tepid strength.

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 focus of the Fund is to provide a portfolio solution to investors interested in a lower volatility portfolio while addressing the need for income. Bond yields are too low and equities are increasingly volatile. While we cannot ignore the political headlines around the world that will surely generate ample volatility in global equities and currencies, the Fund will continue to focus on holding a diversified, but focused 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, disciplined need for debt or need to raise significant amounts of capital as well as having a lower dividend payout ratio. Core positions such as, Prologis Inc., Waste Connections Inc., Brookfield Asset Management, COSTCO Warehouse, Brookfield Infrastructure, InterRent REIT, and Canadian Apartment Properties REIT., meet these criteria and are expected to continue to make up a healthy weighting in the portfolio going forward.

A core holding that has done very well and is one of the largest owners and operators of critical infrastructure assets globally, spanning four major segments in 15 countries on five continents is Brookfield Infrastructure Partners. Brookfield's assets include sea ports, railroads, toll roads, cell towers, electric transmission systems, natural gas pipelines, and natural gas storage facilities. We like BIP as a core holding due to its scale, quality portfolio, stable and resilient regulated/contracted cash flows from its operating businesses, sponsorship from Brookfield Asset Management and it's ability to complete complex deals and source new investments where competition is more manageable. Brookfield is currently in a very active period, with many opportunities for new investment and to recycle capital and we are confident they will continue to manage leverage levels while generating returns on investments that are expected of them. Brookfield Infrastructure was up +44% for the year ended December 31, 2019 and we expect another good year of results from them.

During the first half of 2019, the Fund added a position in Americold Realty Trust. Americold, which debuted in the capital markets in 2018, is the world's largest and only publicly-traded owner/operator of temperature-controlled warehouses. Cold storage fundamentals are strong, historically predictable, and the services offered are mission critical to worldwide food distribution. We consider the refrigerated storage industry to possess attractive fundamentals, with demand increasing at a healthy pace, thanks to population growth urbanization trends and an ongoing shift towards fresh foods, coupled with modest supply growth. Americold has an industry leading 20% market share in the United States and approximately 4% market share internationally. Americold was up +41% since we initiated our position.

A new position in the Fund we introduced during the second half of the year was Brookfield Asset Management Inc. BAM is a global alternative asset manager focused on asset management, global real estate, renewable power, infrastructure and private equity. It's asset management platform should continue attracting capital and generate recurring fee revenues, and with institutional investor's appetite for real assets increasing we feel comfortable investing alongside BAM with their abilities to rotate capital and earn less volatile and more diversified risk adjusted returns. Despite the risk for an economic downturn the environment for investing capital into alternative assets continues to be very favorable. Global interest rates appear likely to stay low for a longer period of time causing investors to allocate larger amounts of their capital to alternative mandates. And with total assets under management over $500 billion we expect fundraising success and deployment into existing and additional operating businesses to continue to fund growth. Brookfield was up +46% since we initiated our position.

Another company we like and continue to see attractive organic growth is VISA as it continues to post impressive revenue growth and benefits immensely from the move away from cash based purchases to credit based settlement. While a recession would impact both consumer transaction volumes as well as dollar value of consumer purchases VISA, along with MasterCard, has done a phenomenal job shifting resources and attention to E-commerce and emerging markets. Both E-commerce volumes and growth in disposable income in emerging markets are set to rise materially over the next decade and VISA stands to benefit from this shift. VISA maintains a leading position in credit based settlement and has proven over the long term that it can successfully navigate in all economic environments. VISA returned +43% during the year ended December 31, 2019. We continue to be long term holders.

The Manager continues to see positive contributions from residential REIT's in Canada due to strong population growth, economic strength and declining housing affordability. On the supply side, the expansion of rent controls in Ontario along with a lack of land supply and rising development costs continue to discourage the construction of affordable rentals. The Fund maintains key holdings in Canadian Apartment Properties REIT ("CAP REIT"), and InterRent REIT (InterRent). CAP REIT is the largest apartment landlord in Canada with a strong presence in Ontario and Quebec. It currently manages approximately 45,500 suites and approximately 7,700 manufactured home community lease sites ("MHC"). MHC is a desirable asset class for CAP REIT as it provides for steady, stable and growing long-term cash flows with minimal capital expenditures. Going forward, CAP REIT is focused on modernizing and strengthening the quality of the portfolio and strength of its financial position via developments and presence in the MHC sector. InterRent operates in select eastern Canadian markets featuring the Greater Toronto Area, Montreal and Ottawa and is focused on buying properties that are re-positioned creating growth and sustainable distributions for investors. It currently manages approximately 10,000 suites with approximately 35% of its rental portfolio undergoing a range of value-enhancing initiatives. These improvements are expected to provide upside through increased average occupancy levels, rising rents for occupied suites, and improving net operating margins. InterRent management estimates that current in-place rents for its apartment portfolio may be 25% or more below estimated market rents. InterRent was up +22% and CAP REIT was up +23% respectively for the year ended December 31, 2019. We continue to hold our positions enthusiastically.

The Fund's rising exposure to industrial real estate continues to perform well with rising rents and lower capitalization rates driving returns. In the US, income growth is benefiting from the roll up of expiring leases to higher market rents. On average, quality industrial product remains in high demand. The Fund's industrial exposure is primarily through its investments in Prologis Inc. and Granite REIT. Prologis provides efficient logistics real estate solutions to the world and continues to be a top performer in the space. Granite REITs portfolio currently includes 79 income producing properties and 4 development properties operating in 9 countries in North America and Europe. Prologis was up +56% and Granite REIT was up +30% for the year ended December 31, 2019.

Since inception of the option-writing program in 2009, the Fund has generated significant income from option premium of approximately $12.11 million or $6.00 per weighted average number of Trust Units outstanding. For the year ended December 31, 2019, the Fund generated income from option writing of approximately $0.60 million or $0.58 per weighted average number of Trust Units outstanding. For the year ended December 31, 2019 the Fund returned +81.8% (NAV basis) and +112.2% (Price basis) versus the benchmark performance of +23.6%. The Fund's Managers maintained their focus and investment discipline as the Trust Units recovered from the steep downturn in the final weeks of 2018. As we enter 2020, we will continue to use our option writing program to re balance our portfolio weightings and generate a monthly income stream that we pay out to shareholders. Over the past several years we have attempted to reduce the number of holdings in our portfolio and manage its risk by not overpaying for growth and only hold a concentrated portfolio of its best ideas that will navigate the Fund through these cautious markets.