

McElvaine Value Fund

To My Partners:

1. Performance Update

For the 6 months to June 30, 2025, the Series F units decreased by 4.0% net of all fees and expenses. During this period, the S&P/TSX Index rose by 10.2%, while the Fundata Canadian Focused Small/Mid Cap Equity Index rose by 9.2%.¹

July and August have been kinder to us. The fund is currently up approximately 3% YTD. Nothing stellar but an improvement on the first 6 months.

Further information on McElvaine Value Fund including the fund's Interim Financial Statements and the 6-month Management Report of Fund Performance have been posted on our website: Avaluefund.com

2. General Comments

When I was growing up, our household phone was a "party line." For those who haven't experienced one, a party line was one phone line used by several households which made privacy... unlikely. Despite what my kids might imagine, this wasn't the 1920s. We lived outside Kingston ON, and our phone system was simply not a priority for Bell Canada.

In a way, the party line was the original social network except instead of likes, you got eavesdroppers. More than once, the neighbours got to hear me awkwardly whispering sweet nothings to a potential date. Judging by the muffled giggles on the line, I may have failed at romance, but I succeeded at providing evening comedy entertainment for our neighbours.

Many of you may be still mentally picturing me as a smooth-talking teenage Fabio however I realize the purpose of this note is to discuss investments. Let's chat for a sec about technology stocks.

Currently, the excitement is with AI-related stocks, especially anything tied to AI infrastructure (which I loosely define as everything from power supply to chips). There definitely is a lot of spending, however capitalism always adapts. As these technologies mature, they may use the infrastructure differently, more efficiently. I'm not convinced that many investors have built this outcome into their models.

¹ We have compared our performance to two indices: the S&P/TMX Total Return Index as we believe this is useful information and the Fundata Canadian Focused Small/Mid Cap Index as our fund is classified as a Small/Mid Cap Equity Fund. Please keep in mind our portfolio is significantly different from these indices due to our limited number of holdings, our cash levels and our investments outside of Canada.

I may be wrong but connecting this back to my opening paragraph, I did grow up on a small farm. To use a slightly questionable analogy: the more an animal was in heat, the less choosy it got. As there is a lot of “heat” in the AI space right now, it is hard to believe monies are being wisely spent.

Or as someone once said: “The fact that there’s a *Highway to Hell* and only a *Stairway to Heaven* tells you a lot about expected traffic.”

We did well after the dotcom boom. As we did then, and always do, I am sticking with the “dregs of value”. With that confidence-building introduction, let’s turn to what we own and why.²

3. What We Own & Why

I struggled with how to present things succinctly while conveying my confidence. If this approach was helpful (or not), please let me know.

I have talked a lot in the past about our ABBA approach which simply means we look for cheap reasonably financed companies with aligned owner/operators. With this in mind, as you read through my report, I think you will find:

1. Each of our holdings is worth more today than it was 6 months ago.
2. Leverage is low
3. Insiders own a lot of shares
4. Discount to what I think the securities are worth remains large

While I think this sets us up well for future returns, I realize waiting is painful.

² Simple disclaimer:

- Our Semi-Annual Report contains forward-looking information. I will not update this report even if my view changes.
- While I believe my comments and facts to be accurate, you should not rely on them without doing your own work.
- While I would be delighted if this report encourages you to consider investing in or adding to your investment in McElvaine Value Fund. The Fund is only sold via Prospectus and further information is available on our website: www.avaluefund.com

And our required disclosure: The Semi-Annual Report does not contain Annual Financial Statements of McElvaine Value Fund nor the Management Report on Fund Performance (“MFRP”). You can get a copy of the annual financial statements and MFRP at your request, and at no cost by calling 250-708-8345, by writing us at PO Box 42010 Rpo Oak Bay Victoria BC V8R 6T4 or by visiting our website under the Documents section at www.avaluefund.com and SEDAR+ at www.sedarplus.ca. This commentary is provided for general informational purposes only and does not constitute financial or investment advice nor does it constitute an offer or solicitation to buy or sell any securities referred to. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total return including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional changes or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Turning to specifics, below you'll find our holdings as of mid-August 2025.

Large unpopular			31%
	<i>avg cost/shr</i>	<i>Market</i>	
<i>PrairieSky</i>	\$7.97	\$23.49	7%
<i>Jardine Matheson</i>	\$39.32	\$59.43	6%
<i>Fairfax India</i>	\$14.21	\$18.11	5%
<i>Howard Hughes Holdings</i>	\$69.94	\$74.38	4%
<i>Canfor</i>	\$14.65	\$12.83	4%
<i>ONEX</i>	\$65.77	\$113.80	3%
<i>Mandarin Oriental</i>	\$1.65	\$2.20	2%
Small caps			49%
<i>AIMIA</i>	\$2.69	\$3.15	15%
<i>Maxim Power</i>	\$2.70	\$4.41	13%
<i>Exco Resources</i>	\$9.45	\$12.00	8%
<i>Knight Therapeutics</i>	\$5.48	\$6.39	7%
<i>Remaining 4 cos</i>			6%
Private Companies & Other			13%
<i>Wintaai Holdings</i>	\$18.45	\$53.24	13%
<i>Hedge-like instruments + others</i>			0%
Total Investments			93%
Cash			7%

As always, the following comments are simply meant to give you a sense of what we own and why. I might be wrong, or I may change my mind. If you like what you see, I'd encourage you to consider investing in our fund rather than in any one company individually. That's where Kate and I are invested.

PrairieSky Royalties – 7% of portfolio

What it does:	PSK owns 18.5 million acres of oil, gas & other royalties spanning Western Canada from Northeast British Columbia to Western Manitoba. Over half of these royalty entitlements are fee simple.
What's new:	Increased dividend, re-initiated share repurchases and completed several small royalty acquisitions. Its credit facility was also expanded.
Balance sheet:	Modest debt; strong recurring free cash flow.
Alignment:	Board & Management are meaningful shareholders; regular share repurchases continue.
Why we own it:	Business has no capital expenditures nor environmental exposure. Very unique asset which at some point in time may be worth a significant premium to an acquirer. In the meantime, we get a reasonable dividend especially on our tax cost.

Jardine Matheson – 6% of portfolio

What it does:	Diversified Singapore listed conglomerate with holdings in real estate, retail, transportation, and engineering.
What's new:	Simplifying structure to improve return on investment and transparency. Number of new independent directors added to board.
Balance sheet:	Low debt at holdco; strong cash flow from operating units. Will shortly receive substantial dividend from subsidiary which will further reduce Holdco debt.
Alignment:	Keswick family is the largest owner and has board control. Ben Keswick, relatively recent new Chair, is leading the changes
Why we own it:	High quality assets trading at a discount to NAV ³ ; long-term value unlocking underway as structure is simplified.

Fairfax India – 5% of portfolio

What it does:	Indian focused investment company with Bangalore Airport representing over 50% of assets. The airport is the third-busiest airport in India by passenger traffic.
What's new:	Acquired an additional 10% of Bangalore airport.
Balance sheet:	Modest leverage at holding company level.
Alignment:	Fairfax Financial controls Fairfax India and participates via its ownership and an incentive fee structure.
Why we own it:	Discount to NAV provides margin of safety; India secular growth tailwind. Catalysts in place with proposed listing of a portion of the Bangalore Airport (via Anchorage Infrastructure)

Howard Hughes Holdings – 4% of portfolio

What it does:	Recently restructured to a holding company structure. Main operating division remains the master planned communities. Essentially these are large tracts of land (Las Vegas, Texas, Arizona, Hawaii) which are developed over time into communities including office, retail, and related buildings
What's new:	After a number of false starts, Pershing Square (Bill Ackman) upped their holding to 47% in early May and took control of the board. Looking to acquire an insurance company.
Balance sheet:	Holdco has well-structured low-cost debt and cash. Property leverage secured by real estate. Real estate business will produce significant cashflows over time.
Alignment:	Pershing Square directly and indirectly owns 47%. Acquired 9mn shares at \$100 per share in May 2025. This investment was made by Pershing Square's mgmt. company.
Why we own it:	We have owned HHH twice before so I know it reasonably well. It is currently trading well below NAV.

³ By NAV, I mean net asset value. This is a somewhat imprecise concept of what the company is worth. Can be an estimate of the discounted future cashflow, the sum of the parts, the value of the company to a competitor, liquidation or replacement value, or any combination of these.

Canfor – 4% of portfolio

What it does:	Lumber producer with milling capacity split approx. 1/3 US, 1/3 Sweden, 1/3 Canada (AB and BC).
What's new:	While still weak, operating results have improved in spite of lumber prices, production curtailment, and tariffs/duties. Also acquired an additional 3 mills in Sweden.
Balance sheet:	Bulk of debt is a tariff linked financing which leaves Canfor with little net leverage. Substantial changes and restructuring have taken place over the last couple of years.
Alignment:	Jimmy Pattison owns 54%. I worked alongside the Pattison Group when our fund owned Sun-Rype Products (I was on Sun-Rype's board & Jimmy was its largest shareholder). I trust their judgement and am comfortable with how they operate.
Why we own it:	Trading significantly below replacement cost; substantial earning power on any improvement in pricing. Tariff's are a negative but perhaps less than perceived given Canfor's geographic footprint.

Onex Corporation – 3% of portfolio

What it does:	Private equity firm managing capital on behalf of investors and itself.
What's new:	Repurchased about 4% of outstanding shares so far in 2025. Disposed of part of Westjet at 40% premium to carrying value (essentially recovering cost of the entire purchase) We trimmed our position slightly in June 2025.
Balance sheet:	Large cash and near cash position; non-recourse leverage within investment vehicles.
Alignment:	Executives are investors including Gerry Schwartz (founder) and Bobby LeBlanc (CEO).
Why we own it:	Trades below NAV. Not as cheap as it was however further dispositions in 2025 expected. Multi-voting shares move to single vote in spring of 2026 which may be a catalyst.

Mandarin Oriental – 2% of portfolio

What it does:	Operates 44 luxury hotels, 12 residences. Owns 10 hotels (Tokyo, London, Hong Kong) & a new 500k sq ft office/retail tower valued at US\$1.9B
What's new:	Double digit rev growth and the sale of 2 hotel properties for approx. US\$190mn
Balance sheet:	Minimal debt; strong recurring free cash flow.
Alignment:	Jardine Matheson purchased an additional 8% in 2024 to bring their ownership position to 88%
Why we own it:	Undervalued luxury brand with valuation supported by well-located real estate. Further real estate asset sales are expected over next year or two. Simplification of the Jardine Group may be a catalyst for Mandarin.

AIMIA – 15% of portfolio

What it does:	Permanent capital company with cash and private investments. Significant tax losses.
What's new:	AIMIA has been an ugly situation. Let's just say the Board was reconstituted in January 2025 and Rhys Summerton became Exec Chair in March. Number of initiatives have been undertaken to reduce costs, narrow the discount, and "firm up" the NAV.
Balance sheet:	Cash at Holdco with long dated debt and prefs. Businesses are cash generative.
Alignment:	Summerton recently purchased directly and indirectly shares costing approx. \$32mn. Mithaq Capital owns 28% and is represented on board. Both have good history of shareholder focus.
Why we own it:	Discount to SOTP; clear catalysts to narrow gap. I met with Rhys and am confident in his goals for AIMIA.

Maxim Power – 13% of portfolio

What it does:	Operates 300MW power plant in Alberta + optionality with additional permitted project. Tax loss carryforwards.
What's new:	Disposed of permitted coal mine for cash, convertible note and land lease agreement. Is investigating value of large fly ash deposit
Balance sheet:	Net cash of almost \$1/share after paying out \$0.50 dividend in late 2024.
Alignment:	Shareholder focused with two largest shareholders owning over 75%; I am comfortable with the corporate governance.
Why we own it:	Cash generative and will benefit for any growth in AB power market. Discount to NAV and expect either further M&A or perhaps a sale. Definity a group which prefers to show you what they have done rather than promise something.

Exco Resources – 8% of portfolio

What it does:	Oil and gas (primarily nat gas) exploration and development company controlled by Fairfax Financial. Operates in Texas (about 7% of net acreage), Louisiana (73%) and the Appalachia region (20%).
What's new:	Production continues to expand, hedges substantial portion of expected production. Paid down debt due to substantial cashflows so far in 2025.
Balance sheet:	Modest leverage (well below mgmt. target) as debt continued to be repaid in 2025. Recent events have improved the attractiveness of their Appalachian holdings.
Alignment:	Fairfax Financial is the largest shareholder with just under 50%.
Why we own it:	Asset-rich with 20 year+ reserve life. Fairfax Financial carries their investment at \$20/share. This "fair value" price is a substantial discount to PV10 ⁴ . In the past, I have found Fairfax's "marks" conservative. Our fund values Exco at its market price of approx. \$12/share.

⁴ PV10 is the discounted value of proven reserves using a 10% discount rate. Done pre-tax although Exco has significant tax loss carryforwards

Knight Therapeutics – 7% of portfolio

What it does:	Specialty pharma company acquiring rights to drugs across Latin America and Canada.
What's new:	In 2025, there have been several important acquisitions including purchasing Paladin's Canadian business (was part of Knight's predecessor) and Sumitomo Pharma's Canadian business.
Balance sheet:	Strong balance sheet with net cash/investments balance. Significant and growing free cashflows.
Alignment:	I have a high degree of confidence in Jonathan Goodman (22% owner) and CEO Samira Sakhia.
Why we own it:	Strong balance sheet, disciplined capital deployment, large and growing business with tailwinds. After years of assembling the pieces, margins and cashflows poised to improve.

Wintaai Holdings – 13% of portfolio

What it does:	Francis Chou controlled US insurer. Francis encouraged Prem to found Fairfax. Francis has long discussed his interest in doing something similar and we invested when he did.
What's new:	Recently acquired Texas based insurance company. Brings a third business leg to Wintaai's insurance operations. AM Best upgraded Wintaai's Stonetrust Insurance Group's Financial Strength Rating to A (Excellent) from A- (Excellent)
Balance sheet:	Strong balance sheet with excess capital.
Alignment:	Francis is by far the largest investor.
Why we own it:	Compounding business run by investor I admire. I have known Francis a long time and he has both money and "ego" invested in Wintaai.

4. Concluding Comments

I've rambled long enough; I hope you found this note helpful. While the future is always uncertain, I take comfort in what we know: the companies we own have strong financials, the share prices are inexpensive, and their boards/ management teams have skin in the game.

As mentioned in my emails, we are hosting a short reception in Toronto in early September and expect to do something similar in Vancouver later in the fall. If you have not received an invitation and would like to attend the Toronto event, please email me. The Vancouver event is not yet scheduled, and I expect to email out invitations in mid-October.

As always, thank you for your trust and friendship. I appreciate you.

Warm regards,



Tim McElvaine

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