The McElvaine Investment Trust
2020 Annual Report

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

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The McElvaine Investment Trust
Annual Performance Summary as of 31Dec20 (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%
2020	**6.3%**	5.6%	12.9%	17%

Notes:

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

(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:

For a change of pace this year, I thought I would break my comments into 3 sections:

1. A “letter” I received from myself dated 2030. Of course, this is just a fictional view of how things may unfold but does reflect both my views and perhaps “hopes”.
2. A discussion of some of our larger holdings; and
3. Other items.

Regarding our performance, the Series B units rose by 6.3% in 2020. Things are progressing well so far in 2021 with the Trust rising some 11% to the end of February. Following this letter, you will find our Management Report on Fund Performance which discusses our 2020 performance in more detail.

Now onto my “letter from the future”:

February 2030

Dear Tim:

I thought I would reach out to let you know how things unfolded in 2021 and beyond. By the way, I am still working on losing those 20 lbs you put on during the lockdown. I don’t think apple fritters are a fruit substitute.

Covid is still around although we get an annual covid/influenza booster shot. You will be happy to hear we have not had any further significant pandemics since 2020. On the other hand, we have had a lot of issues with cyberattacks on our grid and financial system. This has caused problems but I digress.

Post covid, travel and the economy did come back but not as much as people expected. I guess people continued to be a bit cautious during 2021 and 2022. FYI, I am still waiting for our refund for that flight I booked in 2020. I understand the airline will issue this shortly.

I know you are more interested in what happened with the stock market. Well, the amount of government spending and debt did eventually cause us some difficulty.

Looking back at 2021, I am reminded of a scene in the movie “The Pink Panther Strikes Again”. You may recall Peter Sellers enters a hotel and sees a dog. He then asks the clerk if his dog bites. The clerk says no. Peter

Sellers goes to pet the dog and gets bitten. When Sellers complains, the clerk's response is very simple: "that is not my dog".

The dog or "false premise" in the 2021-2023 timeframe was interest rates. Investors saw rates were low and then assumed rates would remain low indefinitely.

Well, "indefinitely" is a very long time. It did not require a lot to change interest rate expectations. Was it inflation? A reappraisal of the risk premium? Or simply demand & supply in the bond market? I will let you find out the answer yourself but the impact on some portfolios was significant.

The hedging you were putting in place in early 2021 did help the Trust's performance but you were a bit early. I know it was hard being a wallflower when other investors were doing the "Tesla Tango", "Facebook Floss" and "Bitcoin Boogie". You will be happy to note the "McElvaine Macarena" did come back in style.

As you entered 2021, you were entering your 25th year of managing the Trust. I think you may find the years which followed 2020 similar in some ways to the period after the dotcom bust. You will recall this was a good period for the Trust.

In closing if I could give you one piece of advice it would be to spend more time communicating with your investors. They are a great group and I know you appreciate them.

Take care of yourself and please lay off those baked goods.

From: Tim in 2030

Portfolio Update:

I hope you enjoyed my "fictional" letter. 2020 certainly was an unusual year. Below I discuss our largest holdings and have updated the portfolio information to the end of February 2021.

- Jefferies Financial – 11% of net assets (cost – US$16.18, market – US$29.04)

  I view JEF as having 4 parts: a broker/dealer in bonds and equities, an investment bank, an asset manager and a collection of "extra assets". The tangible book value of the first 3 parts ("core") is approx. $21 per share and the value of the "extra assets" I believe exceeds $10 per share.

About 3 years ago, JEF embarked on a process to dispose of its extra assets and refocus on its core business. Since then JEF has returned over $3.4Bn to shareholders through dividends and accreditive share repurchases. I expect this process to continue with a conclusion sometime in the next 24 months.

As you can imagine, the core business has had record earnings recently. There is no shortage of securities to be issued and companies to be restructured. If JEF can show it is able to consistently earn a double digit return on this core business, JEF is worth a significant premium to its tangible book value. This is not lost on the insiders. The Board effectively owns some 46 million shares currently worth about C$1.9Bn.

- Tourmaline Oil – 9.4% of net assets (cost - $13.26, market - $23.16)

  TOU is Canada's largest natural gas producer. I realize TOU operates in a commodity business. We have two things in our favour. One, our purchase price was attractive as we paid less than a reasonable estimate of the liquidation value. Secondly, TOU benefits from a virtuous circle. Its low operating and drilling costs produce significant free cashflow. This cashflow combined with a significant infrastructure base and a large undeveloped land bank allows TOU to be selective with its drilling which reinforces its low cost structure. An additional advantage as Mike Rose (Chairman and CEO of TOU) reminded me the other day is the distribution and sales business of TOU. This is a hidden asset which allows TOU to achieve selling prices above its peers.

  It pays to invest with good people. TOU was able to take advantage of the crisis and has exited 2020 as a much stronger company both strategically and financially. For example, with a resource company it is easy to confuse return <u>on</u> capital with return <u>of</u> capital. If we look at TOU on a <u>per share</u> basis, I estimate the following has taken place over the last 5 years:

  - Forecast Production per share has increased by almost 50%;
  - Reserves per share have more than doubled (2P Mboe);

- Operating expenses per boe have fallen by 28%; and
- Debt per share (net of value of Topaz) has fallen by about 1/3.

I realize there are ESG issues with owning a fossil fuel company. Among Canada's senior producers, TOU has the lowest CO2 emissions and emission intensity. Further TOU recently received a MSCI Global ESG Performance Ranking of "A" for sustainability and environmental initiatives. While I appreciate this is a work in process, I believe if we are going to use natural gas, we ought to source it from the best-in-class operators. TOU is firmly in this arena.

Investors are uncertain about the long-term demand for oil. In contrast, demand for natural gas continues to increase primarily due to power plant conversions and LNG export demand. There could also be a significant opportunity with hydrogen which I will discuss below. Finally, TOU insiders own shares worth over C$400mn and were buyers during 2020 and into 2021.

- Maxim Power – 9% of net assets (cost - $2.57, market - $2.18)

  Maxim Power operates a 204 MW simple cycle power plant located in Alberta. (A simple cycle plant operates on a standby basis and produces power only when rates are attractive). 2020 was significant for Maxim as prior to June, Maxim's facility had been coal powered. It is now natural gas powered. This significantly reduced both their cost structure and of course their CO2 emissions.

  Through a combination of free cashflow and the receipt of long outstanding reimbursements, I expect Maxim Power may be close to debt free by mid-year. This flexibility will allow Maxim to consider a number of alternatives. Outside of continuing its share repurchases, I expect Maxim to add a heat recovery unit which will allow them to convert their facility to combined cycle. (combined cycle produces a constant amount of power). In addition, Maxim has a number of other potential projects including a wind farm.

I believe the sum of the parts of Maxim Power is higher than its current price. It appears insiders agree with me; in 2020 insiders purchased over 4mn shares. I am quite comfortable being a junior partner to Bruce Chernoff, Brett Wilson and other insiders who own some 67% of Maxim's shares.

- Wintaai Holdings – 6.9% of net assets (cost- $18.45, market - $23)

  Wintaai owns a workers compensation insurer based in Louisiana. Francis Chou controls over 90% of Wintaai. Francis knocked the ball out of the park in 2020. An insurance company has two legs: the insurance operation with profitability measured by the combined ratio and the investment portfolio. Both performed strongly. This was achieved even though Wintaai is writing well below capacity.

  Wintaai is not listed on any stock exchange. A benefit of investing in the Trust is not only do we own listed value stocks but we also have a slice of our money in Francis' insurance company. Our listed portfolio is valued based on market prices. The valuation of Wintaai is a bit tricker. I believe the fairest approach is to value Wintaai at 1.1x its latest reported book value. I continue to believe Wintaai is a gem in our portfolio.

- Whitecap Resources 4.8% of net assets (cost - $2.12, market - $5.63)

  We invested in TORC Oil in early 2020. In February of 2021, Whitecap acquired TORC by issuing 0.57 shares of WCP for each share of TORC. For the purposes of today's discussion, I will focus on Whitecap.

  WCP is unique among O&G producers as it actually sequesters more carbon than it produces, a negative emitter so to speak. While the market does not really focus nor value this aspect of WCP, I think it is a hidden asset. I recently spoke with Grant Fagerheim, CEO of WCP. We spent time discussing WCP's sequestering operation. I believe there is a lot of opportunity in this business.

Perhaps it is fitting I discuss hydrogen at this point. I do not know if hydrogen may eventually displace some usage of fossil fuels. A significant amount of capital will need to be invested for this to occur. If the amount of hydrogen used does increase, we may benefit.

While hydrogen may be an attractive way to meet global emission targets, producing hydrogen can be messy. The two environmentally favoured approaches are green hydrogen and blue hydrogen. Green hydrogen uses energy to split water via electrolysis into hydrogen and oxygen. This requires a significant amount of water and power. Ideally to be “green” power would likely be sourced from hydro-electric dams. Blue hydrogen is produced from natural gas with carbon emissions being sequestered thus minimizing the environmental impact.

I do not think this is a winner take all scenario. I expect there to be both green and blue hydrogen used. Given the cost, water and energy requirements of green hydrogen, I suspect it will end up meeting say 1/3 of potential hydrogen demand. This leaves primarily blue hydrogen to make up the difference.

By the way, I do not expect hydrogen cars. In Canada, I envision hydrogen being used in industry (such as the oil sands, chemicals, cement, and fertilizer), in replacing diesel in some commercial transportation and perhaps being blended (at 10% or 15%) with natural gas for heating. The biggest opportunity for Canadian hydrogen will be the export market.

In the Trust, we own two key “bookends” to the production of blue hydrogen. Tourmaline’s low-cost natural gas will be an important input. Whitecap with its experience in the sequestering of carbon and the use of enhanced oil recovery may play a role in dealing with the “carbon waste” from hydrogen production. As mentioned, I do not know if hydrogen will be an important fuel in the future. If it is, we are paying nothing for this option in our holdings of Tourmaline and Whitecap.

- CK Hutchinson – 4.3% of net assets (cost - $46.87, market - $58.60)

  CK Hutchinson is a holding company controlled by Li Ka-shing. It is now run by his son, Victor Li. CKH owns several businesses:

  1. Telecom – A global telecom group serving roughly 100mn customers via operations in 6 European countries, Hong Kong, Macau, Indonesia, Vietnam, and Sri Lanka. I estimate the Telecom operations in aggregate represent over 40% of the value of CKH;
  2. Retail – Their retail operations sell health, beauty and personal care products in 23 countries via some 16,000 stores. I estimate retail represents about 20% of CKH's value;
  3. Ports - CKH is one of the two leading port operators in the world handling some 7% of global container shipments. I estimate the port operations represent about 20% of CKH's value;
  4. Other businesses – Included in this segment are their holdings in a number of other businesses including a listed infrastructure company and Cenovus Energy. You may recall CKH was a large owner of Husky Energy. In 2020 Husky was merged with Cenovus. Cenovus represents less than 3% of my estimated CKH value.

  Clearly the retail and port operations were hurt by the pandemic. Outside of this, CKH did not stand still and cleverly disposed of their European cellular towers for about EUR10Bn. At the time of its sale, this represented about ¼ of the enterprise value of CKH. A hidden asset indeed.

  CKH exited 2020 with its balance sheet in good shape and an improved earnings outlook. In sum, CKH is thoughtfully run, owns unique assets, pays a good dividend, and sells at a single digit PE. It is cheap.

Wrapping up this note:

The best way to keep in the loop with us is via email. If you do not receive emails from us, please let us know and we will add you to our list.

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 where we invest and call us “a value fund with values”. Finally, our interests are aligned as our fee structure rewards performance and not simply asset growth.

We are now issued via prospectus. A key reason 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 to an account where you have other investments, please let us know. If you are interested in making or adding to an investment, you are now able to do it directly via your financial advisor or with DIY brokers such as Qtrade, Questrade, Scotia iTrade, National Bank Direct, RBC Direct and TD Direct. The Trust is RRSP, RRIF, RESP and TFSA eligible. 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 12, 2021

How we Invest

Our investment approach is centered on four items (affectionally called "ABBA"). 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). We call this the accident or "A";

(b) observable investment value which exceeds the share price at the time of purchase (no financial spreadsheet gymnastics involved). We call this a bird in hand or "B";

(c) a financial position ideally combined with strategic position which provides staying power. We call this the brick house or "B"; and

(d) a board of directors and management team which is owner-focused with "skin in the game". We call this alignment of interests or "A".

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

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

The McElvaine Investment Trust

Management Report of Fund Performance

December 31, 2020

The McElvaine Investment Trust

Management Report of Fund Performance

December 31, 2020

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 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.

The McElvaine Investment Trust

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:
The performance of the Fund's Series B units is discussed below. The return of each series is shown in the *Past Performance* section of this report.

For the year ended December 31, 2020, the Series B units returned 6.3%. During this same period, the S&P/TSX Total Return Index returned 5.6% while the S&P/TSX Smallcap TR Index returned 12.9%.

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 roughly estimate the contribution of each segment to 2020 returns as follows:

Large unpopular companies	1.6%
Bargain secondary companies	7.5%
Special situations and workouts	-0.8%
Interest, foreign exchange and everything else (net)	0.1%
Return from investments	8.4%

Fund operating expenses	-1.0%
Estimated Pre-management fee return for period	7.4%

Large unpopular companies:
Jefferies Financial and Tourmaline Oil were the largest contributors to our performance while Whitecap Resources and VOYA Financial were the primary detractors. During the year, our significant investment activities included selling our positions in General Electric, VOYA Financial, Anglo American and Whitecap Resources. We established new positions in Howard Hughes Corp, PrairieSky Royalties and CK Hutchinson. In addition, we added to our positions in Jefferies Financial and Tourmaline Oil. This category averaged approximately 27% of the Fund's net assets during the period and represented 29% of the Fund's net assets at December 31, 2020.

Bargain Secondary companies:
Dorel Industries and Jaguar Mining were the largest contributors to our performance while Glacier Media and Seacor Marine were the largest detractors. During the year, significant investment activities included selling our positions in Seacor Marine and Orca Exploration. We established new positions in TORC Oil & Gas and Noranda Income Fund. We added to our holdings of Empire Industries, Knight Therapeutics and Maxim Power while trimming our positions in Glacier Media, Jaguar Mining and Wow! Unlimited Media. This category averaged approximately 43% of the Fund's net assets during the period and represented 46% of the Fund's net assets at December 31, 2020.

Special Situations and workouts:
Wintaai Holdings was the largest contributor to our performance while Exco Resources and Cambria TAIL ETF were the largest detractors. During the year, we established positions in Cambrai TAIL ETF and Sagicor Warrants. This category averaged approximately 13% of the Fund's net assets during the period and represented 14% of the Fund's net assets at December 31, 2020.

Interest, Foreign Exchange and everything else:
Interest income earned on cash held in our custody account and foreign exchange gains were contributors to returns. Cash and near cash items averaged approximately 17% of the Fund's net assets during the period and represented 11% of the Fund's net assets at December 31, 2020.

Other items:
As the Trust did not have taxable income for the period, no taxable distribution was declared.

The Fund's expenses consisted primarily of custodial, legal, audit and other operating expenses which amounted to about 1% of net assets. Legal and audit fees increased due to additional requirements as a prospectus fund. In addition, the establishment of an Investment Review Committee also lead to an

increase in expenses. Lower average net assets during the period further increased operating expenses as a percentage of net asset value during the period.

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. For Series D and F, the manager waived accrued performance fees for the 6 months to December 31, 2020. Any performance fee, if earned, for Series D and Series F is based on the performance of the applicable Series for 12 months to June 30th of each year. If any performance fees are due at June 30th, 2021, they will be reduced by the amounts waived.

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

Recent Developments

Generally speaking, there are few bargains at this time. Since 31Dec20, four smaller positions have been added to the portfolio, 1 position topped up slightly, 5 positions trimmed, and two positions exited. Net of unitholder activity, cash has risen to approximately 12.5% of net assets at the time of writing.

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, 2020, the Manager, its officers and directors hold 2% of the Series B units, 5% of the Series D units and 4% of the Series F units of the Fund.

The McElvaine Investment Trust

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

	2020	2019	2018	2017 [4]	2016 [4]
Net Assets, beginning of year	$5.15	$5.17	$6.24	$19.98	$19.25
Increase (decrease) from operations:					
Total revenue	$0.05	$0.11	$0.06	$0.13	$0.31
Total expenses (excluding distributions)	$(0.10)	$(0.09)	$(0.08)	$(0.14)	$(0.26)
Realized gains (losses) for the period	-	$0.81	$(0.19)	$1.91	$(2.48)
Unrealized gains (losses) for the period	$0.34	$(0.39)	$(0.85)	$0.97	$3.09
Total increase (decrease) from operations [2]	$0.30	$0.44	$(1.06)	$2.87	$0.66
Distributions:					
From net investment Income (excluding dividends)	-	-	-	-	-
From dividends	-	$0.01	-	-	$0.08
From capital gains	-	$0.43	-	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions [3]	-	$0.44	-	-	$0.08
Net assets at end of Period	$5.47	$5.15	$5.17	$6.24	$19.98

The Fund's Net Assets per Unit [1] - Series D Units [5]

	2020 [6]	2019	2018	2017	2016
Net Assets, beginning of year	$10.00	-	-	-	-
Increase (decrease) from operations:					
Total revenue	$0.07	-	-	-	-
Total expenses (excluding distributions)	$(0.12)	-	-	-	-
Realized gains (losses) for the period	$(0.43)	-	-	-	-
Unrealized gains (losses) for the period	$4.29	-	-	-	-
Total increase (decrease) from operations [2]	$3.80	-	-	-	-
Distributions:					
From net investment Income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions [3]	-	-	-	-	-
Net assets at end of Period	$11.00	-	-	-	-

The McElvaine Investment Trust

The Fund's Net Assets per Unit [1] - Series F Units [5]

	2020 [7]	2019	2018	2017	2016
Net Assets, beginning of year	**$10.00**	-	-	-	-
Increase (decrease) from operations:					
Total revenue	**$0.03**	-	-	-	-
Total expenses (excluding distributions)	**$(0.07)**	-	-	-	-
Realized gains (losses) for the period	**$(0.12)**	-	-	-	-
Unrealized gains (losses) for the period	**$1.90**	-	-	-	-
Total increase (decrease) from operations [2]	**$1.75**	-	-	-	-
Distributions:					
From net investment Income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions [3]	-	-	-	-	-
Net assets at end of Period	**$10.67**	-	-	-	-

[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.*

[5] *Effective August 3, 2020, all Sub-series D units were consolidated into Series D and all sub-series F units were consolidated into Series F.*

[6] *No Series D sub-series units were outstanding prior to February 3, 2020.*

[7] *No Series F sub-series units were outstanding prior to January 1, 2020.*

The McElvaine Investment Trust

Ratios and Supplemental Data - Series B

	2020	2019	2018	2017 [5]	2016 [5]
Total net asset value (000's) [1]	**$27,374**	**$26,816**	**$26,415**	**$33,166**	**$29,007**
Number of units outstanding [1]	5,002,885	5,208,760	5,112,401	5,312,412	1,452,044
Management expense ratio [2]	2.08%	1.45%	1.41%	1.51%	1.42%
Management expense ratio before waivers or absorptions	2.08%	1.45%	1.41%	1.51%	1.42%
Trading expense ratio [3]	0.35%	0.20%	0.16%	0.26%	0.18%
Portfolio turnover rate [4]	59.30%	65.07%	25.99%	65.39%	51.17%
Net asset value per unit	**$5.47**	**$5.15**	**$5.17**	**$6.24**	**$19.98**

Ratios and Supplemental Data - Series D

	2020	2019 [6]	2018 [6]	2017 [6]	2016 [6]
Total net asset value (000's) [1]	**$51**	-	-	-	-
Number of units outstanding [1]	4,661	-	-	-	-
Management expense ratio [2]	1.87%	-	-	-	-
Management expense ratio before waivers or absorptions	1.87%	-	-	-	-
Trading expense ratio [3]	0.35%	-	-	-	-
Portfolio turnover rate [4]	59.30%	-	-	-	-
Net asset value per unit	**$11.00**	-	-	-	-

Ratios and Supplemental Data - Series F

	2020	2019 [6]	2018 [6]	2017 [6]	2016 [6]
Total net asset value (000's) [1]	**$1,341**	-	-	-	-
Number of units outstanding [1]	125,676	-	-	-	-
Management expense ratio [2]	1.71%	-	-	-	-
Management expense ratio before waivers or absorptions	1.71%	-	-	-	-
Trading expense ratio [3]	0.35%	-	-	-	-
Portfolio turnover rate [4]	59.30%	-	-	-	-
Net asset value per unit	**$10.67**	-	-	-	-

[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.*

[6] *No units in this Series were outstanding in this period.*

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, 2020, no incentive fee was paid.
- For Series D unitholders, the management fee is 0.85% of net assets per annum. From the Series D management fees, we pay a trailer to dealers of 0.25% of net assets. In addition, the Manager is entitled to a performance fee based on the return of the Series D units. The manager has waived the accrued performance fee as at December 31, 2020.
- For Series F unitholders, the management fee is 0.60% of net assets per annum. The Manager does not pay a trailer fee to dealers related to the Series F units. In addition, the Manager is entitled to a performance fee based on the return of the Series F units. The manager has waived the accrued performance fee as at December 31, 2020

McElvaine Investment Management Ltd. is also trustee of the Fund and is paid $3,600 for its services as trustee. Further information on the Fund's fee structure can be found in the Simplified Prospectus.

Past Performance

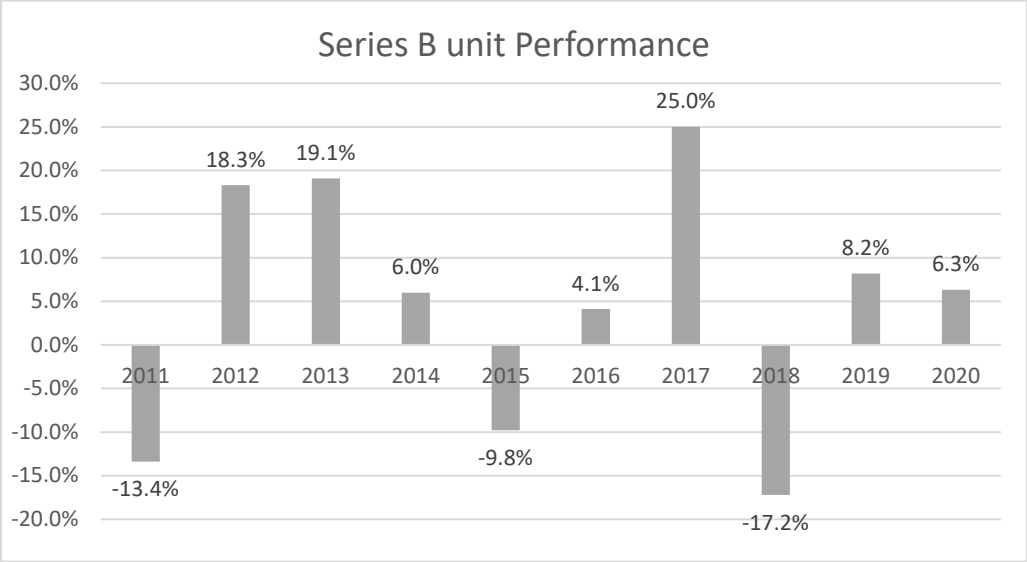
General

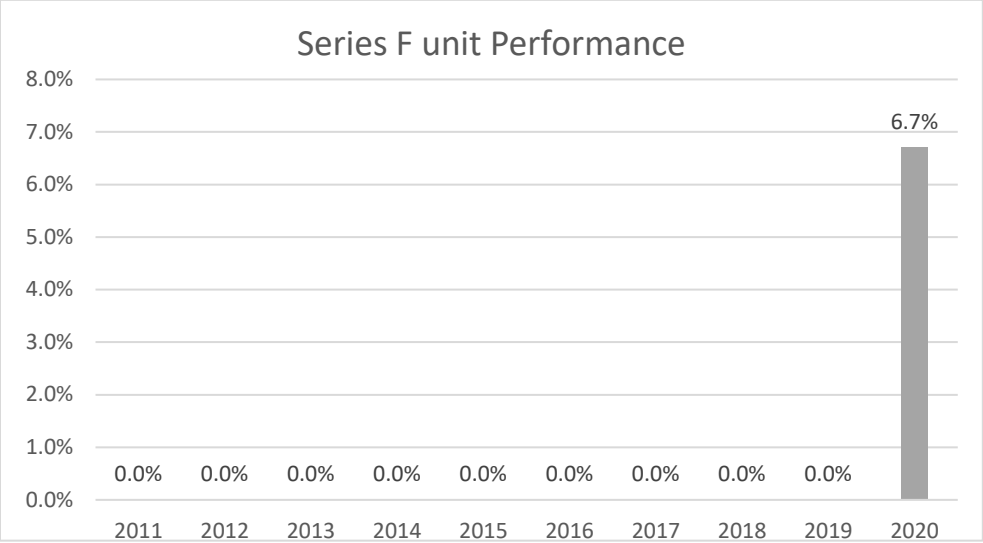
The Fund's past performance information is presented in the following chart and table. It assumes all distributions made by the Fund in the periods presented were reinvested in additional securities of the relevant series of the Fund. The chart and table do not take into account any sales, redemption, 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 performance for Series A units is shown as no units are outstanding. No performance for Series D units is shown as no units have been outstanding for a complete financial year. No performance for Series F units for prior periods is shown as no units were outstanding prior to January 1, 2020.

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 2020 and assumes the reinvestment of all distributions. Also shown for the same periods are the respective historical annual compound total returns of the S&P/TSX Total Return Index and the S&P/TSX Smallcap Total Return Index. The S&P/TSX Index is the headline index for the Canadian equity market while the S&P/TSX Smallcap Total Return Index indicates the performance of smaller Canadian companies. BMO Canadian Small Cap Index was formerly used to indicate the performance of smaller Canadian companies but index information is no longer readily available. 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	6.3%	-1.6%	4.4%	3.8%	6.5%
The McElvaine Investment Trust - Series F	6.7%	-	-	-	-
S&P/TSX Smallcap Total Return Index	12.9%	2.3%	8.8%	1.3%	[1]
S&P/TSX Total Return Index	5.6%	5.7%	9.3%	5.8%	7.6%

[1] *The return since inception figure is not available for this index.*

Summary of Investment Portfolio

The following table provides a summary of the Fund's portfolio as at December 31, 2020.

Sector Allocation	***% of Net Asset Value***
Energy	18.9%
Financials	18.1%
Consumer Discretionary	10.5%
Utilities	10.2%
Materials	5.7%
Communications	5.4%
Healthcare	5.3%
ETFs	5.2%
Consumer Staples	4.4%
Real estate	3.3%
Industrials	2.2%
Cash and near cash items	10.8%
Net Asset Value	***100.0%***

The McElvaine Investment Trust

Total Holdings	***% of Net Asset Value***
Jefferies Financial Group Inc	10.4%
Maxim Power Corp.	10.2%
Tourmaline Oil Corp	7.7%
Wintaai Holdings Ltd.	7.6%
Dorel Industries Inc, Class B	7.4%
Jaguar Mining Inc	5.5%
Knight Therapeutics Inc	5.3%
Cambrai Tail Risk ETF	5.2%
TORC Oil & Gas Ltd.	4.5%
CK Hutchinson Holdings Ltd.	4.4%
PrairieSky Royalty Ltd.	3.3%
The Howard Hughes Corp.	3.3%
Glacier Media Inc	3.1%
Empire Industries Ltd	3.1%
Leucrotta Exploration Inc	2.3%
Wow! Unlimited Media Inc	2.3%
The Caldwell Partners International Inc	2.2%
Exco Resources, Inc	1.1%
Noranda Income Fund, Priority Units	0.2%
Sagicor Financial Company Ltd., Warrants	0.1%
Deans Knight Income Corp	0.0%
Total Portfolio	***89.2%***
Cash and near cash items	10.8%
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.

Contact information:

McElvaine Investment Management Ltd.
301-1321 Blanshard Street
Victoria, British Columbia V8W 0B6
Canada

Telephone: (250) 708-8345
Website: www.avaluefund.com
Email: info@avaluefund.com

Required Annual Disclosure to unitholders per 10.1(3) of NI 81-102

How to redeem units of The McElvaine Investment Trust

As a unitholder of The McElvaine Investment Trust (the "**Fund**"), you are entitled to redeem your units provided certain legal requirements are met and you follow the procedures established by McElvaine Investment Management Ltd. (the "**Manager**"), the manager of the Fund, and at least annually the Manager is required to provide all unitholders with a statement describing these requirements and procedures. This information is set out below.

Units of the Fund can be redeemed on a monthly basis on the last business day of each month or any other business day the Manager may designate (each a "**Redemption Date**"). To redeem your units you should submit a redemption order to the Manager through your authorized dealer. If the Manager receives your redemption order by 1:00 p.m. (Pacific time) on a Redemption Date, the Manager will process your order at the unit price calculated on that Redemption Date. Otherwise, the Manager will process your order at the unit price calculated on the next Redemption Date.

Under applicable securities legislation, the Fund is not permitted to pay any redemption proceeds unless (i) it has received a completed and signed redemption order from you, or (ii) you make a redemption order by telephone or electronic means (where you have made prior arrangements to provide instructions by telephone or electronic means, and the redemption order is made in compliance with those arrangements).

When you redeem units of the Fund, your money will be sent to you within two business days of the applicable Redemption Date if (i) the Fund has received the instructions necessary to complete the transaction, and (ii) any payment for buying the same units that you are redeeming has cleared. If the Manager does not receive all documentation that it needs to process your redemption order within 10 business days after the Redemption Date, on that 10th business day (or, if that 10th business day is not a date on which the Manager accepts purchase orders for units of the Fund, on the next such date) the Manager will purchase an equivalent number of units of the Fund as have been redeemed, and the Manager will apply the redemption proceeds to the payment of the purchase price of such units. If the purchase price of such units is less than the redemption proceeds, the Fund will keep the difference. If, however, the unit price has increased since the Redemption Date such that the redemption proceeds are less than the purchase price of such units, your dealer will be required to pay the Fund the amount of the deficiency and will be entitled to collect this amount plus expenses and interest from you.

For further information about your redemption rights, please refer to the Fund's current simplified prospectus, which is available on the SEDAR website at www.sedar.com or on the Fund's website at www.avaluefund.com, or contact your dealer.

Financial Statements of

THE McELVAINE INVESTMENT TRUST

And Independent Auditor's Report thereon

Years ended December 31, 2020 and 2019

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, 2020 and 2019
- 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, 2020 and 2019, 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 24, 2021

THE MCELVAINE INVESTMENT TRUST

Statements of Financial Position
As at December 31, 2020 and 2019

	Note		2020		2019
Assets					
Cash		$	3,288,100	$	4,362,139
Interest and dividends receivable			7,781		13,677
Prepaid expenses			-		5,244
Investments			26,962,180		23,970,304
Derivatives			42,000		-
		$	**30,300,061**	**$**	**28,351,364**
Liabilities					
Accrued liabilities			57,177		68,650
		$	**57,177**	**$**	**68,650**
Net assets attributable to holders of redeemable units		**$**	**30,242,884**	**$**	**28,282,714**
Represented by:					
Series B		$	27,374,012	$	26,815,790
Series C			-		18,588
Series D			51,272		-
Series F			1,341,033		-
Series G			1,476,567		1,448,336
		$	**30,242,884**	**$**	**28,282,714**
Net assets attributable to holders of redeemable units per units:					
Series B		$	5.47	$	5.15
Series C			-		5.28
Series D			11.00		-
Series F			10.67		-
Series G			11.55		10.76

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

THE MCELVAINE INVESTMENT TRUST

Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019

	Note		2020		2019
Revenue:					
Dividend income		$	281,906	$	530,160
Interest income			8,793		43,561
Net foreign currency gain (loss)			14,667		(20,935)
Other income			-		88
Changes in fair value of investments and derivatives:					
Net realized gain			34,962		4,194,037
Net change in unrealized appreciation (depreciation)			1,979,621		(1,973,484)
Total Revenue			**2,319,949**		**2,773,427**
Expenses:					
Management fees (including HST/GST)	**4**	$	262,418	$	300,579
Commissions and other portfolio transaction costs			80,153		55,109
Legal fees			71,488		7,949
Audit and tax fees			51,655		20,077
Custodial, unitholder recordkeeping and valuations			51,223		31,589
Investment committee fees and expenses			41,957		3,270
Fundserv fees			30,453		31,331
Withholding taxes	**5**		13,463		33,287
Regulatory fees			12,510		-
Trustee fees			3,600		3,600
Other operating expenses			2,381		14,294
Total operating expenses			**621,301**		**501,085**
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		**$**	**1,698,648**	**$**	**2,272,342**
Distributions to holders of redeemable units:					
From net investment income			-		(57,048)
From net capital gains			-		(2,190,994)
			-		(2,248,042)
Increase in net assets attributable to holders of redeemable units from operations		**$**	**1,698,648**	**$**	**24,300**

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

THE MCELVAINE INVESTMENT TRUST

Statement of Comprehensive Income (continued)
For the years ended December 31, 2020 and 2019

	Note	2020	2019
Increase (decrease) in net assets attributable to holders of redeemable units, from operations:			
Series B		$ 1,503,001	$ 22,229
Series C		(1,842)	97
Series D		6,270	-
Series D - February 2020		(483)	-
Series D - March 2020		(45)	-
Series D - June 2020		164	-
Series D - July 2020		54	-
Series F		223,981	-
Series F - January 2020		(103,913)	-
Series F - February 2020		(28,477)	-
Series F - April 2020		127	-
Series F - July 2020		138	-
Series G		99,673	1,974
		1,698,648	**24,300**
Increase (decrease) in net assets attributable to holders of redeemable units per unit before distributions:			
Series B		$ 0.30	$ 0.44
Series C		(0.58)	0.49
Series D		3.80	-
Series D - February 2020		-	-
Series D - March 2020		(0.45)	-
Series D - June 2020		-	-
Series D - July 2020		-	-
Series F		1.75	-
Series F - January 2020		(1.12)	-
Series F - February 2020		-	-
Series F - April 2020		-	-
Series F - July 2020		-	-
Series G		0.78	0.97

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
For the years ended December 31, 2020 and 2019

2020

			Unit Transactions					
Series	**Net assets attributable to holders of redeemable units, beginning of year**	**Increase (decrease) in net assets attributable to holders of redeemable units**	**Proceeds from redeemable units issued**	**Reinvestment of distributions to holders of redeemable shares**	**Redemption of redeemable units**	**Transfer in/ Transfer out**	**Redesignation of redeemable units**	**Net assets attributable to holders of redeemable units, end of year**
Series B	$ 26,815,790	$ 1,503,001	$ 34,050	$ -	$ (980,978)	$ 2,149	$ -	$ 27,374,012
Series C	18,588	(1,842)	-	-	(14,597)	(2,149)	-	-
Series D	-	6,270	35,267	-	-	-	9,735	51,272
Series D - February 2020	-	(483)	6,000	-	-	-	(5,517)	-
Series D - March 2020	-	(45)	1,000	-	(955)	-	-	-
Series D - June 2020	-	164	3,000	-	-	-	(3,164)	-
Series D - July 2020	-	54	1,000	-	-	-	(1,054)	-
Series F	-	223,981	710	-	(32,242)	-	1,148,584	1,341,033
Series F - January 2020	-	(103,913)	935,000	-	(14,095)	-	(816,992)	-
Series F - February 2020	-	(28,477)	306,400	-	-	47,265	(325,188)	-
Series F - April 2020	-	127	530	-	-	-	(657)	-
Series F - July 2020	-	138	2,533	-	-	-	(2,671)	-
Series F - August 2020	-	-	3,076	-	-	-	(3,076)	-
Series G	1,448,336	99,673	-	-	(24,177)	(47,265)	-	1,476,567
Total	**$ 28,282,714**	**$ 1,698,648**	**$ 1,328,566**	**$ -**	**$ (1,067,044)**	**$ -**	**$ -**	**$ 30,242,884**

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 (continued)
For the years ended December 31, 2020 and 2019

2019

Series	Net assets attributable to holders of redeemable units, beginning of year	Increase in net assets attributable to holders of redeemable units	Unit Transactions: Proceeds from redeemable units issued	Unit Transactions: Reinvestment of distributions to holders of redeemable units	Unit Transactions: Redemption of redeemable units	Unit Transactions: Transfer In/ Transfer Out	Unit Transactions: Redesignation of redeemable units	Net assets attributable to holders of redeemable units, end of year
Series B	$ 26,415,010	$ 22,229	$ 333,657	$ 2,131,445	$ (2,086,551)	$ -	$ -	$ 26,815,790
Series C	17,014	97	-	1,477	-	-	-	18,588
Series G	1,230,403	1,974	100,839	115,120	-	-	-	1,448,336
Total	**$ 27,662,427**	**$ 24,300**	**$ 434,496**	**$ 2,248,042**	**$ (2,086,551)**	**$ -**	**$ -**	**$ 28,282,714**

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

THE MCELVAINE INVESTMENT TRUST

Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	Note	2020	2019
Cash (used in) provided by:			
Operating activities:			
Increase in net assets attributable to holders of redeemable units from operations		$ 1,698,648	$ 24,300
Adjustments for:			
Interest income		(8,793)	(43,561)
Dividend income		(281,906)	(530,160)
Withholding taxes		13,463	33,287
Net foreign currency (gain) loss		(14,667)	20,935
Net realized gain on investments and derivatives		(34,962)	(4,194,037)
Net change in unrealized (appreciation) depreciation on investments and derivatives		(1,979,621)	1,973,484
Purchase of investments		(14,000,453)	(15,853,567)
Proceeds from sale of investments		12,981,160	18,253,661
Net decrease (increase) in prepaid expenses		5,244	(5,244)
Net decrease in accrued liabilities		(11,473)	(7,677)
		(1,633,360)	**(328,579)**
Withholding taxes paid		(13,463)	(33,287)
Interest received		8,793	43,561
Dividends received		287,802	523,508
		(1,350,228)	**205,203**
Financing activities:			
Proceeds from issuance of redeemable units		1,328,566	434,496
Payments on redemption of redeemable units		(1,067,044)	(2,086,551)
Distributions to holders of redeemable units		-	2,248,042
		261,522	**595,987**
Net (decrease) increase in cash		(1,088,706)	801,190
Cash, beginning of the year		4,362,139	3,581,884
Effect of exchange rate fluctuations on cash		14,667	(20,935)
Cash, end of the year		**$ 3,288,100**	**$ 4,362,139**

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

THE MCELVAINE INVESTMENT TRUST

Schedule of Investments

December 31, 2020

	Number of shares / par value	Cost	Fair Value
Canadian - Equities:			
Deans Knight Income Corp.	44,800	$ 4,928	$ -
Dorel Industrials Inc., Class B	150,000	441,669	2,239,500
Empire Industries Ltd.	2,500,000	927,891	925,000
Glacier Media Inc.	3,600,000	5,272,065	936,000
Jaguar Mining Inc.	200,000	278,807	1,668,000
Knight Therapeutics Inc.	300,000	2,071,281	1,605,000
Leucrotta Exploration Inc.	1,000,000	609,308	700,000
Maxim Power Corp.	1,382,300	3,548,939	3,082,529
Noranda Income Fund, Priority Units	50,000	53,000	56,000
PrairieSky Royalty Ltd.	100,000	797,229	1,009,000
The Caldwell Partners International Inc.	600,000	502,118	671,999
TORC Oil & Gas Ltd.	500,000	603,970	1,365,000
Tourmaline Oil Corp.	135,000	1,790,769	2,316,600
Wintaai Holdings ltd.	100,000	1,845,000	2,309,000
Wow Unlimited Media Inc.	1,550,000	2,581,220	697,500
Total Canadian equities		**21,328,194**	**19,581,128**
United States - Equities			
Cambria Tail Risk ETF	60,000	1,707,915	1,572,193
EXCO Resources Inc.	212,835	2,625,391	338,737
Jefferies Financial Group	100,000	2,204,707	3,132,162
The Howard Hughes Corp.	10,000	675,624	1,004,966
Total United States equities		**7,213,637**	**6,048,058**
Foreign - Equities			
CK Hutchinson Holdings Ltd.	150,000	1,212,924	1,332,994
Total Foreign equities		**1,212,924**	**1,332,994**
Total Investment Portfolio		**$ 29,754,755**	**$ 26,962,180**
Canadian - Warrants			
Sagicor Financial Company Ltd., Warrants	200,000	95,251	42,000
Total Canadian warrants	200,000	95,251	42,000
Total Investments and Derivatives		**$ 29,850,006**	**$ 27,004,180**
Other Net Assets			3,238,704
Total Net Assets			**$ 30,242,884**

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 24, 2021.

(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. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in note 9 and relates to the determination of fair value of investments with unobservable inputs.

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 Trust will pay the Manager an annual performance incentive fee in respect of Series A, Series B, Series D and Series F units of the Trust, as set forth below.

(*i*) Series B - 20% of the amount (if any) by which any increase in the Series B net asset value during the fiscal year (adjusted for contributions and redemptions of Series B units and for any shortfall from previous fiscal years) exceeds a 6% return.

(*ii*) Series A, Series D and Series F - 20% of the amount by which the net asset value of each unit of the series (or sub-series within the series) on the last business day of June each year exceeds the applicable High Water Mark plus a 6% hurdle.

There are no annual performance incentive fees paid in respect of Series G units of the Trust. For the purpose of determining the performance incentive fee in respect of Series A, Series D and Series F units, (i) the calculation of the net asset value per unit of a series will be adjusted to include distributions made on units of the series, (ii) appropriate adjustments will be made to address any subdivisions or consolidations of units, and (iii) the 6% hurdle will be pro-rated for periods of less than 12 months, but will not compound annually.

4. Related party transactions (continued):

Performance fees (continued):

The performance incentive fee for Series A, Series D and Series F units will accrue on each Purchase Date and will be payable annually within 15 business days of the Performance Valuation Date. The performance incentive fee for Series B units, if any, will be determined on each Purchase Date during a fiscal year for the purposes of calculating the Series B net asset value per unit, but will be paid to the Investment Manager annually within one month of the fiscal year-end of the Trust. The performance incentive fee (if any) is payable in either cash or units, at the discretion of the Investment Manager and is subject to applicable taxes, including GST or HST.

The adjusted shortfall carried forward in respect of Series B of the Trust at December 31, 2020 and 2019, as applicable, was as follows:

		2020		2019
Series B	$	15,353,644	$	15,905,924

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

In 2020, the manager has waived the accrued performance fees of $1,003 for Series D units and $10,692 for Series F units. If there is a performance fee owing at June 30, 2021, the amount of waived fees will be deducted from any amounts owing. The waiving of the accrued performance fee does not increase the high water mark of the units.

Related party shareholdings:

As at December 31, 2020 and 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	2%	1%
Series C	-	34%
Series D	5%	-
Series F	4%	-
Series G	-	3%

As at December 31, 2020 and 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 year, the average effective withholding tax rate was 4.63% (2019 – 5.80%).

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 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 they were fully redeemed on March 1st, 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, 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, or G units. There are no Series I units outstanding in 2020 and 2019.
- 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, 2020

	Outstanding redeemable units, beginning of year	Issuance of redeemable units	Redemption of redeemable units	Transfer in/out of units	Consolidation of redeemable units	Redeemable units issued on reinvestment of distributions	Outstanding redeemable units, end of year
Series B	5,208,760	6,841	(213,189)	473	-	-	5,002,885
Series C	3,521	-	(3,060)	(461)	-	-	-
Series D	-	3,602	-	-	1,059	-	4,661
Series D - February 2020	-	600	-	-	(600)	-	-
Series D - March 2020	-	100	(100)	-	-	-	-
Series D - June 2020	-	300	-	-	(300)	-	-
Series D - July 2020	-	100	-	-	(100)	-	-
Series F	-	69	(3,311)	-	128,918	-	125,676
Series F - January 2020	-	93,500	(1,800)	-	(91,700)	-	-
Series F - February 2020	-	30,640	-	4,727	(35,367)	-	-
Series F - April 2020	-	53	-	-	(53)	-	-
Series F - July 2020	-	253	-	-	(253)	-	-
Series F - August 2020	-	308	-	-	(308)	-	-
Series G	134,591	-	(2,247)	(4,534)	-	-	127,810
	5,346,872	136,366	(223,707)	205	1,296	-	5,261,032

6. Redeemable units (continued):

December 31, 2019

	Outstanding redeemable units, beginning of year	Issuance of redeemable units	Redemption of redeemable units	Transfer in/out of units	Consolidation of redeemable units	Redeemable units issued on reinvestment of distributions	Outstanding redeemable units, end of year
Series B	5,112,401	63,262	(380,888)	-	-	413,985	5,208,760
Series C	3,241	-	-	-	-	280	3,521
Series G	115,024	8,869	-	-	-	10,698	134,591
	5,230,666	72,131	(380,888)	-	-	424,963	5,346,872

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 December 31, 2020 and 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):

December 31, 2020

Currency	Investments	Derivatives	Cash	Net other assets	Total
Canadian Dollars	$ 19,581,128	$ 42,000	$ 3,275,802	$ (49,675)	$ 22,849,255
Hong Kong Dollars	1,332,994	-	-	-	1,332,994
United States Dollar	6,048,058	-	12,295	281	6,060,634
	$ 26,962,180		$ 3,288,098	$ (49,394)	$ 30,242,883

December 31, 2019

Currency	Investments	Derivatives	Cash	Net other assets	Total
Canadian Dollar	$ 16,052,500	$ -	$ 4,361,981	$ (49,729)	$ 20,364,752
United States Dollar	6,425,103	-	158	-	6,425,261
Great British Pounds	1,492,701	-	-	-	1,492,701
	$ 23,970,304		$ 4,362,139	$ (49,729)	$ 28,282,714

As at December 31, 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 $369,682 (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 December 31, 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 $2.7 million (2019 - $2.3 million) or 8.9% (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.

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Equities	$ 24,653,180	$ -	$ 2,309,000	$ 26,962,180
Warrants	42,000	-	-	42,000
Total	$ 24,695,180	$ -	$ 2,309,000	$ 27,004,180

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
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 years ended December 31, 2020 and 2019.

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 years ended December 31, 2020 and 2019:

December 31, 2020

		Level 3
Balance, beginning of year	$	1,984,000
Change in unrealized appreciation		325,000
Total investments	**$**	**2,309,000**

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 year-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2020

Description		Fair value	Valuation technique	Unobservable input	Amount	Sensitivity to change in signifcant unobservable input
Equities	$	2,309,000	Multiple approach	Book value multiple	1.1x	The estimated fair value would increase if book value multiple increased

December 31, 2019

Description		Fair value	Valuation technique	Unobservable input		Sensitivity to change in signifcant unobservable input
Equities	$	1,984,000	Multiple approach	Book value multiple	1.1x	The estimated fair value would increase if book value multiple increased

9. Fair value of financial instruments (continued):

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

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 and the multiple used in the issuance of the investment's shares in arms length transactions.

(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 $115,450 (2019 - $99,620) and decreasing the book value multiple by 5% would decrease the fair value of the investment by $115,450 (2019 - $94,095).

Additionally, the duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results of the Trust. The full extent of the impact that COVID-19 will have on the global economy and on the Trust's operations is uncertain and not predictable at this time.

(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, 2020, the Trust had net capital loss carry forwards of approximately $nil (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 $168,546 (2019 - $nil). Non-capital losses may be carried forward up to 20 years. These losses expire in 2040.

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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