

Mutual fund investing involves risks, including possible loss of principal. Unless otherwise specified, all information is shown as of July 26, 2019. Past performance information quoted below does not guarantee future results. The investment return and principal value of an investment in The Fairholme Fund ("Fund") will fluctuate so that the value of an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than quoted performance information quoted below. Performance figures reflect the deduction of expenses and assume reinvestment of dividends and capital gains but do not reflect a 2.00% redemption fee imposed by the Fund on shares redeemed or exchanged within 60 calendar days of their purchase. Most recent month-end performance and answers to any questions you may have can be obtained by calling Shareholder Services at (866) 202-2263. The Fund maintains a focused portfolio of investments in a limited number of issuers and does not seek to diversify its investments. This exposes the Fund to the risk of unanticipated industry conditions and risks particular to a single company or the securities of a single company within its portfolio. Current and future portfolio holdings are subject to change and risk. The S&P 500 Index (the "S&P 500") is a widely recognized, unmanaged index of 500 of the largest companies in the United States as measured by market capitalization and the performance of the S&P 500 assumes the reinvestment of all dividends and distributions. The S&P 500 is used for comparative purposes only, and is not meant to be indicative of the Fund's performance, asset composition, or volatility. The Fund's performance may differ markedly from the performance of the S&P 500 in either up or down market trends. Because an index cannot be invested in directly, the index returns do not reflect a deduction for fees, expenses, or taxes. The expense ratio for the Fund reflected in the current prospectus dated March 29, 2019, is 1.00%, and may differ from the actual expenses incurred by the Fund for the period covered by the Fund's Semi-Annual Report.

Effective January 1, 2018, the Manager agreed to waive, on a voluntary basis, a portion of the management fee of the Fund to the extent necessary to limit the management fee paid to the Manager by the Fund to an annual rate of 0.80% of the Fund's daily average net asset value. This undertaking may be terminated by the Manager upon 60 days' written notice to the Fund.

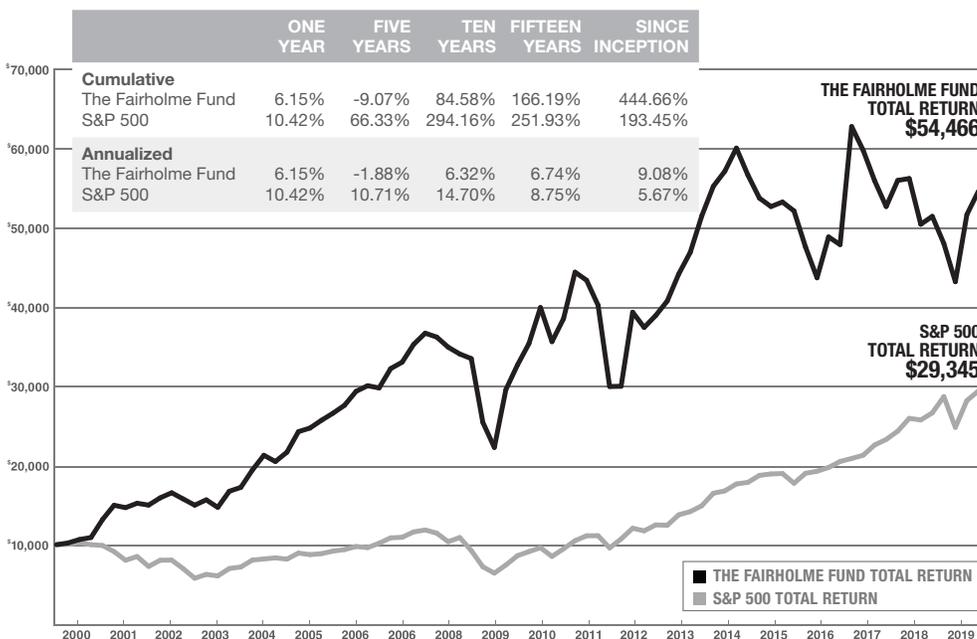
The Portfolio Manager's Report is not part of The Fairholme Funds, Inc. Semi-Annual Report due to forward-looking statements that, by their nature, cannot be attested to, as required by regulation. The Portfolio Manager's Report is based on calendar-year performance. A more formal Management Discussion and Analysis is included in the Semi-Annual Report. Opinions of the Portfolio Manager are intended as such, and not as statements of fact requiring attestation.

July 26, 2019

To the Shareholders and Directors of The Fairholme Fund:

The Fairholme Fund increased net asset values by 26.42% for the first six months of 2019. Strong absolute and relative returns were based on investments in Fannie Mae, Freddie Mac, St. Joe, and Imperial Metals.

The Fairholme Fund



TOP ISSUERS (% OF NET ASSETS)	
The St. Joe Co.	34.4%
Cash and Cash Equivalents*	31.5%
Imperial Metals Corp.	13.5%
Federal Home Loan Mortgage Corp.	9.9%
Federal National Mortgage Association	9.8%
Vista Outdoor, Inc.	0.3%
Sears Holdings Corp.	0.3%

The chart on the left covers the period from inception of The Fairholme Fund (December 29, 1999) through June 30, 2019.

The Fairholme Fund increased 26.42% versus a 18.54% increase for the S&P 500 for the six-month period that ended June 30, 2019. The above graph and performance table compare The Fairholme Fund's unaudited performance (after expenses) with that of the S&P 500, with dividends and distributions reinvested, for various periods ending June 30, 2019. The value of a \$10,000 investment in The Fairholme Fund at its inception was worth \$54,466 (assumes reinvestment of distributions into additional Fairholme Fund shares) compared to \$29,345 for the S&P 500 at June 30, 2019. Of the \$54,466, the value of reinvested distributions was \$35,326.

\*Includes cash, U.S. Treasury Bills, money market funds, and various commercial paper issuers.

**Fannie Mae and Freddie Mac (“Fannie” and “Freddie”)**

In 2008, Fannie and Freddie's boards of directors agreed to federal conservatorship and U.S. Treasury investments earning 10% of principal, \$2 billion in fees, and 80% ownership stakes. Since then, Fannie and Freddie have earned and paid \$300 billion to our U.S. Treasury, which is \$24 billion more than promised. It is now time for Fannie and Freddie, like all others forced to take U.S. Treasury money during the last financial crisis, to keep what is rightly earned, recapitalize, and exit conservatorship. Such a course would follow established laws, maximize taxpayer safety and returns, and allow a reasonable, risk-adjusted return on the Fund's Fannie and Freddie junior preferred shares.

**St. Joe Company (“JOE”)**

By 2021, JOE, with project partners, hopes to reach a run rate of 1,000 home and home lot sales per year; rent over 1,300 apartments, 900 hotel rooms, and 1.5 million square feet of commercial space; and register more than 1,400 *The Clubs by JOE* full-time members. Thirty residential, commercial, and hospitality projects are expected to start this year. Each project is based on pent-up demand, stands on its own, and is expected to increase company operating earnings and asset values. I continue to chair JOE's board of directors.

**Imperial Metals Corporation (“Imperial”)**

In March, Imperial entered into an agreement to sell 70% of Red Chris, its flagship copper and gold mine, to Newcrest Mining for \$807 million. Proceeds will be used to pay down maturing debt, including the senior debt owned by the Fund. The Fund will remain an owner of Imperial's common stock, which offers further appreciation with such de-leveraging, Newcrest managing Red Chris, and rising copper and gold prices.

**Outlook**

There is room for further portfolio gains. Fannie and Freddie preferred stocks trade for less than half of stated liquidation prices. JOE is accelerating growth while diversifying risks. Imperial is about to complete the Red Chris transaction. Gold prices are up. The Fund holds cash and investment grade cash equivalents totaling more than 30% of net assets in preparation for expected opportunities.

Respectfully submitted,



Bruce R. Berkowitz  
Chief Investment Officer

*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 Fund, and it may be obtained by calling Shareholder Services at (866) 202-2263 or visiting our website [www.fairholmefunds.com](http://www.fairholmefunds.com). Read it carefully before investing.*