

# The Fairholme Fund

## INVESTMENT OBJECTIVE

The Fairholme Fund seeks long-term growth of its shareholders' capital by investing in equity securities of public companies and by holding a focused portfolio. The Fund's preferred investment strategy is to silently partner with exceptional owner-managers who have demonstrated success, honesty, and integrity. The Fund buys when it finds such companies generating or holding significant cash when compared to market values. Purchases are made without regard to categorization. The Fund also intends to invest in special situations, including, but not limited to, Chapter 11 reorganizations.

Investing in the Fairholme Fund involves risk including loss of principal. The Fairholme Fund is non-diversified, which means that it invests in a smaller number of securities when compared to more diversified funds. Therefore, the Fairholme Fund is exposed to greater individual stock volatility than a diversified fund. The Fairholme Fund may also invest in "special situations" to achieve its objectives. These strategies may involve greater risks than other fund strategies. The Fairholme Fund's investments are also subject to interest rate risk, which is the risk that the value of a security will decline because of a change in general interest rates. Investments subject to interest rate risk will usually decrease in value when interest rates rise and rise in value when interest rates decline. Also, securities with long maturities typically experience a more pronounced change in value when interest rates change. The Fairholme Fund's investments are subject to credit risk. An issuer's credit quality depends on its ability to pay interest on and repay its debt and other obligations. Additionally, investments in fixed-income securities that are rated below investment grade by one or more nationally recognized statistical rating organization or that are unrated and are deemed to be of similar quality ("high yield securities") may be subject to greater risk of loss of principal and interest than investments in higher-rated fixed-income securities.

Please visit [www.fairholmefunds.com](http://www.fairholmefunds.com) for a prospectus, past reports and advisor letters, and further details on the Fund's philosophy and strategies.

## OVERALL MORNINGSTAR RATING as of 12/31/2011



Among 1,127 Large Value Funds as of 12/31/11.  
Based on Risk-Adjusted Returns.

## LIPPER RANKING AND % BEATEN as of 12/31/2011

	1 YR	5 YR	10 YR
Rank	301	70	19
% Beaten	0%	67%	82%

As of 12/31/11 the number of funds within the Multi-Cap Value Funds tracked by Lipper was 301, 214, and 108 on a 1-, 5-, and 10-year basis, respectively. Lipper, Inc. is a nationally recognized organization that ranks the performance of mutual funds based on total return which includes reinvested dividends and capital gains, if any, and excludes sales charges. Each fund is ranked within a universe of funds with a similar investment objective.

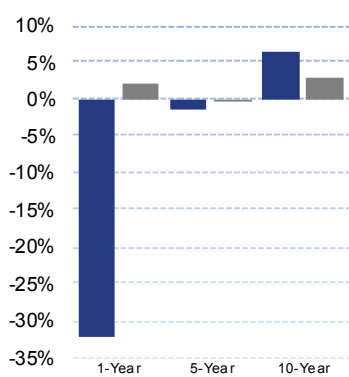
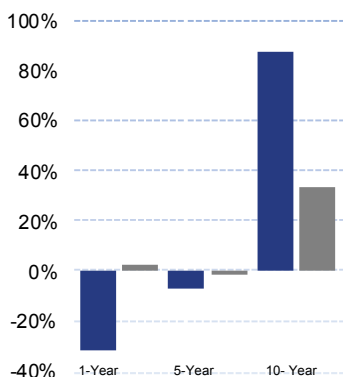
## FUND PERFORMANCE as of 12/31/11

### Cumulative Returns

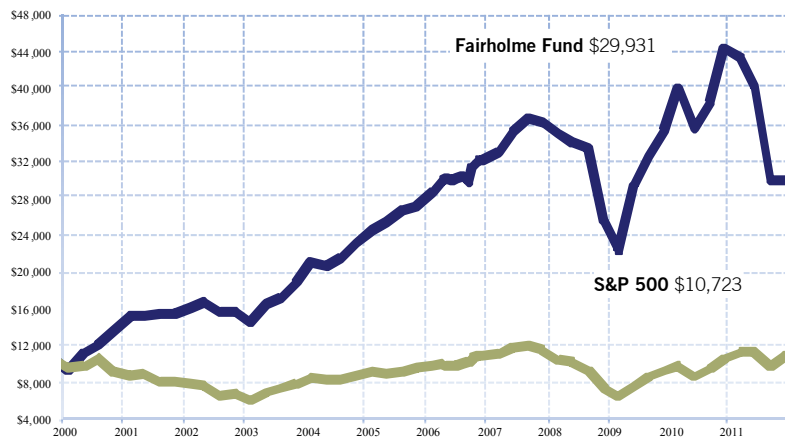
1-Year	-32.42%
5-Year	-6.89%
10-Year	88.40%
Since Inception	199.31%

### Average Annual Total Returns

1-Year	-32.42%
5-Year	-1.42%
10-Year	6.54%
Since Inception	9.56%
Expense Ratio	1.01%*



## GROWTH OF \$10,000 from 12/29/99 to 12/31/11



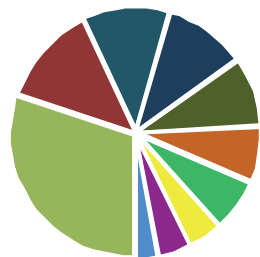
### Performance Details

The chart above covers the period from inception of The Fund (December 29, 1999) to December 31, 2011. Performance information quoted above represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance information quoted above. Performance figures assume reinvestment of dividends and capital gains, but does not reflect the effect of a 2% redemption fee, which is imposed on shares held less than 60 days. If it did, total returns would be reduced. Any questions you may have, including most recent month-end performance, can be answered by calling Shareholder Services at 1-866-202-2263.

The S&P 500 Index is a broad based measurement of changes in the stock market, is used for comparative purposes only, and is not meant to be indicative of the Fund's performance, asset composition or volatility. Given the wide scope of securities held by S&P 500, it should be inherently less volatile. Our results may differ markedly from those of the S&P 500 in either up or down market trends. The performance of the S&P 500 is shown with all dividends reinvested into the index and does not reflect any reduction in performance for the effects of transaction costs or management fees. Investors cannot invest directly in an index.

## TOP CATEGORIES

% of Total Portfolio as of 11/30/11



Multi-Line Insurance	30.0%
Diversified Holding Companies	12.9%
Life Insurance	11.4%
Retail Department Stores	10.7%
Cash and Cash Equivalents**	8.9%
Diversified Banks	7.3%
Commercial Finance	6.9%
Real Estate Management & Development	4.5%
Real Estate Investment Trusts	4.2%
Surety Insurance	2.9%

## TOP HOLDINGS BY ISSUER \*\*\*

as of 11/30/2011

	% of Total Net Assets
American International Group, Inc.	26.2%
AIA Group Ltd.	11.4%
Sears Holdings Corp.	10.7%
Berkshire Hathaway, Inc.	9.3%
CIT Group Inc.	6.9%
Bank of America Corp.	5.5%
General Growth Properties, Inc.	4.2%
The St. Joe Co.	4.0%
China Pacific Insurance (Group) Co., Ltd.	3.8%
Leucadia National Corp.	3.6%
<b>Total</b>	<b>85.6%</b>

\* Includes acquired fund fees of .01%. Acquired fund fees and expenses are those expenses incurred indirectly by the Fund as a result of investments in securities issued by one or more investment companies.

\*\*Cash and Cash Equivalents include investable cash and money market funds.

\*\*\*Excludes cash and money market funds.

\*\*\*\*The minimum initial investment may be waived by the Manager in its discretion.

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The fund's investment objectives, risks, charges, and expenses should be considered carefully before investing. The prospectus contains this and other important information about the Fairholme Fund, and it may be obtained by calling shareholder services at 1-866-202-2263 or visiting our website [www.fairholmefunds.com](http://www.fairholmefunds.com). Read it carefully before investing.

Shares of the Fairholme Fund are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risk, including possible loss of the principal amount invested. Automatic Investment Plans do not assure a profit and do not protect against a loss in declining markets. The composition of the Fund's portfolio holdings and sector weighting are subject to change and should not be considered recommendations to buy or sell any securities.

Fairholme Distributors, LLC (1/12)

## STATISTICS

YTD Return (12/31/11)	-32.42%
NAV (12/30/11)	\$23.15
12 Month Low-High	\$22.87—\$36.53
Net Assets (\$Millions as of 12/30/11)	\$6,962
30-Day SEC Yield	-0.75%
Fiscal Year End	November
Fund Inception	12/29/1999
CUSIP	304871106
Fund Symbol	FAIRX

## FEATURES

Minimum Initial Investment	\$10,000
Minimum Retirement****	\$10,000
Minimum Subsequent Investment	\$1,000
Minimum Subsequent Retirement	\$1,000
Minimum Automatic Investment Plan	\$250

## TRANSFER AGENT

The Fairholme Fund  
4400 Computer Drive  
Westborough, MA 01581-1722  
Telephone: 1-866-202-2263  
[www.fairholmefunds.com](http://www.fairholmefunds.com)

## FUND ADVISOR

Fairholme Capital Management, LLC  
4400 Biscayne Boulevard  
Miami, FL 33137

**FAIRHOLME**

Ignore the crowd.