

Fairholme FAIRX

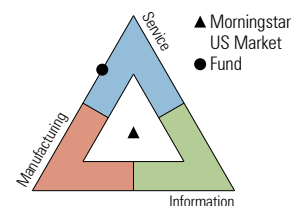
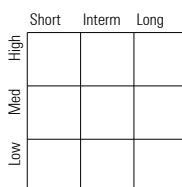
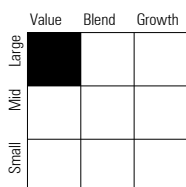
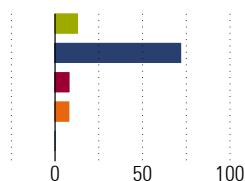
Snapshot

Morningstar Rating™
★★★★★

Morningstar Category™
Large Blend

Net Assets (Mil)
8,108.65(USD)

Portfolio Analysis 2/28/2009



Asset Allocation	Long %	Short %	Net %
Cash	12.72	0.00	12.72
US Stock	71.67	0.00	71.67
Non US Stock	7.79	0.00	7.79
Bond	7.72	0.00	7.72
Other	0.10	0.00	0.10

Equity Investment Style
Market Cap (\$Mil) 10,664

Fixed-Income Investment Style

Avg Effective Duration (Yrs) —
Avg Effective Maturity (Yrs) —
Avg Credit Quality —

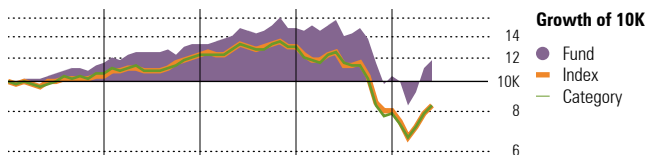
Stock Sectors % Stocks

Information Economy 0.00
Service Economy 69.11
Manufacturing Economy 30.89

Fixed-income investment style data is as of —

Sector data is calculated only using the long position holdings of the portfolio.

Performance 6/9/2009



Year	2005	2006	2007	2008	5/2009	History
Quartile Rank (cat)	■	■	■	■	■	
Total Return %	13.74	16.72	12.35	-29.70	12.09	
+/- Category	4.49	2.69	6.19	8.09	7.12	
+/- S&P 500 TR	8.83	0.93	6.86	7.30	9.13	
+/- Morningstar US	7.22	1.02	6.43	7.33	8.10	
Net Assets (Mil)	1,578	3,839	6,690	7,247	8,109	

Trailing Total Returns	Trailing Ret %	+/- Index [†]	+/- Cat	% Rnk Cat	*Std Ret %
YTD	16.07	10.42	8.49	6	-12.45
12 Mo	-19.78	9.12	9.09	3	-36.19
3 Yr Annualized	-0.20	6.83	6.91	1	-8.79
5 Yr Annualized	7.55	9.14	9.02	1	0.91
10 Yr Annualized [†]	—	—	—	—	—
Inception	12.12	2.37	—	—	9.02

*Quarter-end data through 3/31/2009

[†]10 Year as of 5/31/2009

[†]S&P 500 TR

Stewardship Grade

Overall Grade — **Regulatory Issues** — **Board Quality** — **Manager Incentives** —

Grade Range: A B C D F

Fees — **Corporate Culture** —

Operations

Management	Purchase Information	Fees
Family: Fairholme	Minimum Initial Purchase: 2,500	Front-End Load: None
Phone: 866-202-2263	Minimum IRA Purchase: 2,500	Deferred Load: None
Inception: 12/29/1999	Minimum Auto Investment Plan: 2,500	12b-1 Fee: None
Manager: Multiple		Prospectus Net Expense Ratio: 1.01%
Tenure: 9.45		

Ratings and Risk 5/31/2009

	Overall	3 Yr	5 Yr	10 Yr
Morningstar Rating™	★★★★★	★★★★★	★★★★★	—
Number of Funds Rated	1,721	1,721	1,355	—
Morningstar Risk™	High	High	High	—
Morningstar Return™	High	High	High	—
Standard Deviation		25.17	20.11	—
Mean		-1.78	6.83	—

Top 10 Holdings 2/28/2009

YTD Return as of 6/9/2009	Sector	YTD Return %	% Assets
Pfizer Inc.	Health Care	-16.60	16.22
Sears Holdings Corporation	Consumer Services	78.54	7.35
Forest Laboratories, Inc.	Health Care	-8.56	6.13
WellPoint, Inc.	Health Care	8.00	5.29
Canadian Natural Resources, Ltd.	Energy	44.60	4.90
Northrop Grumman Corporation	Industrial Materials	9.17	4.58
Boeing Company	Industrial Materials	24.65	4.57
St. Joe Corporation	Financial Services	8.63	4.39
UnitedHealth Group, Inc.	Health Care	-2.33	3.95
American Express Company	Financial Services	47.12	3.69

% Assets in Top 10 Holdings	61.07
Total Number of Stock Holdings	21
Total Number of Bond Holdings	8
Turnover %	81
12-Month Yield %	0.42
30-Day SEC Yield %	—

Fairholme FAIRX

Analysis

Analysis by Michael Breen 4/7/2009

Following the cash works for Fairholme. Bruce Berkowitz and his team are obsessed with cash. They like it piled on the balance sheet and want loads of it generated from operations. They don't run complicated models that require predictions about the distant future. Berkowitz has said that Fairholme does best when it can use back-of-the-envelope math to find businesses that are cheap relative to their free cash flow. Then the real works starts. The team does a deep dive looking for scenarios where a business becomes permanently impaired. If it can't disprove an idea, it buys in. Recently it has loaded up on health-care, aerospace, and defense stocks. It built a double-digit stake in Pfizer PFE in 2008. It hasn't worked out yet, but Berkowitz remains confident. He says that the firm has a 20% free cash-flow yield, about twice the level that most consider high. Forest Labs FRX has similarly robust free cash flows, holds cash equal to 40% of its market cap, and has no debt. It now has a package play of defense-related stocks, including Boeing BA, Northrop Grumman NOC, and General Dynamics GD. All trade at single-digit forward price/earnings ratios, and Berkowitz says Uncle Sam is a main customer for all, so revenues should be fairly stable because government budgets are set and can't easily be cut. The risk here is that a few big holdings get crushed and torpedo near-term results. It's happening now but has gone unnoticed in a down market. Pfizer has plunged on market reaction to its acquisition of Wyeth WYE. And managed-care company Humana HUM has lost a third of its value so far in 2009 on concerns about changes to Medicare. The fund has lost 23% over the past six months, more than most of its rivals. We have full confidence in this fund. It will hit potholes but strong stock-picking gives it an edge that will accrue over time: It has returned an average of 9.1% annually since inception, while its typical peer has lost 4.7% per year in that stretch.

Morningstar Rating™ ★★★★★	Morningstar Category™ Large Blend	Net Assets (Mil) 8,108.65(USD)
-------------------------------------	---------------------------------------------	------------------------------------------

Kudos

- ▶ Veteran management.
- ▶ Stellar long-term record.
- ▶ Focus on high-quality companies and large cash and bond stakes have helped limit volatility.

Risks

- ▶ Fund will concentrate its picks in individual sectors.
- ▶ Highly concentrated portfolio, with top positions consuming as much as 15% of assets.

Management

Bruce Berkowitz started this fund in December 1999 as an outgrowth of his separate-accounts practice. Previously, he worked for Salomon Smith Barney and Lehman Brothers. Former managers Larry Pitkowsky and Keith Trauner stepped down as day-to-day managers in 2008 to focus on investment research for the fund.

Strategy

Lead manager Bruce Berkowitz has adopted the principles of legendary value investor Warren Buffett. Their primary objective is to buy good businesses run by great managers, but they've also had a penchant for buying turnaround stories when they see a big opportunity. Such "special situations" are limited to 25% of the portfolio. The fund's big cash stake preserves value and is a tactical source of funds for new investment opportunities.

Inside Scoop

The underlying philosophy here owes greatly to Warren Buffett. A focused portfolio targets firms whose persistent cash flows, solid assets, and great managers seem undervalued to lead manager Bruce Berkowitz and his crew. The fund also tends to hold a high cash stake and will pursue special situations where quality is inferior but valuations are compelling.

Role In Portfolio	Core
Fund Family Score for Domestic Stock	5.00
Number of Funds Scored	1

Fairholme FAIRX

Portfolio

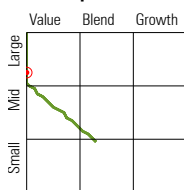
Morningstar Rating™
★★★★★

Morningstar Category™
Large Blend

Net Assets (Mil)
8,108.65(USD)

Equity Style 2/28/2009

Ownership Zone™



Style Breakdown

	Value	Core	Growth	Weight %
Large	57	0	2	● >50
Mid	13	17	6	● 25-50
Small	4	3	0	● 10-25
				○ 0-10

Value Measures

	Stock Portfolio	Rel Category
Price/Prospec Earnings*	6.75	0.66
Price/Book*	0.82	0.55
Price/Sales*	0.31	0.42
Price/Cash Flow*	3.60	0.69
Dividend Yield %*	3.58	1.10

*Forward-looking based on historical data

Growth Measures

	Stock Portfolio	Rel Category
Long-Term Earnings %	10.35	0.95
Book Value %	3.87	0.84
Sales %	10.43	1.10
Cash Flow %	-6.41	-0.66
Historical Earnings %	6.55	0.61

Market Cap Breakdown

	% Stocks	Rel Cat
Giant	26.58	0.66
Large	31.70	0.90
Medium	35.43	1.79
Small	5.55	1.43
Micro	0.75	1.07

Size

	\$Mil
Market Cap	10,664

Style and Market Cap Breakdown and Value and Growth Measures are calculated only using the long position holdings of the portfolio.

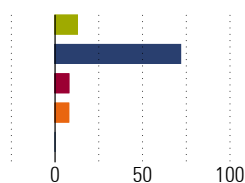
Top 20 Holdings —

	YTD Return as of 6/9/2009	Sector	YTD Return %	% Assets
Pfizer Inc.		Health Care	-16.60	16.22
⊕ Sears Holdings Corporation		Consumer Services	78.54	7.35
Forest Laboratories, Inc.		Health Care	-8.56	6.13
⊖ WellPoint, Inc.		Health Care	8.00	5.29
⊕ Canadian Natural Resources, Ltd.		Energy	44.60	4.90
⊖ Northrop Grumman Corporation		Industrial Materials	9.17	4.58
⊕ Boeing Company		Industrial Materials	24.65	4.57
⊕ St. Joe Corporation		Financial Services	8.63	4.39
⊖ UnitedHealth Group, Inc.		Health Care	-2.33	3.95
★ American Express Company		Financial Services	47.12	3.69
⊕ Leucadia National Corporation		Industrial Materials	13.23	3.00
⊖ Humana		Health Care	-21.67	2.93
⊕ Spirit AeroSystems Holdings, Inc.		Industrial Materials	57.52	2.72
United Rentals North Amer 7.75%		—	—	2.45
⊕ AmeriCredit Corporation		Financial Services	85.34	2.12
⊕ Hertz 8.875%		—	—	2.08
⊕ General Dynamics		Industrial Materials	4.15	1.88
⊕ Ensign Energy Services Inc.		Energy	—	1.65
⊕ Hertz Global Holdings, Inc.		Consumer Services	41.22	1.64
Fortescue Metals Group Ltd		Industrial Materials	—	1.24

⊕ Increase ⊖ Decrease ★ New Since Last Portfolio

% Assets in Top 10 Holdings	61.07
Total Number of Stock Holdings	21
Total Number of Bond Holdings	8
Turnover %	81
12-Month Yield %	0.42
30-Day SEC Yield %	—

Asset Allocation 2/28/2009



Asset Allocation

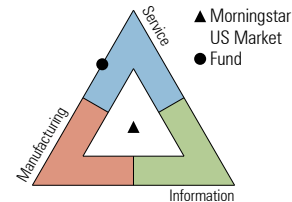
	Long %	Short %	Net %
● Cash	12.72	0.00	12.72
● US Stock	71.67	0.00	71.67
● Non US Stock	7.79	0.00	7.79
● Bond	7.72	0.00	7.72
● Other	0.10	0.00	0.10

Stock Sectors 2/28/2009

	% Stocks	Rel Mkt
🏭 Mfg Economy	30.89	0.82
🛒 Cons Goods	0.00	0.00
⚙️ Materials	22.65	1.93
⚡ Energy	8.25	0.65
💡 Utilities	0.00	0.00

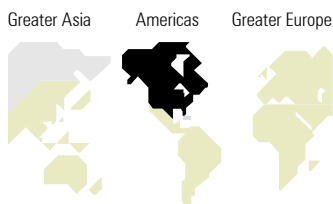
	% Stocks	Rel Mkt
🏢 Service Economy	69.11	1.66
🏥 Health Care	44.26	3.33
🏢 Cons Svcs	12.03	1.40
🏢 Bus Svcs	0.00	0.00
🏢 Financial	12.82	0.90

	% Stocks	Rel Mkt
👁️ Info Economy	0.00	0.00
💻 Software	0.00	0.00
🏠 Hardware	0.00	0.00
📺 Media	0.00	0.00
📠 Telecom	0.00	0.00



Sector data is calculated only using the long position holdings of the portfolio.

World Regions 2/28/2009



Greater Asia	1.56	Americas	98.44	Greater Europe	0.00	Market Maturity	
Japan	0.00	North America	98.44	United Kingdom	0.00	% Developed Markets	100.00
Australasia	1.56	Latin America	0.00	Europe Developed	0.00	% Emerging Markets	0.00
Asia Developed	0.00			Europe Emerging	0.00	Not Classified	0.00
Asia Emerging	0.00			Africa/Middle East	0.00		

Region breakdown data is calculated only using the long position holdings of the portfolio.

N/C 0-10 10-20 20-50 50-90 >90%

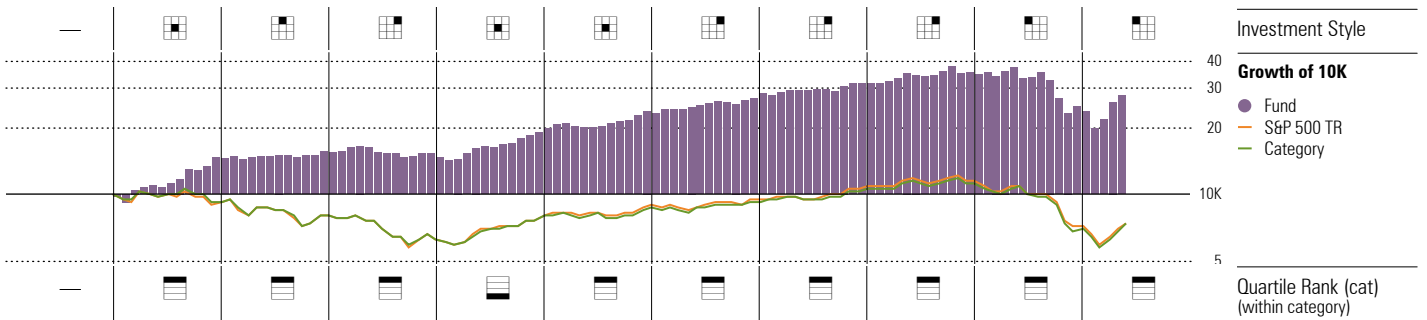
Fairholme FAIRX

Performance

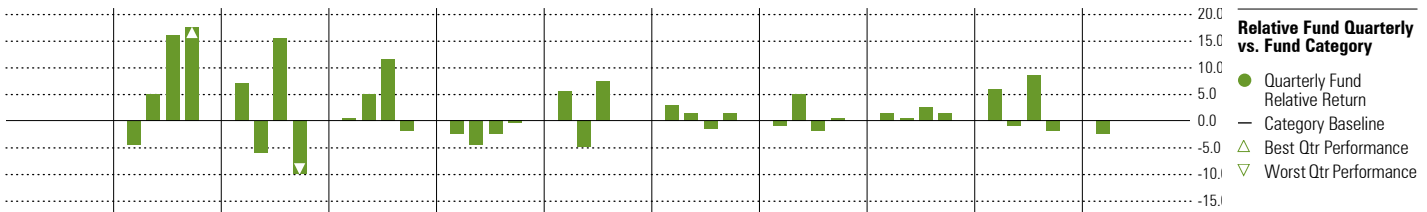
Morningstar Rating™
★★★★★

Morningstar Category™
Large Blend

Net Assets (Mil)
8,108.65(USD)



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	5/2009	History
—	—	—	—	—	—	—	—	—	—	24.48	NAV
—	46.54	6.18	-1.58	23.96	24.93	13.74	16.72	12.35	-29.70	12.09	Total Return %
—	55.64	18.07	20.52	-4.72	14.05	8.83	0.93	6.86	7.30	9.13	+/- S&P 500 TR
—	40.18	9.30	14.97	-12.32	8.63	4.49	2.69	6.19	8.09	7.12	+/- Category
—	53.56	18.06	20.59	-6.77	12.58	7.22	1.02	6.43	7.33	8.10	+/- Morningstar US
—	0.04	0.03	0.03	—	0.06	0.23	0.24	0.21	0.11	0.11	Income \$
—	0.25	0.09	0.10	0.01	0.53	0.48	0.17	0.48	0.43	—	Capital Gains \$
—	17	26	49	93	264	1,578	3,839	6,690	7,247	8,109	Net Assets \$Mil



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Qtrly Total Returns
—	4.31	-2.04	4.07	-6.03	9.63	1.89	6.35	2.52	-3.55	-12.45	1st Quarter
—	2.35	3.20	-4.72	13.82	-3.71	3.97	2.43	6.83	-2.44	—	2nd Quarter
—	20.73	-0.94	-4.95	2.91	5.72	3.45	-0.95	4.00	-1.70	—	3rd Quarter
—	13.69	6.04	4.43	12.62	11.94	3.79	8.17	-1.36	-23.99	—	4th Quarter

Trailing Total Returns 6/9/2009

	Trailing Ret %	+/-Index†	+/- Cat	% Rnk Cat	*Std Ret %
YTD	16.07	10.42	8.49	6	-12.45
1 Mo	2.55	0.83	0.27	39	8.18
3 Mo	56.38	16.20	15.51	7	-12.45
12 Mo	-19.78	9.12	9.09	3	-36.19
3 Yr Annualized	-0.20	6.83	6.91	1	-8.79
5 Yr Annualized	7.55	9.14	9.02	1	0.91
10 Yr Annualized†	—	—	—	—	—
15 Yr Annualized†	—	—	—	—	—
Inception	12.12	2.37	—	—	9.02

*Quarter-end data through 3/31/2009

†10 and 15 Year as of 5/31/2009

‡S&P 500 TR

Ratings and Risk 5/31/2009

	Overall	3 Yr	5 Yr	10 Yr
Morningstar Rating™	★★★★★	★★★★★	★★★★★	—
Number of Funds Rated	1,721	1,721	1,355	—
Morningstar Risk™	High	High	High	—
Morningstar Return™	High	High	High	—

Volatility Measurements

	3 Yr	5 Yr	10 Yr
Standard Deviation	25.17	20.11	—
Mean	-1.78	6.83	—
Sharpe Ratio	-0.07	0.28	—

Bear Market Decile Rank (5 Yr)

3

Modern Portfolio Theory Statistics

	Standard Index	Best Fit Index
	S&P 500 TR	Morningstar Small Core TR
R-Squared	81.53	87.86
Beta	1.20	0.93
Alpha	10.12	8.13
Trailing 3-Yr through	5/31/2009	

Tax Analysis

	3-Yr Avg %	5-Yr Avg %	10-Yr Avg %
Pretax Return	-1.78	6.83	—
Tax-Adjusted Return	-2.25	6.27	—
% Rank in Category	1	1	—
Tax Cost Ratio	0.48	0.52	—
Potential Cap Gains Exp %	-17.54	—	—

Fairholme FAIRX

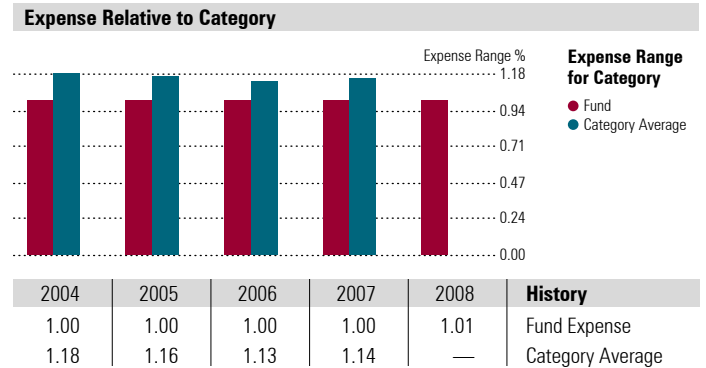
Operations

Morningstar Rating™
★★★★★

Morningstar Category™
Large Blend

Net Assets (Mil)
8,108.65(USD)

Fees & Expenses			
Maximum Sales Fees	%	Total Cost Projection	\$ per \$10K
Initial	None	3-Year	325
Deferred	None	5-Year	563
Redemption		10-Year	1,248
2.00%	for 0 days to 60days		
2.00%	for > 60days		
Other Fees/Expenses		Minimum Investments	\$
Expense Ratio: Annual Report	1.01	Initial	2,500
Management Actual	1.00	Additional	1,000
Management Maximum	1.00	Initial IRA	2,500
12b-1 Actual	None	Additional IRA	1,000
12b-1 Maximum	None	Initial AIP	2,500
Administrative Maximum	0.01	Additional AIP	250



Advisor Information			Contact Information		
Fund Inception	12/29/1999		4400 Biscayne Boulevard		
Fund Advisor(s)	Fairholme Capital Management, LLC		9th Floor		
Subadvisor(s)			Miami, FL 33137		
			USA		
			866-202-2263		
			www.fairholmefunds.com		

Management
Bruce Berkowitz 12/29/1999
Berkowitz is the managing member and portfolio manager of Fairholme Capital Management, L.L.C. He also serves as president and a director of the company. Berkowitz has been managing member and chief investment officer of Fairholme since its inception in 1997. He is also a director and audit committee member of TAL International and White Mountains Insurance Group.
Charles M. Fernandez 3/31/2008
Fernandez is an analyst and the chief operating officer of the manager and serves as the secretary of Fairholme Funds, Inc. Fernandez was the president and director of Lakeview Health Systems LLC from 2003 to 2007 and was the CEO of Big City Radio, Inc. from 1999 to 2003. He held various positions with IVAX Corporation serving most recently as a director, and chairman of the audit committee of the board of directors.

Fairholme FAIRX

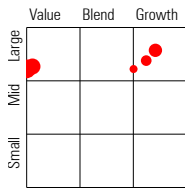
Appendix B: Portfolio History

Morningstar Rating™
★★★★★

Morningstar Category™
Large Blend

Net Assets (Mil)
8,108.65(USD)

Equity Style History



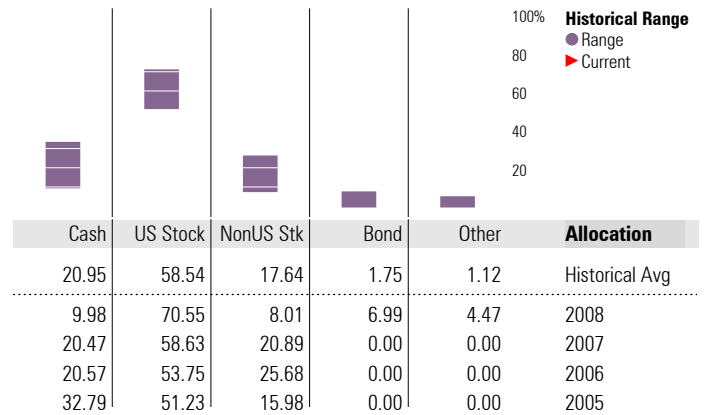
Geometric Average Cap \$

Historical Avg	14,321
2008	13,569
2007	25,762
2006	12,896
2005	8,716

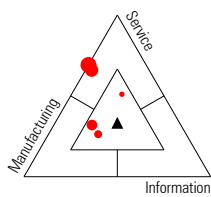
Historical Range

- Latest Portfolio
- Earliest Portfolio

Asset Allocation



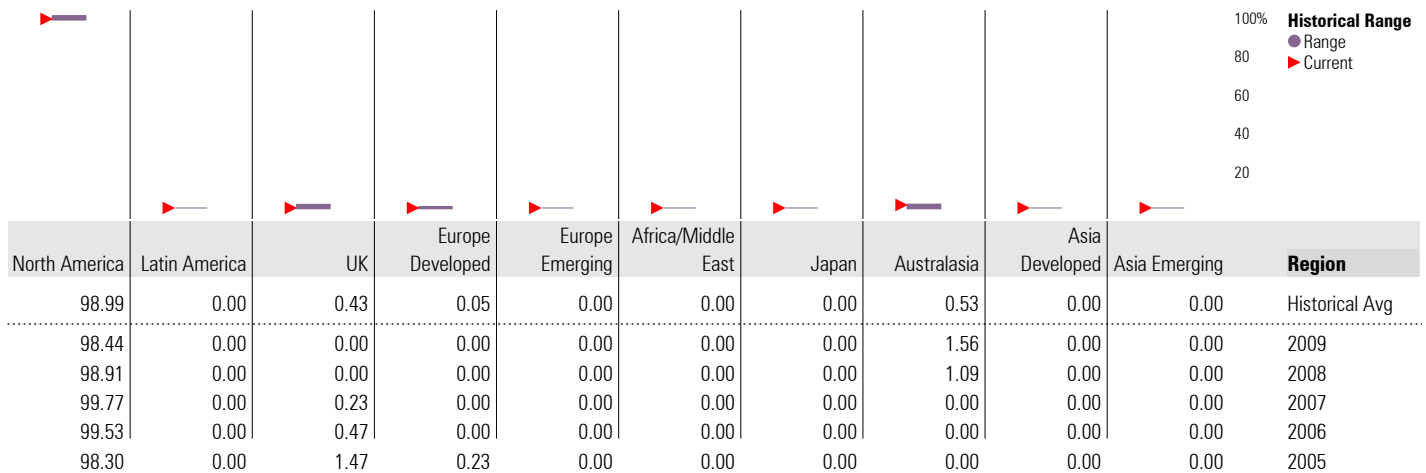
Stock Sector History



- Historical Range
- Latest Portfolio
 - Earliest Portfolio
 - ▲ Index

	Software	Hardware	Media	Telecom	Health	Cons Srv	Biz Serv	Financial	Cons Gds	Ind Matls	Energy	Utilities	Sector
Historical Avg	0.00	0.00	7.29	2.60	19.15	7.31	0.25	25.78	2.76	13.48	20.94	0.44	
2009	0.00	0.00	0.00	0.00	44.26	12.03	0.00	12.82	0.00	22.65	8.25	0.00	2009
2008	0.00	0.00	2.02	0.00	48.33	9.00	1.23	8.19	0.00	22.12	9.11	0.00	2008
2007	0.00	0.00	11.37	1.18	3.18	7.86	0.00	26.07	5.82	13.66	30.85	0.00	2007
2006	0.00	0.00	12.08	4.37	0.00	4.60	0.00	28.30	6.36	8.98	33.13	2.18	2006
2005	0.00	0.00	11.00	7.43	0.00	3.04	0.00	53.53	1.63	0.00	23.37	0.00	2005

World Regions History



Equity Style, Stock Sector and World Regions breakdown data are calculated only using the long position holdings of the portfolio. Asset Allocation breakdown is calculated using the net of the long and short positions.

Fairholme FAIRX

Brokerage Availability

Morningstar Rating™
★★★★★**Morningstar Category™**
Large Blend**Net Assets (Mil)**
8,108.65(USD)

Brokerage Availability			
Ameriprise Brokerage	HDVest - Wells Fargo	Raymond James	SunGard Transaction Network
Ameriprise SPS Advantage	ING Financial Advisers - SAS Funds	Raymond James WRAP Eligible	T. Rowe Price
Bear Stearns	ING Financial Ptnrs PAM and PRIME A	RBC Wealth Management-Advisory Elig	TD Ameritrade Institutional
Bear Stearns No-Load Transaction Fe	JP Morgan	RBC Wealth Management-Network Eligi	TD Ameritrade Institutional Service
CommonWealth PPS	JPMORGAN NO-LOAD TRANSACTION FEE	Robert W. Baird & Co.	TD Ameritrade Retail
CommonWealth Universe	JPMorgan INVEST	Schwab Institutional	Td Ameritrade, Inc.
DailyAccess Corporation FRIAG	LPL SAM Approved	Schwab Retail	Thrivent – Advisory Eligible
DailyAccess Corporation RTC	Matrix Financial Solutions	Schwab RPS All	TIAA-CREF Brokerage Services
DATAlynx	Mony Securities Corp	Schwab RPS SDE	Trade PMR Transaction Fee
E*TRADE Financial	Morgan Stanley - Ntwk/Rdm Only-Brok	Scottrade TF	TRUSTlynx
Fidelity Institutional FundsNetwork	Multi-Financial Sec PAM and PRIME A	Securities America Advisors	Vanguard
Fidelity Retail FundsNetwork	Northwestern Mutual Investment Serv	Smith Barney (All Fund Offerings)	Wachovia CustomChoice
Financial Network PAM and Prime App	Pershing FundCenter	Standard Retirement Services, Inc.	Wachovia CustomChoice & Asset Adv
Firstrade	Principal Advantage	Sterne, Agee & Leach, Inc.	Wachovia PIM
FTJ FundCHOICE	Protected Investors of America	SunAmerica Securities Premier / Pin	WR Hambrecht + Co LLC