

Financial Statements of

THE McELVAINE INVESTMENT TRUST

And Independent Auditors' Report thereon

Years ended December 31, 2019 and 2018



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

Opinion

We have audited the accompanying financial statements of The McElvaine Investment Trust (the "Trust"), which comprise:

- the statements of financial position as at December 31, 2019 and 2018
- the statements of comprehensive income for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Manager is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".



Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of The Manager and Those Charged with Governance for the Financial Statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting (IFRS), and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Trust's ability to continue as a going concern disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants

Vancouver, Canada

March 16, 2020

THE MCELVAINE INVESTMENT TRUST

Statements of Financial Position

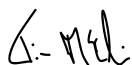
As at December 31, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 4,362,139	\$ 3,581,884
Interest and dividends receivable	13,677	7,025
Prepaid expenses	5,244	-
Derivative assets:		
Options	-	4,092
Investments	23,970,304	24,145,753
	\$ 28,351,364	\$ 27,738,754
Liabilities		
Accrued liabilities	68,650	76,327
Net assets attributable to holders of redeemable units	\$ 28,282,714	\$ 27,662,427
Represented by:		
Series B	\$ 26,815,790	\$ 26,415,010
Series C	18,588	17,014
Series G	1,448,336	1,230,403
	\$ 28,282,714	\$ 27,662,427
Net assets attributable to holders of redeemable units per unit:		
Series B	\$ 5.59	\$ 5.17
Series C	5.74	5.25
Series G	11.69	10.70

Subsequent events (Note 11)

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

Approved on behalf of the Manager,
McElvaine Investment Management Ltd.



Tim McElvaine, Director

Director

THE McELVAINE INVESTMENT TRUST

Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	Note	2019	2018
Revenue:			
Dividend income		\$ 530,160	\$ 318,252
Interest income		43,561	27,094
Net foreign currency loss		(20,935)	(8,785)
Other income		88	-
Changes in fair value of investments and derivatives:			
Net realized gain (loss)		4,194,037	(1,020,968)
Net change in unrealized depreciation		(1,973,484)	(4,576,833)
Total revenue		2,773,427	(5,261,240)
Expenses:			
Management fees (including HST/GST)	4	300,579	329,915
Commissions and other portfolio transaction costs		55,109	48,557
Custodial fees		50,768	59,246
Withholding taxes	5	33,287	12,933
Operations and other expenses		29,716	18,740
Audit and tax fees		20,077	24,155
Legal fees		7,949	3,473
Trustee fees		3,600	3,600
Total operating expenses		501,085	500,619
Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions		\$ 2,272,342	\$ (5,761,859)
Distributions to holders of redeemable units:			
From net investment income		(57,048)	-
From net capital gains		(2,190,994)	-
		(2,248,042)	-
Increase (decrease) in net assets attributable to holders of redeemable units, from operations		24,300	(5,761,859)
Increase (decrease) in net assets attributable to holders of redeemable units, from operations:			
Series B		\$ 22,229	\$ (5,513,879)
Series C		97	(3,495)
Series G		1,974	(243,744)
Series X		-	(741)
		\$ 24,300	\$ (5,761,859)
Increase (decrease) in net assets attributable to holders of redeemable units per unit before distributions:			
Series B		\$ 0.44	\$ (1.06)
Series C		0.49	-
Series G		0.97	(2.21)
Series X		-	(0.17)

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

THE McELVAINE INVESTMENT TRUST

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 24,300	\$ (5,761,859)
Adjustments for:		
Interest income	(43,561)	(27,094)
Dividend income,	(530,160)	(318,252)
Withholding taxes	33,287	12,933
Net foreign currency loss	20,935	8,785
Net realized (gain) loss from investments and derivatives	(4,194,037)	1,020,968
Net change in unrealized depreciation	1,973,484	4,576,833
Proceeds from sale of investments	18,253,661	6,694,183
Purchase of investments	(15,853,567)	(9,472,035)
Net decrease in accrued liabilities	(7,677)	(9,179)
Net increase in prepaid expenses	(5,244)	-
Non-cash distributions to holders of redeemable units	2,248,042	-
	1,895,163	(3,274,717)
Withholding taxes paid	(33,287)	(12,933)
Interest received	43,561	27,094
Dividends received	523,508	329,227
	2,453,245	(2,931,329)
Financing activities:		
Proceeds from issue of redeemable units	434,496	81,000
Payments on redemption of redeemable units	(2,086,551)	(1,066,076)
	(1,652,055)	(985,076)
Net increase (decrease) in cash	801,190	(3,916,405)
Cash, beginning of year	3,581,884	7,507,074
Effect of exchange rate fluctuations on cash	(20,935)	(8,785)
Cash, end of year	\$ 4,362,139	\$ 3,581,884

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

THE McELVAINE INVESTMENT TRUST

Schedule of Investments

December 31, 2019

	Number of shares / par value	Cost	Fair value
Canadian - Equities:			
Deans Knight Income Corp.	44,800	\$ 4,928	\$ -
Dorel Industrials Inc., Class B	100,000	556,283	598,000
Empire Industries Ltd.	2,000,000	810,309	940,000
Glacier Media Inc.	4,000,000	5,857,850	2,240,000
Jaguar Mining Inc.	2,500,000	348,509	487,500
Knight Therapeutics Inc.	150,000	1,253,139	1,137,000
Leucrotta Exploration Inc.	1,000,000	609,308	740,000
Maxim Power Corp.	1,300,000	3,399,148	2,366,000
Orca Exploration Group Inc., Class B	100,000	458,310	616,500
The Caldwell Partners International Inc., Class A	600,000	502,118	744,000
Tourmaline Oil Corp.	125,000	1,670,390	1,902,500
Whitecap Resources Inc.	250,000	1,057,390	1,387,500
Wintaai Holdings Ltd.	100,000	1,845,000	1,984,000
Wow Unlimited Media Inc., Class A	1,700,000	2,831,015	909,500
Total Canadian equities		21,203,697	16,052,500
United States - Equities:			
EXCO Resources Inc.	212,835	2,625,391	691,112
General Electric Co.	50,000	484,808	724,769
Jefferies Financial Group	75,000	1,773,041	2,081,764
SEACOR Marine Holdings Inc.	75,000	1,480,232	1,343,356
Voya Financial Inc.	20,000	581,702	1,584,102
Total United States equities		6,945,174	6,425,103
Foreign - Equities:			
Anglo American PLC	40,000	601,697	1,492,701
Total Foreign equities		601,697	1,492,701
Total Investment Portfolio		\$ 28,750,568	\$ 23,970,304
Other Net Assets			4,312,410
Total Net Assets			\$ 28,282,714

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

1. Reporting entity:

The McElvaine Investment Trust (the "Trust") is a unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002, January 1, 2008, April 23, 2012, June 30, 2019 (collectively, the "Trust Agreement"), between McElvaine Investment Management Ltd. and the Trust. McElvaine Investment Management Ltd. acts as trustee of the Trust pursuant to the Trust Agreement. The Trust is also managed by McElvaine Investment Management Ltd. (the "Manager"), which also provides investment counseling services. The address of the Trust's registered office is at Suite 301, 1321 Blanshard Street, Victoria, British Columbia.

The Trust is an open-ended investment Trust with a fundamental investment objective to achieve long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value. The Manager intends to invest the Trust's assets primarily in common shares of publicly-traded companies. However, the Manager may make any type of investment that is believed to be consistent with the Trust's investment objective. There will be periods of time where a substantial portion of the Trust's assets will be held in the form of cash, short-term money market instruments or other fixed income instruments.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Manager on March 16, 2020.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Trust may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(i) Recognition and measurement (continued):

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Trust has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Trust may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(ii) Fair value through profit and loss:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Trust classifies cash, interest and dividends receivable and accrued liabilities as amortized cost.

(b) Redeemable units:

The Trust classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities at FVTPL and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Trust's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

(c) Net assets attributable to holders of redeemable units per unit:

The net assets of a particular series of units is computed by calculating the value of that series' proportionate share of the assets and liabilities of the Trust common to all series less the liabilities of the Trust attributable only to that series. Expenses directly attributable to a series are charged directly to that series. Income, realized and unrealized gains and losses from investment transactions and other expenses are allocated proportionately to each series based upon the relative net asset value of each series.

(d) Income recognition:

Interest income shown on the statement of comprehensive income represents interest received by the Trust accounted for on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(e) Foreign exchange:

The financial statements of the Trust are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

3. Significant accounting policies (continued):

(f) Income taxes:

The Trust qualifies as a unit trust under the Income Tax Act (Canada). All of the Trust's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust does not record income taxes.

4. Related party transactions:

Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the net asset value ("NAV") of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month). The monthly fee payable to the Manager is based upon the following rates:

Series B	1/12 of 1.0% per annum
Series C	1/12 of 0.5% per annum

There are no management fees charged on Series G units.

Performance fees:

The manager is entitled to receive the following performance incentive fees (plus applicable taxes, including GST or HST) from the Trust in respect of Series B, C, G units.

- (i) Series B - 20% per annum of the amount (if any) by which any increase in the Series B net asset value during the fiscal year (after certain adjustments, including any prior period "shortfalls" in net asset value) exceeds 6%.
- (ii) Series C - 20% of the amount (if any) by which the net asset value of each unit on the last business day of June each year (after certain adjustments) exceeds the applicable 6% High Water Mark (as defined below) for such unit.
- (iii) Series G - 20% of the amount (if any) by which the net asset value of each unit on the last business day of December each year (after certain adjustments) exceeds the applicable 6% High Water Mark (as defined below) for such unit.

For the purpose of determining the performance incentive fee in respect of a Series C, and G unit, the "6% High Water Mark" means the greater of (i) the subscription price for such unit multiplied by 1.06, and (ii) if a performance fee has been paid in respect of such unit, the applicable series net asset value per unit on the last date on which the performance fee was paid in respect of such unit multiplied by 1.06.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

4. Related party transactions (continued):

Performance fees (continued):

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Manager annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Manager.

The adjusted shortfall carried forward in respect of Series B of the Trust at December 31, 2019 and 2018, as applicable, was as follows:

	2019	2018
Series B	\$ 15,905,924	\$ 17,821,083

As at December 31, 2019 there is a high water mark for Series C of \$6.27 (2018 - \$6.27) and Series G of \$12.50 (2018 - \$12.50).

Related party shareholdings:

As at December 31, 2019 and 2018, parties related to the Manager directly or indirectly held the following percentages of the Trust's outstanding units. Subscriptions and redemptions are subject to the same terms and conditions as arms-length investors in the Trust.

	2019	2018
Series B	1%	1%
Series C	34%	34%
Series G	3%	-

As at December 31, 2019 and 2018, the aggregate investment in all investee companies owned by the Manager's directors and officers did not exceed 1% of the respective investee companies' issued and outstanding shares.

5. Withholding tax expense:

Certain dividend and interest income received by the Trust is subject to withholding tax imposed in the country of origin. During the year, the average effective withholding tax rate was 5.80% (2018 - 3.74%).

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

6. Redeemable units:

Pursuant to the Trust Agreement, the Trust is authorized to issue an unlimited number of units. Each series of units is described further below:

- Series B units are available from the Manager or through authorized dealers. These units may qualify for redesignation by the unitholder as Series C, G or I units.
- Series C units are available from the Manager or through authorized dealers. These units may qualify for redesignation by the unitholder as Series B, G or I units. Series C units are no longer being offered to investors, and the Manager intends to discontinue Series C units in early 2020.
- Series F units are available from the Manager or through authorized dealers. These units pay an annual fee to their dealer for investment advice and other services. Effective September 25, 2019 the existing Series F units were redesignated as Series G.
- Series G units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. These units may qualify for redesignation by the unitholder as Series B, C or I units. Series G units are no longer being offered to investors.
- Series I units are available only to investors who have entered into an agreement with the Manager and meet certain other conditions and are offered only on a private placement basis. These units may qualify for redesignation by the unitholder as Series B, C, or G units. There are no Series I units outstanding in 2019 and 2018.
- Series X units were cancelled as of March 1, 2018.

Series A, Series B, Series D and Series F units are the only units offered under the Simplified Prospectus, and Series I units are offered only on a private placement basis.

The unit transactions for the Trust during the years ended December 31 are as follows:

	Outstanding redeemable units, beginning of year	Redeemable units issued	Redemption of units	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Transfer in/ out of units	Outstanding redeemable units, end of year
December 31, 2019							
Series B	5,112,401	63,262	(380,888)	381,296	(381,296)	-	4,794,775
Series C	3,241	-	-	257	(257)	-	3,241
Series G	115,024	8,869	-	9,848	(9,848)	-	123,893
	5,230,666	72,131	(380,888)	391,401	(391,401)	-	4,921,909

	Outstanding redeemable units, beginning of year	Redeemable units issued	Redemption of units	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Transfer in/ out of units	Outstanding redeemable units, end of year
December 31, 2018							
Series B	5,312,412	14,750	(165,762)	-	-	(48,999)	5,112,401
Series C	9,343	188	(2,422)	-	-	(3,868)	3,241
Series F	89,266	-	(3,253)	-	-	29,011	115,024
Series X	4,256	-	-	-	-	(4,256)	-
	5,415,277	14,938	(171,437)	-	-	(28,112)	5,230,666

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

7. Capital management:

The redeemable units issued by the Trust represent the capital of the Trust. The Trust is not subject to any internally or externally imposed restrictions on its capital. The Trust's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from distributions, if any, and redemptions.

8. Financial risk management:

(a) Risk management framework:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investments groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value.

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. It arises principally from debt securities held, and also from derivative financial assets, cash, and other receivables due to the Trust. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Trust's maximum exposure to credit risk.

Credit risk is managed by the Manager through a careful selection of securities and diversification of the Trust's portfolio. The Manager monitors the Trust's overall market positions on a daily basis and investment positions are maintained within an established range.

In the Manager's opinion, the Trust does not have significant exposure to credit risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Trust's policy and the Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Trust's reputation.

The Trust's Offering Memorandum provides for the monthly subscription and redemption of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at each redemption date.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

8. Financial risk management (continued):

(c) Liquidity risk (continued):

The Trust primarily invests in investments in listed securities that are considered to be readily realizable because they are traded on major global stock exchanges. In addition, the Trust retains sufficient cash and deposit positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid.

The Trust's non-derivative liabilities are generally expected to be due and paid within 90 days, with the exception of net assets attributable to holders of redeemable units. Redeemable units are redeemable on demand at the holder's option, however in the Manager's opinion the redeemable units do not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long term.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Trust's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and deposits. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As at December 31, 2019 and 2018, the Trust did not hold any debt securities.

(ii) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Trust will fluctuate due to changes in foreign exchange rates.

The Trust's currency risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Trust may use foreign currency contracts to hedge some foreign currency exposure and engage in the buying and selling of currencies through forward contracts in order to achieve the desired currency exposure. At the reporting date, the carrying value of the Trust's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows.

December 31, 2019	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 16,052,500	\$ 4,361,981	\$ (49,729)	\$ -	\$ 20,364,752
US dollar	6,425,103	158	-	-	6,425,261
British pound	1,492,701	-	-	-	1,492,701
	\$ 23,970,304	\$ 4,362,139	\$ (49,729)	\$ -	\$ 28,282,714

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Notes to Financial Statements

Years ended December 31, 2019 and 2018

8. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk (continued):

December 31, 2018	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 16,676,120	\$ 3,580,917	\$ (69,302)	\$ -	\$ 20,187,735
US dollar	5,945,566	967	-	4,092	5,950,625
British pound	1,524,067	-	-	-	1,524,067
	\$ 24,145,753	\$ 3,581,884	\$ (69,302)	\$ 4,092	\$ 27,662,427

As at December 31, 2019 and 2018, had the Canadian dollar strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets would have increased or decreased by approximately \$395,953 (2018 - increased or decreased by approximately \$373,734). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(iii) Other price risk:

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

The Manager manages price risk on a daily basis. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy of the Trust. Except for written options and securities sold short, the maximum risk resulting from financial instruments is equivalent to their fair values as set forth in the Trust's statement of financial position. Possible losses from written options and securities sold short can be unlimited.

The geographical breakdown of securities is disclosed in the Trust's Schedule of Investments.

As at December 31, 2019 and 2018, had the respective benchmark of the Trust increased or decreased by 10%, with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively by approximately \$2.3 million (2018 - \$2.4 million) or 8.5% (2018 - 8.7%) of net assets attributable to redeemable units.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

9. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs that are unobservable.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Trust uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as forward contracts and options that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Trust uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

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Notes to Financial Statements

Years ended December 31, 2019 and 2018

9. Fair value of financial instruments (continued):

(a) Valuation models (continued):

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Trust believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Trust and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

2019	Level 1	Level 2	Level 3	Total
Equities	\$ 21,986,304	\$ -	\$ 1,984,000	\$ 23,970,304

2018	Level 1	Level 2	Level 3	Total
Equities	\$ 24,145,753	\$ -	\$ -	\$ 24,145,753
Derivatives	4,092	-	-	4,092
	\$ 24,149,845	\$ -	\$ -	\$ 24,149,845

The carrying amount of the Trust's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2019 and 2018.

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Years ended December 31, 2019 and 2018

9. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value (continued):

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

As at December 31, 2019:

	Equity Securities
Balance, beginning of year	\$ -
Purchases	2,998,125
Sales	(1,738,625)
Net realized gain on investments	585,522
Net change in unrealized appreciation on investments	138,978
Balance, end of year	\$ 1,984,000

There were no Level 3 investments as at December 31, 2018.

(c) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at year-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2019					
Description	Fair value	Valuation technique	Unobservable input	Amount	Sensitivity to change in significant unobservable input
Equities	\$ 1,984,000	Multiple approach	Book value multiple	1.1x	The estimated fair value would increase if the book value multiple increases

The book value multiple represents the Manager's assessment of the investments fair value in excess of its book value. The Manager determines this multiple in reference to trading multiples of similar companies in comparable industries.

(d) Effects of unobservable input on fair value measurement:

Although the Trust believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Holding other assumptions constant, increasing the book value multiple by 5% used in the model to value investments would increase the fair value of the investment by \$ 99,620 and decreasing the book value multiple by 5% would decrease the fair value of the investment by \$ 94,095.

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Years ended December 31, 2019 and 2018

9. Fair value of financial instruments (continued):

(e) Financial instruments not measured at fair value:

The carrying value of cash, interest and dividends receivable, and accrued liabilities approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

10. Income taxes:

As at December 31, 2019, the Trust had net capital loss carry forwards of approximately nil (2018 - \$976,478) available for utilization against capital gains in future years. Such net capital losses are available to be carried forward indefinitely. The Trust had non-capital loss carry forwards of approximately nil (2018 - \$31,587).

11. Subsequent events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak.

As a result of the COVID-19 outbreak, global financial markets have experienced significant volatility. Given the extent of the crisis, it is difficult to estimate the ultimate impact or duration of the volatility on the portfolio of the Trust.