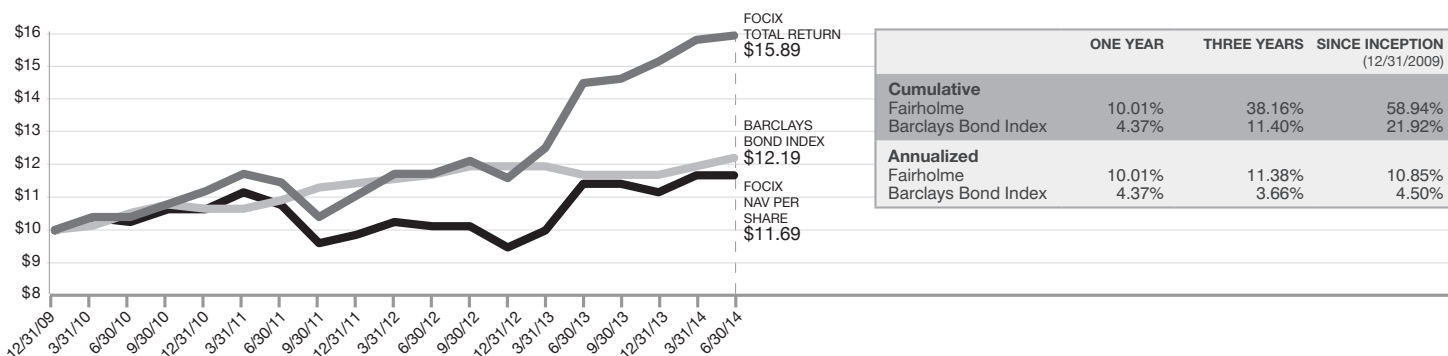


Mutual fund investing involves risks, including loss of principal. The chart below covers the period from inception of The Fairholme Focused Income Fund (December 31, 2009) to June 30, 2014. Past performance information quoted below does not guarantee future results. The investment return and principal value of an investment in The Fairholme Focused Income 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 lower or higher than the performance information quoted below. Performance figures assume reinvestment of dividends and capital gains. Most recent month-end performance and answers to any questions you may have can be obtained by calling Shareholder Services at 1.866.202.2263. The Fairholme Focused Income Fund maintains a focused portfolio of investments in a limited number of issuers and does not seek to diversify its investments. This exposes The Fairholme Focused Income Fund to the risk of unanticipated industry conditions and risks particular to a single company or the securities of a single company. The Fairholme Focused Income Fund's performance may differ markedly from the performance of the Barclays Capital U.S. Aggregate Bond Index in either up or down market trends. The Barclays Capital U.S. Aggregate Bond Index is an unmanaged market-weighted index comprised of investment-grade (rated Baa3/BBB-/BBB- or higher) taxable bonds, mortgage-backed securities, asset-backed securities, corporate securities, and government-related securities, including U.S. Treasury and government agency issues, with at least one year to maturity. Because indices cannot be invested in directly, these index returns do not reflect a deduction for fees, expenses, or taxes. The Fairholme Focused Income Fund's expense ratio reflected in its prospectus dated March 28, 2014, is 1.01%, which included acquired fund fees and expenses that are incurred indirectly by The Fairholme Focused Income Fund as a result of investments in securities issued by one or more investment companies. Effective as of the close of business on February 28, 2013, the sale of shares of The Fairholme Focused Income Fund has been suspended to new investors, subject to certain exceptions.

July 29, 2014

To the Shareholders and Directors of The Fairholme Focused Income Fund:

The Fairholme Focused Income Fund (the "Fund" or "FOCIX" or "Fairholme") increased 5.39%, versus an increase of 3.93% for the Barclays Capital U.S. Aggregate Bond Index (the "Barclays Bond Index"), for the six-month period that ended June 30, 2014. Since inception, the Fund increased 58.94% versus 21.92% for the Barclays Bond Index. The following table compares the Fund's unaudited performance (after expenses) with that of the Barclays Bond Index, with dividends and distributions reinvested, for the period that ended June 30, 2014.



At June 30, 2014, the Fund is composed of U.S. Treasury Bills, money market funds, and cash (47%), Sears corporate bonds maturing in 2018 (25%), preferred stocks of Fannie Mae and Freddie Mac (15%), preferred stock of Bank of America (4%), and a group of common stocks yielding between 4% and 8% (each a 1% position and, in total, 9%). The Fund's current yield is 2.6% and increasing. Liquidity and yield will continue to be a focus as we finish our fifth year at the end of 2014.

Respectfully submitted,

Bruce R. Berkowitz
Managing Member
Fairholme Capital Management

The Portfolio Manager's Report is not part of The Fairholme Focused Income Fund's Semi-Annual Report due to forward-looking statements that, by their nature, cannot be attested to, as required by regulation. The Portfolio Manager's Report is based on calendar-year performance and precedes a more formal Management Discussion and Analysis. Opinions of the Portfolio Manager are intended as such, and not as statements of fact requiring attestation. All references to portfolio investments of The Fairholme Focused Income Fund are as of the latest public filing of The Fairholme Focused Income Fund with respect to such holdings at the time of publication, unless specified.

For a copy of the top holdings for The Fairholme Focused Income Fund, please [click here](#). Portfolio holdings are subject to risk and may change at any time.

Fairholme Distributors, LLC (7/14)