FAIRCOURT

SPLIT TRUST

Second Quarter 2021

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

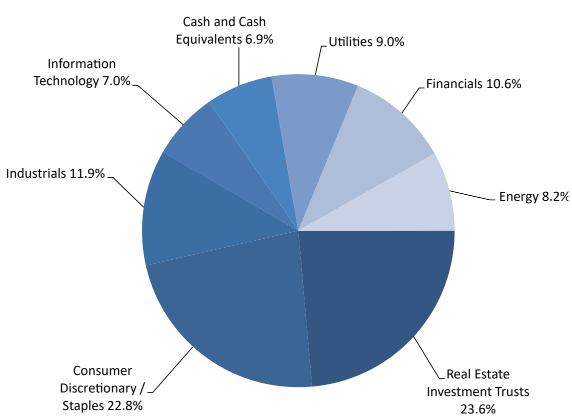
Faircourt Split Trust was created using a dual security structure, consisting of Trust Units and Preferred Securities, to provide investors with leveraged capital growth potential based on a portfolio of North American equity securities.

TOP TEN HOLDINGS as at June 30, 2021

- Boyd Gaming Corp.
- Brookfield Asset Management Inc.
- Brookfield Infrastructure Partners
- CAP REIT
- Caterpillar Inc.
- Dollar Tree Inc.
- Exxon Mobil Corp.
- Granite REIT
- InterRent REIT
- 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.

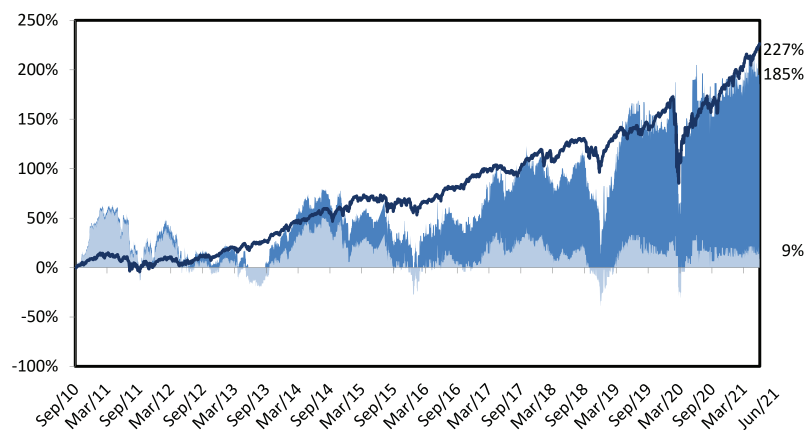
The investment objectives with respect to the Preferred Securities are (i) to provide Securityholders priority distributions of interest in the amount of $0.15 per quarter ($0.60 per annum to yield 6.0% per annum on the subscription price of $10.00); and (ii) to repay to Preferred Securityholders, on 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 14.09% (market price as at June 30, 2021), 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 Period Ended June 30, 2021

	1 Year	3 Year	5 Year	10 Year	Since Inception*
FCS Price (1)	-2.64%	15.06%	14.46%	6.43%	10.25%
FCS NAV (1,3)	16.39%	13.48%	12.17%	5.67%	8.17%
FCS Index (CAD) (2)	32.27%	12.47%	12.53%	12.53%	10.98%

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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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.

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.

Canada's economic recovery had been trailing that of the USA and other advanced nations although with it's vaccine programme trending aggressively we should be in the beginning stages of positive economic growth. The near-term bullish case in Canada relies on the premise that historic monetary stimulus and fiscal support will continue to expand, and it appears to be reopening as vaccinations accelerate. Robust consumer demand for goods exists until we peak, most likely later this year. Consumption growth is outpacing production growth so all this is suggesting we will see corporate profits grow. While this growth comes on the back of easy pandemic comparables, that acceleration is still real and buoyed by generous fiscal transfers by the Federal government. Our one concern points to Ottawa's intention for a fall election which could slow the pace of growth as policy makers focus more on retaining their jobs then on economic expansion. In terms of monetary policy, similar to the US Federal Reserve, the Bank of Canada has stated its desire to wait longer before raising interest rates despite rising inflationary fears.

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.

On the aspect on interest rates and debt levels, we are in uncharted territory. Since the great financial crisis of 2008 (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 T Bills yield 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. 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. Our role as portfolio managers is to determine if rising inflation is sustainable and whether capital markets are mispriced on this narrative.

The first half of year we had economic growth accelerating, inflation accelerating, corporate earnings growth accelerating, monetary easing, and fiscal easing. Now in the back half of the year we may see growth and inflation decelerating, earnings disappointments, monetary policy tightening and fiscal measures disappointing. An additional risk here 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 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. Core positions such as, Canadian Apartment REIT, Granite REIT, VISA, Brookfield Asset Management, COSTCO, Brookfield Infrastructure, and Microsoft., are expected to continue to make up a healthy weighting in the portfolio going forward.

A core holding that has done very well for the Fund is 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 while it generates recurring fee revenues. As insitutional investor's appetite for real assets increases we feel comfortable investing alongside BAM with their ability to rotate capital and earn less volatile and more diversified risk adjusted returns. 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. We expect fundraising success and deployment into existing and additional operating businesses to continue to fund growth. Brookfield was up +21.1% during the period and we would not hesitate adding to our holdings.

Waste Connections is an integrated municipal solid waste services company that provides collection, transfer, disposal, and recycling services in the U.S. and Canada. Waste Connections also provides non-hazardous exploration and production waste treatment, recovery, and disposal services in several of the most active natural resource-producing areas of the U.S. We like Waste Connections for it's strong balance sheet, limited capital requirements, strong cash flow generation and industry leading margins and price led organic growth. While we acknowledge Waste Connections tends to trade at a premium to its peers we also take comfort in knowing waste collection and disposal are essential services that ensure a base level of business through various economic conditions, that management has protected the balance sheet and free cash flow generation is a priority year in and year out. Waste Connections was up +13.5% for the period and we expect another good year of results from the company.

A company we like that benefits from the e-commerce shift and buyer behaviour and continues to see attractive organic growth is VISA. 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, has done a great 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 +6.9% in the period and we continue to be long term holders.

For the six months ended June 30, 2021 the Fund returned +3.38% (NAV basis) and +4.08% (Price basis) versus the benchmark performance of +15.76%. The Trust's distribution is $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 $7.79 per Trust Unit.

We will continue to accumulate equities only if they continue to be in our favor and we will divest from risk when we think its going against us. As we continue into the third quarter the US dollar will continue to be the key macro variable as assets are priced in dollars and its moves must be understood to allocate investment money. We have been tilting our mandate to a more defensive stance, in a calm, emotionless, data-driven manner. The temptation to chase while markets keep hitting all time highs is not without risk. The challenge is to manage expectations as we look forward. The all time highs on the S&P have resulted with the help of Janet Yellen and Jerome Powell having been successful at supressing market volatility. The law of diminishing returns tells us to be cautious. We will stay invested by navigating the economic cycle we are in, preserving capital, looking for opportunities in the options market, making decisions based on risk tolerance and return expectations and compounding returns on a risk adjusted basis.