Financial Statements of

THE McELVAINE INVESTMENT TRUST

Year ended December 31, 2011

MANAGER’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of The McElvaine Investment Trust (the “Trust”) have been prepared by the Manager, McElvaine Investment Management Ltd. The Manager is responsible for the preparation and presentation of the Trust's financial statements and for the development of internal controls over the financial reporting process.

The Manager is responsible for reviewing and approving the financial statements and for overseeing the Trust's financial reporting responsibilities. The Manager has approved the accompanying financial statements of the Trust.

KPMG LLP, the external auditors of the Trust, were appointed by the Manager. As explained in their auditors' report, KPMG LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their auditors' report follows.

McElvaine Investment Management Ltd.

“Tim McElvaine”
Tim McElvaine, Director

February 14, 2012

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

We have audited the accompanying financial statements of The McElvaine Investment Trust, which comprise the schedule of investment portfolio and the statement of net assets as at December 31, 2011, the statements of operations and changes in net assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The McElvaine Investment Trust as at December 31, 2011, and the results of its operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

February 14, 2012
Vancouver, Canada

THE McELVAINE INVESTMENT TRUST

Statement of Net Assets

December 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Investment portfolio, at fair value	$ 37,585,975	$ 64,064,748
Receivable from forward currency contracts (note 4)	238,782	185,557
Cash and deposits	3,225,086	1,258,154
Subscriptions receivable	-	508,000
Distributions and interest receivable	52,052	69,371
	41,101,895	66,085,830
Liabilities		
Redemptions payable	536,366	1,409,218
Payable on forward currency contracts (note 4)	78,598	90,049
Accounts payable and accrued liabilities	90,035	109,503
	704,999	1,608,770
Net assets	$ 40,396,896	$ 64,477,060
Net assets by series:		
Series A	$ 37,193	$ 57,803
Series B	39,605,205	63,218,558
Series F	54,665	105,717
Series X	699,833	1,094,982
	$ 40,396,896	$ 64,477,060
Number of units outstanding (note 3):		
Series A	3,290	4,375
Series B	2,803,618	3,872,896
Series F	9,175	15,391
Series X	122,841	165,860
Net assets per unit (note 9):		
Series A	$ 11.31	$ 13.21
Series B	14.13	16.32
Series F	5.96	6.87
Series X	5.70	6.60

See accompanying notes to financial statements.

Approved by the Manager
McElvaine Investment Management Ltd.

"Tim McElvaine"

Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Investment income:		
Dividends	$ 451,132	$ 425,955
Interest	143,678	440,103
Other income	43,001	-
Withholding tax	(10,289)	(20,680)
	627,522	845,378
Expenses:		
Management fee (note 5)	541,585	716,357
Trustee, custodial and legal fees	57,682	54,172
Audit and tax fees	34,904	35,000
Goods and services taxes	66,809	63,917
	700,980	869,446
Net investment loss	(73,458)	(24,068)
Realized gain on sale of securities	4,730,262	6,743,897
Foreign exchange	(149,561)	(127,944)
Forward foreign currency contracts	(1,640,772)	532,072
Option contracts	694,643	-
Transaction costs	(174,963)	(173,850)
Change in unrealized depreciation of investments	(9,876,656)	(5,108,090)
Net gain (loss) on investments	(6,417,047)	1,866,085
Income (loss) from operations	$ (6,490,505)	$ 1,842,017
Income from operations by series:		
Series A	$ (6,076)	$ 708
Series B	(6,370,727)	1,815,329
Series F	(11,446)	2,475
Series X	(102,256)	23,505
	$ (6,490,505)	$ 1,842,017
Income (loss) from operations per unit		
Series A	$ (1.66)	$ 0.16
Series B	(1.91)	0.43
Series F	(0.73)	0.13
Series X	(0.77)	0.14

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets

Year ended December 31, 2011, with comparative figures for 2010

	Series A	Series B	Series F	Series X	Total
Net assets, December 31, 2009	$ 57,095	$ 73,579,957	$ 127,680	$ 1,093,546	$ 74,858,278
Income from operations	708	1,815,329	2,475	23,505	1,842,017
Unit transactions (note 3):					
Issued for cash	-	5,138,088	-	-	5,138,088
Redeemed	-	(17,314,816)	(24,438)	(22,069)	(17,361,323)
	-	(12,176,728)	(24,438)	(22,069)	(12,223,235)
Increase (decrease) in net assets	708	(10,361,399)	(21,963)	1,436	(10,381,218)
Net assets, December 31, 2010	57,803	63,218,558	105,717	1,094,982	64,477,060
Income (loss) from operations	(6,076)	(6,370,727)	(11,446)	(102,256)	(6,490,505)
Unit transactions (note 3):					
Issued for cash	-	410,220	64,534	-	474,754
Redeemed	(14,534)	(17,652,846)	(104,140)	(292,893)	(18,064,413)
	(14,534)	(17,242,626)	(39,606)	(292,893)	(17,589,659)
Decrease in net assets	(20,610)	(23,613,353)	(51,052)	(395,149)	(24,080,164)
Net assets, December 31, 2011	$ 37,193	$ 39,605,205	$ 54,665	$ 699,833	$ 40,396,896

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

December 31, 2011

	Number of shares / par value	Cost	Fair value
Canada - Equities (51.0%)			
Caldwell Partners International Inc.	2,441,500	$ 2,050,665	$ 1,513,730
EGI Financial Holdings Inc.	444,700	3,635,700	3,090,665
Glacier Media Inc.	3,300,000	7,480,674	6,731,999
Orca Exploration Group Inc. Class B	200,000	943,720	580,000
PRT Growing Services Ltd.	250,000	359,002	747,500
Rainmaker Entertainment Inc. (note 6)	5,451,228	9,868,492	2,316,771
Sun-Rype Products Ltd.	399,500	2,935,792	2,381,020
Ten Peaks Coffee Co., Inc.	625,100	1,782,854	1,406,475
Village Farms International Inc.	1,469,683	2,876,909	1,851,801
Total Canadian equities		$ 31,933,808	$ 20,619,961
United States - Equities (11.2%)			
Avatar Holdings Inc.	50,000	$ 506,215	$ 365,042
H&R Block Inc.	75,000	1,034,433	1,247,098
Pacific Capital Bancorp NA	35,000	911,595	1,003,941
TD Ameritrade Holding Corp.	50,000	701,969	796,269
The Howard Hughes Corp.	25,000	1,177,485	1,125,672
Total United States equities		$ 4,331,697	$ 4,538,022
Foreign - Equities (25.6%)			
Ichigo Group Holdings Co., Ltd.	25,000	$ 2,872,815	$ 3,043,889
Monex Group Inc.	15,000	4,488,938	2,219,392
RHJ International	750,000	5,686,869	3,469,835
Shinsei Bank Ltd.	1,500,000	1,672,073	1,588,116
Total Foreign equities		$ 14,720,695	$ 10,321,232
Miscellaneous securities (5.2%)		$ 2,277,989	$ 2,106,760
Transaction costs		$ (170,067)	$ -
Total investment portfolio at fair value (93.0%)		$ 50,863,359	$ 37,585,975
Net forward foreign currency contracts (0.4%) (note 4)			160,184
Other assets less liabilities (6.6%)			2,650,737
Net assets			$ 40,396,896

See accompanying notes to financial statements.

1. Organization:

The McElvaine Investment Trust (the “Trust”) is an unincorporated 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 and January 1, 2008 (the “Trust Agreement”), between McElvaine Investment Management Ltd. and RBC Dexia Investor Services Trust (the “Trustee”). The Trust is managed by McElvaine Investment Management Ltd. (the “Manager” or “Investment Counsel”), which also provides investment counseling services.

2. Significant accounting policies:

The financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to investment companies. The significant accounting policies are described below.

(a) Valuation of series:

Net assets are calculated monthly for each series of units. 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 plus net assets of the Trust attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately based upon the net assets of each series in relation to the total net assets value of the Trust.

Net asset values are calculated for each series units at each month end valuation date. The net asset value per unit used for transacting subscriptions and redemptions of each series is further described in note 9.

(b) Investments:

Investments are stated at period-end fair values, which are generally determined based on closing bid prices reported either by appropriate securities exchanges or in the over-the-counter market (“net assets”). Investments for which a current market value quotation is not available are valued in such manner, as in the opinion of the Manager most accurately reflects the investments’ fair value.

(c) Transaction costs:

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities by the Trust, are charged to income from operations in the period incurred.

2. Significant accounting policies (continued):

(d) Foreign exchange:

The financial statements of the Trust are denominated in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the close of each business day. Purchases and sales of foreign securities and the related income and gains (losses) are translated into Canadian dollars at the rate of exchange prevailing at the date of the respective transaction. Realized gains and losses and the change in unrealized gains and losses on foreign currency transactions, including the purchase and sale of forward contracts, are included in the statements of operations.

(e) Options and forward foreign currency contracts:

The Trust may enter into options and forward foreign currency contracts for both hedging and non-hedging purposes. The carrying value of these options and forward contracts as reflected in the statement of net assets are the gain or loss that would be realized if, on valuation day, the positions were closed out.

(f) Income and expenses:

The accrual method of recording income and expenses is followed by the Trust, with dividends recorded as receivable on the ex-dividend date of the related shares. Distributions received from income or royalty trusts are recorded as income, capital gain or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from income and royalty trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment and are included as a reduction of the "cost of securities purchased during the year" in the statements of operations.

Investment income, net realized gains (losses) and change in net unrealized appreciation (depreciation) of securities are allocated among series of units based on each series' proportionate share of the net assets of the Trust.

2. Significant accounting policies (continued):

(g) Per unit values:

Per unit amounts for each series of the Trust are calculated as follows:

Net assets per unit	On the number of units outstanding at the period-end with investments valued using closing bid prices
Net asset value ("NAV") per unit	On the number of units outstanding at the period-end with investments valued using either the last sale price or the midpoint between closing bid and ask quotations
Income (loss) from operations	On the monthly weighted average number of units outstanding during the period

(h) Use of estimates:

The preparation of financial statements requires the Manager 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 income, expenses, gains and losses during the reporting year. Actual results could differ from those estimates.

(i) Future accounting changes:

The Manager is in the process of implementing a changeover plan to meet the timetable published by the CICA for changeover to International Financial Reporting Standards ("IFRS") effective January 1, 2014. As at December 31, 2011, the Manager does not believe the impact on net assets from the changeover to IFRS will be significant. The impact of adopting IFRS is expected to be mainly in presentation and additional disclosures in the financial statements of the Trust.

3. Unitholders' equity:

Pursuant to the Trust Agreement which was amended and restated as of January 1, 2008, the Trust is authorized to issue an unlimited number of units in three distinct series of units and prior to February 26, 2009 offered a fourth series of unit. Each series of unit is described further below:

Series A units are available to all investors. Dealers may charge a commission or fee of up to 2% of the total purchase of series A units. These units may be redesigned at the discretion of the unitholder as Series F units.

Series B units are available only from the Manager. These units may qualify for redesignation by the unitholder as Series A or F units.

Series F 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 A units.

Prior to February 26, 2009, Series X units were designated as "Series A units". As of their redesignation date, Series X units are no longer offered for sale to the public.

Redemptions may only occur on the last business day of every month, with appropriate notice, and may be restricted in certain circumstances in accordance with the Trust Agreement.

Continuity of the number of issued units is summarized as follows:

	2011	2010
Series A:		
Balance, beginning of year	4,375	4,375
Issued for cash	-	-
Redeemed	(1,085)	-
Balance, end of year	3,290	4,375
Series B:		
Balance, beginning of year	3,872,896	4,609,224
Issued for cash	24,779	304,345
Redeemed	(1,094,057)	(1,040,673)
Balance, end of year	2,803,618	3,872,896
Series F:		
Balance, beginning of year	15,391	18,901
Issued for cash	9,175	-
Redeemed	(15,391)	(3,510)
Balance, end of year	9,175	15,391
Series X:		
Balance, beginning of year	165,860	168,975
Issued for cash	-	-
Redeemed	(43,019)	(3,115)
Balance, end of year	122,841	165,860

3. Unitholders' equity (continued):

The Manager, its officers and directors invest in units of the Trust from time to time in the normal course of business. All transactions with the Manager are measured at the exchange amounts.

4. Forward foreign currency contracts:

At December 31, 2011 and 2010, the Trust had the following outstanding contracts to sell (buy) Euros and Japanese Yen and to receive Canadian dollars:

December 31, 2011:

Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date	
EUR 3,000,000	CAD (4,206,600)	CAD (3,967,818)	January 17, 2012	$ 238,782
YEN 1,000,000,000	CAD (13,165,000)	CAD (13,243,598)	January 17, 2012	(78,598)
Net unrealized gain				$ 160,184

December 31, 2010:

Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date	
YEN 400,000,000	CAD (4,948,800)	CAD (4,903,549)	January 18, 2011	$ 45,251
YEN 150,000,000	CAD (1,847,550)	CAD (1,838,826)	January 18, 2011	8,724
USD 4,000,000	CAD (4,107,800)	CAD (3,976,218)	January 18, 2011	131,582
				185,557
USD (1,500,000)	CAD 1,553,100	CAD 1,491,092	January 18, 2011	(62,008)
EUR 5,500,000	CAD (7,306,200)	CAD (7,334,241)	January 18, 2011	(28,041)
				(90,049)
Net unrealized gain				$ 95,508

5. Management and other services:

(a) Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the 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 A 1/12 of 2.0% per annum

Series B 1/12 of 1.0% per annum

Series F 1/12 of 1.0% per annum

Series X 1/12 of 1.2% per annum

(b) Performance fees:

The Trust will pay the Investment Counsel a performance incentive fee for its services as portfolio advisor at a rate of 20% (the “Incentive Fee Rate”) on the following basis:

For Series A, payable annually on any increase in the Series A NAV during the fiscal year (adjusted for contributions and redemptions of Series A units and for any shortfall, as described below) in excess of a 12% return (the “Series A Hurdle Rate”).

For Series B and F, payable annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the “Series B and F Hurdle Rate”).

If in any fiscal year the increase in a series NAV is less than the respective hurdle rate (a shortfall), the difference will be carried forward to the next fiscal year and, after adjustment for series redemptions, deducted from any increase in the NAV in the performance incentive fee calculation of the respective series of the Trust for that year.

For Series X, payable quarterly on any increase in the Series X NAV during a calendar quarter (adjusted for contributions, redemptions and distributions on Series X units), but no fee is payable unless the Series X NAV at the end of the calendar quarter is greater than the highest quarter-end Series X NAV previously achieved by the Trust.

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 Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

No performance fees were paid to the Investment Counsel for the years ended December 31, 2011 and 2010.

5. Management and other services (continued):

The adjusted shortfall carried forward in respect of each of Series A, B and F of the Trust at December 31, 2011 and December 31, 2010, as applicable, was as follows:

	2011	2010
Series A	$ 9,663	$ 6,562
Series B	35,923,305	40,159,574
Series F	-	57,361

No performance fee was paid in respect of Series X of the Trust during the years ended December 31, 2011 or 2010 as the Series X NAV did not exceed the highest quarter-end Series X NAV previously achieved by the Trust.

6. Rainmaker Entertainment Inc.:

On May 31, 2002, shares held by the Trust in Rainmaker Entertainment Group were exchanged for units in Rainmaker Income Fund. For tax purposes, this transaction resulted in a capital gain of $1.3 million to the Trust during the year ended December 31, 2002. For accounting purposes, the gain was not recognized as the exchange did not represent the culmination of the earnings process. Accordingly, the cost of the units acquired was recorded at the cost of the shares given up in the exchange. A realized gain or loss on investment will be recorded for accounting purposes when the investment is sold in the normal course, which amount will be adjusted for tax purposes by the previously reported capital gain. Subsequent to this transaction the Rainmaker Income Fund was restructured and renamed to Rainmaker Entertainment Inc.

7. Financial instruments:

(a) Risk management:

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 Investment Portfolio 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 investing primarily in equity securities that are trading below their intrinsic value, as determined by Investment Counsel.

7. Financial instruments (continued):

(b) Credit risk:

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. As at December 31, 2011 and 2010, the Trust is not exposed to significant credit risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust's exposure to liquidity risk is concentrated in the monthly cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust retains sufficient cash and cash equivalent 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. However, the Trust requires appropriate notice of unit redemptions, which may be restricted in certain circumstances. Accordingly, as at December 31, 2011 and 2010, the Manager considered that the Trust does not have significant exposure to liquidity risk.

(d) 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 cash equivalents. 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. Accordingly, as at December 31, 2011 and 2010, the Trust was not exposed to significant interest rate risk.

(e) Currency risk:

Currency risk is the risk that the value of the investments denominated in currencies other than the Canadian dollar will fluctuate due to changes in foreign exchange rates. The tables below summarize the Trust's exposure to currency risk as at December 31, 2011 and 2010. Amounts shown are based on the carrying value of assets and liabilities (including derivatives, which are comprised of options and forward currency contracts).

7. Financial instruments (continued):

(e) Currency risk (continued):

December 31, 2011	Investments	Cash	Net other liabilities	Derivatives	Total
Canadian dollar	$ 22,726,722	$ 3,224,572	$ (587,332)	$ 17,371,600	$ 42,735,562
US dollar	4,537,021	514	12,983	-	4,551,518
European euro	3,469,836	-	-	(3,967,818)	(497,982)
Japanese yen	6,851,396	-	-	(13,243,598)	(6,392,202)
	$ 37,584,975	$ 3,225,086	$ (574,349)	$ 160,184	$ 40,396,896

December 31, 2010	Investments	Cash	Net other liabilities	Derivatives	Total
Canadian dollar	$ 45,987,161	$ 1,257,204	$ (941,350)	$ 16,657,250	$ 62,960,265
US dollar	3,143,414	950	-	(2,485,126)	659,238
European euro	6,763,708	-	-	(7,334,241)	(570,533)
Japanese yen	8,170,465	-	-	(6,742,375)	1,428,090
	$ 64,064,748	$ 1,258,154	$ (941,350)	$ 95,508	$ 64,477,060

As at December 31, 2011, if the Canadian dollar had strengthened or weakened by 5% in relation to all other foreign currencies, with all other factors remaining constant, the net assets of the Trust could have decreased or increased by approximately $117,000 (2010 - decreased or increased by $76,000), respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(f) Other price risk:

Other price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. All securities present a risk of loss of capital. The Investment Counsel moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy of the Trust. The Trust's investment portfolio is monitored on a daily basis by the Investment Counsel. 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 net assets. Possible losses from written options and securities sold short can be unlimited.

7. Financial instruments (continued):

(f) Other price risk (continued):

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

For the Trust, the most significant exposure to other price risk arises from its investment in equity securities as disclosed in the Trust's statement of investment portfolio. As at December 31, 2011, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively by approximately \$3.8 million (approximately 9% of net assets), (December 31, 2010 - \$6.4 million). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(g) Fair value:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. All of the Trust's assets and liabilities are financial instruments. The Trust's investments, derivatives and cash are carried at fair value in the financial statements. The carrying value of the Trust's other financial instruments approximate fair value due to their short term to maturity.

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Trust's investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

7. Financial instruments (continued):

(g) Fair value (continued):

The Trust's assets recorded at fair value have been categorised as follows:

December 31, 2011	Level 1	Level 2	Level 3	Total
Cash and deposits	$ 3,225,086	$ -	$ -	$ 3,225,086
Equities	37,585,975	-	-	37,585,975
Derivatives	-	160,184	-	160,184
	$ 40,811,061	$ 160,184	$ -	$ 40,971,245

December 31, 2010	Level 1	Level 2	Level 3	Total
Cash and deposits	$ 1,258,154	$ -	$ -	$ 1,258,154
Equities	58,153,651	2,037,977	-	60,191,628
Bonds	-	3,873,120	-	3,873,120
Derivatives	-	95,508	-	95,508
	$ 59,411,805	$ 6,006,605	$ -	$ 65,418,410

There were no transfers between Level 1 and Level 2 during the year and no investments were classified as Level 3 investments at any time during the year.

8. Income taxes:

The Trust qualifies as a mutual fund unit trust under the Income Tax Act (Canada) and is not subject to income tax on the portion of its income, including net realized capital gains, which is paid or made payable to unitholders during the period. All or substantially all of the income for income tax purposes of the Trust is distributed to unitholders and, accordingly, no provision for income taxes has been made in the financial statements.

The payment or reinvestment of distributions reduces the net asset value per unit because distributions paid in cash reduce the net assets of the Trust while reinvestment results in an increase in the number of units outstanding.

The Trust has accumulated capital losses of $806,062 which may be carried forward indefinitely and applied against capital gains realized in future years.

9. Reconciliation of net assets and net asset value:

In accordance with GAAP, the calculation of the net assets of the Trust for financial reporting purposes ("Net Assets") requires investments to be valued using the closing bid price. Consistent with the investment funds industry, in accordance with Rules and Policies issued by the Canadian Securities Administrators and its Trust Agreement, the Trust determines net asset value ("NAV") for purposes of unit subscriptions and redemptions based upon either last sale price or the midpoint between closing bid and ask quotations.

December 31, 2011:

	NAV	Difference	Net Assets
By series:			
Series A	$ 37,641	$ (448)	$ 37,193
Series B	40,087,763	(482,468)	39,605,295
Series F	55,322	(657)	54,665
Series X	708,459	(8,626)	699,833
	$ 40,889,185	$ (492,199)	$ 40,396,986

Per unit:			
Series A	$ 11.44	$ (0.13)	$ 11.31
Series B	14.30	(0.17)	14.13
Series F	6.03	(0.07)	5.96
Series X	5.77	(0.07)	5.70

December 31, 2010:

	NAV	Difference	Net Assets
By series:			
Series A	$ 58,439	$ (636)	$ 57,803
Series B	63,923,149	(704,591)	63,218,558
Series F	107,148	(1,431)	105,717
Series X	1,107,021	(12,039)	1,094,982
	$ 65,195,757	$ (718,697)	$ 64,477,060

Per unit:			
Series A	$ 13.36	$ (0.15)	$ 13.21
Series B	16.51	(0.19)	16.32
Series F	6.96	(0.09)	6.87
Series X	6.67	(0.07)	6.60