McElvaine Value Fund

Interim Report · Six months ended June 30, 2026

To my Partners:

I hope you are having a wonderful summer.

In our interim report[1], I want to cover 6 things with you:

1. How the Fund did,
2. What the world looks like from here,
3. What we own,
4. Fees,
5. Mistakes,
6. Fund Merger.

1. How the Fund did

For the 6 months to June 30, 2026, the Series A and F units increased by 7.3% while the Series B units increased by 7.1% net of all fees and expenses. During this period, the S&P/TSX Index rose by 11.2%, while the Fundata Canadian Focused Small/Mid Cap Equity Index rose by 18.8%.[2]

July and August have been kinder to us. As I write this, the Fund is up approximately 11% 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

[1] Friendly disclaimer: Our Interim 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

Required disclosure: The Interim Report does not contain the Financial Statements of McElvaine Value Fund nor the Management Report on Fund Performance ("MRFP"). You can get a copy of the financial statements and MRFP 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 do not take into account sales, redemption, distribution or optional charges 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.

[2] We have compared our performance to two indices: the S&P/TSX 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.

2. What the world looks like from here

You won't like this visual but here it is anyway: you can put me in a tutu, but I still won't be a ballerina. Companies are no different. Being fashionable, or sitting inside a popular theme, does not create a margin of safety. The margin of safety comes from the price paid and the business fundamentals including financial position.

We are not theme investors. Our focus is on what we are paying and what we are getting. Today's environment is fragile. That does not mean it cannot repair itself. It does mean, to me, it is best to be careful.

3. What we own

Below is a snapshot of our portfolio today including the cash and securities we will acquire through the Osler Fund merger. This merger will close on August 31, 2026.

Large unpopular (> C$1B market cap)		33%
PrairieSky Royalty	*6%*	
Exco Resources	*6%*	
Fairfax India	*5%*	
Fairfax Financial	*5%*	
Canfor Corp	*4%*	
Remaining 4 cos	*7%*	
Small caps (< C$1B market cap)		27%
AIMIA	*8%*	
Maxim Power	*7%*	
Knight Therapeutics	*7%*	
Remaining 3 cos	*5%*	
Private Companies & Other		18%
Wintaai Holdings	*11%*	
Constellation Software Debs	*6%*	
Put options (USD)	*1%*	
Total Investments		78%
Cash and net working capital		22%

These holdings are discussed in the appendix at the back of this report: what each business does, what has changed during 2026, and whether I think it is better or worse placed than it was in January.

A full statement of the investment portfolio is contained in our financial statements on our website.

4. Fees

My philosophy is simple: we should make money when you do.

Our fund has two fees:

1. The management fee pays for compliance, payroll and the other costs of running a regulated business. It keeps the lights on, and that is all it is for. In absolute dollar terms, these costs grow more slowly than the fund does. This means the larger we become the less of a management fee we need. It is my intention is to lower the management fee as we grow. I call this "scaling shared".

2. The performance fee pays us only when you have made money.

A second issue is the Series F is now our largest series and, in most scenarios but not all, the cheaper one to own. Your outcome should not depend on which door you happened to come through, so I am working on simplifying the series structure and expect to come back to you in the fall with our thinking.

If you would rather be in a different series, you can switch. A move between series of the same fund is not a deemed disposition, so there are no tax consequences. For what it is worth, Kate and I own more Series B than Series F while Lorne and Jen own only Series F.

5. Mistakes

This section is about mistakes: what I got wrong and what I changed as a result. I hasten to add investment mistakes only: you do not need the entertainment, nor I the trauma, of revisiting my dating history.

Investors often discuss mistakes of omission. This is a little self-serving as it only reinforces how smart they almost were. I prefer instead to go deep into the morass! Probably the most painful mistake on my part was how we were positioned in and around 2007. This experience shaped how I think and handle investments today.

Since the Fund began in 1996, the S&P 500 has had four calendar years in which it fell by more than 10%[3]:

Year	S&P 500	MVF	MVF Cash
2001	-11.9%	28.0%	2%
2002	-22.1%	5.0%	5%
2008	-37.0%	-48.8%	6%
2022	-18.1%	5.6%	13%

Clearly, I blew it in 2008 but not in the sense I "failed" to predict the crash. The problem was what we owned. The balance sheets and businesses were not resilient. The 2007 portfolio had several investments in the media and entertainment industries. Financial leverage + operating leverage = bad outcome.

This experience, and the 10+ years that followed, led me to these observations:

[3] I have used the S&P; if I used the TSX, 2022 would have been dropped from the table. Additionally, as the Fund is a Canadian dollar fund, currency would have impacted our returns. I have not broken this out in the table. Finally, I realize it looks strange that 2000 was not included however the S&P only fell 9.1% hence not meeting my 10% threshold. We were up 19.2% in 2000.

1. **Defence is in the companies, not in the fund.**

   Our cash has never been the thing that protected us. Cash in the fund gives us choices; it lets us buy when things are cheap. Cash inside the companies we own does something more important: it lets them ride out a bad stretch. To be clear, neither stops a share price from falling. What it protects is the business itself. This is where I (not we) tripped up in 2008.

   Following from this, the natural question is: how resilient are our current holdings? The balance sheets of our top investments are as follows:

PrairieSky Royalty	*0.4x debt to cashflow*
Exco Resources	*0.4x debt to cashflow*
Fairfax India	*Debt is 17% of equity*
Fairfax Financial	*AM Best: A- (Excellent, Stable)*
Canfor Corp	*Net cash (excluding duty deposit loan)*
AIMIA	*Net cash*
Maxim Power	*Net cash*
Knight Therapeutics	*Net cash*
Wintaai Holdings	*Net cash*

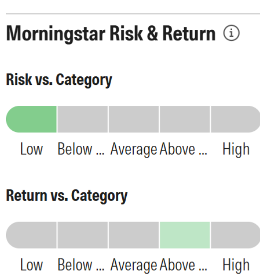
2. **Antifragile is best**

   What difficult periods, including covid, reinforced for me was the value of a company being "antifragile". This is a concept from Nassim Taleb's book of the same name. Antifragile was described as: *a property of systems that gain from disorder, volatility, stress, and chaos, improving and growing stronger when exposed to shocks rather than just resisting them.*

   In investing, I have interpreted this as a company comes out of a difficult environment in better shape than it went in. For this to take place, two things are required: a strong enough balance sheet to allow action, and a board and management willing to take action while everyone else is retreating.

   Tourmaline in 2020 is an example for us. Through several smart acquisitions, it emerged a better company. The impact for us was significant as an investment with an average cost per share of approx. $13 was sold several years later at a multiple of our cost.

Closing out this section, I thought it would be interesting to reference how Morningstar presents the "resilience" of the Series F units[4]:



Risk & Volatility Measures

Capture Ratios	Fund	Category	Index
Alpha	5.04	-2.00	–
Beta	0.27	0.61	–
R^2	18.71	53.90	–
Sharpe Ratio	0.86	0.43	0.76
Standard Deviation	9.38	12.86	15.24

[4] Morningstar has listed MVF in the category of Canada Fund Canadian Focused Small/Mid Cap Equity Funds with 38 participants. This is as of August 26, 2026 and for a 5 year period. Series F was launched in 2000. Morningstar carries 10 year figures for Series B which was launched in 1996. Given Series F is now our largest series, I felt I should stick with it. Of course, this does not say how we will perform in the future and I encourage you to read our offering documents before making any decision.

6. Fund Merger

The merger of The Osler Fund, managed by Dr. Lorne Porayko, into McElvaine Value Fund will close on August 31. Section 3 shows the combined portfolio. For MVF unitholders the transition will be seamless: securities will be transferred at their market value, so MVF will not assume any tax liabilities from unrealized gains.

Lorne joined us in 2018 and is registered as a portfolio manager. He has been practising medicine for over 30 years, the past twenty or so as a critical care physician and anaesthesiologist here in Victoria. He is a couple of years younger than me and ran a fund on behalf of local doctors for almost ten years before starting The Osler Fund in 2019.

More importantly, he brings something I do not have. Medicine has its own tradition of insisting on evidence before acting, which is why Lorne named his fund after William Osler (the Canadian physician associated with this approach). He applies this evidence-based discipline to his investment research.

Lorne and I work closely on ideas; it has been a useful process for me. With the merger, we looked at several ways to structure our relationship. The simplest was to have him continue managing The Osler Fund assets as a sleeve within MVF. Lorne looks at things differently than I do, often better, and I believe this approach will allow all of us to benefit from that.

Another important consequence of working with Lorne is that we have a clear backup plan if I am hit by a bus. Definitely a nasty outcome for me, but now a non-issue for you!

Closing

I want to end on something that never shows up on a balance sheet.

As you know, I spent many years working with Peter Cundill. One of the things I admired about Peter was that he built a working life around people he trusted and genuinely liked. I find myself in the same circumstances today. I enjoy the relationships we have built here enormously: Lorne, Jen, Matthew, our Independent Review Committee, our service providers, and of course you, who have trusted us with your savings.

I mention it to make one thing clear: you are not partnered with an institution. You are invested alongside a group of people who are approachable, experienced, and who own what you own.

Between us, Lorne, Jen, Kate and I are the largest investors in the Fund. If it does well, we all do well. If we get it wrong, no one pays more than we do. That is how I think a fund should work.

In sum, our investee businesses hold more cash, carry less debt and own better assets than they did six months ago. That is a setup I like. When it will be rewarded, I cannot tell you. I remain confident in our portfolio and in the future.

Thank you for your continued trust and friendship. I appreciate you.

With warm regards,

Tim McElvaine
August 27, 2026

Appendix

Our larger holdings at a glance · August 31, 2026

"Direction" is my judgement of whether the business is in a better or worse position compared to Dec 31 and not a comment on the share price. (which often disagrees with me!)

Holding	What it does	What has changed in 2026	Direction
Wintaai Holdings Owner managed	Private insurance holding company controlled by Francis Chou. Owns Stonetrust (workers' compensation, Louisiana), Loggerhead (homeowners, Florida) and Southern Vanguard (workers' compensation, Texas). Carried at 1.1x adjusted book value.	Filed in June with the California regulator to acquire Topa Insurance Group, a Los Angeles specialty insurer, from its long-time family owner. Closing expected in 2027, which would make four insurers under one roof.	**Improved**
AIMIA Owner managed	Holding company which Rhys Summerton took mgmt. control of in 2025. Owns Cortland (high-performance synthetic ropes for industrial/marine/defence use) and a minority stake in Clear Media, a Chinese outdoor advertising. Carries over C$1 billion of tax losses.	Sold Bozzetto, its Italian specialty chemicals business, in May for net proceeds of about C$268 million which was partially used to most of its 9.75% notes, leaving AIMIA with net cash of some $170mn as of early July. Buying back shares steadily. Share price has not moved.	**Improved**
Maxim Power Insiders own 78%+	Independent power producer. Core asset is a 300 MW combined-cycle gas-fired plant in Alberta, selling into the Alberta pool. Developing the permitted 400 MW Prairie Lights project near Grande Prairie.	Alberta pool prices collapsed however mgmt ran the plant opportunistically. Spending cash on developing the Prairie Lights project (including securing a 2030 turbine slot). Several other "irons in the fire". Patience is required.	**Mixed**
PrairieSky Royalty CEO owns $30mn+ Board - $20mn+	Owns fee simple mineral title across a large area of Western Canada and collects a royalty when third parties drill on its land. No capital expenditure, no operating costs, no environmental liability.	Record royalty production and net debt cut by about $90 million to $187 million. Buyback authority renewed in June; dividend held at $0.265 a quarter. Shares up roughly 50% and near an all-time high, so the business improved while the discount narrowed.	**Improved**
Knight Therapeutics Founder is Chairman and 22% owner	Specialty pharmaceutical company. Acquires, in-licenses and distributes drugs across Canada and Latin America, focused on oncology, infectious disease, neurology and immunology: markets where a small number of specialists write most prescriptions.	Revenue rose as the Paladin acquisition flowed fully into results. Gross margin improved and full-year revenue guidance raised twice, now $540–560 million. Continued buying back shares in the low $6s; the stock now trades near $10.	**Improved**
Constellation Software debentures	Unsecured subordinated floating-rate debenture maturing March 31, 2040. The coupon resets every March 31 to the annual change in Canadian CPI plus 6.5%.	Coupon reset on March 31 from 8.9% to 8.6%, reflecting Canadian inflation of about 2.1%. Credit quality unchanged and interest paid quarterly. The debentures now trade at a premium to face value.	**Mixed**

Exco Resources Fairfax affiliate	Texas natural gas producer; proved reserves roughly 95% natural gas by volume. Fairfax Financial owns about 49%.	Cash from operations for the half improved to $205 million resulting in debt falling to $87 million. Undergoing aggressive Haynesville development program. Realised prices fell 10% to $3.26 per Mcfe, and gas is hedged into 2028 at around $3.80.	**Improved**
Fairfax India Fairfax controlled	Indian investment holding company. Its largest asset by far is a 74% interest in Bangalore International Airport, held partly through a vehicle called Anchorage. Controlled by Fairfax Financial.	Reported book value per share fell as the rupee weakened and listed financial holdings were marked down. Sold its Sanmar stake in April and agreed to raise its IIFL Capital holding above 51%. The proposed listing of Anchorage still has not been filed. Rumoured to be a participant in the acquisition of IDBI Bank. Underlying asset value is strong.	**Mixed**
Canfor Pattison controlled	Softwood lumber producer with mills in British Columbia, Alberta, the US South and Sweden, plus a pulp business. One of the largest lumber producers in the world. Jimmy Pattison owns just over half the shares.	Loss narrowed in Q2 as the lumber division returned to modest profit. Permanently closed a sawmill in Alberta, two in Sweden and the Northwood pulp mill in BC; bought in the pulp subsidiary minority and acquired an engineered wood business. Impact of the new tariffs is uncertain although the majority of the business is unaffected	**Mixed**
Fairfax Financial Prem Watsa 43% of votes	Property and casualty insurance and investment holding company run by Prem Watsa, with insurance operations worldwide and a large investment portfolio.	Book value per share rose during first half. Insurance operations ran at a 93% combined ratio in the second quarter. Repurchased over a million shares for $1.7 billion in the half, about 4.6% of the company. Closed the sale of its Poseidon stake for roughly $1.9 billion and took Kennedy Wilson private.	**Improved**
SPX put options (USD)	Deep in-the-money, long-dated put options on the S&P 500. Bought as insurance against a market decline rather than as a trading position, we paid very little premium relative to embedded value.	Purchased in early 2026 when our cash was low. The S&P 500 has since risen to record highs, so the position has lost money. With cash now above 20% of the Fund, the case for holding it is weaker than when it was bought. Holding for now and unlikely to add to position.	**Weaker**

Not investment advice as we may change our mind and exit any of these positions. You will not be notified and we will not update you if our thinking changes.
A full statement of the investment portfolio is contained in our financial statements at www.avaluefund.com.