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2021 SEMI-ANNUAL REPORT

FAIRHOLME

Ignore the crowd.

As of March 29, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of each Fund's annual and semi-annual shareholder reports are no longer sent by mail, unless you have specifically requested paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports are made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from a Fund or your financial intermediary electronically at any time by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by calling the Fund at (866) 202-2263.

You may elect to receive all future reports in paper form free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports; if you invest directly with a Fund, you can call the Fund at (866) 202-2263. Your election to receive reports in paper form will apply to all funds held in your account with your financial intermediary or, if you invest directly, to all funds held with Fairholme Funds, Inc.

FAIRHOLME

Ignore the crowd.

**PORTFOLIO MANAGER'S REPORT
FOR EACH SERIES OF FAIRHOLME FUNDS, INC.**

July 2021

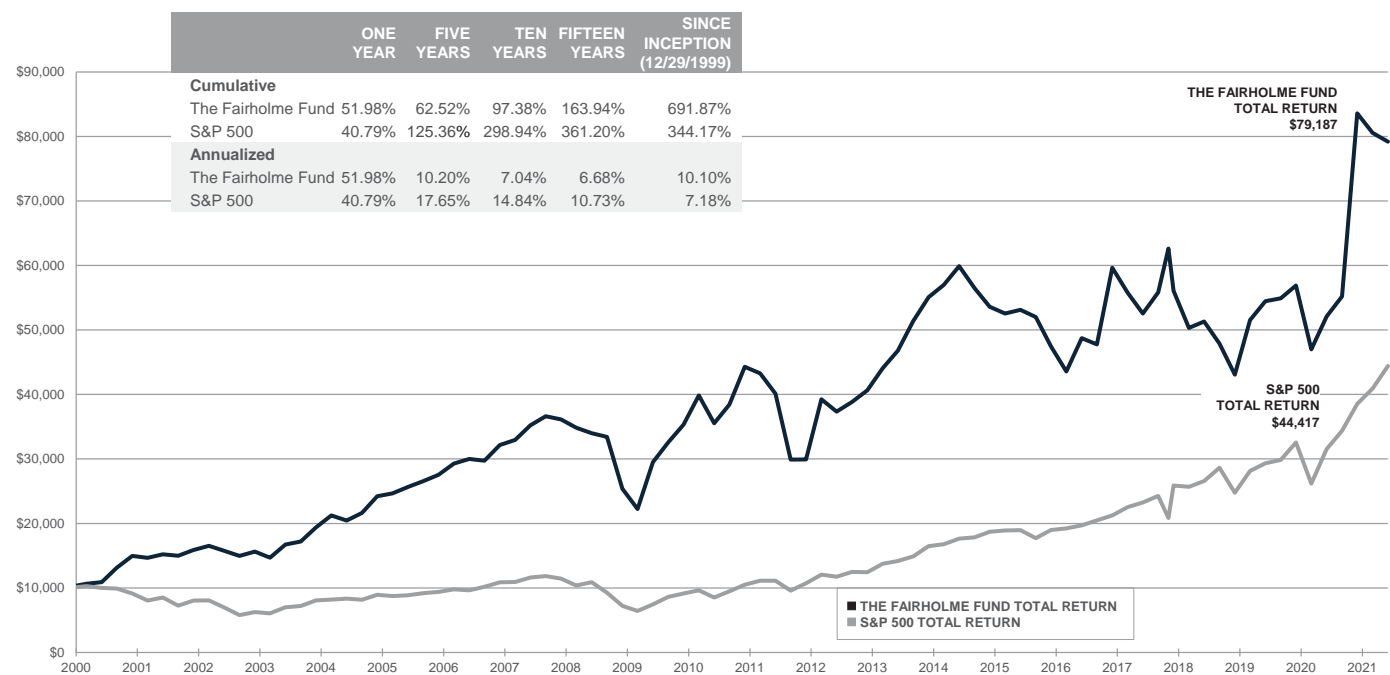
Mutual fund investing involves risks, including possible loss of principal. Unless otherwise specified, all information is shown as of June 30, 2021. Past performance information quoted below does not guarantee future results. The investment return and principal value of an investment in The Fairholme Fund (the "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 30, 2021, is 1.03%, and may differ from the actual expenses incurred by the Fund for the period covered by the Fund's Semi-Annual Report. The expense ratio includes any acquired fund fees and expenses which are incurred indirectly by the Fund as a result of investments in securities issued by one or more investment companies, including money market funds.

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.

The following 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. The value of a \$10,000 investment in The Fairholme Fund at inception was worth \$79,187 (assumes reinvestment of distributions into additional Fund shares) compared to \$44,417 for the S&P 500 at June 30, 2021. Focused investing has led to volatility, long periods of underperformance, and overall cumulative performance since inception that is twice that of the S&P 500.

The Fairholme Fund



July 30, 2021

Dear Fellow Shareholders:

St. Joe (JOE) was incorporated in the State of Florida in 1936. JOE is a real estate development, asset management and operating company. JOE owns 171,000 acres of land in Northwest Florida. The Bay-Walton Sector Plan ("Sector Plan") entitles, or gives legal rights, for JOE to develop over 170,000 residential dwelling units, over 22 million square feet of retail, commercial and industrial space and over 3,000 hotel rooms on lands within Florida's Bay and Walton counties. JOE also has additional entitlements or legal rights, to develop acreage outside of the Sector Plan. Approximately 86% of JOE's real estate is located in Florida's Bay, Gulf, and Walton Counties. Approximately 90% of JOE's real estate is located within 15 miles of the Gulf of Mexico.

JOE has become by far the Fund's largest investment as the company obtained what may be the largest residential entitlement in the United States, initiated the first of what I expect to be many billion-dollar growth plans on coastal lands held for decades, and repurchased 36.3% of its stock at an average price of \$17.63 per share. Charlie Munger had it right when he said that "The big money is not in the buying or selling, but in the waiting." Second quarter 2021 revenue at JOE increased by 100%. Operating income increased by 177%. For the first six months of this year, JOE grew cash before distributions and investments by 127% to \$1.00 per share. In the words of CEO Jorge Gonzalez in the latest quarterly earnings release, JOE "is only scratching the surface...for multi-generational growth."

PANAMA CITY BEACH, Fla.--Jul. 28, 2021-- The St. Joe Company (NYSE: JOE) (the "Company") today announced revenue for the second quarter of 2021 increased by 100% to \$72.2 million as compared to \$36.1 million for the second quarter of 2020. The increase was broad-based with a 133% increase in real estate revenue, a 95% increase in hospitality revenue and a 31% increase in leasing revenue. Operating income increased by 177% to \$30.7 million for the three months ended June 30, 2021 as compared to \$11.1 million for the three months ended June 30, 2020. Net income increased by 26% to \$24.2 million, or \$0.41 per share, compared to net income of \$19.2 million, or \$0.33 per share, for the same period in 2020. The three months ended June 30, 2020 included a one-time after-tax gain of \$11.6 million related to the transfer of land to the unconsolidated Latitude Margaritaville Watersound joint venture. For the six months ended June 30, 2021, the Company's net income increased by 55% to \$27.4 million, or \$0.47 per share, compared to net income of \$17.7 million, or \$0.30 per share, for the same period last year.

Net Cash Provided by Operating Activities for the three months ended June 30, 2021 increased by approximately \$28.0 million to \$37.4 million compared to \$9.4 million for the same period in 2020. For the six months ended June 30, 2021, the Net Cash Provided by Operating Activities increased by approximately \$34.7 million to \$47.2 million as compared to \$12.5 million for the same period in 2020. Cash Generated for Distribution or Investment ("CGFDI"), a non-GAAP measure that is detailed in the Financial Data included below, for the three months ended June 30, 2021 increased by approximately \$20.3 million to \$38.4 million compared to \$18.1 million for the same period in 2020. For the six months ended June 30, 2021, CGFDI increased by approximately \$32.4 million to \$58.6 million as compared to \$26.2 million for the same period in 2020.

In the second quarter of 2021, the Company invested \$46.9 million in capital expenditures, which when combined with the \$37.2 million invested in the first quarter of 2021, totaled \$84.1 million for the six months ended June 30, 2021. In addition, the Company paid \$4.7 million in cash dividends in each quarter of 2021. As of June 30, 2021, the Company had \$143.6 million in cash, cash equivalents and investments.

On July 28, 2021, the Board of Directors declared a cash dividend of \$0.08 per share on its common stock, payable on September 10, 2021 to shareholders of record as of the close of business on August 13, 2021.

Jorge Gonzalez, the Company's President and Chief Executive Officer, said, "We attribute these record results to methodical and consistent preparation and execution of our business strategy with specific focus on growth, diversification and recurring revenue streams which we believe is creating a synergistic ecosystem of primary residential, active adult, apartments, commercial leasing, medical, lodging, hospitality, retail and entertainment components. Northwest Florida, with its high quality of life, natural beauty and world class amenities, is being discovered by more people from more places than ever before. All of this is creating long-term shareholder value with strong operating results today and sets, what we believe to be, a concrete foundation for continued growth."

Mr. Gonzalez continued, "At the May 2019 shareholders' meeting, we presented the 2021 unit milestones breaking down our broad growth plans and diversification into five categories. These include homesites, apartment and senior living, commercial leasing, hotels and club memberships. These milestones are important since they represent future growth in revenue and create the synergistic ecosystem tying together growth in the Northwest Florida region with shareholder value of the Company. With the opening of new residential communities, new hotels, additional apartments and commercial buildings, we intend to update the milestones in the years ahead. We believe that we have only started to scratch the surface of our region's potential as it is poised for multi-generational growth."

The entire news release and Form 10Q can be found at www.joe.com. JOE is reaping record results with, in our view, much more to come.

Imperial Metals owns 30% of Red Chris, a copper, silver, and gold open pit mining operation in British Columbia. Newcrest Mining purchased 70% of Red Chris in 2019. Newcrest reported Red Chris' all-in gross margin to be \$1,129 per gold ounce and continues to discover additional zones of higher-grade mineralization, which highlights profit potential and resource growth. Newcrest's plans for Red Chris follow Newcrest's Cadia mining operation, which produces multiples more at an all-in gross margin of \$2,157 per gold ounce.

A unanimous U.S. Supreme Court ruled that federal law allows the United States to do whatever it believes is in its best interests when it comes to Fannie Mae and Freddie Mac. Unfortunately, I believe what is in the best interest of the U.S. is to honor ownership rights. Fannie and Freddie preferred stock price declines reflect little if any sanctity or even recognition of contracts as the enterprises retain tens of billions of annual earnings. I wait for the Biden administration's re-privatization plans (if any) and further judicial actions.

U.S. Treasury Bills and Treasury money market funds comprise 23% of Fund assets at June 30, 2021. T-Bills are safe and liquid as they are guaranteed by the U.S. Government, but earn less than one-tenth of one percent while, for example, the price of a Big Mac as reported by The Altoona Mirror increases by five percent annually. The Fund is swapping T-Bills for securities that have the potential to yield more and better hedge against inflation.

I and affiliates own 28% of the Fund.

Respectfully submitted,



Bruce R. Berkowitz
Chief Investment Officer

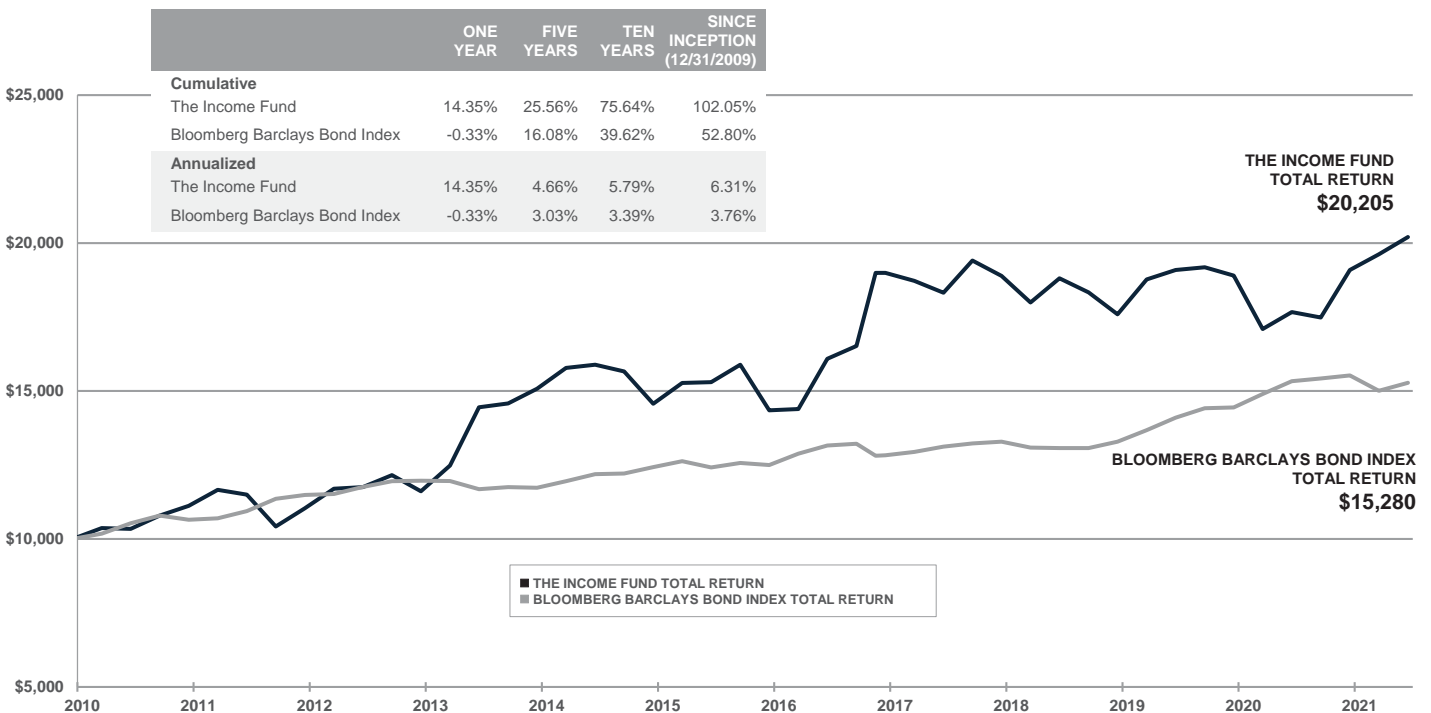
Mutual fund investing involves risks, including possible loss of principal. Unless otherwise specified, all information is shown as of June 30, 2021. Past performance information quoted below does not guarantee future results. The investment return and principal value of an investment in The Fairholme Focused Income Fund (“The Income Fund” or the “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 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 (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 Bloomberg Barclays U.S. Aggregate Bond Index (the “Bloomberg Barclays Bond Index”) is a broad-based flagship benchmark that measures the investment grade, U.S. dollar denominated, fixed-rate taxable bond market, and includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities and commercial mortgage backed securities (agency and non-agency). The Bloomberg Barclays Bond Index 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 Bloomberg Barclays Bond Index 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 30, 2021, is 1.05%, and may differ from the actual expenses incurred by the Fund for the period covered by the Fund’s Semi-Annual Report. The expense ratio includes any acquired fund fees and expenses which are incurred indirectly by the Fund as a result of investments in securities issued by one or more investment companies, including money market funds.

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.

The following graph and performance table compare The Income Fund’s unaudited performance (after expenses) with that of the Bloomberg Barclays Bond Index, with dividends and distributions reinvested, for various periods ended June 30, 2021. The value of a \$10,000 investment in The Income Fund at its inception was worth \$20,205 (assumes reinvestment of distributions into additional Fund shares) compared to \$15,280 for the Bloomberg Barclays Bond Index at June 30, 2021. The Income Fund’s 30-Day SEC Yield at June 30, 2021, was 0.30% (unsubsidized) and 0.50% (subsidized).*

The Fairholme Focused Income Fund



*The 30-Day SEC Yield represents net investment income earned by The Income Fund over the 30-Day period, expressed as an annual percentage rate based on The Income Fund’s share price at the end of the 30-Day period. The 30-Day unsubsidized SEC Yield does not reflect any fee waivers/reimbursements/limits in effect.

July 30, 2021

Dear Fellow Shareholders:

The Fund has invested 37% of its assets in energy and other infrastructure-related companies. Oil and natural gas are used in about 97% of all manufactured products. It is not easy to name a product or service that doesn't use a form of oil or natural gas. In fact, life as we know it could not exist without petrochemicals. Natural gas is essential for power generation, especially when the sun doesn't shine or the wind doesn't blow. Switching from dirty coal to cleaner natural gas alone would meaningfully reduce air pollution. Responsible transporters of oil, natural gas and their many derivatives are as critical as producers and not as sensitive to commodity price swings. Their securities pay significant distributions and have long-term capital appreciation potential.

The U.S. Supreme Court's unanimous ruling that federal law allows the government do whatever is in the best interests of the Federal Housing and Finance Agency (Fannie Mae and Freddie Mac's conservator) was a significant defeat for the sanctity of contracts. Fannie and Freddie securities now comprise 1.5% of the Fund and are priced at mere option values on possible pathways to freedom from or compensation for federal takings. We wait for a Biden administration plan for their re-privatization and further judicial decisions.

U.S. Treasury Bills and Treasury money market funds comprised 54% of the Fund's net assets at June 30, 2021. We are investing more of this cash in a basket of companies that generate yield, and believed essential for a greener world and growing middle class.

I and affiliates own 31% of the Fund.

Respectfully submitted,



Bruce R. Berkowitz
Chief Investment Officer

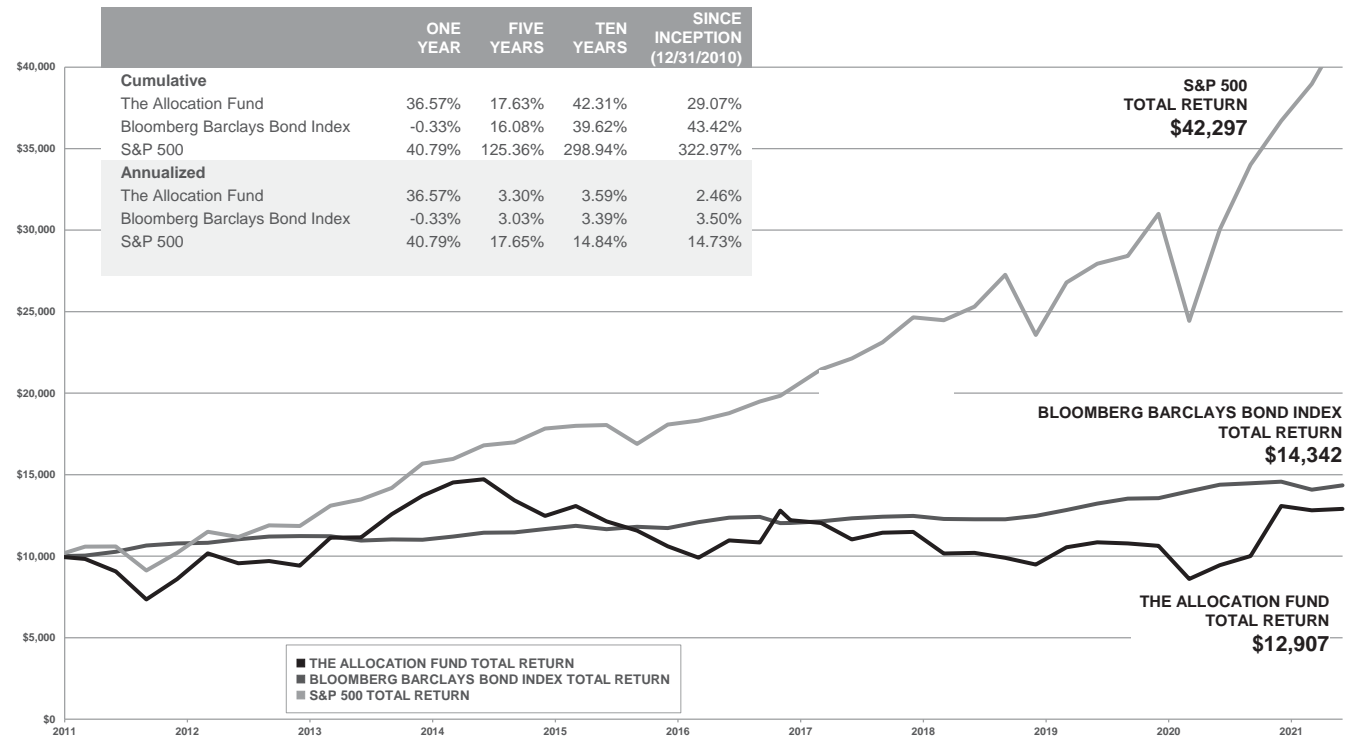
Mutual fund investing involves risks, including possible loss of principal. Unless otherwise specified, all information is shown as of June 30, 2021. Past performance information quoted below does not guarantee future results. The investment return and principal value of an investment in The Allocation Fund ("The Allocation Fund" or the "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 the 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 Bloomberg Barclays U.S. Aggregate Bond Index (the "Bloomberg Barclays Bond Index") is a broad-based flagship benchmark that measures the investment grade, U.S. dollar denominated, fixed-rate taxable bond market, and includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities and commercial mortgage backed securities (agency and non-agency). The S&P 500 and the Bloomberg Barclays Bond Index are used for comparative purposes only, and are 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 or the Bloomberg Barclays Bond Index in either up or down market trends. Because indices cannot be invested in directly, these 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 30, 2021, is 1.05%, and may differ from the actual expenses incurred by the Fund for the period covered by the Fund's Semi-Annual Report. The expense ratio includes any acquired fund fees and expenses which are incurred indirectly by the Fund as a result of investments in securities issued by one or more investment companies, including money market funds.

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.

The following graph and performance table compare The Allocation Fund's unaudited performance (after expenses) with that of the Bloomberg Barclays Bond Index and the S&P 500, with dividends and distributions reinvested, for various periods ended June 30, 2021. The value of a \$10,000 investment in The Allocation Fund at its inception was worth \$12,907 (assumes reinvestment of distributions into additional Fund shares) compared to \$14,342 and \$42,297 for the Bloomberg Barclays Bond Index and the S&P 500, respectively, at June 30, 2021. U.S. Treasury Bills and Treasury money market funds comprised 18% of the Fund's net assets at June 30, 2021. The Allocation Fund's 30-Day SEC Yield at June 30, 2021, was 0.03% (unsubsidized) and 0.24% (subsidized).*

The Fairholme Allocation Fund



*The 30-Day SEC Yield represents net investment income earned by The Allocation Fund over the 30-Day period, expressed as an annual percentage rate based on The Allocation Fund's share price at the end of the 30-Day period. The 30-Day unsubsidized SEC Yield does not reflect any fee waivers/reimbursements/limits in effect.

July 30, 2021

Dear Fellow Shareholders:

St. Joe (JOE) comprises 27% of the Fund. JOE's second quarter 2021 operating revenue increased by 100% to \$72.2 million. Operating income increased by 177% to \$30.7 million. Net cash provided by operating activities increased by 298% to \$37.4 million. Cash generated for distributions to owners or for investments increased by 112% to \$38.4 million. I believe JOE has the ability to distribute this cash. JOE is reaping today what was sowed over the past few years. Current developments should increase record performance. JOE is only scratching the surface of possibilities. But, I understand that seeing is believing.

Imperial Metals comprises 15% of Fund assets. Imperial owns 30% of Red Chris, a copper, silver, and gold open pit mining operation. Newcrest Mining owns 70% of Red Chris. Newcrest reported Red Chris' all-in gross margin of \$1,129 per gold ounce – a quarterly record. Newcrest believes that Red Chris will most-likely follow the path of its Cadia property, which produces multiples more at an all-in gross margin of \$2,157 per gold ounce. Block cave mining allows Cadia's all-in margin to exceed the price of gold.

The Fund has invested in a basket of energy and other infrastructure-related companies totaling 36% of Fund assets. Oil and natural gas are used in almost all manufactured products. It is not easy to name a product or service that doesn't use hydrocarbons. In fact, life as we know it could not exist without petrochemicals. Natural gas is essential for instant power generation, especially when the sun doesn't shine or the wind doesn't blow. Transporters of oil, natural gas and their many derivatives are as critical as producers, but not as sensitive to commodity price swings, and pay rather large distributions.

The U.S. Supreme Court unanimously ruled that federal law allows the government do whatever is in the best interests of the Federal Housing Finance Agency, Fannie Mae and Freddie Mac's conservator. When dealing with the government, there appears to be no sanctity of contract. Fannie and Freddie preferred stocks now comprise 2% of the Fund with prices at mere option values on possible pathways to freedom from or compensation for federal takings. We now wait for the Biden administration's re-privatization plans and further judicial decisions.

I and affiliates own 67% of the Fund.

Respectfully submitted,



Bruce R. Berkowitz
Chief Investment Officer

FAIRHOLME

Ignore the crowd.

FAIRHOLME FUNDS, INC.

The Fairholme Fund (FAIRX)

Seeking long-term growth of capital

The Fairholme Focused Income Fund (FOCIX)

Seeking current income

The Fairholme Allocation Fund (FAAFX)

Seeking long-term total return

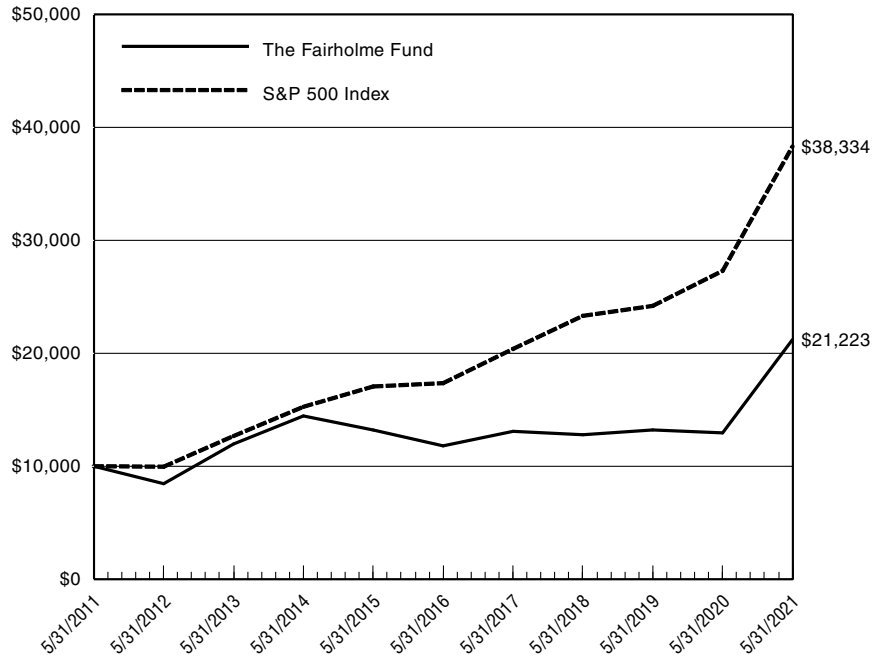
Semi-Annual Report

May 31, 2021

Managed by Fairholme Capital Management

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**THE FAIRHOLME FUND VS. THE S&P 500 INDEX
INITIAL INVESTMENT OF \$10,000**

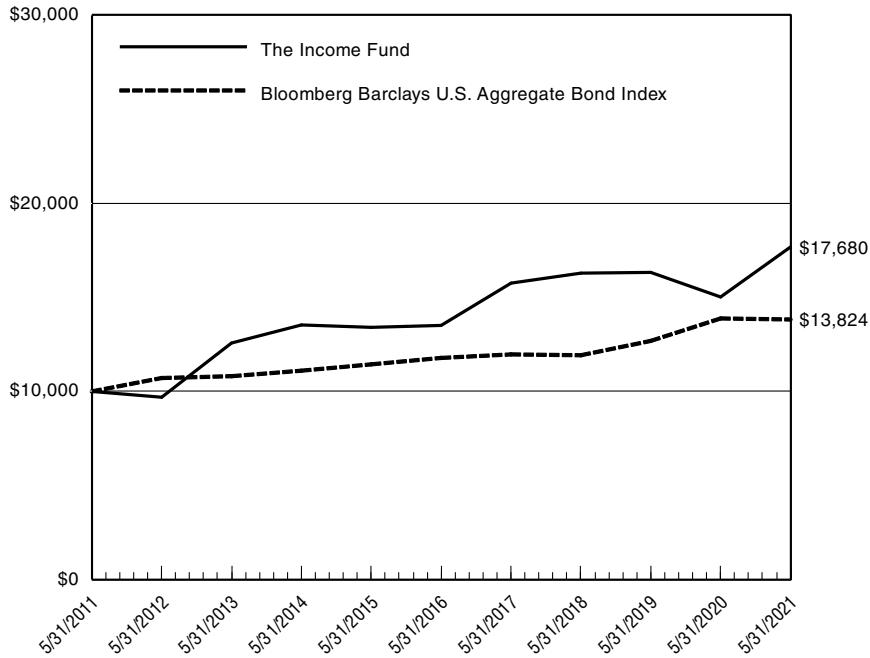


The Fairholme Fund (“The Fairholme Fund”) commenced operations on December 29, 1999. The chart above presents the performance of a \$10,000 investment for up to ten years to the latest semi-annual period ending May 31, 2021.

The following notes pertain to the chart above as well as to the performance table included in the Management Discussion & Analysis Report. **Performance information in this report represents past performance and is not a guarantee of future results. The investment return and principal value of an investment in The Fairholme 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 quoted within. The performance information does not reflect the taxes an investor would pay on distributions from The Fairholme Fund or upon redemption of shares of The Fairholme Fund. 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.**

Data for both the S&P 500 Index and The Fairholme Fund are presented assuming all dividends and distributions have been reinvested and do not reflect any taxes that might have been incurred by a shareholder as a result of The Fairholme Fund distributions. The S&P 500 Index is a widely recognized, unmanaged index of 500 of the largest companies in the United States as measured by market capitalization and does not reflect any investment management fees or transaction expenses, nor the effects of taxes, fees or other charges.

**THE INCOME FUND vs.
THE BLOOMBERG BARCLAYS U.S. AGGREGATE BOND INDEX
INITIAL INVESTMENT OF \$10,000**

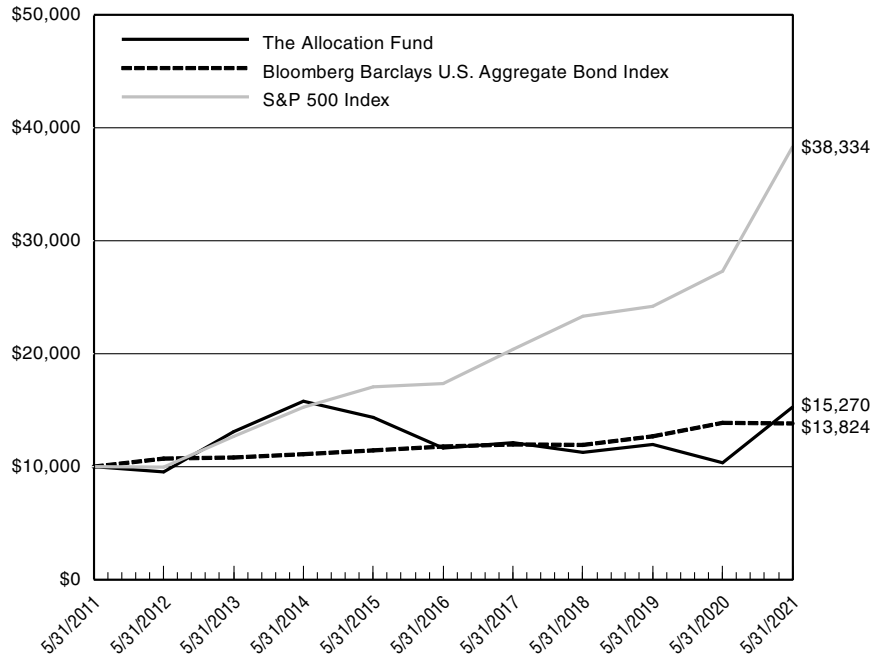


The Fairholme Focused Income Fund (“The Income Fund”) commenced operations on December 31, 2009. The chart above presents the performance of a \$10,000 investment for up to ten years to the latest semi-annual period ending May 31, 2021.

The following notes pertain to the chart above as well as to the performance table included in the Management Discussion & Analysis Report. **Performance information in this report represents past performance and is not a guarantee of future results. The investment return and principal value of an investment in The 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 quoted within. The performance information does not reflect the taxes an investor would pay on distributions from The Income Fund or upon redemption of shares of The Income Fund. 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.**

Data for both the Bloomberg Barclays U.S. Aggregate Bond Index and The Income Fund are presented assuming all dividends and distributions have been reinvested and do not reflect any taxes that might have been incurred by a shareholder as a result of The Income Fund distributions. The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, and includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities and commercial mortgage-backed securities (agency and non-agency). The Bloomberg Barclays U.S. Aggregate Bond Index does not reflect any investment management fees or transaction expenses, nor the effects of taxes, fees, or other charges.

**THE ALLOCATION FUND VS. THE BLOOMBERG BARCLAYS U.S.
AGGREGATE BOND INDEX AND THE S&P 500 INDEX
INITIAL INVESTMENT OF \$10,000**



The Fairholme Allocation Fund (“The Allocation Fund”) commenced operations on December 31, 2010. The chart above presents the performance of a \$10,000 investment for up to ten years to the latest semi-annual period ending May 31, 2021.

The following notes pertain to the chart above as well as to the performance table included in the Management Discussion & Analysis Report. **Performance information in this report represents past performance and is not a guarantee of future results. The investment return and principal value of an investment in The Allocation 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 quoted within. The performance information does not reflect the taxes an investor would pay on distributions from The Allocation Fund or upon redemption of shares of The Allocation Fund. 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.**

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FAIRHOLME FUNDS, INC.

MANAGEMENT DISCUSSION & ANALYSIS For the six months ended May 31, 2021

The Fairholme Fund, The Income Fund, and The Allocation Fund (each a “Fund” and collectively, the “Funds”) shares outstanding and unaudited net asset value per share (“NAV”) at May 31, 2021, the end of the Funds’ semi-annual period, and NAVs at other pertinent dates, were as follows:

	<u>5/31/2021</u> Shares <u>Outstanding</u>	<u>05/31/2021</u> NAV <u>(unaudited)</u>	<u>11/30/2020</u> NAV <u>(audited)</u>	<u>05/31/2020</u> NAV <u>(unaudited)</u>
The Fairholme Fund	47,595,910	\$ 30.22	\$ 25.35	\$ 18.45
The Income Fund	11,333,348	\$ 11.17	\$ 10.31	\$ 9.53
The Allocation Fund	6,532,688	\$ 9.46	\$ 8.02	\$ 6.42

At June 30, 2021, the unaudited NAVs of The Fairholme Fund, The Income Fund, and The Allocation Fund were \$27.60, \$10.86, and \$8.72, respectively.

Performance figures below are shown for the Funds’ semi-annual period ended May 31, 2021, and do not match calendar year figures for the period ended June 30, 2021, cited in the Portfolio Manager’s report.

<u>The Fairholme Fund</u> <u>Performance to</u> <u>5/31/2021 (Unaudited)</u>	<u>Six</u> <u>Months</u>	<u>One</u> <u>Year</u>	<u>Five</u> <u>Years</u>	<u>Ten</u> <u>Years</u>	<u>Fifteen</u> <u>Years</u>	<u>Since</u> <u>Inception</u> <u>12/29/1999</u>
Cumulative:						
The Fairholme Fund	19.21%	63.80%	79.75%	112.24%	188.67%	767.05%
S&P 500 Index	16.95%	40.32%	120.79%	283.34%	351.29%	334.04%

Annualized:

The Fairholme Fund	63.80%	12.44%	7.82%	7.32%	10.61%
S&P 500 Index	40.32%	17.16%	14.38%	10.57%	7.09%

For the six months ended May 31, 2021, The Fairholme Fund outperformed the S&P 500 Index (“S&P 500”) by 2.26 percentage points. Over the last year The Fairholme Fund also outperformed the S&P 500 by 23.48 percentage points. From inception, The Fairholme Fund outperformed the S&P 500 by 3.52 percentage points per annum, or on a cumulative basis, 433.01 percentage points over twenty-one years and five months.

<u>The Income Fund</u> <u>Performance to</u> <u>5/31/2021 (Unaudited)</u>	<u>Six</u> <u>Months</u>	<u>One</u> <u>Year</u>	<u>Five</u> <u>Years</u>	<u>Ten</u> <u>Years</u>	<u>Since</u> <u>Inception</u> <u>12/31/2009</u>
Cumulative:					
The Income Fund	8.80%	17.70%	30.89%	76.80%	107.33%
Bloomberg Barclays Bond Index	-2.16%	-0.41%	17.34%	38.24%	51.73%

Annualized:

The Income Fund	17.70%	5.53%	5.86%	6.60%
Bloomberg Barclays Bond Index	-0.41%	3.25%	3.29%	3.72%

For the six months ended May 31, 2021, The Income Fund outperformed The Bloomberg Barclays U.S. Aggregate Bond Index (“Bloomberg Barclays Bond Index”) by 10.96 percentage points. Over the last year The Income Fund also outperformed the Bloomberg Barclays Bond Index by 18.11 percentage points. From inception, The Income Fund outperformed the Bloomberg Barclays Bond Index by 2.88 percentage points per annum, or on a cumulative basis, 55.60 percentage points over eleven years and five months.

FAIRHOLME FUNDS, INC.

MANAGEMENT DISCUSSION & ANALYSIS (continued) For the six months ended May 31, 2021

The Allocation Fund Performance to 5/31/2021 (Unaudited)	Six Months	One Year	Five Years	Ten Years	Since Inception 12/31/2010
Cumulative:					
The Allocation Fund	18.23%	47.69%	31.10%	52.70%	40.03%
Bloomberg Barclays Bond Index	-2.16%	-0.41%	17.34%	38.24%	42.42%
S&P 500 Index	16.95%	40.32%	120.79%	283.34%	313.32%
Annualized:					
The Allocation Fund		47.69%	5.57%	4.32%	3.29%
Bloomberg Barclays Bond Index		-0.41%	3.25%	3.29%	3.45%
S&P 500 Index		40.32%	17.16%	14.38%	14.60%

For the six months ended May 31, 2021, The Allocation Fund outperformed the Bloomberg Barclays Bond Index and the S&P 500 by 20.39 and 1.28 percentage points, respectively. Over the last year The Allocation Fund also outperformed the Bloomberg Barclays Bond Index by 48.10 percentage points and outperformed the S&P 500 by 7.37 percentage points. From inception, The Allocation Fund was outperformed by the Bloomberg Barclays Bond Index and the S&P 500 by 0.16 and 11.31 percentage points per annum, respectively, or on a cumulative basis, 2.39 and 273.29 percentage points over ten years and five months.

Fairholme Capital Management, L.L.C. (the “Manager”) believes performance over shorter periods is likely to be less meaningful than performance over longer periods. Investors are cautioned not to rely on short-term results. The fact that securities increase or decline in value does not always indicate that the Manager believes these securities to be more or less attractive — in fact, the Manager believes that some price increases present selling opportunities and some price declines present buying opportunities.

Further, shareholders should note that the S&P 500 and the Bloomberg Barclays Bond Index are unmanaged indices incurring no fees, expenses, or tax effects and are shown solely to compare the Funds’ performance to that of unmanaged and diversified indices of securities. As of the prospectus dated March 30, 2021, the gross expense ratios for The Fairholme Fund, The Income Fund, and The Allocation Fund are 1.03%, 1.05%, and 1.05%, respectively. Shareholders are also cautioned that it is possible that some securities mentioned in this discussion may no longer be held by a Fund subsequent to the end of the fiscal period, and that a Fund may have made new investments that are not yet required to be disclosed. It is the Funds’ general policy not to disclose portfolio holdings other than when required by relevant law or regulation. Portfolio holdings are subject to change without notice.

Not all Fund portfolio dispositions or additions are material, and, while the Funds and the Manager have long-term objectives, it is possible that a security sold or purchased in one period will be purchased or sold in a subsequent period. Generally, the Manager determines to buy and sell based on its estimates of the, respectively, relative intrinsic values and the Manager’s assessment of certain attractive characteristics of a company, general market conditions and expected future returns of an investment.

The Manager invests each Fund’s assets in securities to the extent the Manager finds reasonable investment opportunities in accordance with the Fund’s respective investment strategies, policies and restrictions, as stated in the Fund’s Prospectus and may invest a significant portion of each Fund’s assets in cash and cash equivalents. The Manager views liquidity as a strategic advantage. Due to the continued uncertainty caused by the spread of the respiratory disease caused by a novel coronavirus (known as COVID-19) and the corresponding market volatility and governmental responses to it, during the period ended May 31, 2021, the Manager has continued to hold U.S. Treasury Bills as part of each Fund’s investments. At May 31, 2021, cash and cash equivalents (consisting of cash, deposit accounts, U.S. Treasury Bills, and Treasury money-market funds) represented 20.3%, 58.0%, and 25.3% of The Fairholme Fund, The Income Fund, and The Allocation Fund total assets, respectively. Since inception, the Funds have held varying levels of cash and cash equivalents for periods without, in the Manager’s view, negatively influencing performance.

FAIRHOLME FUNDS, INC.

MANAGEMENT DISCUSSION & ANALYSIS (continued)
For the six months ended May 31, 2021

Each Fund is considered to be “non-diversified” under the Investment Company Act of 1940. Accordingly, each Fund can invest a greater percentage of its assets in fewer securities than a diversified fund, and can invest a significant portion of cash and liquid assets held by the Fund in one or more higher-risk securities at any time, including periods when a market is weak or a particular security declines sharply. The Funds may also have a greater percentage of assets invested in a particular sector than a diversified fund, exposing the Funds to the risk of an unanticipated event or condition and risks affecting a single company, sector or security.

The commentaries below provide details of each Fund’s portfolio holdings by issuer and sector, as well as reporting the most significant positive and negative performance by investment for the six months ended May 31, 2021.

The most significant gains in each of the Funds’ portfolios were related to positive developments in the Real Estate Management & Development, Metals & Mining, Oil & Gas Storage & Transportation, Insurance- Property & Casualty, and Healthcare sectors. Investments in the Mortgage Finance sector saw some losses during the six months ended May 31, 2021.

The Manager made no changes to the core investment strategies and techniques it employed during the six months ended May 31, 2021.

For the six months ended May 31, 2021, The Fairholme Fund investments that contributed to performance were The St. Joe Co. and Imperial Metals Corp. The detractors to performance during the period were Federal Home Loan Mortgage Corp. (“Freddie”) and Federal National Mortgage Association (“Fannie”). The following charts show the top holdings by issuer and sector in descending order of percentage of net assets as of May 31, 2021.

The Fairholme Fund Top Holdings by Issuer* (% of Net Assets)		The Fairholme Fund Top Sectors (% of Net Assets)	
The St. Joe Co.	70.0%	Real Estate Management & Development	70.0%
Federal National Mortgage Association	3.9%	Cash and Cash Equivalents**	20.3%
Federal Home Loan Mortgage Corp.	3.8%	Mortgage Finance	7.7%
Imperial Metals Corp.	1.9%	Metals & Mining	1.9%
Sears Holdings Corp.	0.1%	Retail Department Stores	0.1%
	<u>79.7%</u>		<u>100.0%</u>

* Excludes cash, U.S. Treasury Bills and Treasury money market funds.

** Includes cash, U.S. Treasury Bills and Treasury money market funds.

FAIRHOLME FUNDS, INC.

MANAGEMENT DISCUSSION & ANALYSIS (continued) For the six months ended May 31, 2021

For the six months ended May 31, 2021, The Income Fund investments that contributed to performance were Western Midstream Partners, LP, Energy Transfer, LP, Old Republic Intl Corp., Kinder Morgan, Inc, CVS Health Corp., and Enbridge, Inc. The detractors to performance during the period were Federal Home Loan Mortgage Corp. (“Freddie”) and Federal National Mortgage Association (“Fannie”). The following charts show the top holdings by issuer and sector in descending order of percentage of net assets as of May 31, 2021.

The Income Fund Top Holdings by Issuer* (% of Net Assets)		The Income Fund Top Sectors** (% of Net Assets)	
Western Midstream Partners LP	6.2%	Cash and Cash Equivalents***	58.0%
Energy Transfer LP	5.4%	Oil & Gas Storage & Transportation	25.2%
Old Republic International Corp.	5.0%	Mortgage Finance	5.7%
Enbridge, Inc.	4.6%	Insurance - Property & Casualty	5.0%
Kinder Morgan, Inc.	4.5%	Utilities - Electric	2.7%
Federal Home Loan Mortgage Corp.	3.9%		<u>96.6%</u>
Williams Cos, Inc. (The)	3.4%		
Vistra Corp.	2.7%		
Federal National Mortgage Association	1.8%		
TC Energy Corp.	1.0%		
	<u>38.5%</u>		

* Excludes cash, U.S. Treasury Bills, Treasury money market funds and miscellaneous investments.

** Excludes miscellaneous investments.

*** Includes cash, U.S. Treasury Bills and Treasury money market funds.

For the six months ended May 31, 2021, The Allocation Fund investments that contributed to performance were St. Joe Co., Imperial Metals Corp., Western Midstream Partners, LP, and Energy Transfer, LP. The detractors to performance during the period were Federal Home Loan Mortgage Corp. (“Freddie”) and Federal National Mortgage Association (“Fannie”). The following charts show the top holdings by issuer and sector in descending order of percentage of net assets as of May 31, 2021.

The Allocation Fund Top Holdings by Issuer* (% of Net Assets)		The Allocation Fund Top Sectors** (% of Net Assets)	
The St. Joe Co.	25.7%	Real Estate Management & Development	25.7%
Imperial Metals Corp.	14.7%	Cash and Cash Equivalents***	25.3%
Energy Transfer LP	5.3%	Oil & Gas Storage & Transportation	20.1%
Federal Home Loan Mortgage Corp.	4.7%	Metals & Mining	14.7%
Western Midstream Partners LP	4.7%	Mortgage Finance	9.1%
Enbridge, Inc.	4.5%	Utilities - Electric	3.1%
Federal National Mortgage Association	4.4%		<u>98.0%</u>
Kinder Morgan, Inc.	3.6%		
Vistra Corp.	3.1%		
TC Energy Corp.	1.0%		
	<u>71.7%</u>		

* Excludes cash, U.S. Treasury Bills, Treasury money market funds and miscellaneous investments.

** Excludes miscellaneous investments.

*** Includes cash, U.S. Treasury Bills and Treasury money market funds.

The Manager views the ability to focus on fewer investments than a diversified fund as a strategic advantage. However, such a

strategy may negatively influence long-term performance.

A more complete discussion and description of the principal risks of investing in the Funds can be found in the Funds' Prospectus and Statement of Additional Information.

Large cash inflows or outflows may adversely affect the Funds' performance. Such flows are monitored and actions deemed appropriate by the Manager are contemplated for when such flows could negatively impact performance.

Since inception, the Funds have been advised by the Manager. Bruce Berkowitz, both the Chief Investment Officer of the Manager and Chairman of the Funds' Board of Directors (the "Board" or the "Directors"), and his affiliates beneficially own an aggregate 13,317,942, 3,534,818, and 4,387,159 shares of The Fairholme Fund, The Income Fund, and The Allocation Fund, respectively, at May 31, 2021. While there is no requirement that Mr. Berkowitz own shares of the Funds, such holdings are believed to help align the interests of the Manager with the interests of the shareholders.

The Board, including the Independent Directors, continues to believe that it is in the best interests of the Funds to have Mr. Berkowitz serve as Chairman of the Board given: his long-term relative performance; his experience, commitment, and significant personal investment in the Funds; the present composition of the Board; and current rules and regulations. A Director and Officers of the Funds are also Officers of the Manager. Nevertheless, at May 31, 2021, a majority of Directors were independent of the Manager, no stock option or restricted stock plans exist, Officers received no direct compensation from the Funds, and the Director affiliated with the Manager received no compensation for being a Director.

For more complete information about the Funds, or to obtain a current Prospectus, please visit www.fairholmefunds.com or call Shareholder Services at (866) 202-2263.

FAIRHOLME FUNDS, INC.

EXPENSE EXAMPLE

For the Six Month Period from December 1, 2020 through May 31, 2021 (unaudited)

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs including, but not limited to, transaction fees at some broker-dealers, custodial fees for retirement accounts, redemption fees (on The Fairholme Fund and The Allocation Fund shares redeemed or exchanged within 60 days of purchase), and wire transfer fees; and (2) ongoing costs including, but not limited to, management fees paid to the Manager. The following examples are intended to help you understand your ongoing costs (in dollars) of investing in the Funds and to compare these costs with the ongoing costs of investing in other mutual funds.

These examples are based on an investment of \$1,000 invested in the Funds at December 1, 2020, and held for the entire six month period ending May 31, 2021.

Actual Expenses

The first line of the tables below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you had invested at the beginning of the period, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading “Expenses Paid During the Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the tables below provides information about hypothetical account values and hypothetical expenses based on each Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return for the period presented. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses that you paid for the period presented. However, you may use this information to compare ongoing costs of investing in the Funds with the ongoing costs of investing in other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees (if any), or other direct costs. Therefore, the second line of the tables is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your total costs would be higher.

	Beginning Account Value December 1, 2020	Ending Account Value May 31, 2021	Annualized Expense Ratio*	Expenses Paid During the Period December 1, 2020 Through May 31, 2021**
The Fairholme Fund				
Actual	\$1,000.00	\$1,192.10	0.80%	\$4.37
Hypothetical (5% return before expenses)	\$1,000.00	\$1,020.94	0.80%	\$4.03
The Income Fund				
Actual	\$1,000.00	\$1,088.00	0.80%	\$4.16
Hypothetical (5% return before expenses)	\$1,000.00	\$1,020.94	0.80%	\$4.03
The Allocation Fund				
Actual	\$1,000.00	\$1,182.30	0.80%	\$4.35
Hypothetical (5% return before expenses)	\$1,000.00	\$1,020.94	0.80%	\$4.03

* Effective January 1, 2018, the Manager has agreed to waive, on a voluntary basis, a portion of the management fee of The Fairholme Fund, The Income Fund and The Allocation Fund to the extent necessary to limit the management fee paid to the Manager by The Fairholme Fund, The Income Fund and The Allocation Fund, respectively, to an annual rate of 0.80% of that Fund’s daily average net asset value. This undertaking may be terminated by the Manager upon 60 days’ written notice to the applicable Fund.

** Expenses are equal to each Fund’s annualized expense ratio, multiplied by the average account value over the period, multiplied by 182 days/365 days (to reflect the one-half year period).

THE FAIRHOLME FUND

SCHEDULE OF INVESTMENTS May 31, 2021 (unaudited)

Shares	Value	Principal	Value
DOMESTIC EQUITY SECURITIES — 70.0%		DOMESTIC CORPORATE BONDS — 0.1%	
REAL ESTATE MANAGEMENT & DEVELOPMENT — 70.0%		RETAIL DEPARTMENT STORES — 0.1%	
21,539,224	The St. Joe Co. ^(a)	\$ 1,007,389,507	\$ 97,022,000
			Sears Holdings Corp. 8.000%, 12/15/2019 ^(d)
			\$ 979,922
TOTAL DOMESTIC EQUITY SECURITIES (COST \$569,886,767)	<u>1,007,389,507</u>	TOTAL DOMESTIC CORPORATE BONDS (COST \$97,385,904)	<u>979,922</u>
FOREIGN EQUITY SECURITIES — 1.9%		U.S. GOVERNMENT OBLIGATIONS — 17.9%	
CANADA — 1.9%		U.S. Treasury Bills	
METALS & MINING — 1.9%		25,000,000	0.020%, 07/15/2021 ^(e)
6,835,467	Imperial Metals Corp. ^{(a)(b)}	13,000,000	0.136%, 09/09/2021 ^(e)
		25,000,000	0.048%, 09/16/2021 ^(e)
		50,000,000	0.015%, 10/07/2021 ^(e)
TOTAL FOREIGN EQUITY SECURITIES (COST \$64,213,089)	<u>27,951,829</u>	50,000,000	0.020%, 11/18/2021 ^(e)
		25,000,000	0.050%, 12/02/2021 ^(e)
		20,000,000	0.056%, 03/24/2022 ^(e)
		50,000,000	0.043%, 05/19/2022 ^(e)
			<u>49,979,222</u>
		TOTAL U.S. GOVERNMENT OBLIGATIONS (COST \$257,947,184)	<u>257,961,213</u>
DOMESTIC PREFERRED EQUITY SECURITIES — 7.7%		Shares	
MORTGAGE FINANCE — 7.7%		MONEY MARKET FUNDS — 2.4%	
8,955,013	Federal Home Loan Mortgage Corp. 7.875%, Series Z ^{(b)(c)}	33,971,777	Fidelity Investments Money Market Treasury Portfolio - Class I, 0.01% ^(f)
8,784,077	Federal National Mortgage Association 7.750%, Series S ^{(b)(c)}		<u>33,971,777</u>
TOTAL DOMESTIC PREFERRED EQUITY SECURITIES (COST \$75,287,318)	<u>110,042,849</u>	TOTAL MONEY MARKET FUNDS (COST \$33,971,777)	<u>33,971,777</u>
		TOTAL INVESTMENTS — 100.0%	<u>1,438,636,593</u>
		(COST \$1,098,692,039)	
		LIABILITIES IN EXCESS OF OTHER ASSETS — 0.0%	<u>(129,432)</u>
		NET ASSETS — 100.0%	<u>\$ 1,438,507,161</u>
TOTAL RIGHTS (COST \$0)	<u>339,496</u>		

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FUND

SCHEDULE OF INVESTMENTS (continued) May 31, 2021 (unaudited)

- ^(a) Affiliated Company. See Note 7.
- ^(b) Non-income producing security.
- ^(c) Variable rate security. Rates shown are the effective rates as of May 31, 2021.
- ^(d) Security in default and no interest was accrued as of May 31, 2021.
- ^(e) Rates shown are the effective yields based on the purchase price. The calculation assumes the security is held to maturity.
- ^(f) Annualized based on the 1-day yield as of May 31, 2021.

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FUND

STATEMENT OF ASSETS & LIABILITIES
May 31, 2021 (unaudited)

Assets

Investments, at Fair Value:

Unaffiliated Issuers (Cost – \$464,592,183)	\$ 402,955,761
Affiliated Issuers (Cost – \$634,099,856)	1,035,680,832
Dividends and Interest Receivable	1,731,414
Receivable for Capital Shares Sold	31,532
Total Assets	<u>1,440,399,539</u>

Liabilities

Accrued Management Fees	955,693
Payable for Capital Shares Redeemed	936,685
Total Liabilities	<u>1,892,378</u>

NET ASSETS \$ 1,438,507,161

Net Assets consist of:

Paid-In Capital	\$ 1,838,163,522
Total Accumulated Losses	<u>(399,656,361)</u>

NET ASSETS \$ 1,438,507,161

Shares of Common Stock Outstanding* (\$0.0001 par value)	<u>47,595,910</u>
Net Asset Value, Offering and Redemption Price Per Share (\$1,438,507,161 / 47,595,910 shares)	<u>\$ 30.22</u>

* 700,000,000 shares authorized in total.

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FUND

STATEMENT OF OPERATIONS (unaudited)

	For the Six Months Ended May 31, 2021
Investment Income	
Interest — Unaffiliated Issuers	\$ 91,996
Dividends — Unaffiliated Issuers	243,055
Dividends — Affiliated Issuers	<u>3,462,668</u>
Total Investment Income	<u>3,797,719</u>
Expenses	
Management Fees	<u>7,200,896</u>
Total Expenses	<u>7,200,896</u>
Less: Voluntary Reduction of Management Fees	<u>(1,440,179)</u>
Net Expenses	<u>5,760,717</u>
Net Investment Loss	<u>(1,962,998)</u>
Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Related Transactions	
Net Realized Gain on Investments	
Unaffiliated Issuers	5,885,280
Affiliated Issuers	10,108,286
Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Related Translations	
Unaffiliated Investments	(79,406,718)
Affiliated Investments	<u>308,195,019</u>
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Related Transactions	<u>244,781,867</u>
NET INCREASE IN NET ASSETS FROM OPERATIONS	<u><u>\$ 242,818,869</u></u>

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FUND

STATEMENTS OF CHANGES IN NET ASSETS

	For the Six Months Ended May 31, 2021 (Unaudited)	For the Fiscal Year Ended November 30, 2020
CHANGES IN NET ASSETS		
From Operations		
Net Investment Loss	\$ (1,962,998)	\$ (4,188,289)
Net Realized Gain (Loss) on Investments	15,993,566	(788,218)
Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Related Translations	<u>228,788,301</u>	<u>323,118,083</u>
Net Increase in Net Assets from Operations	<u>242,818,869</u>	<u>318,141,576</u>
From Dividends and Distributions to Shareholders		
Net Decrease in Net Assets from Dividends and Distributions	<u>—</u>	<u>(9,053,098)</u>
From Capital Share Transactions		
Proceeds from Sale of Shares	14,843,072	78,829,861
Shares Issued in Reinvestment of Dividends and Distributions	—	6,693,804
Redemption Fees	23,165	36,068
Cost of Shares Redeemed	<u>(88,388,892)</u>	<u>(181,977,804)</u>
Net Decrease in Net Assets from Shareholder Activity	<u>(73,522,655)</u>	<u>(96,418,071)</u>
NET ASSETS		
Net Increase in Net Assets	169,296,214	212,670,407
Net Assets at Beginning of Period	<u>1,269,210,947</u>	<u>1,056,540,540</u>
Net Assets at End of Period	<u>\$ 1,438,507,161</u>	<u>\$ 1,269,210,947</u>
SHARES TRANSACTIONS		
Issued	503,181	4,096,357
Reinvested	—	333,357
Redeemed	<u>(2,967,914)</u>	<u>(9,428,093)</u>
Net Decrease in Shares	<u>(2,464,733)</u>	<u>(4,998,379)</u>
Shares Outstanding at Beginning of Period	<u>50,060,643</u>	<u>55,059,022</u>
Shares Outstanding at End of Period	<u>47,595,910</u>	<u>50,060,643</u>

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FUND

FINANCIAL HIGHLIGHTS

	For the Six Months Ended May 31, 2021 (Unaudited)	For the Fiscal Year Ended November 30,				
		2020	2019	2018	2017	2016
PER SHARE OPERATING PERFORMANCE						
NET ASSET VALUE, BEGINNING OF PERIOD	\$25.35	\$19.19	\$16.05	\$19.10	\$24.26	\$34.24
Investment Operations						
Net Investment Income (Loss) ⁽¹⁾	(0.04)	(0.08)	0.16	0.29	0.23	0.33
Net Realized and Unrealized Gain (Loss) on Investments	4.91	6.41	3.32	(3.08)	(3.81)	2.60
Total from Investment Operations	4.87	6.33	3.48	(2.79)	(3.58)	2.93
Dividends and Distributions						
From Net Investment Income	—	(0.17)	(0.34)	(0.26)	(0.40)	(0.60)
From Realized Capital Gains	—	—	—	—	(1.18)	(12.31)
Total Dividends and Distributions	—	(0.17)	(0.34)	(0.26)	(1.58)	(12.91)
Redemption Fees⁽¹⁾	0.00 ⁽²⁾	0.00 ⁽²⁾	0.00 ⁽²⁾	0.00 ⁽²⁾	0.00 ⁽²⁾	0.00 ⁽²⁾
NET ASSET VALUE, END OF PERIOD	\$30.22	\$25.35	\$19.19	\$16.05	\$19.10	\$24.26
TOTAL RETURN	19.21% ⁽³⁾	33.19%	22.20%	(14.85)%	(15.64)%	18.93%
Ratio/Supplemental Data						
Net Assets, End of Period (in 000's)	\$1,438,507	\$1,269,211	\$1,056,541	\$1,064,866	\$1,871,480	\$3,155,709
Ratio of Gross Expenses to Average Net Assets	1.00% ⁽⁴⁾	1.01% ⁽⁵⁾	1.00% ⁽⁶⁾	1.00%	1.02% ⁽⁷⁾	1.02% ⁽⁷⁾
Ratio of Net Expenses to Average Net Assets	0.80% ⁽⁴⁾⁽⁸⁾	0.81% ⁽⁵⁾⁽⁸⁾	0.80% ⁽⁶⁾⁽⁸⁾	0.82% ⁽⁸⁾	1.02% ⁽⁷⁾	1.02% ⁽⁷⁾
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.27)% ⁽⁴⁾	(0.41)%	0.86%	1.57%	1.14%	1.79%
Portfolio Turnover Rate	0.26% ⁽³⁾	8.18%	8.05%	16.29%	6.57%	19.19%

⁽¹⁾ Based on average shares outstanding.

⁽²⁾ Redemption fees represent less than \$0.01.

⁽³⁾ Not annualized.

⁽⁴⁾ Annualized.

⁽⁵⁾ 0.01% is attributable to legal expenses incurred outside of the 1.00% management fee.

⁽⁶⁾ Less than 0.01% is attributable to legal expenses incurred outside of the 1.00% management fee.

⁽⁷⁾ 0.02% is attributable to legal expenses incurred outside of the 1.00% management fee.

⁽⁸⁾ Effective January 1, 2018, the Manager has agreed to waive, on a voluntary basis, a portion of the management fee of The Fairholme Fund to the extent necessary to limit the management fee paid to the Manager by The Fairholme Fund to an annual rate of 0.80% of the daily average net asset value of The Fairholme Fund.

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FOCUSED INCOME FUND

SCHEDULE OF INVESTMENTS May 31, 2021 (unaudited)

Shares		Value	Principal		Value
	DOMESTIC EQUITY SECURITIES — 27.3%			U.S. GOVERNMENT OBLIGATIONS — 48.9%	
	INSURANCE - PROPERTY & CASUALTY — 5.0%			U.S. Treasury Bills	
241,100	Old Republic International Corp.	\$ 6,331,286	\$ 4,000,000	0.136%, 09/09/2021 ^(c)	\$ 3,999,861
			10,000,000	0.020%, 11/18/2021 ^(c)	9,998,819
	OIL & GAS STORAGE & TRANSPORTATION — 19.6%		23,000,000	0.068%, 03/24/2022 ^(c)	22,994,799
312,000	Kinder Morgan, Inc.	5,722,080	10,000,000	0.058%, 04/21/2022 ^(c)	9,997,045
695,500	Energy Transfer LP	6,885,450	15,000,000	0.043%, 05/19/2022 ^(c)	14,993,767
165,300	Williams Cos, Inc. (The)	4,354,002			
392,400	Western Midstream Partners LP	7,840,152			
		24,801,684			
	UTILITIES - ELECTRIC — 2.7%			TOTAL U.S. GOVERNMENT OBLIGATIONS (COST \$61,973,276)	61,984,291
214,000	Vistra Corp.	3,460,380		Shares	
				MONEY MARKET FUNDS — 9.1%	
	TOTAL DOMESTIC EQUITY SECURITIES (COST \$24,718,647)	34,593,350		11,470,535	Fidelity Investments Money Market Treasury Portfolio - Class I, 0.01% ^(d)
	FOREIGN EQUITY SECURITIES — 5.6%				11,470,535
	CANADA — 5.6%			TOTAL MONEY MARKET FUNDS (COST \$11,470,535)	11,470,535
	OIL & GAS STORAGE & TRANSPORTATION — 5.6%			MISCELLANEOUS INVESTMENTS — 3.8%^(e)	
151,700	Enbridge, Inc.	5,837,416			4,793,833
25,400	TC Energy Corp.	1,296,924		TOTAL INVESTMENTS — 100.4% (COST \$116,283,003)	127,148,956
		7,134,340		LIABILITIES IN EXCESS OF OTHER ASSETS — (0.4)%	(546,013)
	TOTAL FOREIGN EQUITY SECURITIES (COST \$5,920,419)	7,134,340		NET ASSETS — 100.0%	\$ 126,602,943
	DOMESTIC PREFERRED EQUITY SECURITIES — 5.7%				
	MORTGAGE FINANCE — 5.7%				
	Federal Home Loan Mortgage Corp.				
302,300	5.100%, Series H ^(a)	3,010,908			
260,924	6.550%, Series Y ^(a)	1,333,322			
88,500	7.875%, Series Z ^{(a)(b)}	534,540			
360,100	Federal National Mortgage Association				
	7.750%, Series S ^{(a)(b)}	2,293,837			
		7,172,607			
	TOTAL DOMESTIC PREFERRED EQUITY SECURITIES (COST \$7,350,597)	7,172,607			

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FOCUSED INCOME FUND

SCHEDULE OF INVESTMENTS (continued)
May 31, 2021 (unaudited)

- (a) Non-income producing security.
- (b) Variable rate security. Rates shown are the effective rates as of May 31, 2021.
- (c) Rates shown are the effective yields based on the purchase price. The calculation assumes the security is held to maturity.
- (d) Annualized based on the 1-day yield as of May 31, 2021.
- (e) Represents previously undisclosed unrestricted securities, which the Fund has held for less than one year.

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FOCUSED INCOME FUND

STATEMENT OF ASSETS & LIABILITIES May 31, 2021 (unaudited)

Assets

Investments, at Fair Value (Cost — \$116,283,003)	\$ 127,148,956
Dividends and Interest Receivable	120,323
Receivable for Capital Shares Sold	10,003
Total Assets	<u>127,279,282</u>

Liabilities

Accrued Management Fees	85,797
Dividend withholding tax payable	15,424
Payable for securities purchased	575,118
Total Liabilities	<u>676,339</u>

NET ASSETS \$ 126,602,943

Net Assets consist of:

Paid-In Capital	\$ 146,156,325
Total Accumulated Losses	<u>(19,553,382)</u>

NET ASSETS \$ 126,602,943

Shares of Common Stock Outstanding* (\$0.0001 par value) 11,333,348

Net Asset Value, Offering and Redemption Price Per Share
(\$126,602,943 / 11,333,348 shares) \$ 11.17

* 200,000,000 shares authorized in total.

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FOCUSED INCOME FUND

STATEMENT OF OPERATIONS (unaudited)

	For the Six Months Ended May 31, 2021
Investment Income	
Interest	\$ 27,514
Dividends	1,087,785
Total Investment Income	<u>1,115,299</u>
Expenses	
Management Fees	<u>592,534</u>
Total Expenses	<u>592,534</u>
Less: Voluntary Reduction of Management Fees	<u>(117,208)</u>
Net Expenses	<u>475,326</u>
Net Investment Income	<u>639,973</u>
Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Related Transactions	
Net Realized Loss on Investments and Foreign Currency Related Transactions	(18,550,462)
Net Change in Unrealized Appreciation (Depreciation) on Investments	<u>28,237,900</u>
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Related Transactions	<u>9,687,438</u>
NET INCREASE IN NET ASSETS FROM OPERATIONS	<u><u>\$ 10,327,411</u></u>

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FOCUSED INCOME FUND

STATEMENTS OF CHANGES IN NET ASSETS

	For the Six Months Ended May 31, 2021 (Unaudited)	For the Fiscal Year Ended November 30, 2020
CHANGES IN NET ASSETS		
From Operations		
Net Investment Income	\$ 639,973	\$ 1,129,798
Net Realized Loss on Investments and Foreign Currency Related Transactions	(18,550,462)	(6,039,814)
Net Change in Unrealized Appreciation (Depreciation) on Investments	28,237,900	1,558,814
Net Increase (Decrease) in Net Assets from Operations	<u>10,327,411</u>	<u>(3,351,202)</u>
From Dividends and Distributions to Shareholders		
Net Decrease in Net Assets from Dividends and Distributions	(489,091)	(1,722,888)
From Capital Share Transactions		
Proceeds from Sale of Shares	14,609,547	28,283,233
Shares Issued in Reinvestment of Dividends and Distributions	276,905	798,557
Cost of Shares Redeemed	(5,230,574)	(96,250,024)
Net Increase (Decrease) in Net Assets from Shareholder Activity	<u>9,655,878</u>	<u>(67,168,234)</u>
NET ASSETS		
Net Increase (Decrease) in Net Assets	19,494,198	(72,242,324)
Net Assets at Beginning of Period	107,108,745	179,351,069
Net Assets at End of Period	<u>\$ 126,602,943</u>	<u>\$ 107,108,745</u>
SHARES TRANSACTIONS		
Issued	1,410,707	2,790,517
Reinvested	26,294	82,177
Redeemed	(495,813)	(10,010,500)
Net Increase (Decrease) in Shares	941,188	(7,137,806)
Shares Outstanding at Beginning of Period	10,392,160	17,529,966
Shares Outstanding at End of Period	<u>11,333,348</u>	<u>10,392,160</u>

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME FOCUSED INCOME FUND

FINANCIAL HIGHLIGHTS

	For the Six Months Ended May 31, 2021 (Unaudited)	For the Fiscal Year Ended November 30,				
		2020	2019	2018	2017	2016
PER SHARE OPERATING PERFORMANCE						
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.31	\$10.23	\$9.88	\$11.33	\$12.38	\$10.72
Investment Operations						
Net Investment Income ⁽¹⁾	0.06	0.07	0.30	0.49	0.60	0.57
Net Realized and Unrealized Gain (Loss) on Investments	0.84	0.11 ⁽²⁾	0.34	(0.91)	(0.99)	1.72
Total from Investment Operations	0.90	0.18	0.64	(0.42)	(0.39)	2.29
Dividends and Distributions						
From Net Investment Income	(0.04)	(0.10)	(0.29)	(0.51)	(0.61)	(0.56)
From Realized Capital Gains	—	—	—	(0.52)	(0.05)	(0.07)
Total Dividends and Distributions	(0.04)	(0.10)	(0.29)	(1.03)	(0.66)	(0.63)
NET ASSET VALUE, END OF PERIOD	\$11.17	\$10.31	\$10.23	\$9.88	\$11.33	\$12.38
TOTAL RETURN	8.80% ⁽³⁾	1.78%	6.49%	(4.19)%	(3.35)%	22.77%
Ratio/Supplemental Data						
Net Assets, End of Period (in 000's)	\$126,603	\$107,109	\$179,351	\$188,500	\$223,432	\$240,195
Ratio of Gross Expenses to Average Net Assets	1.00% ⁽⁴⁾	1.02% ⁽⁵⁾	1.02% ⁽⁵⁾	1.00%	1.00%	1.00%
Ratio of Net Expenses to Average Net Assets	0.80% ⁽⁴⁾⁽⁶⁾	0.82% ⁽⁵⁾⁽⁶⁾	0.82% ⁽⁵⁾⁽⁶⁾	0.82% ⁽⁶⁾	1.00%	1.00%
Ratio of Net Investment Income to Average Net Assets	1.08% ⁽⁴⁾	0.74%	2.94%	4.56%	5.02%	5.48%
Portfolio Turnover Rate	61.21% ⁽³⁾	100.67%	16.70%	45.78%	36.05%	28.81%

⁽¹⁾ Based on average shares outstanding.

⁽²⁾ The amount shown for a share outstanding does not correspond with the aggregate net gain (loss) on investments for the period due to the timing of sales and redemptions of shares in relation to fluctuating market values of the investments of The Income Fund.

⁽³⁾ Not annualized.

⁽⁴⁾ Annualized.

⁽⁵⁾ 0.02% is attributable to legal expenses incurred outside the management fee.

⁽⁶⁾ Effective January 1, 2018, the Manager has agreed to waive, on a voluntary basis, a portion of the management fee of The Income Fund to the extent necessary to limit the management fee paid to the Manager by The Income Fund to an annual rate of 0.80% of the daily average net asset value of The Income Fund.

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME ALLOCATION FUND

SCHEDULE OF INVESTMENTS May 31, 2021 (unaudited)

Shares		Value	Shares		Value
	DOMESTIC EQUITY SECURITIES — 43.4%			RIGHTS — 0.2%	
	OIL & GAS STORAGE & TRANSPORTATION — 14.6%			CANADA — 0.2%	
121,600	Kinder Morgan, Inc.	\$ 2,230,144	2,192,841	METALS & MINING — 0.2%	
333,700	Energy Transfer LP	3,303,630		Imperial Metals Corp., Expire	
144,200	Western Midstream Partners LP	2,881,116		06/25/2021 ^(b)	\$ 108,911
25,000	Enterprise Products Partners LP	590,250			
		<u>9,005,140</u>		TOTAL RIGHTS (COST \$0)	<u>108,911</u>
				Principal	
	REAL ESTATE MANAGEMENT & DEVELOPMENT — 25.7%			U.S. GOVERNMENT OBLIGATIONS — 17.8%	
348,267	The St. Joe Co. ^(a)	15,874,010		U.S. Treasury Bills	
			\$ 1,000,000	0.136%, 09/09/2021 ^(d)	999,965
	UTILITIES - ELECTRIC — 3.1%		2,000,000	0.020%, 11/18/2021 ^(d)	1,999,764
119,100	Vistra Corp.	1,925,847	3,000,000	0.058%, 04/21/2022 ^(d)	2,999,114
			5,000,000	0.043%, 05/19/2022 ^(d)	4,997,922
	TOTAL DOMESTIC EQUITY SECURITIES (COST \$14,218,107)	<u>26,804,997</u>		TOTAL U.S. GOVERNMENT OBLIGATIONS (COST \$10,995,803)	<u>10,996,765</u>
	FOREIGN EQUITY SECURITIES — 20.0%			Shares	
	CANADA — 20.0%			MONEY MARKET FUNDS — 7.5%	
	METALS & MINING — 14.5%		4,633,615	Fidelity Investments Money Market Treasury Portfolio - Class I, 0.01% ^(e)	4,633,615
2,192,841	Imperial Metals Corp. ^(b)	8,967,042			
				TOTAL MONEY MARKET FUNDS (COST \$4,633,615)	<u>4,633,615</u>
	OIL & GAS STORAGE & TRANSPORTATION — 5.5%			MISCELLANEOUS INVESTMENTS — 1.9%^(f)	
73,300	Enbridge, Inc.	2,820,584			1,158,006
11,900	TC Energy Corp.	607,614		TOTAL INVESTMENTS — 99.9% (COST \$63,790,980)	61,747,278
		<u>3,428,198</u>		OTHER ASSETS IN EXCESS OF LIABILITIES — 0.1%	32,995
	TOTAL FOREIGN EQUITY SECURITIES (COST \$28,814,721)	<u>12,395,240</u>		NET ASSETS — 100.0%	<u>\$ 61,780,273</u>
	DOMESTIC PREFERRED EQUITY SECURITIES — 9.1%				
	MORTGAGE FINANCE — 9.1%				
479,295	Federal Home Loan Mortgage Corp.				
	7.875%, Series Z ^{(b)(c)}	2,894,942			
432,465	Federal National Mortgage Association				
	7.750%, Series S ^{(b)(c)}	2,754,802			
		<u>5,649,744</u>			
	TOTAL DOMESTIC PREFERRED EQUITY SECURITIES (COST \$3,917,285)	<u>5,649,744</u>			

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME ALLOCATION FUND

SCHEDULE OF INVESTMENTS (continued) May 31, 2021 (unaudited)

(a) Restricted/controlled security. The value of this security totals \$15,874,010, which represents 25.69% of The Allocation Fund's net assets. Information related to this security is as follows:

<u>Shares</u>	<u>Issuer</u>	<u>Acquisition Date(s)</u>	<u>Acquisition Cost</u>	<u>5/31/2021 Carrying Value Per Unit</u>
348,267	The St. Joe Co.	08/09/2017-09/01/2017	\$6,615,792	\$45.58

(b) Non-income producing security.

(c) Variable rate security. Rates shown are the effective rates as of May 31, 2021.

(d) Rates shown are the effective yields based on the purchase price. The calculation assumes the security is held to maturity.

(e) Annualized based on the 1-day yield as of May 31, 2021.

(f) Represents previously undisclosed unrestricted securities, which the Fund has held for less than one year.

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME ALLOCATION FUND

STATEMENT OF ASSETS & LIABILITIES May 31, 2021 (unaudited)

Assets

Investments, at Fair Value (Cost — \$63,790,980)	\$ 61,747,278
Dividends and Interest Receivable	82,285
Total Assets	<u>61,829,563</u>

Liabilities

Accrued Management Fees	41,837
Dividend withholding tax payable	7,453
Total Liabilities	<u>49,290</u>

NET ASSETS

\$ 61,780,273

Net Assets consist of:

Paid-In Capital	\$ 112,461,491
Total Accumulated Losses	<u>(50,681,218)</u>

NET ASSETS

\$ 61,780,273

Shares of Common Stock Outstanding* (\$0.0001 par value)	<u>6,532,688</u>
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Net Asset Value, Offering and Redemption Price Per Share (\$61,780,273 / 6,532,688 shares)	<u>\$ 9.46</u>
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* 200,000,000 shares authorized in total.

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME ALLOCATION FUND

STATEMENT OF OPERATIONS (unaudited)

	For the Six Months Ended May 31, 2021
Investment Income	
Interest	\$ 5,226
Dividends	459,537
Total Investment Income	<u>464,763</u>
Expenses	
Management Fees	<u>303,014</u>
Total Expenses	<u>303,014</u>
Less: Voluntary Reduction of Management Fees	<u>(60,603)</u>
Net Expenses	<u>242,411</u>
Net Investment Income	<u>222,352</u>
Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Related Transactions	
Net Realized Gain on Investments	603,030
Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Related Transactions	<u>9,200,190</u>
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Related Transactions	<u>9,803,220</u>
NET INCREASE IN NET ASSETS FROM OPERATIONS	<u><u>\$ 10,025,572</u></u>

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME ALLOCATION FUND

STATEMENTS OF CHANGES IN NET ASSETS

	For the Six Months Ended May 31, 2021 (Unaudited)	For the Fiscal Year Ended November 30, 2020
CHANGES IN NET ASSETS		
From Operations		
Net Investment Income	\$ 222,352	\$ 130,228
Net Realized Gain (Loss) on Investments	603,030	(1,190,217)
Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Related Translations	9,200,190	8,568,938
Net Increase in Net Assets from Operations	<u>10,025,572</u>	<u>7,508,949</u>
From Dividends and Distributions to Shareholders		
Net Decrease in Net Assets from Dividends and Distributions	<u>(144,235)</u>	<u>(820,275)</u>
From Capital Share Transactions		
Proceeds from Sale of Shares	407,269	699,999
Shares Issued in Reinvestment of Dividends and Distributions	51,334	405,372
Redemption Fees	516	2,375
Cost of Shares Redeemed	<u>(4,821,301)</u>	<u>(10,518,429)</u>
Net Decrease in Net Assets from Shareholder Activity	<u>(4,362,182)</u>	<u>(9,410,683)</u>
NET ASSETS		
Net Increase (Decrease) in Net Assets	5,519,155	(2,722,009)
Net Assets at Beginning of Period	56,261,118	58,983,127
Net Assets at End of Period	<u>\$ 61,780,273</u>	<u>\$ 56,261,118</u>
SHARES TRANSACTIONS		
Issued	45,599	103,712
Reinvested	5,768	56,459
Redeemed	<u>(530,981)</u>	<u>(1,571,345)</u>
Net Decrease in Shares	(479,614)	(1,411,174)
Shares Outstanding at Beginning of Period	7,012,302	8,423,476
Shares Outstanding at End of Period	<u>6,532,688</u>	<u>7,012,302</u>

The accompanying notes are an integral part of the financial statements.

THE FAIRHOLME ALLOCATION FUND

FINANCIAL HIGHLIGHTS

	For the Six Months Ended May 31, 2021 (Unaudited)	For the Fiscal Year Ended November 30,				
		2020	2019	2018	2017	2016
PER SHARE OPERATING PERFORMANCE						
NET ASSET VALUE, BEGINNING OF PERIOD	\$8.02	\$7.00	\$6.58	\$7.44	\$9.65	\$10.40
Investment Operations						
Net Investment Income ⁽¹⁾	0.03	0.02	0.09	0.09	0.10	0.14
Net Realized and Unrealized Gain (Loss) on Investments	1.43	1.10	0.40	(0.83)	(1.71)	0.75
Total from Investment Operations	1.46	1.12	0.49	(0.74)	(1.61)	0.89
Dividends and Distributions						
From Net Investment Income	(0.02)	(0.10)	(0.07)	(0.12)	(0.17)	(0.31)
From Realized Capital Gains	—	—	—	—	(0.43)	(1.33)
Total Dividends and Distributions	(0.02)	(0.10)	(0.07)	(0.12)	(0.60)	(1.64)
Redemption Fees⁽¹⁾	0.00 ⁽²⁾	0.00 ⁽²⁾	0.00 ⁽²⁾	0.00 ⁽²⁾	0.00 ⁽²⁾	0.00 ⁽²⁾
NET ASSET VALUE, END OF PERIOD	\$9.46	\$8.02	\$7.00	\$6.58	\$7.44	\$9.65
TOTAL RETURN	18.23% ⁽³⁾	16.13%	7.61%	(10.18)%	(17.59)%	11.06%
Ratio/Supplemental Data						
Net Assets, End of Period (in 000's)	\$61,780	\$56,261	\$58,983	\$72,387	\$114,190	\$259,501
Ratio of Gross Expenses to Average Net Assets	1.00% ⁽⁴⁾	1.02% ⁽⁵⁾	1.02% ⁽⁵⁾	1.00%	1.00%	1.00%
Ratio of Net Expenses to Average Net Assets	0.80% ⁽⁴⁾⁽⁶⁾	0.82% ⁽⁵⁾⁽⁶⁾	0.82% ⁽⁵⁾⁽⁶⁾	0.82% ⁽⁶⁾	1.00%	1.00%
Ratio of Net Investment Income to Average Net Assets	0.73% ⁽⁴⁾	0.24%	1.21%	1.32%	1.19%	1.81%
Portfolio Turnover Rate	18.65% ⁽³⁾	32.15%	15.58%	23.52%	31.01%	13.65%

⁽¹⁾ Based on average shares outstanding.

⁽²⁾ Redemption fees represent less than \$0.01.

⁽³⁾ Not annualized.

⁽⁴⁾ Annualized.

⁽⁵⁾ 0.02% is attributable to legal expenses incurred outside the management fee.

⁽⁶⁾ Effective January 1, 2018, the Manager has agreed to waive, on a voluntary basis, a portion of the management fee of The Allocation Fund to the extent necessary to limit the management fee paid to the Manager by The Allocation Fund to an annual rate of 0.80% of the daily average net asset value of The Allocation Fund.

The accompanying notes are an integral part of the financial statements.

Note 1. Organization

Fairholme Funds, Inc. (the “Company”), a Maryland corporation, is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Company’s Articles of Incorporation permit the Board of Directors of the Company (the “Board” or the “Directors”) to issue 1,100,000,000 shares of common stock at \$.0001 par value. 700,000,000 shares have been allocated to The Fairholme Fund (“The Fairholme Fund”), 200,000,000 shares have been allocated to The Fairholme Focused Income Fund (“The Income Fund”), and 200,000,000 shares have been allocated to The Fairholme Allocation Fund (“The Allocation Fund”). The Fairholme Fund, The Income Fund, and The Allocation Fund (each a “Fund” and collectively the “Funds”) are non-diversified funds. The Funds may have a greater percentage of their assets invested in particular securities than a diversified fund, exposing the Funds to the risk of unanticipated industry conditions as well as risks specific to a single company or the securities of a single company. Each Fund has different objectives, capitalizations, and considerations that may or may not lead to differing compositions of issuers, securities within an issuer, and cash levels within each Fund. The Board has the power to designate one or more separate and distinct series and/or classes of shares of common stock and to classify or reclassify any unissued shares with respect to such series.

The Fairholme Fund’s investment objective is to provide long-term growth of capital. Under normal circumstances, The Fairholme Fund seeks to achieve its investment objective by investing in a focused portfolio of equity and fixed-income securities. The proportion of The Fairholme Fund’s assets invested in each type of asset class will vary from time to time based upon Fairholme Capital Management, L.L.C.’s (the “Manager”) assessment of general market and economic conditions. The Fairholme Fund may invest in, and may shift frequently among, the asset classes and market sectors. The equity securities in which The Fairholme Fund may invest include common and preferred stock (including convertible preferred stock), partnership interests, business trust shares, interests in real estate investment trusts (“REITs”), rights and warrants to subscribe for the purchase of equity securities, and depository receipts. The Fairholme Fund may invest in equity securities without regard to the jurisdictions in which the issuers of the securities are organized or situated and without regard to the market capitalizations or sectors of such issuers. The fixed-income securities in which The Fairholme Fund may invest include U.S. corporate debt securities, non-U.S. corporate debt securities, bank debt (including bank loans and participations), U.S. government and agency debt securities (including U.S. Treasury bills), short-term debt obligations of foreign governments, and foreign money market instruments. Except for its investments in short-term debt obligations of foreign governments, The Fairholme Fund may invest in fixed-income securities regardless of maturity or the rating of the issuer of the security. The Fairholme Fund may also invest in “special situations” to achieve its objective. “Special situation” investments may include equity securities or fixed-income securities, such as corporate debt, which may be in a distressed position as a result of economic or company specific developments. Although The Fairholme Fund normally holds a focused portfolio of equity and fixed-income securities, The Fairholme Fund is not required to be fully invested in such securities and may maintain a significant portion of its total assets in cash and securities generally considered to be cash equivalents. The Manager serves as investment adviser to The Fairholme Fund.

The Income Fund’s investment objective is to seek current income. Under normal circumstances, The Income Fund seeks to achieve its investment objective by investing in a focused portfolio of cash distributing securities. To maintain maximum flexibility, the securities in which The Income Fund may invest include corporate bonds and other corporate debt securities of issuers in the U.S. and foreign countries, bank debt (including bank loans and loan participations), government and agency debt securities of the U.S. and foreign countries (including U.S. Treasury bills), convertible bonds and other convertible securities, and equity securities, including preferred and common stock and interests in REITs. Although The Income Fund normally holds a focused portfolio of securities, The Income Fund is not required to be fully invested in such securities and may maintain a significant portion of its total assets in cash and securities generally considered to be cash equivalents. The Manager serves as investment adviser to The Income Fund.

The Allocation Fund’s investment objective is to seek long-term total return. Under normal circumstances, The Allocation Fund seeks to achieve its investment objective by investing opportunistically in a focused portfolio of investments in the equity, fixed-income and cash, and cash-equivalent asset classes. The proportion of The Allocation Fund’s portfolio invested in each asset class will vary from time to time based on the Manager’s assessment of relative fundamental values of securities and

other investments in the asset class, the attractiveness of investment opportunities within each asset class, general market and economic conditions, and expected future returns of other investment opportunities. The Allocation Fund seeks to capitalize on anticipated fluctuations in the financial markets by changing the mix of its holdings in the targeted asset classes. The Allocation Fund may maintain a significant portion of its assets in cash and cash-equivalent securities and investments. The Manager serves as investment adviser to The Allocation Fund.

There is no guarantee that the Funds will meet their respective objectives.

Note 2. Significant Accounting Policies

As investment companies, the Funds follow the investment company accounting and reporting guidance, which is part of U.S. generally accepted accounting principles (“U.S. GAAP”). The Funds’ investments are reported at fair value as defined by U.S. GAAP. The Funds calculate their net asset values as soon as practicable following the close of regular trading on the New York Stock Exchange (currently 4:00 p.m. Eastern Time) on each day the New York Stock Exchange is open.

A description of the valuation techniques applied to the Funds’ securities measured at fair value on a recurring basis follows:

Security Valuation:

Equity securities (common and preferred stocks): Securities traded on a national securities exchange or reported on the NASDAQ national market are generally valued at the official closing price, or at the last reported sale price on the exchange or market on which the securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified in Level 1 of the fair value hierarchy. If these securities are not actively traded, they are classified in Level 2. Subject to the oversight of the Board, the Manager may determine the fair valuation of a security when market quotations are insufficient or not readily available, when securities are determined to be illiquid or restricted, or when in the judgment of the Manager the prices or values available do not represent the fair value of the instrument. In these situations, if the inputs are observable, the valuation will be classified in Level 2 of the fair value hierarchy, otherwise they would be classified in Level 3.

Fixed-income securities (U.S. government obligations, corporate bonds, convertible bonds, and asset backed securities): The fair value of fixed-income securities is determined using market quotations when readily available, but may also be estimated by various methods when no such market quotations exist and when the Manager believes these other methods reflect the fair value of such securities. These methods may consider recently executed transactions in securities of the issuer or comparable issuers and market price valuations from independent pricing services and/or brokers (where observable). Where the Manager deems it appropriate to do so (such as when independent prices are unavailable or not deemed to be representative of fair value) fixed income securities will be fair valued in good faith following consideration by, and conclusion of, the Manager’s Valuation and Liquidity Risk Management Committee. As of May 31, 2021, fixed-income securities are valued by the Manager utilizing observable market prices on the day of valuation or the average bid of independent broker/dealer quotes and/or the average of valuations from independent pricing services. Although fixed-income securities are classified in Level 2 of the fair value hierarchy at May 31, 2021, in instances where significant unobservable inputs are used, they would be classified in Level 3.

Open-end mutual funds: Investments in open-end mutual funds including money market funds are valued at their closing net asset value each business day and are classified in Level 1 of the fair value hierarchy.

Short-term securities: Investments in securities with maturities of less than sixty days when acquired, or which subsequently are within sixty days of maturity, shall be valued at prices supplied by an independent pricing source or by one of the Funds’ pricing agents based on broker or dealer supplied valuations or matrix pricing. To the extent the inputs are observable and timely, the values would be classified in Level 2 of the fair value hierarchy.

Restricted securities: The Manager is deemed to be an affiliate of The St. Joe Co. (“Joe”) for purposes of the Securities Act of 1933 and Rule 144. This determination was made based on a number of factors, including the collective ownership of Joe by certain of the Funds and other advisory clients advised by the Manager. Shares of Joe owned by The Allocation Fund are considered control securities under Rule 144 and are treated as restricted securities for purposes of The Allocation Fund’s valuation procedures. Due to the restrictions on resale, the securities are generally valued at a discount to similar publicly traded

securities. Depending on the relative significance of valuation inputs, these instruments may be classified in either Level 2 or Level 3 of the fair value hierarchy. Joe was classified as Level 2 at May 31, 2021.

Warrants: The Funds may invest in warrants, which may be acquired either through a direct purchase, included as part of a private placement, or pursuant to corporate actions. Warrants entitle, but do not obligate, the holder to buy equity securities at a specific price for a specific period of time. Warrants may be considered more speculative than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities that may be purchased nor do they represent any rights in the assets of the issuing company. Also, the value of a warrant does not necessarily change with the value of the underlying securities and a warrant ceases to have value if it is not exercised prior to its expiration date. Warrants traded on a security exchange are valued at the official closing price on the valuation date and are classified as Level 1 of the fair value hierarchy. Over the counter (OTC) warrants are valued using simulation models utilizing market value of the underlying security, expiration date of the warrants, volatility of the underlying security, strike price of the warrants, risk-free interest rate at the valuation date, and are classified as Level 2 or Level 3 of the fair value hierarchy depending on the observability of the inputs used.

The Funds use several recognized industry third-party pricing services (TPPS) -approved by the Board and unaffiliated with the Manager -to provide prices for some of the Funds' securities. The Funds also use other independent market trade data sources (such as TRACE, the FINRA developed mandatory reporting of over-the-counter secondary market transactions), as well as broker quotes provided by market makers. The data within these feeds is ultimately sourced from major stock exchanges and trading systems where these securities trade. If a price obtained from the pricing source is deemed unreliable, it may be discarded and/or challenged. In these cases the pricing decision is made by reference to the reliable market data from the other market data sources.

Subject to the oversight of the Board, the Manager may determine the fair valuation of a security when market quotations are insufficient or not readily available, when securities are determined to be illiquid or restricted, or when in the judgment of the Manager the prices or values available do not represent the fair value of the instrument. Factors which may cause the Manager to make such a judgment include the following: (a) only a bid price or an asked price is available; (b) the spread between bid and asked prices is substantial; (c) the liquidity of the securities; (d) the frequency of sales; (e) the thinness of the market; (f) the size of reported trades; (g) actions of the securities markets, such as the suspension or limitation of trading; and (h) local market closures. Among the factors to be considered to fair value a security are recent prices of comparable securities that are publicly traded, reliable prices of securities not publicly traded, the use of valuation models, current analyst reports, valuing the income or cash flow of the issuer, or cost if the preceding factors do not apply. The circumstances of fair valued securities are frequently monitored to determine if fair valuation measures continue to apply.

The Manager reports quarterly to the Board the results of the application of fair valuation policies and procedures.

The inputs and valuation techniques used to measure fair value of the Funds' investments are summarized into three levels as described in the hierarchy below:

- Level 1 — quoted prices in active markets for identical securities;
- Level 2 — other significant observable inputs (including quoted prices for similar securities, quoted prices in inactive markets for identical securities, interest rates, prepayment speeds, credit risk, etc.); and
- Level 3 — significant unobservable inputs (including the Manager's determination as to the fair value of investments).

FAIRHOLME FUNDS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)
May 31, 2021 (unaudited)

The inputs or methodology used for valuing investments are not necessarily an indication of the level of risk associated with investing in those investments. The summary of the Funds' investments by inputs used to value the Funds' investments as of May 31, 2021, is as follows:

	Valuation Inputs			Total Fair Value at 05/31/21
	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Observable Inputs	
THE FAIRHOLME FUND				
ASSETS:				
INVESTMENTS (Fair Value):				
Domestic Equity Securities*	\$ 1,007,389,507	\$ —	\$ —	\$ 1,007,389,507
Foreign Equity Securities*	27,951,829	—	—	27,951,829
Domestic Preferred Equity Securities*	110,042,849	—	—	110,042,849
Rights*	339,496	—	—	339,496
Domestic Corporate Bonds*	—	979,922	—	979,922
U.S. Government Obligations	—	257,961,213	—	257,961,213
Money Market Funds	33,971,777	—	—	33,971,777
TOTAL INVESTMENTS	\$ 1,179,695,458	\$ 258,941,135	\$ —	\$ 1,438,636,593

* Industry classification for these categories are detailed in the Schedule of Investments.

	Valuation Inputs			Total Fair Value at 05/31/21
	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Observable Inputs	
THE INCOME FUND				
ASSETS:				
INVESTMENTS (Fair Value):				
Domestic Equity Securities*	\$ 34,593,350	\$ —	\$ —	\$ 34,593,350
Foreign Equity Securities*	7,134,340	—	—	7,134,340
Domestic Preferred Equity Securities*	7,172,607	—	—	7,172,607
U.S. Government Obligations	—	61,984,291	—	61,984,291
Money Market Funds	11,470,535	—	—	11,470,535
Miscellaneous Investments	4,793,833	—	—	4,793,833
TOTAL INVESTMENTS	\$ 65,164,665	\$ 61,984,291	\$ —	\$ 127,148,956

* Industry classification for these categories are detailed in the Schedule of Investments.

	Valuation Inputs			Total Fair Value at 05/31/21
	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Observable Inputs	
THE ALLOCATION FUND				
ASSETS:				
INVESTMENTS (Fair Value):				
Domestic Equity Securities				
Real Estate Management & Development	\$ —	\$ 15,874,010	\$ —	\$ 15,874,010
Other Industries*	10,930,987	—	—	10,930,987
Foreign Equity Securities*	12,395,240	—	—	12,395,240

FAIRHOLME FUNDS, INC.

NOTES TO FINANCIAL STATEMENTS (continued) May 31, 2021 (unaudited)

Domestic Preferred Equity Securities*	\$ 5,649,744	\$ —	\$ —	\$ 5,649,744
Rights*	108,911	—	—	108,911
U.S. Government Obligations	—	10,996,765	—	10,996,765
Money Market Funds	4,633,615	—	—	4,633,615
Miscellaneous Investments	1,158,006	—	—	1,158,006
TOTAL INVESTMENTS	<u>\$ 34,876,503</u>	<u>\$ 26,870,775</u>	<u>\$ —</u>	<u>\$ 61,747,278</u>

* Industry classification for these categories are detailed in the Schedule of Investments.

There were no Level 3 investments for any of the Funds at May 31, 2021 or November 30, 2020.

The Income Fund's and The Allocation Fund's warrant positions during the six months ended May 31, 2021, had an average monthly market value of approximately \$45,918 and \$24,498, respectively.

For the six months ended May 31, 2021, The Income Fund's and The Allocation Fund's effect of the net change in unrealized appreciation/(depreciation) of warrants with equity risk exposure of \$(1,487) and \$(779) respectively, is included with the Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Related Translations on the Statements of Operations. For the six months ended May 31, 2021, The Income Fund's and The Allocation Fund's effect of the net realized gain (loss) of warrants with equity risk exposure of \$40,186 and \$21,440 respectively, is included with the Net Realized Gain (Loss) on Investments and Foreign Currency Related Translations on the Statements of Operations.

Dividends and Distributions: Each Fund records dividends and distributions to its shareholders on the ex-dividend date. The Fairholme Fund and The Allocation Fund intend to distribute substantially all of their net investment income (if any) as dividends to their respective shareholders on an annual basis in December. The Income Fund intends to declare and pay net investment income distributions, if any, quarterly in March, June, September, and December. The Funds intend to distribute any net long-term capital gains and any net short-term capital gains at least once a year. If the total dividends and distributions made in any tax year exceeds net investment income and accumulated realized capital gains, a portion of the total distribution may be treated as a tax return of capital.

Foreign Currency Translation: The books and records of the Funds are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis: (i) fair value of investment securities, assets, and liabilities at the current rate of exchange; and (ii) purchases and sales of investment securities, income, and expenses at the relevant rates of exchange prevailing on the respective dates of such transactions. The Funds do not isolate that portion of gains and losses on investment securities which is due to changes in the foreign exchange rates from that which is due to changes in the market prices of such securities.

Estimates: The preparation of financial statements in conformity with U.S. GAAP requires the Funds to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reported period. Actual results could differ from those estimates.

Redemption Fee: The Fairholme Fund and The Allocation Fund assess a 2% fee on the proceeds of The Fairholme Fund and The Allocation Fund shares that are redeemed or exchanged within 60 days of their purchase. The redemption fee is paid to The Fairholme Fund and The Allocation Fund, as applicable, for the benefit of remaining shareholders and is recorded as paid-in capital. The redemption fees retained by The Fairholme Fund and The Allocation Fund during the six months ended May 31, 2021 and the year ended November 30, 2020, amounted to \$23,165 and \$36,068, and \$516 and \$2,375, respectively.

Other: The Funds account for security transactions on the trade date for financial statement purposes. The specific identification method is used for determining gains or losses for financial statements and income tax purposes. Dividend income is recorded on the ex-dividend date net of foreign taxes withheld where recovery is uncertain and interest income is recorded on an accrual basis. Discounts and premiums on securities purchased are amortized over the life of the respective securities using the effective yield method. Securities denominated in currencies other than U.S. dollars are subject to changes in value due to fluctuation in exchange rates. The Funds may invest in countries that require governmental approval for the repatriation of investment

FAIRHOLME FUNDS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)
May 31, 2021 (unaudited)

income, capital, or the proceeds of sales of securities by foreign investors. In addition, if there is deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad.

The Funds paid commissions and other brokerage fees during the period. The Funds also paid legal expenses in connection with certain of their investments.

Note 3. Related Party Transactions

The Manager is a Delaware limited liability company and is registered with the SEC as an investment adviser. The Manager's principal business is to provide investment management and advisory services to individuals, corporations, and other institutions throughout the world. Pursuant to an Investment Management Agreement, each Fund pays a management fee to the Manager for its provision of investment advisory and operating services to the Fund. Subject to applicable waivers or limitations, the management fee is paid at an annual rate equal to 1.00% of the daily average net assets of each Fund. Effective January 1, 2018, the Manager has agreed to waive, on a voluntary basis, a portion of the management fees of The Fairholme Fund, The Income Fund, and The Allocation Fund to the extent necessary to limit the management fee of each Fund to the annual rate of 0.80% of that Fund's daily average net asset value ("Undertaking"). This Undertaking may be terminated by the Manager upon 60 days' written notice to the applicable Fund. The Manager is responsible pursuant to the Investment Management Agreement for paying each Fund's expenses for the following services: transfer agency, fund accounting, fund administration, custody, legal, audit, compliance, directors' fees, call center, fulfillment, travel, insurance, rent, printing, postage and other office supplies. The Manager is not responsible for paying for the following costs and expenses of each Fund: commissions, brokerage fees, issue and transfer taxes, and other costs chargeable to the Fund in connection with securities transactions or in connection with securities owned by each Fund, taxes, interest, acquired fund fees and related expenses, expenses in connection with litigation by or against each Fund, and any other extraordinary expenses.

The Manager earned, after the voluntary reduction of the management fees, \$5,760,717, \$475,326, and \$242,411, from The Fairholme Fund, The Income Fund, and The Allocation Fund, respectively, for its services during the six months ended May 31, 2021.

Bruce Berkowitz, both the Chief Investment Officer of the Manager and Chairman of the Funds' Board, and his affiliates beneficially own an aggregate 13,317,942 shares, 3,534,818 shares, and 4,387,159 shares of The Fairholme Fund, The Income Fund, and The Allocation Fund, respectively, at May 31, 2021.

A Director and Officers of the Funds are also Officers of the Manager or its affiliates.

Note 4. Investments

For the six months ended May 31, 2021, aggregated purchases and sales of investment securities other than short-term investments and U.S. government obligations were as follows:

	<u>Purchases</u>	<u>Sales</u>
The Fairholme Fund	\$ 2,909,400	\$ 75,255,380
The Income Fund	32,847,637	47,576,162
The Allocation Fund	8,649,345	19,871,719

Note 5. Tax Matters

Federal Income Taxes: Each Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended. By so qualifying, each Fund will not be subject to federal income taxes to the extent that it distributes all of its net investment income and any realized capital gains.

FAIRHOLME FUNDS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)
May 31, 2021 (unaudited)

For U.S. federal income tax purposes, the cost of securities owned, gross unrealized appreciation, gross unrealized depreciation, and net unrealized appreciation/(depreciation) of investments at May 31, 2021, were as follows:

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation/ (Depreciation)</u>
The Fairholme Fund	\$1,100,335,808	\$472,613,199	\$(134,312,414)	\$1,438,636,593
The Income Fund	116,292,028	12,636,661	(1,779,733)	127,148,956
The Allocation Fund	68,812,147	15,157,285	(17,222,154)	61,747,278

The difference between book basis and tax basis for The Fairholme Fund's net unrealized depreciation is attributable to the tax deferral of losses on wash sales and capitalized cost. The difference between book basis and tax basis for The Income Fund's and The Allocation Fund's net unrealized depreciation is attributable to capitalized cost.

The Funds' tax basis capital gains are determined only at the end of each fiscal year. Therefore the components of distributable earnings will be included in the Annual report for the fiscal year ended November 30, 2021.

The Funds are permitted to carry forward for an unlimited period capital losses incurred to reduce future required distributions of net capital gains to shareholders. Capital losses that are carried forward will retain their character as either short-term or long-term capital losses. As of November 30, 2020, net short-term and long-term capital loss carryforwards were as follows:

	<u>The Fairholme Fund</u>	<u>The Income Fund</u>	<u>The Allocation Fund</u>
Short-term capital loss carryforward	\$1,018,777	\$6,039,587	\$1,477,623
Long-term capital loss carryforward	746,810,368	5,997,328	47,926,139
Total	<u>\$747,829,145</u>	<u>\$12,036,915</u>	<u>\$49,403,762</u>

The Manager has analyzed the Funds' tax positions taken on tax returns for all open tax years (current and prior three tax years) and has concluded that there are no uncertain tax positions that require recognition of a tax liability. The Funds' federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired (the current year and prior three years) are subject to examination by the Internal Revenue Service and state departments of revenue. Additionally, the Funds are not aware of any tax position for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

Note 6. Dividends and Distributions to Shareholders

Ordinary income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP.

The tax character of dividends and distributions paid by each Fund were as follows:

	<u>The Fairholme Fund</u>	
	<u>For the Six Months Ended May 31, 2021</u>	<u>For the Fiscal Year Ended November 30, 2020</u>
Dividends and Distributions paid from:		
Ordinary Income	—	\$ 9,053,098

FAIRHOLME FUNDS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)
May 31, 2021 (unaudited)

	<u>The Income Fund</u>	
	<u>For the Six Months Ended May 31, 2021</u>	<u>For the Fiscal Year Ended November 30, 2020</u>
Dividends and Distributions paid from:		
Ordinary Income	\$ 489,091	\$ 1,722,888

	<u>The Allocation Fund</u>	
	<u>For the Six Months Ended May 31, 2021</u>	<u>For the Fiscal Year Ended November 30, 2020</u>
Dividends and Distributions paid from:		
Ordinary Income	\$ 144,235	\$ 820,275

Note 7. Transactions in Shares of Affiliates

Portfolio companies in which The Fairholme Fund owns 5% or more of the outstanding voting securities of the issuer are considered affiliates of The Fairholme Fund. The aggregate fair value of all securities of affiliates held by The Fairholme Fund as of May 31, 2021 amounted to \$1,035,680,832, representing approximately 72.00% of The Fairholme Fund's net assets.

Transactions in The Fairholme Fund during the six months ended May 31, 2021, in which the issuer of the security was an affiliate are as follows:

	<u>November 30, 2020</u>	<u>Gross Additions</u>	<u>Gross Deductions</u>	<u>May 31, 2021</u>		<u>Realized Gain (Loss)</u>	<u>Investment Income</u>	<u>Change in Unrealized Appreciation</u>
	<u>Shares/ Par Value</u>	<u>Shares/ Par Value</u>	<u>Shares/ Par Value</u>	<u>Shares/ Par Value</u>	<u>Fair Value</u>			
Imperial Metals Corp.	6,865,767	—	30,300	6,835,467	\$ 27,951,829	\$ (305,934)	\$ —	\$ 10,236,038
Imperial Metals Corp., Expire 06/25/2021	—	6,835,467	—	6,835,467	339,496	—	—	339,496
The St. Joe Co.	22,208,024	—	668,800	21,539,224	1,007,389,507	10,414,220	3,462,668	297,619,485
Total					<u>\$ 1,035,680,832</u>	<u>\$ 10,108,286</u>	<u>\$ 3,462,668</u>	<u>\$ 308,195,019</u>

Note 8. Indemnifications

Under the Company's organizational documents, its Officers and Directors are indemnified against certain liabilities arising out of the performance of their duties to the Funds. In the normal course of business the Company or the Funds enter into contracts that contain a variety of representations and customary indemnifications. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on their experience to date, the Funds expect the risk of loss to be remote.

Note 9. Legal-Proceedings

On April 17, 2019, Sears Holdings Corporation, Sears Roebuck and Co., Sears Development Co., Kmart Corporation and Kmart of Washington LLC commenced an adversary proceeding in the United States Bankruptcy Court for the Southern District of New York against Edward Scott "Eddie" Lampert; ESL Investments, Inc.; RBS Partners LP; CRK Partners LLC; SPE Master I L.P.; ESL Partners L.P.; SPE I Partners L.P.; RBS Investment Management LLC; ESL Institutional Partners L.P.; ESL Investors, L.L.C.; JPP LLC; JPP II LLC; Fairholme Capital Management, L.L.C.; Cesar L. Alvarez; Bruce Berkowitz; Alesia Haas; Kunal Kamrani; Steven Mnuchin; Thomas J. Tisch; Seritage Growth Properties, Inc.; Seritage Growth Properties, L.P.;

Seritage KMT Mezzanine Finance LLC; Seritage SRC Mezzanine Finance LLC; Seritage KMT Finance LLC; Seritage SRC Finance LLC; Seritage GS Holdings LLC; Seritage SPS Holdings LLC; and Seritage MS Holdings LLC (the “First Action”). On November 25, 2019, the plaintiffs filed an amended complaint, adding the Company and other parties not affiliated with the Manager or the Company as additional defendants and asserting new causes of action against the defendants.

Plaintiffs assert avoidance and other claims against certain defendants, including the Manager, for participation in two Sears corporate transactions: (i) the Lands’ End spinoff; and (ii) the Seritage rights offering. The avoidance claims against the Manager include claims for the avoidance of consideration received by The Fairholme Fund and The Allocation Fund from Sears Holdings Corp. in connection with the Lands’ End spinoff and Seritage rights offering that were allegedly actual and/or constructive fraudulent transfers. In the amended complaint, plaintiffs also assert avoidance and other claims seeking to recover amounts allegedly received by the Company from alleged related-party transactions with Sears and seek to avoid the release received by certain of the defendants, including the Manager and the Company, in connection with the Seritage derivative action. Plaintiffs also assert claims for breach of fiduciary duty and aiding and abetting breach of fiduciary duty arising out of certain related-party transactions against certain defendants, including the Manager and Bruce Berkowitz, and seek to subordinate the bankruptcy claims of the Company, the Manager and Bruce Berkowitz.

On February 21, 2020, the Company moved to dismiss all of the claims against it, and all other defendants, including the Manager and Bruce Berkowitz, moved to dismiss all or parts of the complaint against them. The Court held extensive oral argument on the motions to dismiss, which are currently pending before the Court.

On October 15, 2020, Sears Holdings Corp., Sears, Roebuck and Co., and The Official Committee of Unsecured Creditors of Sears Holdings Corporation, et al commenced a second adversary proceeding in the United States Bankruptcy Court for the Southern District of New York against certain former shareholders of Sears Holdings Corporation that were not named in the First Action (the “Second Action”). In the Second Action, the plaintiffs assert claims for the avoidance of alleged consideration received in connection with the Lands’ End spinoff and the Seritage rights offering. Certain defendants in the Second Action have moved to dismiss all claims against them, and the motions to dismiss are currently pending before the Court. On March 15, 2021, the Court consolidated the Second Action into the First Action.

Although the Manager and the Company believe that they have strong defenses to the foregoing complaint and intend to defend themselves vigorously against the allegations in the complaint, neither the Manager nor the Company is in a position to express an opinion about the ultimate outcome of the litigation or the range of potential loss, if any.

Note 10. Subsequent Events

Management has evaluated the impact on the Funds of all subsequent events occurring through the date the financial statements were issued and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

Operation and Effectiveness of the Funds' Liquidity Risk Management Program (unaudited)

Pursuant to Rule 22e-4 under the Investment Company Act of 1940, each of the Funds has adopted and implemented a liquidity risk management program (the "Program") designed to assess and manage the risk that the Fund could not meet requests to redeem Fund shares without significant dilution of remaining investors' interests in the Fund. In assessing, managing and reviewing liquidity risk under the Program, the Funds consider a variety of factors, including their investment strategies, portfolio investments, portfolio concentration, cash flow projections, redemption policy and redemption history. In addition, the Program requires each Fund to, among other things, classify its investments into specific liquidity categories and monitor compliance with its limit on illiquid investments.

During the one-year period ended November 30, 2020 (the "Covered Period"), each Fund maintained a high level of liquidity and primarily held assets that were "highly liquid investments" (defined as cash and any investment reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment). During the Covered Period, there were no liquidity events that materially affected a Fund's performance or ability to timely meet redemptions without dilution to remaining investors' interests in the Fund.

The Manager, which the Board has designated to administer the Program, prepared a written report that addressed the operation of the Program and assessed the Program's adequacy and effectiveness of implementation during the Covered Period (the "Report"). The Board reviewed and accepted the Report, which determined that the Program operated adequately and effectively in managing the liquidity risk of each Fund during the Covered Period.

Proxy Voting Policies, Procedures and Records (unaudited)

The Company has adopted policies and procedures that provide guidance and set forth parameters for the voting of proxies relating to securities held in each Fund's portfolio. A description of these policies and procedures, and records of how each Fund voted proxies relating to its portfolio securities during the most recent twelve month period ended June 30, 2020, are available to you upon request and free of charge by writing to the Fairholme Funds, Inc., c/o BNY Mellon Investment Servicing (US) Inc., P.O. Box 9692, Providence, RI, 02940 or by calling Shareholder Services at (866) 202-2263. They may also be obtained by visiting the SEC website at www.sec.gov. The Company shall respond to all shareholder requests for records within three business days of its receipt of such request by first-class mail or other means designed to ensure prompt delivery.

Quarterly Filing (unaudited)

The Company files a complete schedule of the Funds' portfolio holdings on Form N-PORT for the fiscal quarters ending February 28 (February 29 during leap year) and August 31. The Forms N-PORT are available on the SEC's website at www.sec.gov.

FAIRHOLME FUNDS

Officers of Fairholme Funds, Inc.

BRUCE R. BERKOWITZ
President

FERNANDO M. FONT
Vice President

WAYNE KELLNER
Treasurer

ERICA K. KAPAH
Chief Compliance Officer & Secretary

Board of Directors of Fairholme Funds, Inc.

TERRY L. BAXTER

BRUCE R. BERKOWITZ

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Investment Manager

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Custodian

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