

FAIRX

2023 SEMI-ANNUAL REPORT

FAIRHOLME

Ignore the crowd.

FAIRHOLME

Ignore the crowd.

**PORTFOLIO MANAGER'S REPORT
THE FAIRHOLME FUND
July 2023**

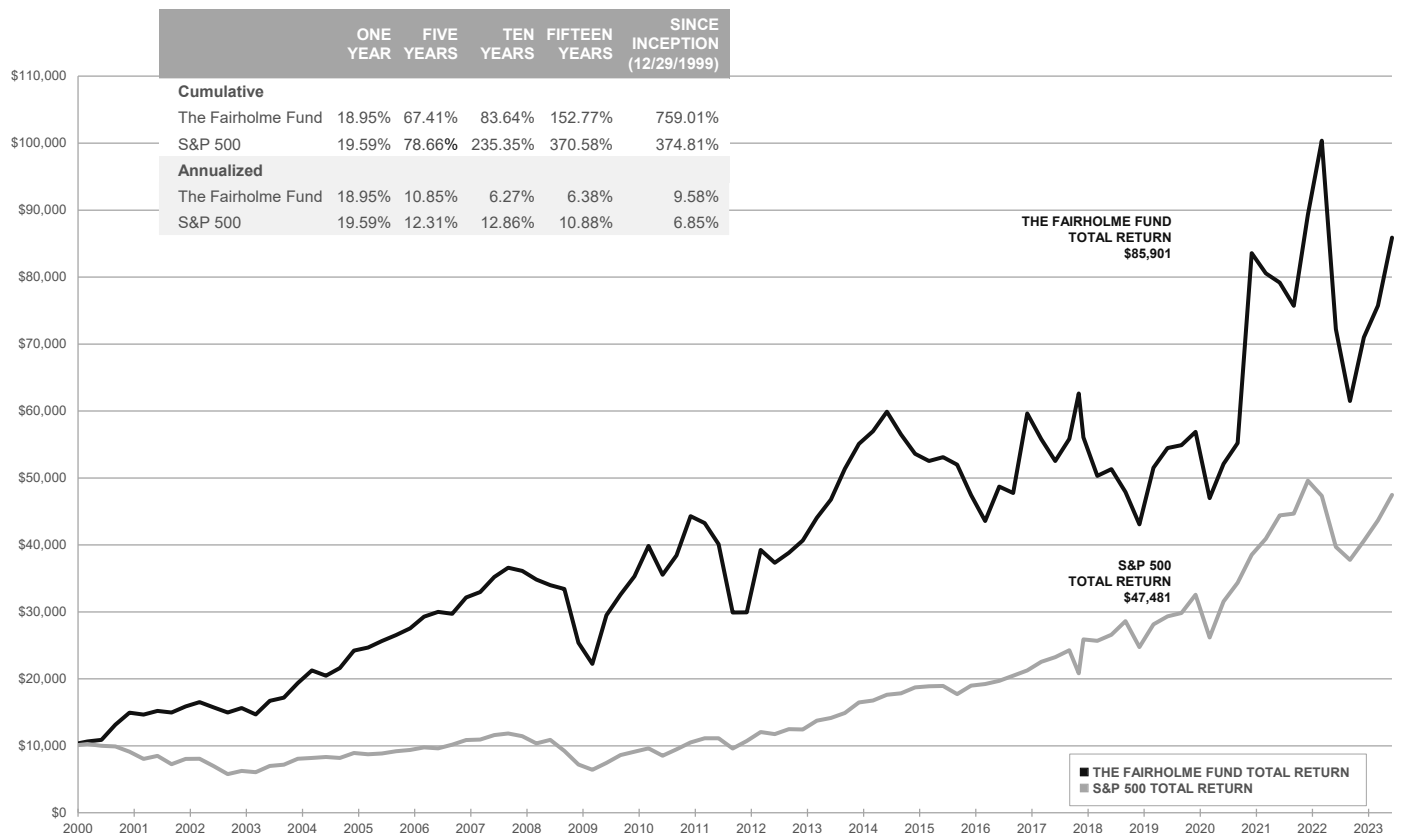
Mutual fund investing involves risks, including possible loss of principal. Unless otherwise specified, all information is shown as of June 30, 2023. Past performance information quoted below does not guarantee future results. The investment return and principal value of an investment in The Fairholme Fund (“The Fairholme 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 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, 2023, is 1.00%, and may differ from the actual expenses incurred by the Fund for the period covered by the Fund’s Semi-Annual Report.

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

The Portfolio Manager’s Report is not part of The Fairholme Fund’s Semi-Annual Report due to forward-looking statements that, by their nature, cannot be attested to, as required by regulation. The Portfolio Manager’s Report is based on calendar-year performance. 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. Please see the Schedule of Investments included in the Semi-Annual Report for a full list of holdings.

The following graph and table compare The Fairholme Fund’s unaudited performance (after expenses) with that of the S&P 500, with dividends and distributions reinvested, for various periods ended June 30, 2023. The value of a \$10,000 investment in The Fairholme Fund at inception was worth \$85,901 compared to \$47,481 for the S&P 500 at June 30, 2023.

The Fairholme Fund



July 29, 2023

Dear Fellow Shareholders:

Since the inception of The Fairholme Fund, cumulative performance with dividends reinvested and after expenses was more than twice the cumulative performance of the S&P 500 Index. Fund assets totaled \$1.2 billion. Cash and equivalents are 12% of assets. I and affiliates own 33% of Fund shares.

Mark Twain was right when he said "buy land, they're not making it anymore." St. Joe's land and entitlements are about or surround one of the hottest residential markets in Florida, Scenic Highway 30A on the Gulf of Mexico.¹ The company's earnings per share in the first half of this year increased by 48% from the first half of last year - with no extraordinary profits and while finishing five new hotel complexes.²

Vaclav Smil's *How the World Really Works*³ discusses the four pillars of modern civilization: fertilizer, steel, cement, plastics and petrochemicals, and how each depends on crude oil, natural gas, and/or natural gas liquids. Enterprise Product Partners supplies midstream energy services that link domestic drillers to global consumers of these critical building blocks. Their system of pipes, tanks, and process facilities is irreplaceable in today's world.

I recommend reading the news releases and shareholder reports of St. Joe⁴ and Enterprise Products Partners, L.P.⁵ to better understand their progress and prospects.

Respectfully submitted,



Bruce R. Berkowitz
Chief Investment Officer

¹ How a Once Unpaved Stretch of Highway Became One of Florida's Hottest Rental Markets, Wall Street Journal, July 19, 2023

² <https://ir.joe.com/news-releases/news-release-details/st-joe-company-reports-second-quarter-and-first-half-2023>

³ How the World Really Works, Vaclav Smil, Viking, 2022

⁴ <https://ir.joe.com/press-releases>

⁵ <https://ir.enterpriseproducts.com/press-releases>

Please consider the investment objectives, risks and charges and expenses of the Fund carefully before investing. The prospectus and summary prospectus contain this and other information about the Fund and are available at www.fairholmefunds.com or by calling Shareholder Services at 866-202-2263. The prospectus and summary prospectus should be read carefully before investing.

Shares of the Fund are distributed by Foreside Funds Distributors LLC (07/23)

FAIRHOLME

Ignore the crowd.

The Fairholme Fund (FAIRX)
Seeking long-term growth of capital

Semi-Annual Report

May 31, 2023

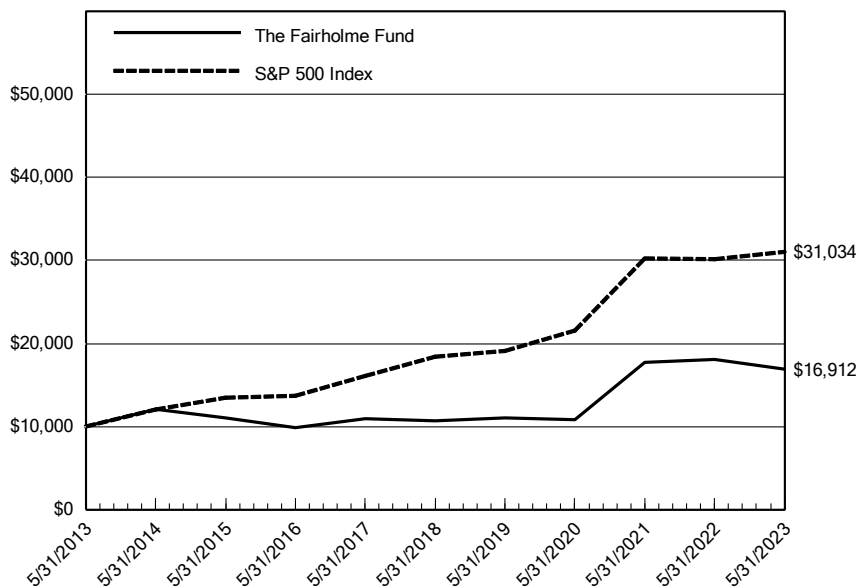
Managed by Fairholme Capital Management

THE FAIRHOLME FUND

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



The Fairholme Fund (the “Fund”) commenced operations on December 29, 1999. The chart above presents the performance of a hypothetical \$10,000 investment for up to ten years to the latest semi-annual period ended May 31, 2023.

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 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 Fund or upon redemption of shares of the 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 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 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. It is not possible to invest directly in an index.

THE FAIRHOLME FUND

MANAGEMENT DISCUSSION & ANALYSIS For the six months ended May 31, 2023

The Fairholme Fund (the “Fund”) shares outstanding and unaudited net asset value per share (“NAV”) at May 31, 2023, the end of the Fund’s semi-annual period, and NAVs at other pertinent dates, were as follows:

<u>5/31/2023</u> <u>Shares</u> <u>Outstanding</u>	<u>05/31/2023</u> <u>NAV</u> <u>(unaudited)</u>	<u>11/30/2022</u> <u>NAV</u> <u>(audited)</u>	<u>05/31/2022</u> <u>NAV</u> <u>(unaudited)</u>
40,726,726	\$ 28.83	\$ 24.75	\$ 30.82

At June 30, 2023, the unaudited NAV of the Fund was \$29.94.

Performance figures below are shown for the Fund’s semi-annual period ended May 31, 2023, and do not match calendar year figures for the period ended June 30, 2023, cited in the Portfolio Manager’s report.

<u>Performance to</u> <u>5/31/2023 (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:						
Fund	16.49%	-6.46%	58.28%	69.12%	117.55%	727.16%
S&P 500 Index	3.33%	2.92%	68.62%	210.34%	304.20%	345.38%
Annualized:						
Fund		-6.46%	9.62%	5.39%	5.32%	9.44%
S&P 500 Index		2.92%	11.01%	11.99%	9.76%	6.59%

For the six months ended May 31, 2023, the Fund outperformed the S&P 500 Index (“S&P 500”) by 13.16 percentage points. Over the last fiscal year, the Fund was outperformed by the S&P 500 by 9.38 percentage points. From inception, the Fund outperformed the S&P 500 by 2.85 percentage points per annum, or on a cumulative basis, 381.78 percentage points.

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 is unmanaged indices incurring no fees, expenses, or tax effects and are shown solely to compare the Fund’s performance to that of unmanaged and diversified indices of securities. As of the prospectus dated March 30, 2023, the gross expense ratio for the Fund is 1.00%. Shareholders are also cautioned that it is possible that some securities mentioned in this discussion may no longer be held by the Fund subsequent to the end of the fiscal period, and that the Fund may have made new investments that are not yet required to be disclosed. It is the Fund’s general policy not to disclose portfolio holdings other than when required by relevant law or regulation. Portfolio holdings are subject to change without notice and are not a recommendation to buy or sell any security.

Not all the Fund portfolio dispositions or additions are material, and, while the Fund 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 the Fund’s assets in securities to the extent the Manager finds reasonable investment opportunities in accordance with the Fund’s investment strategies, policies and restrictions, as stated in the Fund’s Prospectus and may invest a significant portion of the Fund’s assets in cash and cash equivalents. The Manager views liquidity as a strategic advantage. At May 31, 2023, cash and cash equivalents (consisting of cash, deposit accounts, U.S. Treasury Bills, and Treasury money-market funds) represented 9.5% of the Fund’s total assets. Since inception, the Fund has held varying levels of cash and cash

THE FAIRHOLME FUND

MANAGEMENT DISCUSSION & ANALYSIS (continued) For the six months ended May 31, 2023

equivalents for periods without, in the Manager’s view, negatively influencing performance.

The Fund is considered to be “non-diversified” under the Investment Company Act of 1940. Accordingly, the 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 Fund may also have a greater percentage of assets invested in a particular sector than a diversified fund, exposing the Fund to the risk of an unanticipated event or condition and risks affecting a single company, sector or security.

The commentary below provides details of the 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, 2023.

The most significant increases in the value of the Fund’s portfolio during the period were related to positive developments in the Real Estate Management & Development and Oil & Gas Storage & Transportation sectors. The Fund’s investments in the Mortgage Finance and Metals & Mining sectors saw some decreases in value during the period.

The Manager made no changes to the core investment strategies and techniques it employed during the six months ended May 31, 2023.

For the six months ended May 31, 2023, the Fund investments that contributed to performance were securities of The St. Joe Co. and Enterprise Products Partners, LP. The detractors to performance during the period were securities of Federal Home Loan Mortgage Corp., Imperial Metals Corp., and Federal National Mortgage Association. The following tables show the top holdings by issuer and sector in descending order of percentage of net assets as of May 31, 2023.

The Fairholme Fund Top Holdings by Issuer* (% of Net Assets)		The Fairholme Fund Top Sectors (% of Net Assets)	
The St. Joe Co.	82.3%	Real Estate Management & Development	82.3%
Enterprise Products Partners LP	5.0%	Cash and Cash Equivalents**	9.5%
Commercial Metals Co.	1.5%	Oil & Gas Storage & Transportation	5.0%
Imperial Metals Corp.	0.8%	Steel	1.5%
Federal Home Loan Mortgage Corp.	0.5%	Metals & Mining	0.8%
Federal National Mortgage Association	0.2%	Mortgage Finance	0.7%
Berkshire Hathaway Inc.	0.1%	Diversified Holding Company	0.1%
	<u>90.4%</u>		<u>99.9%</u>

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

** 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 Fund can be found in its Prospectus and Statement of Additional Information.

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

THE FAIRHOLME FUND

MANAGEMENT DISCUSSION & ANALYSIS (continued)
For the six months ended May 31, 2023

Since inception, the Fund has been advised by the Manager. Bruce Berkowitz, is the Chief Investment Officer of the Manager and Chairman of the Fund's Board of Directors (the "Board" or the "Directors"). As of May 31, 2023, Mr. Berkowitz and his affiliates owned an aggregate 13,309,401 shares of the Fund. While there is no requirement that Mr. Berkowitz own shares of the Fund, 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 Fund to have Mr. Berkowitz serve as Chairman of the Board given: his long-term relative performance; his experience, commitment, and significant personal investments in series of the Company; the present composition of the Board; and current rules and regulations. A Director and Officers of the Fund are also Officers of the Manager. Nevertheless, at May 31, 2023, a majority of Directors were independent of the Manager, no stock option or restricted stock plans exist, Officers received no direct compensation from the Fund, and the Director affiliated with the Manager received no compensation for being a Director.

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

THE FAIRHOLME FUND

EXPENSE EXAMPLE

For the Six Month Period from December 1, 2022 through May 31, 2023 (unaudited)

As a Fund shareholder, 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 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 Fund and to compare these costs with the ongoing costs of investing in other mutual fund.

These examples are based on an investment of \$1,000 invested in the Fund at December 1, 2022, and held for the entire six month period ending May 31, 2023.

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 the 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 Fund 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, 2022	Ending Account Value May 31, 2023	Annualized Expense Ratio*	Expenses Paid During the Period December 1, 2022 Through May 31, 2023**
Fund				
Actual	\$1,000.00	\$1,164.90	0.80%	\$4.32
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 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.

** Expenses are equal to the 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, 2023 (Unaudited)

Shares		Value	Shares		Value
	DOMESTIC EQUITY SECURITIES — 88.9%			DOMESTIC PREFERRED EQUITY SECURITIES — 0.7%	
	DIVERSIFIED HOLDING COMPANY — 0.1%			MORTGAGE FINANCE — 0.7%	
	Berkshire Hathaway Inc.,		4,335,813	Federal Home Loan Mortgage Corp.	
3,300	Class B ^(a)	\$ 1,059,564		7.875%, Series Z ^{(a)(c)}	\$ 6,221,892
	OIL & GAS STORAGE & TRANSPORTATION — 5.0%		1,086,777	Federal National Mortgage Association	
2,313,100	Enterprise Products Partners LP	58,590,823		7.750%, Series S ^{(a)(c)}	1,706,240
	REAL ESTATE MANAGEMENT & DEVELOPMENT — 82.3%				<u>7,928,132</u>
20,784,524	The St. Joe Co. ^(b)	966,688,211		TOTAL DOMESTIC PREFERRED EQUITY SECURITIES (COST \$21,225,511)	<u>7,928,132</u>
	STEEL — 1.5%			Principal	
418,200	Commercial Metals Co.	17,878,050		U.S. GOVERNMENT OBLIGATIONS — 8.1%	
	TOTAL DOMESTIC EQUITY SECURITIES (COST \$605,078,247)	<u>1,044,216,648</u>		U.S. Treasury Bills	
	FOREIGN EQUITY SECURITIES — 0.8%		\$ 10,000,000	5.257%, 06/06/2023 ^(d)	9,992,741
	CANADA — 0.8%		30,000,000	4.610%, 06/15/2023 ^(d)	29,940,384
	METALS & MINING — 0.8%		35,000,000	5.200%, 06/20/2023 ^(d)	34,905,445
7,124,313	Imperial Metals Corp. ^(a)	10,023,895	20,000,000	4.804%, 07/13/2023 ^(d)	19,881,694
	TOTAL FOREIGN EQUITY SECURITIES (COST \$61,463,004)	<u>10,023,895</u>		TOTAL U.S. GOVERNMENT OBLIGATIONS (COST \$94,735,149)	<u>94,720,264</u>
				Shares	
				MONEY MARKET FUNDS — 1.4%	
			15,874,134	Fidelity Investments Money Market Treasury Portfolio - Class I, 4.97% ^(e)	15,874,134
				TOTAL MONEY MARKET FUNDS (COST \$15,874,134)	<u>15,874,134</u>
				TOTAL INVESTMENTS — 99.9% (COST \$798,376,045)	1,172,763,073
				OTHER ASSETS IN EXCESS OF LIABILITIES — 0.1%	1,201,063
				NET ASSETS — 100.0%	<u>\$ 1,173,964,136</u>

^(a) Non-income producing security.

^(b) Affiliated Company. See Note 2.

^(c) Variable rate security. Rates shown are the effective rates as of May 31, 2023.

^(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, 2023.

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

THE FAIRHOLME FUND

STATEMENT OF ASSETS & LIABILITIES May 31, 2023 (unaudited)

Assets

Investments, at Fair Value:	
Unaffiliated Issuers (Cost – \$254,585,401)	\$ 206,074,862
Affiliated Issuers (Cost – \$543,790,644)	966,688,211
Dividends and Interest Receivable	2,173,090
Receivable for Capital Shares Sold	62,012
Receivable for Investments Sold	418,270
Total Assets	<u>1,175,416,445</u>

Liabilities

Accrued Management Fees	761,180
Payable for Capital Shares Redeemed	311,484
Payable for Securities Purchased	379,645
Total Liabilities	<u>1,452,309</u>

NET ASSETS

\$ 1,173,964,136

Net Assets consist of:

Paid-In Capital	\$ 1,637,314,266
Total Accumulated Losses	(463,350,130)

NET ASSETS

\$ 1,173,964,136

Shares of Common Stock Outstanding* (\$0.0001 par value) 40,726,726

Net Asset Value, Offering and Redemption Price Per Share
(\$1,173,964,136 / 40,726,726 shares) \$ 28.83

* 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, 2023
Investment Income	
Interest — Unaffiliated Issuers	\$ 2,212,943
Dividends — Unaffiliated Issuers	204,298
Dividends — Affiliated Issuers	4,156,905
Total Investment Income	<u>6,574,146</u>
Expenses	
Management Fees	<u>5,468,247</u>
Total Expenses	<u>5,468,247</u>
Less: Voluntary Reduction of Management Fees	<u>(1,092,537)</u>
Net Expenses	<u>4,375,710</u>
Net Investment Income	<u>2,198,436</u>
Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Related Transactions	
Net Realized Gain (Loss) on:	
Investments - Unaffiliated Issuers	(7,283,299)
Investments - Affiliated Issuers	1,244,497
Foreign Currency Related Transactions	(147)
Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Related Transactions:	
Unaffiliated Investments	4,591,304
Affiliated Investments	<u>167,390,851</u>
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Related Transactions	<u>165,943,206</u>
NET INCREASE IN NET ASSETS FROM OPERATIONS	<u><u>\$ 168,141,642</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, 2023 (Unaudited)	For the Fiscal Year Ended November 30, 2022
CHANGES IN NET ASSETS		
From Operations		
Net Investment Income	\$ 2,198,436	\$ 776,409
Net Realized Gain (Loss) on Investments and Foreign Currency Related Transactions	(6,038,949)	13,808,944
Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Related Translations	<u>171,982,155</u>	<u>(207,655,012)</u>
Net Increase (Decrease) in Net Assets from Operations	<u>168,141,642</u>	<u>(193,069,659)</u>
From Capital Share Transactions		
Proceeds from Sale of Shares	6,307,908	121,118,240
Redemption Fees	25,383	53,965
Cost of Shares Redeemed	<u>(58,074,801)</u>	<u>(218,856,765)</u>
Net Decrease in Net Assets from Shareholder Activity	<u>(51,741,510)</u>	<u>(97,684,560)</u>
NET ASSETS		
Net Increase (Decrease) in Net Assets	116,400,132	(290,754,219)
Net Assets at Beginning of Period	<u>1,057,564,004</u>	<u>1,348,318,223</u>
Net Assets at End of Period	<u>\$ 1,173,964,136</u>	<u>\$ 1,057,564,004</u>
SHARES TRANSACTIONS		
Issued	237,251	4,182,030
Redeemed	<u>(2,232,699)</u>	<u>(7,495,357)</u>
Net Decrease in Shares	(1,995,448)	(3,313,327)
Shares Outstanding at Beginning of Period	<u>42,722,174</u>	<u>46,035,501</u>
Shares Outstanding at End of Period	<u>40,726,726</u>	<u>42,722,174</u>

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

THE FAIRHOLME FUND

FINANCIAL HIGHLIGHTS

	For the Six Months Ended May 31, 2023 (Unaudited)	For the Fiscal Year Ended November 30,				
		2022	2021	2020	2019	2018
PER SHARE OPERATING PERFORMANCE						
NET ASSET VALUE, BEGINNING OF PERIOD	\$24.75	\$29.29	\$25.35	\$19.19	\$16.05	\$19.10
Investment Operations						
Net Investment Income (Loss) ⁽¹⁾	0.05	0.02	(0.07)	(0.08)	0.16	0.29
Net Realized and Unrealized Gain (Loss) on Investments	4.03	(4.56)	4.01	6.41	3.32	(3.08)
Total from Investment Operations	4.08	(4.54)	3.94	6.33	3.48	(2.79)
Dividends and Distributions						
From Net Investment Income	—	—	—	(0.17)	(0.34)	(0.26)
Total Dividends and Distributions	—	—	—	(0.17)	(0.34)	(0.26)
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	\$28.83	\$24.75	\$29.29	\$25.35	\$19.19	\$16.05
TOTAL RETURN	16.49% ⁽³⁾	(15.50)%	15.54%	33.19%	22.20%	(14.85)%
Ratio/Supplemental Data						
Net Assets, End of Period (in 000's)	\$1,173,964	\$1,057,564	\$1,348,318	\$1,269,211	\$1,056,541	\$1,064,866
Ratio of Gross Expenses to Average Net Assets	1.00% ⁽⁴⁾	1.00%	1.00%	1.01% ⁽⁵⁾	1.00% ⁽⁶⁾	1.00%
Ratio of Net Expenses to Average Net Assets	0.80% ⁽⁴⁾⁽⁷⁾	0.80% ⁽⁷⁾	0.80% ⁽⁷⁾	0.81% ⁽⁵⁾⁽⁷⁾	0.80% ⁽⁶⁾⁽⁷⁾	0.82% ⁽⁷⁾
Ratio of Net Investment Income (Loss) to Average Net Assets	0.40% ⁽⁴⁾	0.06%	(0.25)%	(0.41)%	0.86%	1.57%
Portfolio Turnover Rate	0.72% ⁽³⁾	2.54%	8.84%	8.18%	8.05%	16.29%

⁽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⁾ Effective January 1, 2018, the Manager has 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.

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 “Fund”) and the remaining 400,000,000 shares have been allocated to the other series of the Company. The Fund is a non-diversified fund. The Fund may have a greater percentage of its assets invested in particular securities than a diversified fund, exposing the Fund to the risk of unanticipated industry conditions as well as risks specific to a single company or the securities of a single company. The 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 the 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 Fund’s investment objective is to provide long-term growth of capital. Under normal circumstances, the Fund seeks to achieve its investment objective by investing in a focused portfolio of equity and fixed-income securities. The proportion of the 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 and other factors. The Fund may invest in, and may shift frequently among, the asset classes and market sectors. The equity securities in which the Fund may invest include common and preferred stock (including convertible preferred stock), interests in publicly traded partnerships, business trust shares, interests in real estate investment trusts, rights and warrants to subscribe for the purchase of equity securities, and depository receipts. The 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 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 Fund may invest in fixed-income securities regardless of maturity or the rating of the issuer of the security. The 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 Fund normally holds a focused portfolio of equity and fixed-income securities, the 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 Fund.

There is no guarantee that the Fund will meet its objective.

Note 2. Significant Accounting Policies

As an investment company, the Fund follows the investment company accounting and reporting guidance, which is part of U.S. generally accepted accounting principles (“U.S. GAAP”). The Fund’s investments are reported at fair value as defined by U.S. GAAP. The Fund calculates its net asset value 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 Fund’s securities follows:

Security Valuation:

Securities for which market quotations are readily available are valued at market value, and other securities are valued at “fair value” as determined in accordance with policies and procedures approved by the Board. Pursuant to Rule 2a-5 under the 1940 Act, the Board has designated the Manager as valuation designee to perform fair value determinations relating to the Fund’s portfolio investments, subject to the Board’s oversight.

The Manager may determine the fair valuation of a security when market quotations are 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 investment. 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 ask 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 investment's markets, such as the suspension or limitation of trading; and (h) local market closures. The circumstances of fair valued securities are frequently monitored to determine if fair valuation measures continue to apply.

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.

Fixed-income securities (U.S. government obligations, corporate bonds, convertible bonds, and asset backed securities): Fixed-income securities are valued at prices supplied by an independent pricing source or by pricing service providers based on broker or dealer supplied valuations or matrix pricing.

Open-end mutual fund: Investments in open-end mutual funds, including money market funds, are valued at their closing net asset value each business day.

Short-term securities: Investments in securities with remaining maturities of less than sixty days are valued at prices supplied by an independent pricing source or by one of the Fund's pricing agents based on broker or dealer supplied valuations or matrix pricing.

The Fund uses third-party pricing services, which are approved by the Manager, to provide prices for some of the Fund's securities. The Fund also uses other independent market trade data sources, as well as broker quotes provided by market makers.

U.S. GAAP defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

- 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 assumptions in determining the fair value of investments).

THE FAIRHOLME FUND

NOTES TO FINANCIAL STATEMENTS (continued)
May 31, 2023 (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 Fund's investments by inputs used to value the Fund's investments as of May 31, 2023, is as follows:

	Valuation Inputs			Total Fair Value at 05/31/23
	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Observable Inputs	
ASSETS:				
INVESTMENTS (Fair Value):				
Domestic Equity Securities*	\$ 1,044,216,648	\$ —	\$ —	\$ 1,044,216,648
Foreign Equity Securities*	10,023,895	—	—	10,023,895
Domestic Preferred Equity Securities*	7,928,132	—	—	7,928,132
U.S. Government Obligations	—	94,720,264	—	94,720,264
Money Market Funds	15,874,134	—	—	15,874,134
TOTAL INVESTMENTS	<u>\$ 1,078,042,809</u>	<u>\$ 94,720,264</u>	<u>\$ —</u>	<u>\$ 1,172,763,073</u>

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

There were no Level 3 investments at May 31, 2023 or November 30, 2022.

Dividends and Distributions: The Fund records dividends and distributions to its shareholders on the ex-dividend date. The Fund intends to distribute substantially all of its net investment income (if any) as dividends to its shareholders on an annual basis in December. The Fund intends 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 exceed 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 Fund 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 Fund does 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 Fund 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 Fund assesses a 2% fee on the proceeds of the Fund shares that are redeemed or exchanged within 60 days of their purchase. The redemption fee is paid to the Fund as applicable, for the benefit of remaining shareholders and is recorded as paid-in capital. The redemption fees retained by the Fund during the six months ended May 31, 2023 and November 30, 2022, amounted to \$25,383 and \$53,965, respectively.

Other: The Fund accounts 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 Fund may invest in countries that require governmental approval for the repatriation of investment income,

THE FAIRHOLME FUND

NOTES TO FINANCIAL STATEMENTS (continued)
May 31, 2023 (unaudited)

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 Fund paid commissions and other brokerage fees during the period.

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, the 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 the Fund. Effective January 1, 2018, the Manager has agreed to waive, on a voluntary basis, a portion of the management fees of the Fund to the extent necessary to limit the management fee of the Fund to the annual rate of 0.80% of the Fund's daily average net asset value ("Undertaking"). This Undertaking may be terminated by the Manager upon 60 days' written notice to the Fund. The Manager is responsible pursuant to the Investment Management Agreement for paying the 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 the 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 the Fund, taxes, interest, acquired fund fees and related expenses, expenses in connection with litigation by or against the Fund, and any other extraordinary expenses.

The Manager earned, after the voluntary reduction of the management fees, \$4,375,710 from the Fund for its services during the six months ended May 31, 2023.

Bruce Berkowitz is the Chief Investment Officer of the Manager and Chairman of the Fund's Board. As of May 31, 2023, Mr. Berkowitz and his affiliates owned an aggregate 13,309,401 shares of the Fund.

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

Note 4. Investments

For the six months ended May 31, 2023, 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>
\$	7,159,900	\$ 59,015,903

Note 5. Tax Matters

Federal Income Taxes: The 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, the 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.

THE FAIRHOLME FUND

NOTES TO FINANCIAL STATEMENTS (continued)
May 31, 2023 (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, 2023, were as follows:

<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation/ (Depreciation)</u>
\$799,783,890	\$439,140,189	\$(66,161,006)	\$372,979,183

The difference between book basis and tax basis net unrealized depreciation is attributable to the tax deferral of losses on wash sales, capitalized cost and basis adjustments on investments in partnerships.

The Fund's 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, 2023.

The Fund is 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, 2022, net short-term and long-term capital loss carryforwards were as follows:

Long-term capital loss carryforward	<u>\$832,421,042</u>
Total	<u>\$832,421,042</u>

The Manager has analyzed the Fund's 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 Fund's 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 Fund is 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.

There were no dividends or distributions paid by the Fund during the six months ended May 31, 2023 or during the period ended November 30, 2022.

Note 7. Transactions in Shares of Affiliates

Portfolio companies in which the Fund owns 5% or more of the outstanding voting securities of the issuer are considered affiliates of the Fund. The aggregate fair value of all securities of affiliates held by the Fund as of May 31, 2023 amounted to \$966,688,211, representing approximately 82.34% of the Fund's net assets.

THE FAIRHOLME FUND

NOTES TO FINANCIAL STATEMENTS (continued)
May 31, 2023 (unaudited)

Transactions in the Fund during the six months ended May 31, 2023, in which the issuer of the security was an affiliate are as follows:

	November 30, 2022	Gross Additions	Gross Deductions	May 31, 2023				
	Shares/ Par Value	Shares/ Par Value	Shares/ Par Value	Shares/ Par Value	Fair Value	Realized Gain (Loss)	Investment Income	Change in Unrealized Appreciation/ Depreciation
The St. Joe Co.	20,921,524	—	137,000	20,784,524	\$ 966,688,211	\$ 1,244,497	\$ 4,156,905	\$ 167,390,851
Total					<u>\$ 966,688,211</u>	<u>\$ 1,244,497</u>	<u>\$ 4,156,905</u>	<u>\$ 167,390,851</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 Fund. In the normal course of business the Company or the Fund enters into contracts that contain a variety of representations and customary indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on its experience to date, the Fund expects the risk of loss to be remote.

Note 9. Subsequent Events

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

Operation and Effectiveness of the Fund’s Liquidity Risk Management Program (unaudited)

Pursuant to Rule 22e-4 under the Investment Company Act of 1940, the Fund 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 the Fund shares without significant dilution of remaining investors’ interests in the Fund. In assessing, managing and reviewing liquidity risk under the Program, the Fund considers a variety of factors, including its investment strategies, portfolio investments, portfolio concentration, cash flow projections, redemption policy and redemption history. In addition, the Program requires the 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, 2022 (the “Covered Period”), the 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 the 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 the 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 the Fund’s portfolio. A description of these policies and procedures, and records of how the Fund voted proxies relating to its portfolio securities during the most recent twelve month period ended June 30, 2022, are available to you upon request and free of charge by writing to the Fairholme Funds, Inc., P.O. Box 534443, Pittsburgh, Pennsylvania 15253-4443 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 Fund’s portfolio holdings with the SEC for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The Form N-PORT reports are available on the SEC’s website at www.sec.gov. The Funds’ portfolio holdings information for the first and third quarters of each fiscal year is also available at www.fairholmefunds.com/prospectus.

FAIRHOLME FUNDS

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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

STEVEN J. GILBERT, *Esq.*

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Investment Manager

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