The McElvaine Investment Trust

Annual Report
2019

The McElvaine Investment Trust ("the Trust")

The McElvaine Investment Trust is a RRSP eligible fund. The Trust was formed on September 27, 1996 with the following philosophy:

1. Highly satisfactory longer-term performance can be achieved by focusing on companies selling below net asset value.
2. The purpose of an investment vehicle is to make money not to own stocks. This is an important distinction because it means the Trust will only invest when presented with an attractive situation.
3. As there are few good ideas, there are times when concentration may be helpful.

Further information is available at our website:

www.avaluefund.com

The McElvaine Investment Trust

Annual Performance Summary as of 31Dec19 (5)

Full Calendar Year (5)	Net Return Series B Units (1)(2)(3)	BMO Canadian Small Cap Index	S&P/TSX Total Return Index	Average Cash Balance (4)
1997	**12.8%**	6.3%	15.0%	59%
1998	**16.6%**	-18.6%	-1.6%	27%
1999	**29.5%**	19.1%	31.6%	26%
2000	**19.2%**	6.3%	7.4%	9%
2001	**28.0%**	2.5%	-12.6%	2%
2002	**5.0%**	-1.6%	-12.4%	5%
2003	**28.2%**	41.6%	26.7%	14%
2004	**8.6%**	13.2%	14.5%	23%
2005	**17.2%**	18.8%	24.1%	13%
2006	**11.9%**	13.6%	17.3%	11%
2007	**0.6%**	-1.2%	9.8%	9%
2008	**-48.8%**	-48.6%	-33.0%	6%
2009	**18.1%**	68.9%	35.1%	17%
2010	**1.8%**	35.2%	17.6%	6%
2011	**-13.4%**	-16.2%	-8.7%	10%
2012	**18.3%**	-0.5%	7.2%	18%
2013	**19.1%**	4.3%	13.0%	31%
2014	**6.0%**	-2.8%	10.6%	26%
2015	**-9.8%**	-16.3%	-8.3%	18%
2016	**4.1%**	31.9%	21.1%	18%
2017	**25.0%**	4.0%	9.1%	26%
2018	**-17.2%**	-20.3%	-8.9%	20%
2019	**8.2%**	16.1%	22.9%	17%

Notes:

(1) *A discussion of the returns of the Trust can be found in the Management Report on Fund Performance which in enclosed*

(2) *The performance shown above includes results prior to December 23, 2019 when the Trust was not a reporting issuer. Had the Trust been subject to the additional regulatory requirements applicable to a reporting issuer during such periods, the expenses of the Series B units of the Trust would likely have been higher. Moreover, prior to becoming a reporting issuer the Trust was not subject to and did not fully comply with the investment restrictions and practices set out in National Instrument 81-102 Investment Funds ("NI 81-102"). The Trust's non-compliance with NI 81-102 may have impacted the Trust's performance for the period prior to the Trust becoming a reporting issuer. The financial statements for the period when the Trust was not a reporting issuer, are available on the Manager's website at www.avaluefund.com or upon request.*

(3) *For Series B only as there were no Series A, D or F outstanding prior to December 31, 2019.*

(4) *"Average Cash Balance" is our estimate of the average of the month-end cash and short-term bond balances held by the Trust. We have included this to allow you to assess how the Trust was invested in order to generate the returns shown.*

(5) *The Trust's inception date was September 27, 1996. The performance summary only includes only full year returns and thus does not reflect the 3 month period in 1996. Please see the Management Report on Fund Performance.*

Friendly disclaimer:

Simply put:

- *Our 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 The McElvaine Investment Trust, the Trust is only sold via Prospectus. Further information is available on our website: www.avaluefund.com*

And less simply put (our required disclosure):

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.

We have compared our performance to two indices: the S&P/TMX Total Return Index as we believe this is useful information and the BMO Small Cap Index as our fund is classified as a Small 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.

The McElvaine Investment Trust

To my Partners:

Being a value investor last year was tough. I suspect though the tougher job was being the client of a value investor! Many others have an investing approach based on labels (ie Index) and not on fundamental security analysis. This seems odd to me. When I buy something, I do not buy a brand. I want to understand what I am paying and what I am getting. I am unsure why for some this does not apply to investing. I find, particularly in tough markets like we have currently, understanding what you own gives you confidence. Confidence to act when prices are attractive. As I have mentioned in the past, as value investors our money is "made" during bad markets (meaning we are given opportunities to invest). We just don't know it at the time.

As I am finalizing this letter, the stock market is declining on concerns the Covid-19 virus is spreading. I realize the real question on your mind is how am I protecting your investment. Since I founded the Trust in 1996, we have been through 2 particularly trying times for the market: 2000 to 2002 and 2007 to 2009. From 2000 to 2002, The Trust performed well on both an absolute and relative basis primarily as we did not own the "go-go" stocks and the Trust's cash level was high prior to the correction. During 2007-2009, the Trust performed poorly primarily due to weak balance sheets of some of our larger holdings and the Trust's cash level was low prior to the correction. The good news is we entered February having learnt from the past as our largest holdings have good balance sheets, we do not own any of the recent market favourites and the Trust's cash was over 20%. The not so good news is it has been a very volatile period for both us and the market. I apologize for the volatility of the Trust but I do believe, especially at current market prices, our portfolio has both a margin of safety and the potential for above average returns.

There is a lot of uncertainty currently. People are uncertain about their health, uncertain about the economy and uncertain about the stock market. While I cannot offer any solution which eliminates the uncertainly, I would add risk is not the same as uncertainty. Risk is whether one ultimately loses money in an investment everything considered. It often depends simply on the price paid.

You will note our format for reporting has changed a bit. As we are now a prospectus fund, we must prepare a Management Report on Fund Performance (the "MRFP") which discusses the performance of the Trust in 2019. The MRFP as well as audited financial statements for the Trust can be found later in this report.

I have included in the following pages a quick summary of our 5 largest investments at December 31, 2019. Please view this simply as a snapshot in time and not a recommendation. If facts, or my opinion changes, our position may change. Nevertheless, I thought it would be helpful if I laid out what we own and why we own it.

You will note we own shares in a couple of energy companies primarily natural gas related. Over the years, we have had success in investing in situations where the assets may last many decades but the market is valuing the firm based on current prices. This creates for the investor an enormous option on any positive change. When dealing with an investment such as an energy company, my focus is on staying power, board ownership, management alignment and environmental issues. Perhaps I should talk for a second about environmental matters.

ESG (Environment, Social and Governance) is an important concept in investing. Unfortunately, there is no clear definition of what exactly ESG investing is. This has created the situation where ESG is a bit "in the eye of the beholder" or in the case of the fund industry, "in the eyes of the marketing department". I have tried to be a little more straightforward in my approach and since I founded the Trust in 1996, my litmus test has been that our investments “do no harm”. We have always purposefully avoided investing directly in some sectors such as tobacco, gambling and defense. In areas such as energy, I think about items such as carbon intensity, water usage, land reclamation and safety.

I realize there is a lot of debate around the energy sector. I too look forward to the day our energy is supplied from sources other than fossil fuels. We do not own any oil sand producers and our investments are skewed toward natural gas (as an aside, there is some interesting work been done on removing carbon from natural gas). An added benefit is natural gas investments may also provide a modest hedge for our holding in Maxim Power (which produces electricity from natural gas). I appreciate not everyone will agree with my ESG approach. I have thought about the issues and believe our holdings represent a win/win/win between our interests as investors and the interests of customers and the community.

Each year we have two Investor Events: one in Vancouver in the late spring and one in Toronto in the fall. I realize the next month or two is not the best time to host a meeting. Instead, I will defer the Vancouver conference to the fall. Further information on both meetings will be sent with the Semi-Annual Report in August. I hope to see you at one of our events.

As always, the best way to keep in the loop with us is via email. If you do not currently receive emails from us, please let us know and we will add you to our list. Alternatively, you may sign up on our website which is www.avaluefund.com.

As you read through this report and think about your investment with us, I hope you conclude our approach is straight forward, disciplined and understandable. While we are not an ESG fund, I am careful about what we invest in and call this “investing with integrity". Finally, our interests are aligned as our fee structure rewards performance and not simply asset growth.

As mentioned earlier, we are now issued via prospectus. A key reason in my mind for doing this was to allow investors to purchase and hold their investment in the Trust wherever they like. If you would like to transfer your units in the Trust to an account where you have other investments, please let us know. If you are interested in adding to your investment, you are now able to do it directly via DIY brokers such as Qtrade, RBC Direct and TD Direct or via your financial advisor. Please contact us if you have any questions or problems.

Most importantly, thank you for your trust and friendship. I appreciate it.

Warm regards,

Tim McElvaine
March 9, 2020

Top Holdings at December 31st 2019

Our Investment Approach

Our approach is centered on four items. We prefer to invest when we have:

1. A competitive advantage when making the investment (such as a seller who does not care about the price they are getting);
2. Observable investment value that exceeds the share price at the time of purchase (no financial spreadsheet gymnastics involved);
3. A financial position ideally combined with strategic position that provides staying power; and
4. A Board and management team that is owner focused with skin in the game.

You may recall I have affectionately termed our approach “ABBA” representing A-Accident (the circumstances which created a discounted price), B-Bird in hand, B-Brick house (as opposed to straw hut) and A-Alignment of interests.

You will note our process does not involve macro forecasting or economic predictions. Investing is a messy business and our protection is in the price we pay.

Maxim Power – 8.5% of the Trust at December 31, 2019

Business	Electricity generation in Alberta. Maxim is in the process of converting a coal generating facility to natural gas. This should be completed in early June.
Category	Bargain Secondary Company
Bird in hand	Maxim's upside is based on reasonable assumptions for its new generating facility, a $40 million dollar contingent receivable and optionality in additional natural gas and wind development projects
Brick house	The startup of Maxim's new facility is a key risk. Maxim recently refinanced part of its debt. The combination of project cashflows and if received, the contingent receivable, will allow Maxim to quickly reduce any outstanding indebtedness.
Alignment	Insiders include Bruce Chernoff and Brett Wilson who each own approximately 26% of Maxim. Bruce's compensation as CEO was zero, he has no stock options or deferred comp, and Bruce and Brett were paid zero as directors. During 2019, directors purchased approximately $1.4 million of common shares while Maxim repurchased 4% of its outstanding shares. Additionally, Mr Chernoff and Mr Wilson entered into an agreement to lend Maxim up to $75 million via a convertible loan of which approximately $20 million was outstanding at December 31st. The loan is convertible at $2.25.
2019 Impact	Maxim's share price fell by approximately 16% in 2019 thus had a negative impact on the Trust's performance. The fall in price was partially due to cost overruns and delays on its conversion project. While this was disappointing, the key issue remains getting the project completed and operating. I met with management recently and left confident in Maxim's future.

Glacier Media – 7.9% of the Trust at December 31, 2019

Business	Information and marketing solutions with 3 segments: Environmental and Property Information (environmental risk data and online residential real estate listings), Commodity Information (agricultural, mining and energy information, trade shows and publications) and Community Media (weekly community newspapers and community information websites).
Category	Bargain Secondary Company
Bird in hand	I believe a sum of the parts of Glacier Media's businesses would exceed its share price. While I acknowledge the community newspaper business is challenged, I think there is value in Glacier's other businesses.
Brick house	Debt has fallen dramatically at Glacier over the last 6 years. In addition, if required, Glacier could sell businesses. In spite of restructuring costs related its businesses, Glacier generates free cashflow. Risks include the performance of the North American economy and a negative decision in its current dispute with Revenue Canada.
Alignment	I resigned as a director of Glacier Media on December 30, 2019. Madison Venture Corp is the largest shareholder of Glacier owning some 42%. Sam Grippo is CEO of Madison Venture and also Chairman of Glacier. During 2019, Madison invested approximately $10.6 million in additional Glacier shares.
2019 Impact	Glacier's share price fell by approximately 7% in 2019 thus had a negative impact on the Trust's 2019 performance.

Jefferies Financial Group – 7.4% of the Trust at December 31, 2019

Business	A US financial services company engaged in investment banking and capital markets activities. In addition, Jefferies has a large merchant banking portfolio which it is in the process of liquidating.
Category	Large Unpopular Company
Bird in hand	Jefferies is inexpensive based on the value of the investment bank plus the merchant banking portfolio. The merchant banking portfolio is in the process of liquidation with the proceeds primarily being returned to shareholders.
Brick house	As a financial firm, there are always risks. JEF's balance sheet is reasonable and its mgmt. team is very experienced.
Alignment	Joe Steinberg, Rich Handler and Brian Friedman (Chairman, CEO and President respectively) collectively own about C$1billion of Jefferies' shares which represents about 12% of the company. While the compensation plan is focused in the right direction, in my mind the payouts are a little rich. Having said this, JEF is very clear on its goals and has aggressively returned capital to shareholders in 2019 via a dividend, share repurchases and a spin-off. Unlike many firms, JEF has been thoughtful on the prices it has chosen to repurchase shares. Given the attractiveness of the share price, over the last 2 years JEF has reduced its share count by about 20%.
2019 Impact	JEF rose (including distributions) by about 35% in 2019 and was a contributor to the Trust's performance.

Wintaai Holdings – 7.0% of the Trust at December 31, 2019

Business	Wintaai is a Canadian Insurance holding company whose primary asset is Louisiana-based Stonetrust Commercial Insurance. Stonetrust provides workers' compensation insurance primarily to small and mid-sized firms in eight states. AM Best rates Stonetrust's Financial Strength as B++ . Wintaai is a private company.
Category	Special Situation
Bird in hand	We valued WIntaai at 1.1x adjusted book value at December 31st. This is in line with recent private placements to 3rd parties. My thesis is over time book value will appreciate due to both positive investment returns and underwriting profits.
Brick house	Based on its equity, Stonetrust writes significantly less insurance than it could. In addition, reserving in Stonetrust has proven to be conservative as claims have been settled for less than the actuary's estimates.
Alignment	Francis Chou and related entities are by far the largest owner of Wintaai. I have known Francis a long time and visited Stonetrust with him earlier this year. I believe our interests are aligned and am delighted we are investors in Wintaai.
2019 Impact	Wintaai contributed to the Trust's performance in 2019.

Tourmaline Oil – 6.8% of the Trust at December 31, 2019

Business	In spite of its name, Tourmaline is one of Canada's largest producers of natural gas. Tourmaline is involved in the Western Canadian Sedimentary Basin.
Category	Unpopular Large Company
Bird in hand	I believe we purchased Tourmaline at a discount to the sum of its producing and infrastructure assets net of debt. As Tourmaline has substantial unbooked reserves, I believe it has both a margin of safety and upside potential.
Brick house	Tourmaline's debt level is conservative and it has a "hidden asset" in its ownership of Topaz. Topaz was created in late 2019 to hold infrastructure and royalty assets. I expect it to be listed sometime in 2020 or 2021. Tourmaline due to its scale and infrastructure is considered one of the lowest cost producers of Canadian gas.
Alignment	Directors, primarily Mike Rose (Chairman, President and CEO) own approximately 19 million shares worth some C$200 million. During 2019, insiders purchased over $3.5 million of additional shares.
2019 Impact	Tourmaline had a positive impact on the Trust's 2019 performance. I recently met with Mike Rose and left confident in our investment.

The McElvaine Investment Trust

Management Report of Fund Performance

December 31, 2019

The McElvaine Investment Trust

Management Report of Fund Performance

December 31, 2019

This annual management report of fund performance contains financial highlights but does not contain the complete financial statements of The McElvaine Investment Trust ("the Fund"). You can get a copy of the annual financial statements at your request, and at no cost by calling 250-708-8345, by writing us at PO Box 4010 Rpo Oak Bay Victoria BC V8R 6T4 or by visiting our website at www.avaluefund.com and SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intention expressed or implied in the forward-looking statements.

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons including, but not limited to: market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest, and the risks detailed from time to time in the Fund's Simplified Prospectus. We caution that the foregoing list of factors is not exhaustive, and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund does not undertake, and specifically disclaims any intention or obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

McElvaine Investment Management Ltd. ("we", "us", "our" or "the Manager") manages the overall business of the Fund, including the selection of the securities in the Fund's portfolio and promoting sales of the Fund's units. Full contact information for the Manger is located at the end of this report.

Management Discussion of Fund Performance

Investment Objectives and Strategies

The fundamental investment objective of the Fund is to provide long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value, as determined by Tim McElvaine.

Our investment philosophy is "to make all the money on the purchase". As an investor, we believe one of the few things we can control is the price we are willing to pay. Therefore, when we are selecting investments, we focus on what we are getting and at what price we are prepared to act. Our intention is to invest only where the difference between the value of the investment and the price we pay gives us a margin of safety.

Our investment approach is centered on four items. We prefer to invest when we have:

(a) a competitive advantage when making the investment (such as a seller who does not care about the price they are getting);

(b) observable investment value that exceeds the share price at the time of purchase (no financial spreadsheet gymnastics involved);

(c) a financial position ideally combined with strategic position that provides staying power; and

(d) a board of directors and management team which is owner-focused with "skin in the game".

Our process does not rely on macro forecasting or economic predictions.

The Fund primarily invests in common shares of publicly-traded companies located in Canada, the United States and other foreign jurisdictions. However, the Fund may also invest in debt securities, preferred shares, convertible securities, securities of private companies, options, futures, currency instruments, precious metal certificates or bullion.

Risk

The risks of investing in the Fund remain as discussed in the Fund's Simplified Prospectus which can be found on the Fund's website at www.avaluefund.com and SEDAR at www.sedar.com

During the year, there were no material changes to the Fund that affected the overall risk level of the Fund.

Results of Operations

Market Review:
As value investors, our focus is on the specific investment: what we are paying, the risks involved and what it is worth. We do not really have any insights into the market beyond highlighting the trend towards passive investing appears to have divided stocks generally into those in a popular index and those that are not. As value investors, the best bargains can often be found where other investors are not looking. This would suggest searching for securities not included in a popular index, or which have recently been removed from an index, may offer opportunities.

Investment Performance:
For the year ended December 31, 2019, the Series B units returned 8.2%. There were no Series A, D or F units outstanding during this period. During 2019, the S&P/TSX Index returned 22.9% while the BMO Canadian Small Cap Index returned 16.1%.

We do not really think about the portfolio in terms of geography but more by the nature of the investments. The "bible" of value investing is the book "The Intelligent Investor" written in the 1930s by Benjamin Graham. Taking a little bit of liberty with Ben Graham's ideas, we have broken our investing into 3 categories. We define the categories as follows:

1. Large unpopular companies – Generally speaking, for a larger company to come across our path, it must be unpopular. Unpopular may mean it is located in a country or region which investors dislike or is suffering from a negative event or news.

2. Bargain secondary issues – While a larger company may be a bargain, it is usually due to unpopularity. A secondary company may become cheap for a number of reasons including unpopularity but also because of neglect, a constraint or a dislocation such as a spinoff. For simplicity, we have defined a secondary issue as a company with a market value below Cdn $1bn although some of our investments have been much smaller companies.

3. Special situations and workouts - we would include in this area situations such as restructurings, liquidations, unlisted investments and distressed debt.

Following this format, we estimate the contribution of each segment to 2019 returns as follows:

Large unpopular companies	9.0%
Bargain secondary companies	5.0%
Special situations and workouts	-4.3%
Interest, foreign exchange and everything else (net)	0%
Return from investments	9.7%

Fund operating expenses	-0.4%
Management Fee including taxes	-1.1%
Series B unitholder Return for year to December 31, 2019	8.2%

Large unpopular companies:
VOYA Financial and Jefferies Financial were the largest contributors to our performance while ARC Resources was the primary detractor. During the year, our significant investment activities included selling our positions in Power Corporation of Canada and Baker Hughes Company and reducing our holdings of Anglo American and VOYA Financial. We established a new position in Tourmaline Oil. This category represented approximately 36% of the Fund's net assets at December 31, 2019.

Bargain Secondary companies:
Village Farms International, Inc. and Carmanah Technologies Corp. were the largest contributors to our performance while Wow! Unlimited Media and Maxim Power were the largest detractors. During the year, significant investment activities included selling our positions in Village Farms and Carmanah Technologies. We established a new position in Leucrotta Exploration and Dorel Industries. We added to our holdings of Empire Industries, Wow! Unlimited Media and Seacor Marine. This category represented approximately 39% of the Fund's net assets at December 31, 2019.

Special Situations and workouts:
Wintaai Holdings was the largest contributor to our performance while Exco Resources was the largest detractor. During the year, significant investment activities included the purchase and rebalancing of our Wintaai position. The Exco Resources position was established in 2019 with the purchase of Exco Resources defaulted bank liens which, as expected, were converted to Exco common shares as part of a bankruptcy restructuring. This category represented approximately 9% of the Fund's net assets at December 31, 2019.

Interest, Foreign Exchange and everything else:
Interest income earned on cash held in our custody account was offset by foreign exchange losses leaving the net contribution effectively as zero. Cash and near cash items represented approximately 15% of the Fund's net assets at December 31, 2019.

Other items:
On December 31, 2019, the Fund declared a taxable distribution which consists of an income distribution of $0.011 per Series B unit and a capital gains distribution of $0.433 per Series B units. These distributions were automatically reinvested in additional Series B units of the Trust at a price of $5.5927 per unit. T3 documents have been mailed to unitholders.

For Series B unitholders, the Fund's expenses consisted primarily of custodial, legal, audit and other operating expenses which amounted to about 0.38% of net assets. Our management fee including taxes was 1.07% of net assets bringing the total MER for Series B unitholders with taxes to 1.45%. There was no performance fee paid on the Series B units. There continues to be a performance fee shortfall for the Series B units which will have to be made up prior to any performance fees being paid.

During 2019, the Fund did not borrow funds nor short any securities.

Recent Developments

During the first couple of months of 2020, cash has risen in the Fund to approximately 20% of net assets as unitholder purchases have exceeded redemptions and proceeds from the sales of securities have exceeded investment purchases. Recent concerns regarding COVID-19 has led to worries about the economy resulting in volatility in financial markets and in the Fund. With its cash position, the Fund is well placed to take advantage of any opportunities.

Related Party Transactions

The Manager manages the overall business of the Fund, including the selection of the securities in the Fund's portfolio and promoting the sale of the Fund's units. The Fund pays the Manager a fee for its services as manager. See "Management Fees" below for additional information.

The Manager is also the trustee of the Fund. The Fund pays the Manager a fee for its services as trustee. See "Management Fees" below for additional information. While investors receive units of a trust when they invest in the Fund, the Manager, as trustee, holds title to the property of the Fund, including the cash and portfolio securities, on behalf of the Fund's investors.

The Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. All transactions with the Manager and its officers and directors are carried out at the Fund's net asset value as at the transaction date. As of December 31, 2019, the Manager, its officers and directors hold 1% of the Series B units, 34% of the Series C units and 3% of the Series G units of the Fund.

Previously Tim McElvaine, the President of the Manager, was a director of Glacier Media Inc. Effective December 30, 2019, Tim McElvaine resigned as a Director of Glacier Media Inc. During 2019, the Fund owned 4,000,000 commons shares of Glacier Media Inc, representing approximately 3.2% of the outstanding Glacier Media Inc shares. During 2019, Glacier Media paid Tim McElvaine $28,000 for his services as a Director and reimbursed McElvaine Investment Management $35,400 plus taxes for expenses related to Tim McElvaine's services as a director of Glacier Media. These payments will be deducted from any future incentive fees owing by the Fund.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years.

The Fund's Net Assets per Unit [1] - Series B Units

	2019	2018	2017 [4]	2016 [4]	2015 [4]
Net Assets, beginning of year	**$5.17**	**$6.24**	**$19.98**	**$19.25**	**$21.36**
Increase (decrease) from operations:					
Total revenue	**$0.11**	**$0.06**	**$0.13**	**$0.31**	**$0.72**
Total expenses (excluding distributions)	**$(0.09)**	**$(0.08)**	**$(0.14)**	**$(0.26)**	**$(0.33)**
Realized gains (losses) for the period	**$0.81**	**$(0.19)**	**$1.91**	**$(2.48)**	**$(0.44)**
Unrealized gains (losses) for the period	**$(0.39)**	**$(0.85)**	**$0.97**	**$3.09**	**$(2.25)**
Total increase (decrease) from operations [2]	**$0.44**	**$(1.06)**	**$2.87**	**$0.66**	**$(2.30)**
Distributions:					
From net investment Income (excluding dividends)	-	-	-	-	-
From dividends	**$0.01**	-	-	**$0.08**	**$0.23**
From capital gains	**$0.43**	-	-	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions [3]	**$0.44**	-	-	**$0.08**	**$0.23**
Net assets at December 31, 2019	**$5.59**	**$5.17**	**$6.24**	**$19.98**	**$19.25**

[1] *This information is derived from the Fund's audited annual financial statements.*

[2] *Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.*

[3] *Distributions were reinvested in additional units of the Fund.*

[4] *Effective October 2, 2017, all issued and outstanding units of Class B series were subdivided for additional units, on a four for one basis of NAV value at the time of the split.*

Ratios and Supplemental Data - Series B

	2019	2018	2017 [5]	2016 [5]	2015 [5]
Total net asset value (000's) [1]	**$26,816**	**$26,415**	**$33,166**	**$29,007**	**$30,223**
Number of units outstanding [1]	4,794,775	5,112,401	5,312,412	1,452,044	1,569,924
Management expense ratio [2]	1.45%	1.41%	1.51%	1.42%	1.36%
Management expense ratio before waivers or absorptions	1.45%	1.41%	1.51%	1.42%	1.36%
Trading expense ratio [3]	0.20%	0.16%	0.26%	0.18%	0.17%
Portfolio turnover rate [4]	65.07%	25.99%	65.39%	51.17%	37.15%
Net asset value per unit	**$5.59**	**$5.17**	**$6.24**	**$19.98**	**$19.25**

1 *This information is provided as at December 31 of the year shown.*

2 *Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of monthly average net asset value during the period.*

3 *The trading expense ratio represents total commissions and other portfolio transactions costs expressed as an annualized percentage of monthly average net asset value during the period.*

4 *The Fund's portfolio turnover rate indicated how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover ratio of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.*

5 *Effective October 2, 2017, all issued and outstanding units of Class B series were subdivided for additional units, on a four for one basis of NAV value at the time of the split.*

Management Fees

As Manager of the Fund, McElvaine Investment Management Ltd. is paid a management fee calculated monthly based on the market value of the Fund's net assets. For Series B unitholders this fee is equal to 1.0% per annum. The Manager does not pay a trailer fee to dealers related to the Series B units. In addition, the Manager is entitled to a performance fee based on the return of the Series B units. As there is a shortfall at December 31, 2019, no incentive fee was paid. McElvaine Investment Management Ltd. is also trustee of the Fund and is paid $3,600 for its services as trustee. No fees were paid in respect of the Series A, D and F units as no Series A, D or F units were outstanding during 2019. Further information on the Fund's fee structure can be found in Simplified Prospectus.

Past Performance

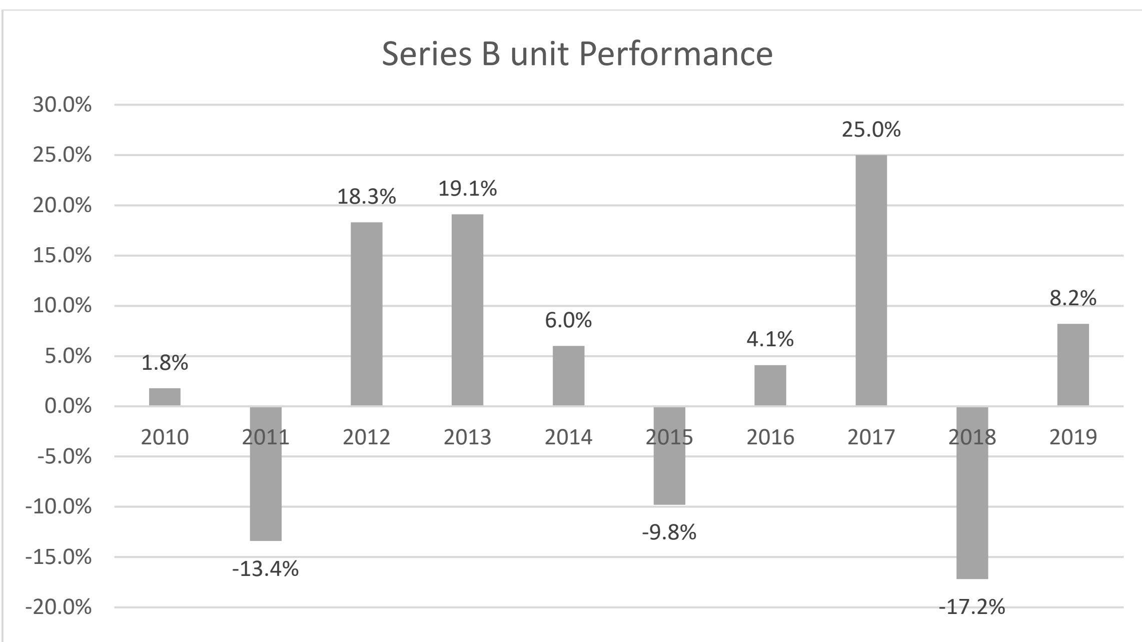
General

The Fund's past performance information is presented in the following chart and table. It assumes all distributions made by the Fund in the periods presented were reinvested in additional securities of the relevant series of the Fund. The chart and table do not take into account any sales, redemption, distribution, other optional charges, or income taxes payable by any investor that would have reduced returns. The past performance of the Fund is not necessarily an indication of how it will perform in the future.

The performance shown below includes results prior to December 23, 2019 when the Fund was not a reporting issuer. Had the Fund been subject to the additional regulatory requirements applicable to a reporting issuer during such periods, the expenses of the Series B units of the Fund would likely have been higher. Moreover, prior to becoming a reporting issuer the Fund was not subject to and did not fully comply with the investment restrictions and practices set out in National Instrument 81-102 *Investment Funds* ("NI 81-102"). The Fund's non-compliance with NI 81-102 may have impacted the Fund's performance for the period prior to the Fund becoming a reporting issuer. The financial statements for the period when the Fund was not a reporting issuer, are available on the Manager's website at www.avaluefund.com or upon request.

Year-by-Year Returns

The following bar chart shows the annual performance for the Series B units of the Fund for each of the years shown. The chart shows, in percentage terms, how an investment on January 1 would have increased or decreased by December 31 for each of the years, and how the performance of the Fund varied from year to year.



No Series A, D or F were outstanding prior to January 1, 2020 so no performance is shown.

Annual Compound Returns

The following table shows the annual compound total return for the Series B units of the Fund for the periods ended December 31 2019 and assumes the reinvestment of all distributions. Also shown for the same periods are the respective historical annual compound total returns of the BMO Canadian Small Cap Index and the S&P/TSX Total Return Index. The S&P/TSX Index is the headline index for the Canadian equity market while the BMO Canadian Small Cap Index indicates the performance of smaller Canadian companies. The Indices are calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

	One Year	Three Years	Five Years	Ten Years	Since Inception
The McElvaine Investment Trust - Series B	8.2%	3.8%	1.0%	3.3%	6.5%
BMO Canadian Small Cap Index	16.1%	-1.3%	1.2%	2.0%	4.3%
S&P/TSX Total Return Index	22.9%	6.9%	6.3%	6.9%	7.7%

Summary of Investment Portfolio

The following table provides a summary of the Fund's portfolio as at December 31, 2019.

Sector Allocation	***% of Net Asset Value***
Oil & Gas related (including services)	23.6%
Financials	20.0%
Media & Entertainment	11.1%
Utilities	8.4%
Materials	7.0%
Industrials	5.9%
Other sectors: Durables, Services, Pharma,	8.8%
Cash and near cash items	15.2%
Net Asset Value	***100.0%***

The McElvaine Investment Trust

Total Holdings	***% of Net Asset Value***
Maxim Power Corp.	8.5%
Glacier Media Inc	7.9%
Jefferies Financial Group Inc	7.4%
Wintaai Holdings Ltd.	7.0%
Tourmaline Oil Corp	6.8%
VOYA Financial Inc.	5.6%
Anglo American plc	5.3%
Whitecap Resources Inc.	4.9%
Seacor Marine Holdings Inc	4.7%
Knight Therapeutics Inc	4.0%
Empire Industries Ltd	3.3%
Wow! Unlimited Media Inc	3.2%
The Caldwell Partners International Inc	2.6%
Leucrotta Exploration Inc	2.6%
General Electric Company	2.6%
Exco Resources, Inc	2.4%
Orca Exploration Group Inc, Class B	2.2%
Dorel Industries Inc, Class B	2.1%
Jaguar Mining Inc	1.7%
Deans Knight Income Corp	0.0%
Total Portfolio	***84.8%***
Cash and near cash items	15.2%
Net Asset Value	***100.0%***

The Fund's investment portfolio may change due to ongoing portfolio transactions of the Fund. When required, the quarterly update will be available on our website at www.avaluefund.com.

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Financial Statements of

THE McELVAINE INVESTMENT TRUST

And Independent Auditors' Report thereon

Years ended December 31, 2019 and 2018

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

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.

KPMG LLP

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 Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2019 and 2018

	Series B	Series C	Series G	Series X	Total
Balance, December 31, 2018	$ 26,415,010	$ 17,014	$ 1,230,403	$ -	$ 27,662,427
Increase in net assets attributable to holders of redeemable units	22,229	97	1,974	-	24,300
Redeemable unit transactions:					
Issue of redeemable units	333,657	-	100,839	-	434,496
Reinvestment of distributions to holder of redeemable units	2,131,445	1,477	115,120	-	2,248,042
Redemption of redeemable units	(2,086,551)	-	-	-	(2,086,551)
Net increase from redeemable unit transactions	378,551	1,477	215,959	-	595,987
Balance, December 31, 2019	$ 26,815,790	$ 18,588	$ 1,448,336	$ -	$ 28,282,714

	Series B	Series C	Series G	Series X	Total
Balance, December 31, 2017	$ 33,166,171	$ 58,809	$ 1,142,642	$ 41,740	$ 34,409,362
Decrease in net assets attributable to holders of redeemable units	(5,513,879)	(3,495)	(243,744)	(741)	(5,761,859)
Redeemable unit transactions:					
Issue of redeemable units	80,000	1,000	-	-	81,000
Transfer in/out of units	(308,249)	(24,095)	373,343	(40,999)	-
Redemption of redeemable units	(1,009,033)	(15,205)	(41,838)	-	(1,066,076)
Net decrease from redeemable unit transactions	(1,237,282)	(38,300)	331,505	(40,999)	(985,076)
Balance, December 31, 2018	$ 26,415,010	$ 17,014	$ 1,230,403	$ -	$ 27,662,427

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.

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.

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.

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.

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.

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.

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%).

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:

December 31, 2019	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
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

December 31, 2018	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
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

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.

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

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.

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.

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.

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.

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.

Why Invest with Us?

Our approach is focused and our interests are aligned. Many firms and ETFs invest automatically with little regard for value. Other firms have multiple funds and their fund managers look after several funds. Are these firms interested in asset growth or your investment returns? Do the portfolio managers have their money in the same place as you? When they manage several funds, how do you know you are in the right one?

With The McElvaine Investment Trust:

- *We are experienced value investors;*
- *We get paid when we perform;*
- *We invest our money alongside yours;*
- *We care how our investees make their money;*
- *We do one thing and only one thing: value investing.*

If you have any questions or would be interested in an Investor Package, please call or email us at info@avaluefund.com

From our website:

www.avaluefund.com

OUR GOALS ARE: *(PLEASE CLICK ON THE PICTURES FOR FURTHER INFORMATION)*

INVESTMENT RETURNS

Our focus is generating superior returns for our investors

DO NO HARM

We have families too and while the Trust is not a SRI Fund, we do want to be careful where we invest your and our money

PEACE OF MIND

We don't want you to worry about what we are doing. We will be transparent and accessible

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