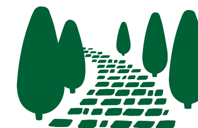
FAIRCOURT

GOLD INCOME CORP.



Second Quarter 2021

Inception Date: November 16, 2007
Fund Manager: Faircourt Asset Management Inc.
Portfolio Advisor: Faircourt Asset Management Inc.
NEO Symbol: FGX

FAIRCOURT GOLD INCOME CORP.

The Company invests in gold equities which include senior and intermediate gold producers that are part of the S&P/TSX Global Gold Index.

INVESTMENT OBJECTIVES

The Company's investment objectives are to provide Shareholders with: (i) monthly distributions targeted to be $0.04167 per month and currently $0.024 per month; and (ii) the opportunity for capital appreciation. Based on the market price as at June 30, 2021, the yield was 7.09%.

TOP TEN HOLDINGS as at June 30, 2021

- Agnico Eagle Mines Ltd.
- Alamos Gold Inc.
- B2Gold Corp.
- Endeavour Mining Corporation
- First Quantum Minerals Ltd.
- K92 Mining Inc.
- Kinross Gold Corp.
- Kirkland Lake Gold Ltd.
- MAG Silver Corp.
- Silvercrest Metals Inc.

OPTION WRITING

Our Manager believes that option writing has the potential to add value in certain sectors that have sustained volatility. Gold equities, which have historically maintained a high degree of volatility are well suited to an option writing strategy.

The sustained volatility in the gold equity sector allows the option writer the potential to generate significant premium income. In addition, an option writing strategy is an effective way to help lower the level of volatility for an investor, and potentially improve returns. In addition to its strong current fundamentals, the Manager believes the volatility in gold stocks will remain high relative to the broader market, producing sound returns for investors.

PRECIOUS METALS OUTLOOK

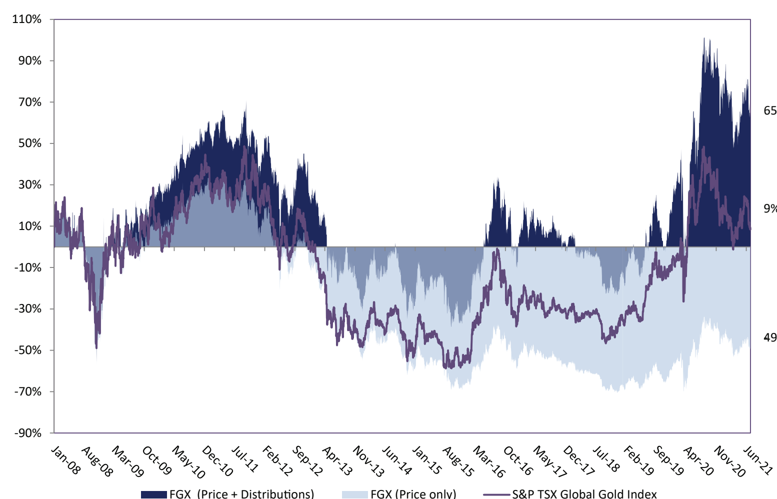
The Portfolio Advisor believes the fundamentals for investments in precious metals companies continue to be strong, especially during this uncertain global economic environment.

Driving the Portfolio Advisor's view are the following factors related to the demand for precious metals equity investments.

Current Global Economic Environment Supports Gold:

- Massive Stimulus from governments in response to the global pandemic
- Central Banks expanding balance sheets, and becoming buyer of last resort for many asset classes
- Concerns about the sluggish re-opening of the global economy
- New rounds of Quantitative Easing on the horizon
- Prolonged period of negative interest rates globally

PERFORMANCE SINCE JANUARY 1, 2008



Inception date is November 16, 2007, initial portfolio fully invested January 1, 2008.
Data is based on market price Source: Bloomberg

Returns for Period Ended June 30, 2021

	1 Year	3 Year	5 Year	10 Year	Since Inception*
FGX – Price [1,2]	7.85%	19.70%	6.84%	0.99%	2.41%
FGX – NAV [1,3]	-6.47%	19.11%	5.75%	0.54%	2.68%
FGX – Index	-13.27%	16.92%	11.28%	-0.98%	0.70%

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

Distribution History	Since Inception	2020	2019	2018	2017
Total Distributions Per Share	$6.19	$0.29	$0.29	$0.29	$0.29

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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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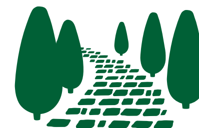

Second Quarter 2021

Since the second half of 2020 global economies have been in reflation, that is where both growth and inflation are accelerating on a trending basis. Propelled by exuberance around reopening and mass vaccinations, the second quarter of 2021 did not disappoint. From the pandemic low in March last year, global equities have risen over 85%, making the rally one of the quickest and stronger post-recession market recoveries on record. In this recovery phase, gold performance lagged during the first half of the year, with the gold price declining by -9.41% while the gold equites declined -5.44%. With spending iniitated during COVID showing little sign of abating, governments around the world continue to post wide deficits while maintaining a very accommodative monetary policy despite seeing a resurgence of inflation. Central banks appear more concerned with ensuring that the recovery proceeds rather than attempting to tamp down inflation. Inflation tends to be sticky, though and managing inflation without impacting the recovery will be a difficult task. We believe that an allocation to gold is prudent considering these risks.

Beyond the headlines, the breadth of the current economic recovery continues to be challenged. The consumer remains under-employed, over levered and over extended. The labour markets remain stressed, personal savings rates remain elevated, bankruptcies are continuing, and banks are reluctant to lend. At present, roughly 16 months after the pandemic began, there are still 16 million workers collecting unemployment insurance in America. For reference, at the peak of the Great Financial Crisis ("GFC"), in May of 2009, there were 6.5 million workers collecting unemployment insurance. So, we are still at 2.5x the peak of the GFC in terms of the number of insured unemployed.

In capital markets there a few narratives at play, one being interest rates and debt levels, two being the inflation/deflation debate, and lastly the sustained strength of the re-opening and the extent of the Federal Reserve's involvement in the recovery. All three are somewhat linked in capital markets and we will see whether this recovery continues to gain traction or begins to unwind in the second half of the year.

Since the GFC, America's appetite for debt has become extremely concerning, with the U.S Federal Reserve the primary buyer of Treasury issuance. The private sector and foreign governments are no longer the largest buyers especially since they are yielding below the inflation rate. Since the GFC the U.S. has grown it's Federal Debt to $28 Trillion—$7 Trillion of which (~40%) sits on the Federal Reserve's balance sheet. Meanwhile, Annual U.S. GDP has only risen by $7.4 Trillion to $22 Trillion. US Debt to GDP stood at 62% at the end of 2007. At the end of Q1 2021, it stood at 127%. That is a remarkable increase in 13 years. For further perspective, at 127% Debt to GDP the U.S. is tied for the 7th most heavily indebted country in the world. Ahead of America stand these 6 countries: Japan (237%), Venezuela (214%), Sudan (177%), Greece (174%), Lebanon (157%) and Italy (133%). In other words, the markets and government are too dependent and addicted to money printing. The longer this goes and the deeper the debt levels get, the riskier we are to the overall system becoming unhinged. We as investors must understand we are exiting every past financial crisis with more debt and less growth than the previous one.

On the issue of inflation investors remain divided, with the outlook for inflation falling into two schools of thought: those that believe the inflation effects are more transitory in nature, and those that see inflation rising to a point where it threatens economic stability. During June, America hit a 13 year high inflation rate. This was unexpected by policymakers and most economists. At the June 16th Federal Reserve meeting the Fed raised its expectations for inflation considerably and also changed its language on inflation, replacing its 2% inflation target commitment with "seeking to achieve inflation that averages 2% over time." Prior to 2020 inflation prints were below 2%, now we are expecting north of 3% or even 4% which averages on or about 2%. This change is a substantial departure from the previous flexible inflation targeting method. Average inflation targeting means that policymakers would consider those deviations and allow inflation to modestly and temporarily run above target to make up for past shortfalls, or vice versa.

In the back half of the year we will likely see growth and inflation decelerating, earnings disappointments, monetary policy tightening and fiscal measures disappointing. An additional risk is what causes the Fed to pivot from its generous monetary approach and take elevated inflation more seriously. Job number surprises for July and August could be the catalyst. The August Jackson Hole Fed retreat, which has historically served as a turning point for monetary policy, could be the pivot date where they initiate less bond buying leading to yields beginning to fall and Treasuries rising. Capital markets will spasm when loose monetary policy takes place so it will be important the Fed modify its language where it indicates easy money policy is not being taken away but rather it is being dialed down. The new normal going forward could see easy money policy for some time along with the dollar falling drastically as a new era of fiscal policymaking begins. This is a very positive environment for gold.

Despite the lower gold price in the first half of 2021, gold companies continue to be financially solid, with several years of higher gold prices helping solidify balance sheets. Going forward, we believe there will be continued focus on costs, but also more attention paid to a company's ability to replace and grow reserves. As the pandemic recedes and the producers are more easily able to conduct onsite due diligence, we believe there will be an increase in M&A activity.

The first half of the year was challenging for many gold companies with the S&P/TSX Gold Index down approximately 6%. While sector performance was negative, we saw significant divergencies in performance among gold equities, with company specific factors driving returns more than the overall macro environment. Exploration success, cost control, and consistent execution were well rewarded by investors, while delays or concerns about country level issues like taxation and permitting led to poor performance.

K92 Mining (KNT), a top holding of the fund posted a return of 17.7%, propelled by stellar exploration results at its Kainantu mine in Papua New Guinea (PNG). Kainantu is growing into a truly world class asset, with excellent grade as well as the potential to increase production to over 200kz/year (gold equivalent). While historically, PNG has been considered a more challenging jurisdiction for mining, K92 has done an excellent job of maintaining relations with the government.

Newmont (NEM) also performed well in the quarter, up 5.8%. With a focus on free cash flow generation and return of capital to shareholders, investors pushed the shares modestly higher. NEM has maintained a disciplined approach to M&A and capital spending which has allowed it to return capital to shareholders through dividend increases and share buybacks.

Agnico-Eagle, another of the Fund's core holdings saw its share price underperform the benchmark during the first half, down 16.3% despite posting generally positive operating results for both Q1 and Q2. Investors were concerned about a couple of events. First, when AEM announced guidance for capex and opex for the year, the numbers were higher than the company had previously guided, which caused some pressure on the stock. Additionally, in the spring the company announced the approval of the Canadian Malartic underground expansion which again came in at a higher cost than investors were expecting ($1.2 billion vs $800 million). Despite these items, we continue to believe that AEM is well positioned with solid execution, production and mines in safe jurisdictions.

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. Since inception of the Fund, the Manager has generated significant income from option premium of approximately $27.78 million or $6.19 per weighted average number of Shares outstanding. For the period ending June 30, 2021, the Fund generated income from option writing of approximately $0.38 million or $0.122 per weighted average number of shares outstanding declaring regular monthly distributions totaling $0.144 per Share. For the half year ending June 30, 2021, the Fund generated a total return of -9.16% on a market price basis and -9.41% on a NAV basis versus its benchmark, the S&PTSX Global Gold Index performance of -5.44%.