

Dear United Kingdom Fairholme Funds Investor,

As required under HMRC regulations, please read the Fund Report below for the reporting period Year Ended November 30, 2010. Both The Fairholme Fund (FAIRX) and The Fairholme Focused Income Fund (FOCIX) have Reporting Fund status. You should be aware that we are making the required application for Reporting Fund status for The Fairholme Allocation Fund (FAAFX) which commenced in January 2011.

FAIRHOLME FUNDS, INC.
FUND REPORT TO UK INVESTORS
Reporting period ended November 30, 2010

	The Fairholme Fund	The Fairholme Focused Income Fund
1. Distributions per unit of interest:		
December 30, 2010	\$0.07529	\$0.19665
December 15, 2010	\$2.00347	-----
September 29, 2010	-----	\$0.11953
June 29, 2010	-----	\$0.05000
March 30, 2010	-----	\$0.03000
2. Excess of reported income per unit of interest over distributions		
	None	None
3. Dates of distributions:		
See item # 1 above for record dates of distributions. In each case actual distributions were made the following day.		
4. Reporting Fund Status:		
Both The Fairholme Fund (FAIRX) and The Fairholme Focused Income Fund (FOCIX) remain Reporting Funds as of the date of this report.		

Past performance is not a guarantee of future results.

Investing in the Funds involves risks including loss of principal. The Funds investment objectives, risks, charges, and expenses should be considered carefully before investing. The [prospectus](#) contains this and other important information about the Funds, and it may be obtained by calling shareholder services at 1-866-202-2263 or visiting our website at www.fairholmefunds.com. Read it carefully before investing.

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 Fund is exposed to greater individual stock volatility than a diversified fund. The Fairholme Fund also invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. 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 Focused Income Fund (the “Income Fund”) is a non-diversified mutual fund, which means that the Income Fund invests in a smaller number of securities when compared to more diversified funds. This strategy exposes the Income Fund and its shareholders to greater risk of loss from adverse developments affecting portfolio companies. The Income 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 Income 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.

The Fairholme Allocation Fund (the “Allocation Fund”) is a non-diversified mutual fund, which means that the Allocation Fund can invest in a smaller number of securities when compared to more diversified funds. This strategy exposes the Allocation Fund and its shareholders to greater risk of loss from adverse developments affecting portfolio companies. The allocation of investments among the different asset classes, such as equity or fixed-income asset classes, may have a more significant effect on the Allocation Fund’s net asset value when one of these classes is performing more poorly than others.