FAIRCOURT

GOLD INCOME CORP.

Fourth 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 December 31, 2021, the yield was 7.72%.

TOP TEN HOLDINGS as at December 31, 2021

- Agnico Eagle Mines Ltd.
- Alamos Gold Inc.
- Aurion Resources Ltd.
- B2Gold Corp
- Dundee Precious Metals Inc.
- Endeavour Mining Corp.
- Hudbay Minerals Inc.
- K92 Mining Inc.
- Kinross Gold Corp.
- Kirkland Lake Gold Ltd.

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

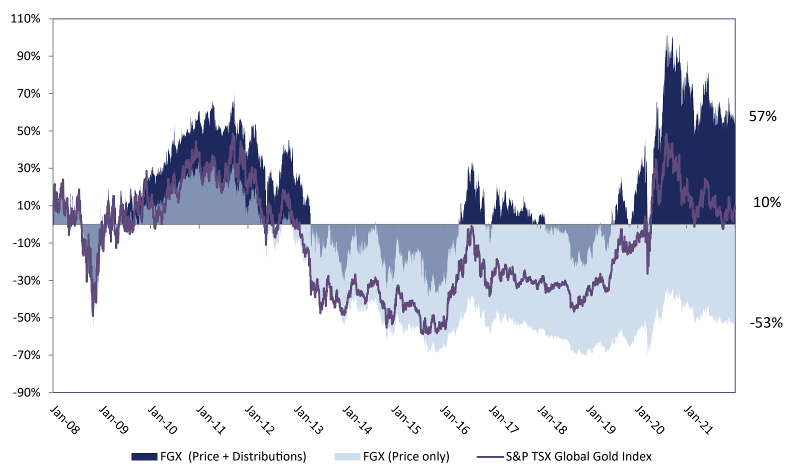
The Portfolio Advisor believes the fundamentals for investments in precious metals companies continue to be strong, especially during this uncertain global economic environment.

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
- 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 December 31, 2021

	1 Year	3 Year	5 Year	10 Year	Since Inception*
FGX – Price [1,2]	-13.32%	21.63%	9.11%	1.43%	1.98%
FGX – NAV [1,3]	-14.43%	20.04%	9.65%	1.27%	2.17%
FGX – Index	-5.34%	17.75%	9.81%	-0.88%	0.68%

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

Distribution History	Since Inception	2021	2020	2019	2018
Total Distributions Per Share	$6.48	$0.29	$0.29	$0.29	$0.29

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2021 saw gold prices fall from $1,896 to $1,828 or about 3.6%. Despite some momentum in the gold price in the summer, which saw prices briefly top $2,000, gold ended the year down in the face of strong equity markets and high returns in crypto markets, which both took fund flows away from the sector. Gold equities were weak as well, with the index returning -7.5% for the year. While the companies remain well capitalized, and have generally been keeping costs contained, the lack of appreciation in the commodity and an ability to earn better returns elsewhere led to investors moving out of the stocks.

Since the end of 2021, equities have struggled to find their footing amid a risk-off sentiment driven by the Omicron variant, the release of minutes from the most recent FOMC meeting, and rising geopolitical tensions. Market bears are pointing to the Fed and raising rates, yield curve compression and continued rising inflation prints, albeit on lagging data. Market bulls are acknowledging the bears narrative, but continue to point to reopening delays and stability in employment levels needed before a more hawkish Fed policy can take place. These two different narratives seem to be fighting for control and contributing to market choppiness. As a result there is uncertainty with respect to market direction. Needless to say the macro backdrop is getting complicated. Capital markets can adjust to good news and bad news but have no easy way to price in true uncertainty. None of these narratives have anything to do with the economic cycle we are navigating. Uncertainty has also been propagated by lower US growth expectations following doubts that the US administration's Build Back Better spending plans can be resuscitated. The detail contained within the Fed minutes indicated a more widespread belief among FOMC participants that the Fed needed to move sooner and more quickly in reducing the overall size of the Fed balance sheet, signaling possibly 4 rate hikes for 2022 and that has spooked equity markets. This degree of hawkishness had already been communicated by the Fed in several forms, and so it is perhaps surprising that equity investors had a strong reaction to the news. Investors were perhaps caught off guard by the forcefulness and level of consensus shown in the minutes. Chairman Powell did say the Fed is not on a preset path and would adjust if conditions warranted, meaning he has left the door open to delaying, defering or pivoting back to a more accomodative stance, essentially buying them optionality on when to execute further.

As we look towards 2022, we see the gold price being pulled by competing economic narratives. On one side is the concern that the US Fed will raise raises four or more times during the year to cool inflation that is resulting from an overheated economy. Generally, rising rates are negative for gold as they increase the opportunity cost of holding a non-yielding asset such as gold. So if this narrative actually occurs, it would be a headwind for gold.

The bond market action is a leading indicator for us. Bond markets tend to be less emotional than equity investors. Bond markets attempt to price in future inflation and GDP growth. Equity traders trade narratives, sentiment, earnings, buybacks to name just a few factors. The reality is removal of liquidity and Fed tone hawkishness are negative dynamics for capital markets. The short end of the curve, 2yr, will accelerate as the Fed moves to tighten rates. The long end of the curve, the 10 yr, is suggesting growth is close to peaking. The bond market is smart enough to look through cyclical dynamics and equity market noise. The current yield spread, the difference between the 2year and the 10year is currently sitting at the time of writing around 45bps, suggesting more than two rate hikes and we could risk inversion (think recession). Needless to say Chairman Powell and the Fed may need to back off on how aggressive they want to be tightening.

The competing narrative is that the economy has actually peaked in terms of growth, and that once the US Fed realizes this, the tightening cycle will quickly come to an end, perhaps after just one rate hike. In this environment, where the economy slows and there is some stress in the financial system, gold has historically performed well. History has shown that some of our most painful recessions have resulted from the Fed tightening into a slowing economy.

Significant evidence supports the position that the economy will slow in 2022 from levels seen in 2021. The US has pumped nearly $6 trillion in stimulus into the US economy since the beginning of the pandemic. Of particular note, $800 billion was spent on stimulus checks that went to low and middle income individuals and families. This money materially increased disposable income for a significant portion of the American public. Such a program is unlikely to be repeated in 2022 and the effect on consumer spending in 2022 will be profound.

The Fed has further stoked disposable income in 2021 with asset inflation (real estate, stock market etc.) which has benefited the middle and upper income brackets. The S&P 500 returned 26.9% in 2021 and house prices are estimated to have risen by 19.5% by real estate firm Zillow. US Fed tightening would quickly end and even begin to reverse the income effect of this asset inflation, acting as a further headwind to the economy.

Gold also tends to perform better during periods of heightened geopolitical risk. Both Ukraine, with a potential Russian invasion, as well as ongoing tensions between China and Taiwan have the potential to escalate. While the outcome of these situations is impossible to predict, the ongoing concern provides further support for the gold price.

Given the downside risk to the economy already in place and the potential for even further drawdowns if the Fed goes ahead with its planned rate hikes, the outlook for gold is very positive for 2022. It would be prudent for investors to position their portfolios with a significant gold allocation to help protect from what we see as a very likely challenging economic environment against a backdrop of heightened tensions as we enter the second quarter of 2022.

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 $28.11 million or $6.34 per weighted average number of Shares outstanding.

For the year ending December 31, 2021, the Fund generated income from option writing of approximately $0.71 million or $0.232 per weighted average number of shares outstanding declaring regular monthly distributions totaling $0.288 per Share. For the year ending December 31, 2021, the Fund generated a total return of -13.32% on a market price basis and -14.43% on a NAV basis versus its benchmark, the S&PTSX Global Gold Index performance of -5.34%.