The McElvaine Investment Trust

Interim Report

June 30, 2020

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

Friendly disclaimer:

Simply put:

- *Our Interim Report contains forward looking information. I will not update this report even if my view changes.*
- *While I believe my comments and facts to be accurate, you should not rely on them without doing your own work.*
- *While I would be delighted if this report encourages you to consider investing in or adding to your investment in 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 Canadian Small Cap Index as our fund is classified as a Small/Mid Cap Equity Fund. Please keep in mind our portfolio is significantly different from these indices due to our limited number of holdings, our cash levels and our investments outside of Canada.

The McElvaine Investment Trust

To my Partners:

We have been through a lot together over the years: the Russian currency crisis, dotcom boom & bust, 9/11, 2008 meltdown, and most recently COVID. I appreciate your support through all of this. I apologize for this year's volatility. As I write this letter the Trust is down about 6% YTD. Not a satisfactory result but the year is not over yet. The portfolio is clean; I am proceeding cautiously.

Covid has taken a terrible toll on a number of businesses. In contrast, financial media outlets are having their day in the sun. I often think of John Templeton. Many years ago he mentioned one of the advantages of living in the Bahamas was he received the Wall Street Journal a day late. Certainly this approach contrasts with many on Wall Street these days!

A lot of time is spent at these media outlets discussing and labeling different stocks. My view is a business' value consists of two elements:

- The cash it will generate in each period (whether from operations or asset sales); and
- The interest rate used in present valuing this series of cashflows.

Confidence plays a role in valuation. When people feel confident, their view of the future becomes rosy thus their expectations of future cashflows increase. In addition, the discount they apply to these future earnings decreases (meaning the price earnings ratio, P/E, effectively increases). In contrast when investors are scared, predictions of future cashflows are revised downward. Further, investors demand additional compensation for the uncertainty so the interest rate used to discount these flows increases (and thus the P/E decreases). This double whammy on both sides means investor confidence can cause the "swings" around the intrinsic or underlying value to be significant regardless of the true economic picture.

Some companies seem “predictable” to analysts. Quite often this is due to an attractive backstory combined with relatively good recent performance. As time passes, analysts’ estimates of the future cashflows of these companies gets more and more optimistic. Further, as investors conclude the future is indeed bright, a lower and lower discount rate is used given investors’ “confidence”. As discussed above, this results in a double counting of the perceived “positive” and “certain” future.

Charlie Munger, Warren Buffett’s partner, once said investing is similar to watching a horse race with pari-mutuel betting. The goal is not to decide which horse is likely to be the fastest as this may not pay. Rather the goal is to identify the horse where the odds (and thus payoffs) are mispriced. This means sometimes one does not bet at all. Like a strong looking pre-race strut by a horse, I acknowledge many technology stocks look like they have bright futures. The tougher decision is what should one pay for this especially given the relatively fragile and changing nature of their businesses and the murky macro backdrop.

Other stocks, usually the ones we own, have cashflows which are harder to predict. This may be due to difficulties with a company’s business or industry. As a result there is usually a cushion built into any predictions. Further, in contrast to their predictable peers described above, these companies have higher discount rates. Typically, market watchers describe the stocks in the preceding paragraph as growth stocks and these less predictable stocks as value stocks but in reality, a truer description would be “high confidence” stocks and “low confidence” stocks.

The reason I bring this up is I think we are at an important inflection point. The Reagan era (combined with the inflation killing interest rates of Paul Volcker) started 4 decades of de-regulation, cost reduction, consolidation, outsourcing/offshoring, lower taxes, share buybacks and declining interest rates combined with a monetary tailwind from the Federal Reserve. This of course was a great period for stocks and bonds.

Today, the path forward seems quite uncertain. There is of course uncertainty around the economy but also around future tax rates, operating costs as globalization is rethought and perhaps interest rates as we embark on a different monetary approach. I would expect investors to want to have a cushion built into valuations.

Interestingly the indices have done well this year primarily due to the outstanding performance of a limited number of stocks. The result of this is indices such as the S&P500 have become heavily weighted in a few securities. The S&P500 is up some 8% and change this year. If instead you owned the S&P500 Equal Weight Index which had an equal position in each of the 500 components, you would be down about 3%.

When someone says they do not believe in active management and want to own “the market”, I am unsure what they mean or what they expect. The S&P500 with close to 25% of its value in 5 stocks (and 495 stocks in the remaining 75%) is hardly a broadly diversified index. Nor is it cheap at least on an absolute basis. Of course, some investors suggest stocks are cheap relative to bonds. This is a tough bet too as long term government bonds offer a measly yield and the opportunity for capital loss if rates go up (the phrase “return-free risk” has been used to describe bonds at this time). So where does that leave an investor?

Well, I am of course bias but I do think we are entering an environment where active investing has the opportunity to outperform the indices. When you buy an ETF, you buy everything in the ETF whether it is cheap or not. By comparison, when there was volatility in the markets earlier this year, we were not restricted of course to buying a little bit of everything. Instead we were able to “upgrade” the portfolio. By upgrade, I mean improve the quality of the companies we owned without losing any of our margin of safety. As always, I was particularly interested in companies with good balance sheets run by owner operators. These companies have the ability to play offense rather than defense in the current environment.

Our largest holdings with a short update are as follows:

- Maxim Power – Maxim operates a 204 MW Simple Cycle Gas Turbine power generation facility in Alberta. In the 2nd quarter, Maxim completed the process of converting its coal powered generating facility to natural gas powered. This is a significant event. I recently spoke with management and the facility is operating well. Based on my estimate of cashflows and assuming a positive resolution to Maxim’s line loss receivable claims, Maxim could effectively be debt free by mid-2021. Maxim will then be in a strong position to consider additional projects including converting its current facility from simple cycle to combined cycle. This would further reduce the cost of power generation while expanding capacity by some 50%. Insiders own over 60% of the company and have been buyers. In addition, Maxim is repurchasing its own shares.

- Jefferies Financial – A NYC based investment bank. In a twisted way, Covid may be a tailwind for the investment banks. There is no shortage of companies requiring assistance in capital raising and restructuring. The result is 2021 is shaping up to be a good year for Jefferies financially. In addition, Jefferies has a relatively strong balance sheet and significant extra assets which are being slowly liquidated. Insiders own some 15% of Jefferies (worth about C$1 billion) and like Maxim, Jefferies has been repurchasing its shares.
- Wintaai Holdings – Wintaai is a strongly capitalized insurance holding company with Francis Chou as the majority owner. Wintaai is unlisted and we are one of a limited number of private investors. There is no exposure to business interruption insurance as Wintaai is primarily a workers compensation insurer. I recently spoke with Francis about Wintaai's results which have been strong in 2020. Although pricing is a bit weak, underwriting and investment performance have contributed to substantial YTD growth in book value per share. Further, we can sleep well at night as I estimate Francis has the majority of his net worth invested in Wintaai.
- Tourmaline Oil – In spite of its name, Tourmaline is one of Canada's largest natural gas producers. Mike Rose and his team have kept costs low and continued to build their presence both in the Montney and Deep Basin with several small acquisitions over the last 6 months. In other words, while some producers were forced to raise cash by selling assets, we are partnered with a firm which has the financial capacity to take advantage of others' difficulty. In addition, the outlook for the price of natural gas is improving. Both insiders and the company have been buyers of shares.

- Knight Therapeutics – A Montreal based specialty pharmaceutical company. In mid-August, Knight completed its acquisition of Grupo Biotoscana, a pan-Latin American specialty pharmaceutical company. This was a transformative acquisition. Knight now has a leading presence in Latin and South America with a significant licensing, marketing and distribution platform. In addition, Knight has over $350mn in cash and a growing Canadian business. In the last 12 months, Knight repurchased over 10% of its outstanding shares and continues to buy.

I realize this is just a quick snapshot, but I hope it gives you a feel for what we own. As you can tell, I am pleased with the activities of our largest positions.

On another note, as I have discussed previously, the Trust is now available via prospectus. This means it is very easy to invest with us. If you would like to invest via your advisor, the easiest platforms are RBC-DS, Raymond James, Holliswealth or Credential Securities (which also includes a number of the credit unions). If you prefer direct investing, we are available via Qtrade, RBC Direct Investing, TD Direct Investing and Questrade. The Trust is also RRSP/RESP/RRIF/TFSA eligible. Finally, if you hold your units directly with us and would like to instead have your units with your advisor or with your direct account, please let us know.

I realize no-one is keen to attend a public event this year so I am in the process of setting up a virtual partners meeting. I will be in touch in the early fall with the particulars. I hope to “see” you there.

As always, thanks for your trust and support. More importantly, please stay safe. You are important to me.

Warm regards,

Tim McElvaine
August 31, 2020

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.

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.*

Further information is on our website: www.avaluefund.com. Of course, you are welcome to call or email us with any questions.

The McElvaine Investment Trust

Management Report of Fund Performance

June 30. 2020

The McElvaine Investment Trust

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June 30, 2020

This interim management report of fund performance contains financial highlights but does not contain either the interim financial report or annual financial statements of The McElvaine Investment Trust ("the Fund"). You can get a copy of the interim financial report or annual financial statements at your request, and at no cost by calling 250-708-8345, by writing us at PO Box 42010 Rpo Oak Bay Victoria BC V8R 6T4 or by visiting our website 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.

Risk

The risks of investing in the Fund are 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.

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 volatility caused in financial markets by the emergence of COVID19 in early 2020. While this volatility did impact the performance of the Trust, it also provided opportunities to invest at attractive prices.

Investment Performance:
For the 6 months to June 30, 2020, the Series B units declined 15.6%. During this period, the S&P/TSX Index declined 7.5%, while the S&P/TSX Smallcap Total Return Index fell by 14.3%.

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 at the time of initial purchase 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 roughly estimate the contribution of each segment to 2020 returns as follows:

Large unpopular companies	-8.9%
Bargain secondary companies	-5.3%
Special situations and workouts	-0.7%
Interest, foreign exchange and everything else (net)	0.3%
Return from investments	-14.6%

Fund operating expenses for the period	-0.5%
Estimated Pre-management Fee Return for period	-15.1%

Large unpopular companies:
PrairieSky Royalty and ViacomCBS were the largest contributors to our performance while Whitecap Resources and Sagicor Financial were the largest detractors. During the period, our significant investment activities included exiting our positions in VOYA Financial, General Electric, Whitecap Resources and Anglo American. We established new positions in PrairieSky Royalty, Howard Hughes Corp, Sagicor Financial and several Asian holding companies. We also added to our positions in Jefferies Financial, Tourmaline Oil and Knight Therapeutics. This category represented approximately 31% of the Fund's net assets at June 30, 2020.

Bargain Secondary companies:
Jaguar Mining and Dorel Industries were the largest contributors to our performance while Glacier Media and Seacor Marine were the largest detractors. During the period, significant investment activities included selling our positions in Seacor Marine and ORCA Exploration. We established new positions in TORC Oil and Indigo Books. We added to our holdings of Dorel Industries and trimmed our position in Jaguar Mining. This category represented approximately 35% of the Fund's net assets at June 30, 2020.

Special Situations and workouts:
Wintaai Holdings was the largest contributor to our performance while Exco Resources was the largest detractor. During the period, we established a position in Cambria TAIL ETF. This category represented approximately 14% of the Fund's net assets at June 30, 2020.

Interest, Foreign Exchange and everything else:
Interest income earned on cash held in our custody account and foreign exchange gains contributed an estimated 0.3% to returns. Cash and near cash items represented approximately 20% of the Fund's net assets at June 30, 2020.

Other items:
There were no distributions declared during the period.

The Fund's expenses excluding management and trustee fees consisted primarily of Recordkeeping, Fund valuation, Investment Review Committee, custodial, legal, audit and other operating expenses which amounted to about 0.50% of net assets. There was no performance fee paid on any Series of units during the period.

During 2020, the Fund did not borrow funds nor short any securities.

Recent Developments

Concerns regarding COVID-19 resulted 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 June 30, 2020, the Manager, its officers and directors hold 1.5% of the Series B units and 3.4% of the Series F units of 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

	30Jun20	2019	2018	2017 [4]	2016 [4]	2015 [4]
Net Assets, beginning of period	**$5.59**	**$5.17**	**$6.24**	**$19.98**	**$19.25**	**$21.36**
Increase (decrease) from operations:						
Total revenue	**$0.03**	**$0.11**	**$0.06**	**$0.13**	**$0.31**	**$0.72**
Total expenses (excluding distributions)	**$(0.05)**	**$(0.09)**	**$(0.08)**	**$(0.14)**	**$(0.26)**	**$(0.33)**
Realized gains (losses) for the period	**$0.07**	**$0.81**	**$(0.19)**	**$1.91**	**$(2.48)**	**$(0.44)**
Unrealized gains (losses) for the period	**$(0.86)**	**$(0.39)**	**$(0.85)**	**$0.97**	**$3.09**	**$(2.25)**
Total increase (decrease) from operations [2]	**$(0.81)**	**$0.44**	**$(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, end of period	**$4.34**	**$5.59**	**$5.17**	**$6.24**	**$19.98**	**$19.25**

Series D Units [5] [6]

	30Jun20	2019	2018	2017	2016	2015
Net Assets, beginning of period	**$10.00**	-	-	-	-	-
Increase (decrease) from operations:						
Total revenue	**$0.05**	-	-	-	-	-
Total expenses (excluding distributions)	**$(0.09)**	-	-	-	-	-
Realized gains (losses) for the period	**$0.03**	-	-	-	-	-
Unrealized gains (losses) for the period	**$(1.27)**	-	-	-	-	-
Total increase (decrease) from operations [2]	**$(1.28)**	-	-	-	-	-
Distributions:						
From net investment Income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total Annual Distributions [3]	-	-	-	-	-	-
Net assets, end of period	**$8.72**	-	-	-	-	-

Series F Units[5] [6]

	30Jun20	2019	2018	2017	2016	2015
Net Assets, beginning of period	**$10.00**	-	-	-	-	-
Increase (decrease) from operations:						
Total revenue	**$0.06**	-	-	-	-	-
Total expenses (excluding distributions)	**$(0.09)**	-	-	-	-	-
Realized gains (losses) for the period	**$0.11**	-	-	-	-	-
Unrealized gains (losses) for the period	**$(1.63)**	-	-	-	-	-
Total increase (decrease) from operations [2]	**$(1.55)**	-	-	-	-	-
Distributions:						
From net investment Income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total Annual Distributions [3]	-	-	-	-	-	-
Net assets, end of period	**$8.45**	-	-	-	-	-

[1] *This information is derived from the Fund's unaudited interim and 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.*

[5] *There were no Series D or Series F outstanding prior to December 31, 2019*

[6] *As Series D and Series F have several sub-series outstanding, these figures are based on the oldest subseries outstanding (Feb 20 for Series D and Jan 20 for Series F)*

Ratios and Supplemental Data -

Series B

	30Jun20	2019	2018	2017 [5]	2016 [5]	2015 [5]
Total net asset value (000's) [1]	**$22,265**	**$26,816**	**$26,415**	**$33,166**	**$29,007**	**$30,223**
Number of units outstanding [1]	5,127,227	4,794,775	5,112,401	5,312,412	1,452,044	1,569,924
Management expense ratio [2]	2.07%	1.45%	1.41%	1.51%	1.42%	1.36%
Management expense ratio before waivers or absorptions	2.07%	1.45%	1.41%	1.51%	1.42%	1.36%
Trading expense ratio [3]	0.21%	0.20%	0.16%	0.26%	0.18%	0.17%
Portfolio turnover rate [4]	44.70%	65.07%	25.99%	65.39%	51.17%	37.15%
Net asset value per unit	**$4.34**	**$5.59**	**$5.17**	**$6.24**	**$19.98**	**$19.25**

Series D [6]

	30Jun20	2019	2018	2017	2016	2015
Total net asset value (000's) [1]	**$8**	-	-	-	-	-
Number of units outstanding [7]	944	-	-	-	-	-
Management expense ratio [2]	1.99%	-	-	-	-	-
Management expense ratio before waivers or absorptions	1.99%	-	-	-	-	-
Trading expense ratio [3]	0.21%	-	-	-	-	-
Portfolio turnover rate [4]	44.70%	-	-	-	-	-
Net asset value per unit	**$8.72**	-	-	-	-	-

Series F [6]

	30Jun20	2019	2018	2017	2016	2015
Total net asset value (000's) [1]	**$1,086**	-	-	-	-	-
Number of units outstanding [7]	128,573	-	-	-	-	-
Management expense ratio [2]	1.78%	-	-	-	-	-
Management expense ratio before waivers or absorptions	1.78%	-	-	-	-	-
Trading expense ratio [3]	0.21%	-	-	-	-	-
Portfolio turnover rate [4]	44.70%	-	-	-	-	-
Net asset value per unit	**$8.45**	-	-	-	-	-

1 *This information is provided as at the end of the fiscal period 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. The ratio for the period to June 30th is an annualized figure and may not be representative of the ratio for a fiscal year.*

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.*

6 *There were no Series D or Series F outstanding prior to December 31, 2019*

7 *As Series D and Series F have several sub-series outstanding, these figures are based on the oldest subseries outstanding (Feb 20 for Series D and Jan 20 for Series F)*

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. The management fee for the various series is as follows: Series B - 1.0% per annum, Series D - 0.85% per annum and Series F - 0.60% per annum. The Manager pays a trailer fee to dealers related to the Series D units of 0.25% per annum but does not pay a trailer fee related to the Series B or the Series F units. In addition, the Manager is entitled to a performance fee based on the return of the units. During the interim period, no incentive fees were paid. McElvaine Investment Management Ltd. is also trustee of the Fund and was paid $1,800 for its services as trustee. Further information on the Fund's fee structure can be found in Simplified Prospectus.

Past Performance

General

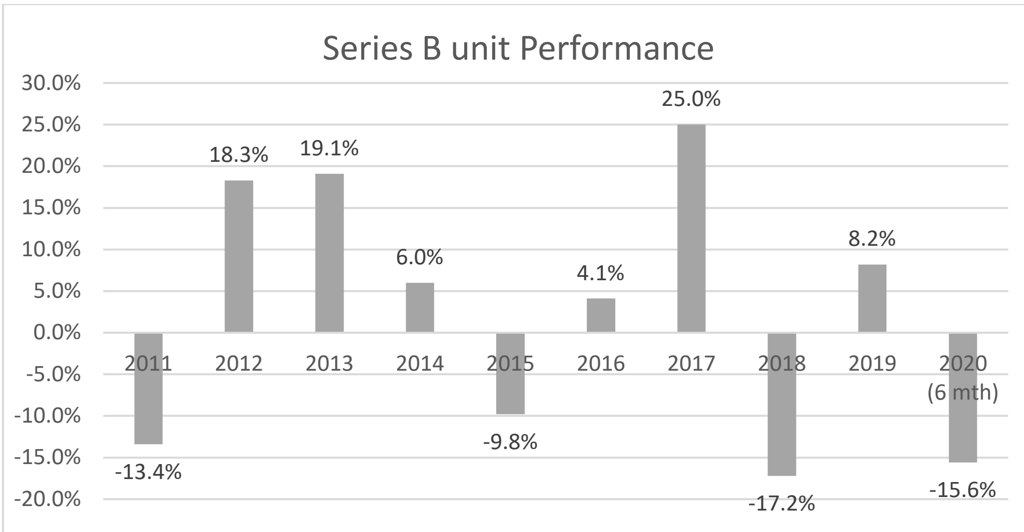
The Fund's past performance information is presented in the following chart and table. It assumes all distributions made by the Fund in the periods presented were reinvested in additional securities of the relevant series of the Fund. The chart and table do not take into account any sales, redemption, 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.

The McElvaine Investment Trust

Period-by-Period Returns

The following bar chart shows the performance for the Series B units of the Fund for each of the periods shown. The chart shows, in percentage terms, how an investment would have increased or decreased for each of the periods, and how the performance of the Fund varied from period to period.



No Series A were outstanding during the period. Past performance information is not provided in respect of Series D and Series F units because units of those series have been outstanding for less than one year.

Summary of Investment Portfolio

The following table provides a summary of the Fund's portfolio as at June 30 , 2020.

Sector Allocation	***% of Net Asset Value***
Financials	23.4%
Energy	15.8%
Utilities	11.8%
Consumer Discretionary	8.2%
Communications	5.8%
Healthcare	5.7%
ETFs	4.3%
Materials	4.1%
Consumer Staples	1.1%
Cash and near cash items	19.8%
Net Asset Value	***100.0%***

The McElvaine Investment Trust

Total Holdings	***% of Net Asset Value***
Maxim Power Corp.	11.8%
Jefferies Financial Group Inc	8.7%
Wintaai Holdings Ltd.	8.4%
Tourmaline Oil Corp	6.5%
Knight Therapeutics Inc	5.7%
Dorel Industries Inc, Class B	4.4%
Cambria Tail Risk ETF	4.3%
Jaguar Mining Inc	4.1%
Glacier Media Inc	3.8%
TORC Oil & Gas Ltd.	3.5%
Sagicor Financial Company Ltd	3.0%
The Howard Hughes Corp.	2.9%
PrairieSky Royalty Ltd	2.6%
Empire Industries Ltd	2.1%
Wow! Unlimited Media Inc	2.0%
Exco Resources, Inc	1.6%
Leucrotta Exploration Inc	1.5%
The Caldwell Partners International Inc	1.5%
Jardine Strategic Holdings Ltd.	0.6%
CK Hutchinson Holdings Ltd.	0.5%
Swire Pacific Ltd., Class B	0.5%
Indigo Books & Music Inc.	0.2%
Deans Knight Income Corp	0.0%
Total Portfolio	***80.2%***
Cash and near cash items	19.8%
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.

Financial Statements of

THE McELVAINE INVESTMENT TRUST

Six months ended June 30, 2020

Manager’s comments on unaudited interim financial statements

These interim financial statements of The McElvaine Investment Trust (the “Trust”) for the six months ended June 30, 2020 have been prepared by the Manager. These interim financial statements have not been reviewed or audited by KPMG LLP, the independent external auditors of the Trust.

THE MCELVAINE INVESTMENT TRUST

Statement of Financial Position

June 30, 2020 (unaudited) and December 31, 2019

	2020	2019
Assets		
Cash	$ 4,919,742	$ 4,362,139
Interest and dividends receivable	9,573	13,677
Prepaid expenses	-	5,244
Investments	19,683,515	23,970,304
	24,612,830	**28,351,364**
Liabilities		
Accrued liabilities	87,174	68,650
	87,174	**68,650**
Net assets attributable to holders of redeemable units	**$ 24,525,656**	**$ 28,282,714**
Represented by:		
Series B	$ 22,265,406	$ 26,815,790
Series C	-	18,588
Series D - February 2020	5,234	-
Series D - June 2020	3,000	-
Series F - January 2020	777,379	-
Series F - February 2020	308,413	-
Series F - April 2020	623	-
Series G	1,165,601	1,448,336
	$ 24,525,656	**$ 28,282,714**

THE MCELVAINE INVESTMENT TRUST

Statement of Financial Position

June 30, 2020 (unaudited) and December 31, 2019

	2020	2019
Net assets attributable to holders of redeemable units:		
Series B	$ 4.34	$ 5.59
Series C	-	5.74
Series D - February 2020	8.72	-
Series D - June 2020	10.00	-
Series F - January 2020	8.45	-
Series F - February 2020	8.72	-
Series F - April 2020	11.75	-
Series G	9.12	11.69

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

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

"Tim McElvaine"
______________________________ Director

Tim McElvaine, Director

THE MCELVAINE INVESTMENT TRUST

Statement of Comprehensive Income

Six months ended June 30, 2020 and June 30, 2019 (unaudited)

	Note	2020	2019
Revenue:			
Dividend income		$ 152,897	$ 218,569
Interest income for distribution purposes		8,793	24,319
Net foreign currency gains		71,115	74,441
Other income		-	88
Net changes in fair value of investments and derivatives:			
Net realized gains		412,199	4,538,510
Net change in unrealized depreciation		(4,922,565)	(722,666)
Total Revenue		**(4,277,561)**	**4,133,261**
Expenses:			
Management fees (including HST/GST)	4	123,797	155,614
Commissions and other portfolio transaction costs		52,695	37,298
Custodial, unitholder recordkeeping and valuations		45,009	29,433
Investment committee related fees		20,132	-
Securities Commissions Filing fees		19,211	-
Legal fees		15,219	6,127
Audit and tax fees		11,000	2,577
Withholding taxes	5	6,828	9,958
Other operating expenses		3,845	3,250
Trustee fees		1,800	1,800
Total operating expenses		**299,536**	**246,057**
(Decrease) Increase in net assets attributable to holders of redeemable units from operations excluding distributions		**$ (4,577,097)**	**$ 3,887,204**
(Decrease) Increase in net assets attributable to holders of redeemable units		**(4,577,097)**	**3,887,204**

THE MCELVAINE INVESTMENT TRUST

Statement of Comprehensive Income

Six months ended June 30, 2020 and June 30, 2019 (unaudited)

	Note	2020	2019
(Decrease) Increase in net assets attributable to holders of redeemable units			
Series B		$ (4,171,934)	$ 3,699,646
Series C		(1,842)	2,541
Series D - February 2020		(766)	-
Series D - March 2020		(45)	-
Series F - January 2020		(146,058)	-
Series F - February 2020		(45,252)	-
Series F - April 2020		93	-
Series G		(211,293)	185,017
		$ (4,577,097)	**$ 3,887,204**
(Decrease) Increase in net assets attributable to holders of redeemable units per unit			
Series B		$ (0.81)	$ 0.74
Series C		(0.58)	0.78
Series D - February 2020		(1.28)	-
Series D - March 2020		(0.45)	-
Series F - January 2020		(1.57)	-
Series F - February 2020		(1.28)	-
Series F - April 2020		1.75	-
Series G		(1.64)	1.56

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

THE MCELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

Six months ended June 30, 2020 and June 30, 2019 (unaudited)

	Series B	Series C	Series D - February 2020	Series D - March 2020	Series D - June 2020	Series F - January 2020	Series F - February 2020	Series F - April 2020	Series G	Total
Balance, December 31, 2019	$26,815,790	$ 18,588	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,448,336	$28,282,714
										-
Decrease in net assets attributable to										-
holders of redeemable units	(4,171,934)	(1,842)	(766)	(45)	-	(146,058)	(45,252)	93	(211,293)	(4,577,097)
Redeemable unit transactions:										
Issue of redeemable units	8,550	-	6,000	1,000	3,000	935,000	306,400	530	-	1,260,480
Transfer in/out of units	2,149	(2,149)	-	-	-	-	47,265	-	(47,265)	-
Reinvestment of distributions to holders of redeemable units	-	-	-	-	-	-	-	-	-	-
Redemption of redeemable units	(389,149)	(14,597)	-	(955)	-	(11,563)	-	-	(24,177)	(440,441)
Net increase (decrease) from redeemable unit transactions	**(378,450)**	**(16,746)**	**6,000**	**45**	**3,000**	**923,437**	**353,665**	**530**	**(71,442)**	**820,039**
Balance, June 30, 2020	**$22,265,406**	**$ -**	**$ 5,234**	**$ -**	**$ 3,000**	**$ 777,379**	**$ 308,413**	**$ 623**	**$ 1,165,601**	**$24,525,656**

	Series B	Series C	Series D - February 2020	Series D - March 2020	Series D - June 2020	Series F - January 2020	Series F - February 2020	Series F - April 2020	Series G	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	3,699,646	2,541	-	-	-	-	-	-	185,017	3,887,204
Redeemable unit transactions:										
Issue of redeemable units	333,657	-	-	-	-	-	-	-	53,000	386,657
Redemption of redeemable units	(1,150,746)	-	-	-	-	-	-	-	-	(1,150,746)
Net (decrease) increase from redeemable unit transactions	**(817,089)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**53,000**	**(764,089)**
Balance, June 30, 2019	**$29,297,567**	**$ 19,555**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,468,420**	**$30,785,542**

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

THE MCELVAINE INVESTMENT TRUST

Statement of Cash Flows

Six months ended June 30, 2020 and June 30, 2019 (unaudited)

	2020	2019
Cash provided by (used in):		
Operating activities:		
(Decrease) Increase in net assets attributable to holders of redeemable units	$ (4,577,097)	$ 3,887,204
Adjustments for:		
Dividend income	(152,897)	(218,569)
Interest income for distribution purposes	(8,793)	(24,319)
Withholding taxes	6,828	9,958
Net foreign currency gains	(71,115)	(74,441)
Net realized gain from investments and derivatives	(412,199)	(4,538,510)
Net change in unrealized depreciation	4,922,565	722,666
Proceeds from sale of investments	9,141,595	11,723,004
Purchases of investments	(9,365,172)	(9,844,603)
Net decrease in prepaid expenses	5,244	-
Net increase in due to broker	-	2,625,638
Net increase (decrease) in accrued liabilities	18,524	(24,982)
	(492,517)	**4,243,046**
Interest received	8,793	24,319
Dividends received	150,173	187,489
	(333,551)	**4,454,854**
Financing activities:		
Proceeds from issuance of redeemable units	1,260,480	386,657
Payment on redemption of redeemable units	(440,441)	(1,150,746)
	820,039	**(764,089)**
Net increase in cash	486,488	3,690,765
Cash, beginning of the period	4,362,139	3,581,884
Effect of exchange rate fluctuations on cash	71,115	74,441
Cash, end of the period	**$ 4,919,742**	**$ 7,347,090**

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

THE MCELVAINE INVESTMENT TRUST

Schedule of Investments

June 30, 2020 (unaudited)

	Number of shares / par value	Cost	Fair Value
Canadian - Equities:			
Deans Knight Income Corp.	44,800	$ 4,928	$ -
Dorel Industrials Inc., class B	200,000	588,892	1,086,000
Empire Industries Ltd.	2,000,000	810,309	520,000
Glacier Media Inc.	4,000,000	5,857,850	920,000
Indigo Books & Music Inc.	55,500	47,453	49,950
Jaguar Mining Inc.	2,000,000	278,807	1,000,000
Knight Therapeutics Inc.	200,000	1,514,359	1,404,000
Leucrotta Exploration Inc.	1,000,000	609,308	370,000
Maxim Power Corp.	1,300,000	3,399,147	2,899,000
PrairieSky Royalty Ltd.	75,000	598,989	643,500
Sagicor Financial Company Ltd.	125,000	1,052,463	675,000
The Caldwell Partners International Inc.	600,000	502,118	362,999
TORC Oil & Gas Ltd.	500,000	603,970	850,000
Tourmaline Oil Corp.	135,000	1,790,769	1,602,450
Wintaai Holdings Ltd.	100,000	1,845,000	2,059,000
Wow Unlimited Media Inc.	1,700,000	2,831,015	501,500
Total Canadian equities		**22,335,377**	**14,943,399**
United States - Equities			
Cambria Tail Risk ETF	35,000	1,085,178	1,061,256
EXCO Resources Inc.	212,835	2,625,391	391,561
Jardine Strategic Holdings Ltd.	5,000	138,136	145,953
Jefferies Financial Group	100,000	2,204,707	2,119,106
The Howard Hughes Corp.	10,000	675,624	707,959
Total United States equities		**6,729,036**	**4,425,835**
Foreign - Equities			
CK Hutchinson Holdings Ltd.	15,000	127,978	130,841
Swire Pacific Ltd., Class B	100,000	129,136	129,440
Total Foreign equities		**257,114**	**260,281**
Total Investment Portfolio		**$ 29,321,527**	**$ 19,629,515**
Canadian - Warrants			
Sagicor Financial Company Ltd., Warrants	200,000	95,251	54,000
Total Canadian warrants	200,000	95,251	54,000
Total Investments and Derivatives		**$ 29,416,778**	**$ 19,683,515**
Other Net Assets			4,842,141
Total Net Assets			**$ 24,525,656**

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 August 20, 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:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Trust's derivative financial assets and derivative financial liabilities and investments in securities are classified as FVTPL.

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 A	1/12 of 1.60% per annum
Series B	1/12 of 1.00% per annum
Series D	1/12 of 0.85% per annum
Series F	1/12 of 0.60% 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 A, Series D and Series F - 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 A, Series D and Series F, 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 June 30, 2020 and December 31, 2019, as applicable, was as follows:

	2020	2019
Series B	$ 20,632,702	$ 15,905,924

As at June 30, 2020 there is a high water mark Series G of $12.50 (December 31, 2019 - $12.50), Series D of $10 and Series F of $10.

Related party shareholdings:

As at June 30, 2020 and December 31, 2019, 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.

	2020	2019
Series B	1.5%	1%
Series C	-	34%
Series F	3.4%	-
Series G	-	3%

As at June 30, 2020 and December 31, 2019, 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 period, the average effective withholding tax rate was 7% (2019 - 15%).

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 D units are available to investors who have an account with a discount broker or dealer.
- 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 2020 and 2019.
- 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 period ended June 30 are as follows:

June 30, 2020	Outstanding redeemable units, beginning of period	Redeemable units issued	Redemption of units	Transfer in/ out of units	Reinvestment of distributions to holders of redeemable units	Outstanding redeemable units, end of period
Series B	4,794,775	1,802	(83,809)	473	413,986	5,127,227
Series C	3,241	-	(3,060)	(460)	279	-
Series D - February 2020	-	600	-	-	-	600
Series D - March 2020	-	100	(100)	-	-	-
Series D - June 2020	-	300	-	-	-	300
Series F - January 2020	-	93,500	(1,500)	-	-	92,000
Series F - February 2020	-	30,640	-	4,727	-	35,367
Series F - April 2020	-	53	-	-	-	53
Series G	123,893	-	(2,247)	(4,534)	10,699	127,811
	4,921,909	**126,995**	**(90,716)**	**206**	**424,964**	**5,383,358**

6. Redeemable units (continued):

June 30, 2019	Outstanding redeemable units, beginning of period	Redeemable units issued	Redemption of units	Transfer in/ out of units	Reinvestment of distributions to holders of redeemable units	Outstanding redeemable units, end of period
Series B	5,112,401	63,262	(209,142)	-	-	4,966,521
Series C	3,241	-	-	-	-	3,241
Series G	115,024	4,696	-	-	-	119,720
	5,230,666	**67,958**	**(209,142)**	**-**	**-**	**5,089,482**

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.

8. Financial risk management (continued):

(c) Liquidity risk:

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

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

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

The 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 June 30, 2020 and December 31, 2019, 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.

8. Financial risk management (continued):

(d) Market risk (continued):

(*ii*) Currency risk (continued):

June 30, 2020	Investments	Cash	Net other assets	Total
Canadian dollar	$ 14,997,399	$ 4,222,612	$ (78,174)	$ 19,141,837
US dollar	4,425,835	697,130	573	5,123,538
Hong Kong Dollar	260,281	-	-	260,281
	$ 19,683,515	$ 4,919,742	$ (77,601)	$ 24,525,656

December 31, 2019	Investments	Cash	Net other assets	Total
Canadian dollar	$16,052,500	$4,361,982	$ (49,730)	$ 20,364,752
US dollar	6,425,103	158	-	6,425,261
British pound	1,492,701	-	-	1,492,701
	$ 23,970,304	$ 4,362,140	$ (49,730)	$ 28,282,714

As at June 30, 2020 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 $269,162 (December 31, 2019 - increased or decreased by approximately $395,953). 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 June 30, 2020, 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 $1.9 million (December 31, 2019 - $2.3 million) or 8% (December 31, 2019 - 8.5%) 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.

June 30, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 17,570,515	$ -	$ 2,059,000	$ 19,629,515
Warrants	54,000	-	-	54,000
Total	$ 17,624,515	$ -	$ 2,059,000	$ 19,683,515

December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 21,986,304	$ -	$ 1,984,000	$ 23,970,304
Total	$ 21,986,304	$ -	$ 1,984,000	$ 23,970,304

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 period ended June 30, 2020.

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 for the period ended June 30, 2020 and year ended December 31, 2019:

June 30, 2020

		Level 3
Balance, beginning of period		1,984,000
Change in unrealized appreciation		75,000
Total investments	**$**	**2,059,000**

December 31, 2019

		Level 3
Balance, beginning of year		
Purchases		2,998,125
Sales		(1,738,625)
Realized gains		585,522
Change in unrealized appreciation		138,978
Total investments	**$**	**1,984,000**

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

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

June 30, 2020

Description	Fair value	Valuation technique	Unobservable input	Amount	Sensitivity to change in significant unobservable input
Equities	$ 2,059,000	Multiple approach	Estimated tangible multiple book value	1.12x	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.

9. Fair value of financial instruments (continued):

(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 $112,000 (December 31, 2019 - $99,620) and decreasing the book value multiple by 5% would decrease the fair value of the investment by $84,000 (December 31, 2019 - $94,065).

(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 June 30, 2020, the Trust had net capital loss carry forwards of approximately $nil (December 31, 2019 - $nil) 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 (December 31, 2019 - $nil).

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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