

# The Fairholme Focused Income Fund

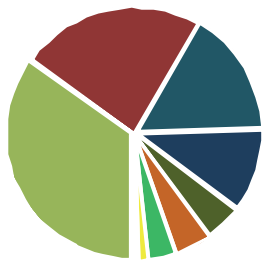
## INVESTMENT OBJECTIVE

The Fairholme Focused Income Fund seeks current income, other forms of cash distributions and capital preservation. The Fund attempts to achieve this objective by investing in a focused portfolio of cash distributing securities. To maintain maximum flexibility, the securities in which the Fund may invest include, but are not limited to, corporate debt securities of issuers in the U.S. and foreign countries, government and agency debt securities of U.S. and foreign countries, bank loans and loan participations, convertible bonds and other convertible securities, and equity securities, including preferred and common stock. The Fund will use Fairholme's focused, multi-sector, multi-strategy, value-based approach. There is no guarantee that the fund will meet its objectives.

Investing in the Fund involves risk including loss of principal. The Fairholme Focused Income Fund is a non-diversified mutual fund, which means that the Fund invests in a smaller number of securities when compared to more diversified funds. This strategy exposes the Fund and its shareholders to greater risk of loss from adverse developments affecting portfolio companies. The 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. Debt securities are subject to credit risk (potential default by the issuer). The Fund may invest without limit in lower-rated securities. Compared to higher-rated fixed-income securities, lower-rated debt may entail greater risk of default and market volatility.

## TOP CATEGORIES

% of Total Portfolio as of 11/30/11



Surety Insurance	34.0%
Regional Banks	23.0%
Retail Department Stores	15.6%
Commercial Finance	10.4%
Diversified Banks	4.7%
Cash and Cash Equivalents*	4.5%
Capital Markets	3.4%
Real Estate Investment Trusts	1.2%
Multi-Line Insurance	0.5%
Real Estate Management & Development	0.1%

## TOP HOLDINGS BY ISSUER \*\*

as of 11/30/11

% of Total Net Assets

MBIA, Inc.	34.0%
Emigrant Bancorp, Inc.	17.7%
Sears Holdings Corp.	15.6%
CIT Group Inc.	10.4%
Regions Financial Corp.	5.3%
Bank of America Corp.	4.2%
Jeffries Group, Inc.	3.4%
General Growth Properties, Inc.	1.2%
Wells Fargo & Co.	0.5%
American International Group, Inc.	0.5%
<b>Total</b>	<b>92.8%</b>

## FUND PERFORMANCE (as of 12/31/2011)

	Cumulative Return	Average Annual Total Return
1-Year	-0.72%	-0.72%
Since Inception	10.36%	5.05%

## US AGG BOND INDEX (as of 12/31/2011)

	Cumulative Return	Average Annual Total Return
1-Year	7.84%	7.84%
Since Inception	14.89%	7.19%

## STATISTICS

YTD Return (12/31/11)	-0.72%
NAV (12/30/2011)	\$9.91
12 Month Low-High	\$9.42-\$11.32
Net Assets (\$Millions as of 12/30/11)	\$298
30-Day SEC Yield	9.96%
Fiscal Year End	November 30
Fund Inception	12/31/2009
CUSIP	304871304
Fund Symbol	FOCIX

## ANNUAL FUND OPERATING EXPENSES (1)

Gross Expense Ratio	1.02%
Fee Waiver and/or Expense Reimbursements	(0.25%)
<b>Net Expense Ratio</b>	<b>0.77%</b>

## FEATURES

Minimum Initial Investment	\$25,000
Minimum Retirement***	\$25,000
Minimum Subsequent Investment	\$2,500
Minimum Subsequent Retirement	\$1,000
Minimum Automatic Investment Plan	\$250

### Performance Details

Performance information quoted 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 herein. Performance figures assume reinvestment of dividends and capital gains and would have been lower without fee waivers in effect. Any questions you may have, including most recent month-end performance, can be answered by calling Shareholder Services at 1-866-202-2263.

(1) "Acquired Fund Fees and Expenses" are those fees and expenses incurred indirectly by the Income Fund as a result of investing in securities issued by one or more investment companies, including money market funds. The Advisor has contractually agreed to waive a portion of its management fees and/or pay Fund expenses (excluding taxes, interest, brokerage commissions, acquired fund fees and expenses, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation) in order to limit the net expenses of the Fund to 0.75% of the Fund's daily average net assets. The fee waiver/expense limitation became effective on March 30, 2011 and shall remain in effect until the effective date of the Fund's prospectus incorporating the Fund's audited financial statements for the Fund's fiscal year ending 2011. Without the expense limitation, the 30-Day SEC Yield would have been 9.70%."

\*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.

The Barclays Capital U.S. Aggregate Bond Index ("US AGG BOND INDEX") represents securities that are SEC-registered, taxable, and U.S. dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. It is not possible to invest directly in an unmanaged index. Prior to November 1st, 2008, this index was published by Lehman Brothers. The index is not meant to be indicative of the Fund's performance, asset composition, or volatility. Our results may differ markedly from those of US AGG BOND INDEX in either up or down market trends and interest rate environments. The performance of US AGG BOND INDEX does not reflect any management fees, transaction costs, or expenses.

*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 Focused Income 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 Focused Income 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.

Fairholme Distributors, LLC (01/12)

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#### TRANSFER AGENT

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

#### FUND ADVISOR

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**FAIRHOLME**

*Ignore the crowd.*