2018 Annual Report

The McElvaine Investment Trust

To my Partners:

I was surprised by our performance in 2018. Some of our cheapest stocks performed the worse. This prompted me to write the note in December commenting on why it was a good time to add money to your investment and I appreciate those who responded. At this time of writing, we have come a full circle as the Trust has rebounded.

The more important question of course is what is next. We have had a number of positive developments in some of the stocks we own and I will address these developments in the following section. I am naturally cautious as an investor and perhaps a bit more so in the current environment. As we found in the fall, there are moments of opportunity and it is important to act decisively when they come. For example, our cash fell during the fall of 2018 as we found things to buy.

I was asked recently if the end is near for value investors. I feel quite the opposite and strongly believe we are set for a new “renaissance of value”. In fact, I recently gave a speech in Toronto I entitled Back to the Future. I expect there to be an increasing number of orphan or ignored stocks in the ponds in which we fish. The movement towards buying a passive index which excludes certain stocks, the decreasing research coverage of smaller securities, and the increased focus on price momentum all play in our favour. In other words, we get opportunities when others do not care about the stock price. This allows us to invest at favourable prices which along with an aligned management team protects the value of our investment.

Certainly, the world is a complicated place these days. It is easy to pick a news story and envision the bad outcomes. I think during times like this what I do is even more important. I am simply looking for cheap stocks run by people with skin in the game. We may from time to time get buffeted about but you are invested in a fund where value is based on math and not hope. Passive investing or autopilot seems great when there is no turbulence. For us, turbulence, such as the fall of 2018, provides opportunity and

ultimately returns. Your “pilot” has his hands on the wheel and is looking confidently ahead.

Our 2019 Partners’ conference will be on Thursday June 6th at the Four Seasons in Vancouver. You should have received an invitation by now so please contact us if you have not. We will also be hosting some type of get together in the fall in Toronto. I will circulate something as we firm up the dates.

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. Our focus is on creating wealth with integrity and our goals are aligned.

Most importantly, thank you for your friendship and confidence.

Warm regards,

Tim McElvaine
April 26, 2019

Our Return for 2018 – Series B Units

The McElvaine Investment Trust's 31Dec2018 net asset value for the Series B units was $5.17. This represents a loss for calendar 2018, net of all fees and expenses, of 17.2%. During this period, the S&P/TSX Composite Total Return Index fell by 8.9%.

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

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

You may recall I have affectionately termed our approach "ABbBA" representing A-Accident, B-Bird in hand and b-bird in the bush, B-Brick house (as opposed to straw hut) and A-Alignment of interests.

You will note our process does not involve macro forecasting or economic predictions beyond assuming reversion to the mean at some point. Investing is a messy business and our protection is in the price we pay.

Investment Returns versus Your Returns

For discussion purposes, I have estimated the components of our 2018 returns as a percentage of our 2018 opening Series B net asset value per unit. I should caution you these figures are my estimates and are unaudited:

Returns from investments	-15.8%
Operating expenses and related taxes	-0.3%
Return pre-management and pre-incentive fee	-16.1%
Management fee incl taxes	-1.0%
Incentive fee	0%
Taxes on fees	-0.1%
Net return to you	-17.2%

I don't 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, I have broken our investing into 3 categories. I 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. Examples from our history include the opportunity in Mattel shares which took place when Mattel ran into difficulties with its business or more recently in 2011 when we had a large investment in Japanese stocks. Over our history, we have had reasonable returns in this area but patience (and tolerance) were definitely required.

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, I have defined a secondary issue as a company with a market value below $1bn although some of our investments have been much smaller companies.

3. Special situations and workouts - I would include in this area everything from liquidations to distressed debt. This category will be unlikely to contain equity investments unless they have a limited life. (eg. Liquidations, risk arbitrage etc…)

Following this format, I estimate the contribution of each segment to 2018 returns as follows:

Large unpopular companies	-4.1%
Bargain secondary companies	-10.7%
Special situations and workouts	0%
Forwards, hedging and everything else	-1.0%
Return from investments	-15.8%

Review of 2018

Large unpopular companies:

On average we had approximately 27% of the portfolio invested in this category during 2018. Blackberry was the largest contributor to our performance while Jefferies was the largest detractor. We sold our remaining holdings of Blackberry in the spring of 2018 at a good gain. We added to our Jefferies position in late 2018.

Bargain Secondary companies:

Bargain secondary companies averaged approximately 53% of the portfolio. This category performed poorly. Carmanah Technogies was the primary positive contributor while 2/3s of our losses (unrealized) in this category came from Village Farms, Wow! Media, Sprott Resource and Maxim Power. In Q1 '19, we sold our remaining shares of Village Farms at a gain.

Special Situations and workouts:

While this category may contain anything from a workout to a liquidation, we had little invested in this area during 2018.

Forwards, hedging and everything else:

The forward and hedging line represents the net contribution of our interest income, currency forwards and put option positions. Our losses in this category were due to our positions in put options. The put options were purchased primarily to provide downside protection to the portfolio.

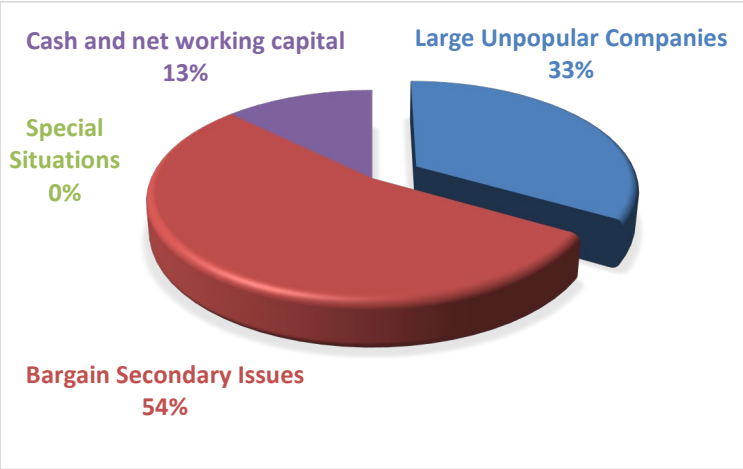
Other items:

The Trust ended the year with no taxable income as the Trust's realized gains were offset by tax loss carry-forwards from previous years. As a result, there was no taxable distribution in 2018 and no T3s were issued.

The Trust's expenses consisted primarily of custodial, legal, audit and other operating expenses which amounted to about 0.34% of net assets. Our management fee was 1% of net assets bringing the total MER for Series B with taxes to 1.41%. There was no performance fee paid on the B units. There continues to be a performance fee shortfall for the B units which will have to be made up prior to any performance fees being paid.

Where We Are Now

Below are details on our portfolio at 31Dec18. Audited financial statements, including a statement of Investment Portfolio, have been included separately from this Annual Report. Following the Ben Graham categories referred to above, our portfolio looked roughly as follows:



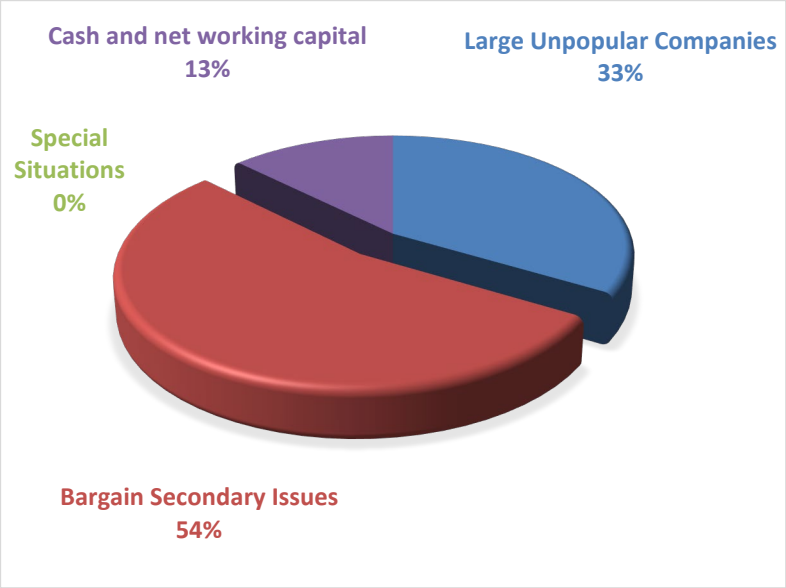
Large Unpopular Companies	33.4%
Jefferies Financial	6.4%
Anglo American	5.5%
Voya Financial	4.9%
Knight Therapeutics	4.2%
Whitecap Resources	3.1%
Four other holdings	9.3%

Large unpopular companies:

Our largest activities during 2018 included disposing of our position in Blackberry, adding significantly to our holdings of Jefferies and acquiring new positions in Whitecap Resources and Power Corporation. Jefferies Financial was formerly called Leucadia. We acquired our initial position a couple of years ago around US $17 and sold a little in 2017 around US $26. In the spring of 2018, as discussed in our semi-annual report Leucadia changed its name to Jefferies Financial and announced a number of transactions which significantly strengthened its balance sheet and refocused the business. Over the course of 2018, Jefferies repurchased some 13% of their outstanding shares. We increased our Jefferies position by some 50% in the fall of 2018.

I should take a moment to discuss share repurchases. When properly used repurchases can be extremely advantageous to shareholders. Similar to cologne and as I recently explained to my teenage son, a bit of cologne at the right time and right place is an enhancer. Splashed generously on a daily basis all over one's body perhaps does not create the desired effect. I suggest this is the same with repurchases. There are brief moments in time one should act very aggressively however most of the time a repurchase is at best neutral.

Bargain Secondary Issues:



Bargain Secondary Issues	53.9%
Carmanah Technologies	9.8%
Maxim Power	9.4%
Glacier Media	8.7%
Wow! Media	7.2%
Village Farms	4.0%
Nine other holdings	14.8%

Nearly all of the bargain secondary issues we own are Canadian listed although several have significant non-Canadian operations. In December our largest position, Carmanah Technologies, announced it had entered into an agreement to sell a significant portion of its business. The transaction closed in early 2019. John Simmons and the Carmanah board have done a marvellous job both as operators and as capital allocators. Maxim Power was a poor performer in 2018 however I think it is a very cheap stock. We added to our position several times in 2018. During 2018, Maxim insiders purchased almost $11mn of shares all at higher prices and the company repurchased about 4% of its outstanding shares. Just prior to writing this report, Glacier Media announced the sale of one of its business for $55mn. Over the last 4 years, Glacier has significantly reduced its debt and I believe is both well capitalized and well positioned for the future. As you know, I am a director of Glacier so you may take my comments with a grain of salt but I do think the stock is cheap. Over the last couple of months, we disposed of our remaining shares in Village Farms. I enjoyed our relationship with Mike Degiglio and Steve Ruffini and I wish them the best in their new ventures. We first acquired a position in Seacor Marine when it was spun out (or distributed) from our holding in Seacor. We sold the position down slightly in 2018 however recent weakness in Seacor Marine gave us the opportunity to increase our position. I was blessed to have supper recently with Charles Fabrikant, Seacor Marine's chairman. Chuck has had a long career of thoughtful capital allocation and I am delighted we are a junior partner.

Seacor Marine operates a fleet of marine support vessels servicing primarily the offshore oil industry. Seacor Marine is well run, has a reasonable balance sheet and I believe we invested at a substantial discount to its underlying value.

Special Situations and net cash:

Our only special situation investment at this time is our position in Deans Knight Income Corporation which is in liquidation. In April 2019, Deans Knight announced it had prevailed in disputing its tax reassessment with Revenue Canada. As CRA may appeal this decision, we continue to carry our Deans Knight position at zero in our valuation. For most of 2018, our cash averaged over 20% of net assets although fell to approximately 13% by December 31st, as we purchased a number of new investments. In the first part of 2019, our cash has risen again as we have sold more than we have bought and is currently around 20%.

Outlook:

While one never knows how a stock may perform, I will make a couple of comments:

1. In aggregate, the balance sheets of our holdings continued to improved through 2018. In fact, I am pleased with the financial strength of the businesses we own.
2. The vast majority of our holdings have large insider ownership. It gives me a lot of comfort knowing we are dealing with owners rather than hired guns.

In summary, I think we are well positioned, both with my experience and with our cash, to take advantage of any opportunities.

2017 Annual Report

The McElvaine Investment Trust

To my Partners:

We did pretty well in 2017 with the Trust appreciating by some 25% versus the S&P/TSX Total Return Index which rose by 9.1%. I discuss both our returns and our holdings in the following section.

Over the last 21 years or so since the Trust was formed, we have been through a lot together. Similar to several times in the past, today there is no shortage of things to worry about. As I have mentioned previously, our investments are not based on a global outlook but rather where we have a margin of safety.

I took sailing lessons as a teenager. I remember when our boat was “running with the wind” (in other words, the wind is at your back), we could relax and enjoy the sun. It was only when we were heading into the wind where we had to tack. I suspect the investment industry is somewhat like this. When there is a wind at your back, it does not really matter what you own as long as you have your “sails out”. In other words, when the sun is shining autopilot (or in our industry, investing via an index fund or ETF) works fine. When the wind changes and storm clouds gather, resting on deck in a bathing suit perhaps is an overly confident approach. (I should also add with many funds it is the managers and not the clients who have the life jackets.) A bumpy market gives us opportunities.

The autopilot nature of our industry leads into a secondary issue with many funds which is do you know what you actually own? Are you comfortable with the business of the companies in the index or ETF? In other words, buying an index fund or ETF is a little like a vegetable delivery box: you are not sure exactly what you will get and you just hope the squishy purple thing at the bottom of the box is good for you. In contrast to an index fund or ETF, when we invest I am focused on what we are buying and what we are paying.

Our 2018 Partners' conference will be on Thursday May 10th at the Four Seasons in Vancouver. You should have received an invitation by now so please contact us if you have not. We will also be hosting some type of get together in the fall in Toronto. I will circulate something as we firm up the dates.

If you do not currently receive emails from us, please sign up on our website (www.avaluefund.com) as you will then be notified whenever we post our videos called "McElvaine Minutes". These are short (and infrequent!) videos discussing some aspect of the Trust or value investing.

Lots of financial literature is gibberish and written more for the author than for the client. 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. Our focus is on creating wealth with integrity and our goals are aligned.

Most importantly, thank you for your friendship and confidence.

Warm regards,

Tim McElvaine
April 2, 2018

Our Return for 2017 – Series B Units

The McElvaine Investment Trust's 31Dec2017 net asset value for the Series B units was $6.24. (adjusted for a 4:1 split in late 2017) This represents a gain for calendar 2017, net of all fees and expenses, of 25%. During this period, the S&P/TSX Composite Total Return Index rose by 9.1%.

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

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

You may recall I have affectionately termed our approach "ABBA" representing A-Accident, B-Bird in hand, B-Brick house (as opposed to straw hut) and A-Alignment of interests.

You will note our process does not involve macro forecasting or economic predictions beyond assuming reversion to the mean at some point. Investing is a messy business and our protection is in the price we pay.

Investment Returns versus Your Returns

For discussion purposes, I have estimated the components of our 2017 returns as a percentage of our 2017 opening Series B net asset value per unit. I should caution you these figures are my estimates and are unaudited:

Returns from investments	26.5%
Operating expenses and related taxes	-0.4%
Return pre-management and pre-incentive fee	26.1%
Management fee	-1.0%
Incentive fee	0%
Taxes on fees	-0.1%
Net return to you	25.0%

I don't 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, I have broken our investing into 3 categories. I 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. Examples from our history include the opportunity in Mattel shares which took place when Mattel ran into difficulties with its business or more recently in 2011 when we had a large investment in Japanese stocks. Over our history, we have had reasonable returns in this area but patience (and tolerance) were definitely required.

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 or a constraint or dislocation such as a spinoff. For simplicity, I have defined a secondary issue as a company with a market value below $1bn although some of our investments have been much smaller companies.

3. Special situations and workouts - I would include in this area everything from liquidations to distressed debt. This category will be unlikely to contain equity investments unless they have a limited life. (eg. Liquidations, risk arbitrage etc…)

Following this format, I estimate the contribution of each segment to 2017 returns as follows:

Large unpopular companies	3.8%
Bargain secondary companies	23.7%
Special situations and workouts	0%
Forwards, hedging and everything else	-1.0%
Return from investments	26.5%

The Year in Retrospect

Large unpopular companies:

Blackberry and Anglo American plc were the largest contributors with Seacor Holdings as the largest detractor.

Bargain Secondary companies:

The performance of this category was led by our investment in Polaris Minerals. Polaris received a takeover offer in the summer at a substantial premium to its market price. We sold a little bit too early but still ended up making almost 3x our investment. Additional gainers included Village Farms and Carmanah Technologies. Seacor Marine, a spinoff from Seacor Holdings, was the largest detractor.

Special Situations and workouts:

While this category may contain anything from a workout to a liquidation, we had little invested in this area during 2017.

Forwards, hedging and everything else:

The forward and hedging line represents the net contribution of our currency forwards and put option positions. Our losses in this category were due to our positions in put options. The put options were purchased primarily to provide downside protection to the portfolio.

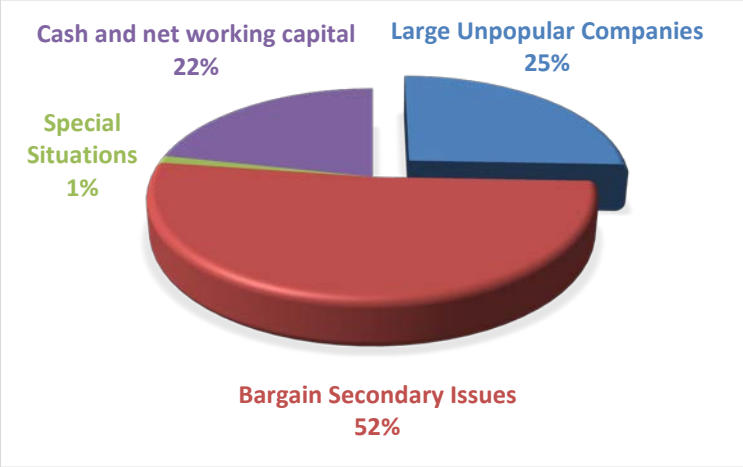
Other items:

The Trust ended the year with no taxable income as the Trust's realized gains were offset by tax loss carry-forwards from previous years. As a result, there was no taxable distribution in 2017 and no T3s were issued.

The Trust's expenses consisted primarily of custodial, legal, audit and other operating expenses which amounted to a little over 0.40% of net assets. Our management fee was 1% of net assets bringing the total MER with taxes to something around 1.5%. There was no performance fee paid on the B units. There continues to be a performance fee shortfall for the B units which will have to be made up prior to any performance fees being paid.

Where We Are Now

Below are details on our portfolio at 31Dec17. Audited financial statements, including a statement of Investment Portfolio, have been included separately from this Annual Report. Following the Ben Graham categories referred to above, our portfolio looked roughly as follows:

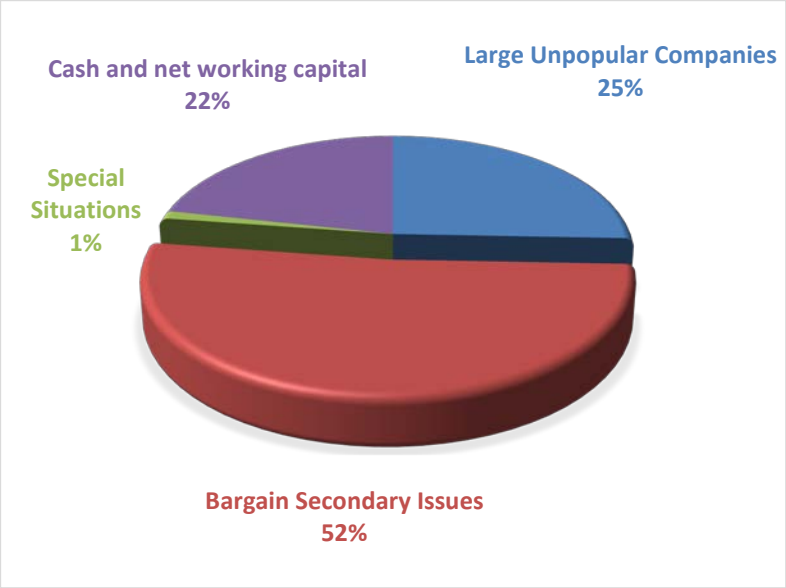


Large Unpopular Companies	25.6%
Leucadia	4.8%
Anglo American	3.8%
Voya Financial	3.6%
Knight Therapeutics	3.0%
Baker Hughes	2.9%
Three other holdings	7.5%

Large unpopular companies:

While I did not breakout geography, the majority of these investments are US listed. Our largest activities during 2017 included disposing of our position in Prairie Sky, reducing our positions in in Blackberry, VOYA Financial and Leucadia and acquiring new positions in Knight Therapeutics and Baker Hughes. We originally invested in Prairie Sky in early 2016 during a period of weakness in oil prices. It worked out well. Similarly, Blackberry was not a popular company when we acquired our position. We exited the balance of our Blackberry position in early 2018 having roughly doubled our money. Given the amount of negative press on pharmaceutical companies, we did a review of the sector. For the most part the balance sheets are poor and there is significant margin and political pressure. We concluded the most interesting way to participate in this beaten down area was by investing in a potential acquirer of distressed assets. In other words, someone who can take advantage of the sector's troubles. Knight Therapeutics fit this bill as its balance sheet consists mostly of cash and it has an experienced senior management team led by Jonathan Goodman. Jonathan was the founder of Paladin Labs which was sold to Endo Pharmaceutical for over $3 billion and is the largest shareholder of Knight owning some $170mn worth of stock. The two main issues with Knight are perhaps how and when will the cash be invested and is it cheap enough. We acquired additional Knight shares in early 2018.

Bargain Secondary Issues:



Bargain Secondary Issues	51.7%
Village Farms	9.4%
Glacier Media	7.7%
Maxim Power	7.4%
Wow! Media	7.2%
Carmanah Technologies	5.9%
Six other holdings	14.1%

Nearly all of the bargain secondary issues we own are Canadian listed although several have significant non-Canadian operations. The largest holding in this segment is Village Farms. You may recall Village Farms is the owner of greenhouses for the production of tomatoes, cucumbers and peppers. We have owned it for many years and it has been somewhat of a challenged investment. In mid-2017, Village Farms announced it was converting one of its greenhouses to the production of cannabis and the market reacted favourably. We sold shares both in 2017 and in early 2018. I have discussed Glacier, Maxim and Wow! in the past so will not repeat myself here. In the early fall of 2017, Carmanah Technologies announced a substantial issuer bid and repurchased approximately a quarter of its outstanding shares at $5. We tendered part of our holdings into the issuer bid. Our original cost on the shares was $1.20 per share. Our largest new investment was in shares of Seacor Marine which was spun off of Seacor Holdings in mid-2017. Seacor Marine operates a fleet of marine support vessels servicing primarily the offshore oil industry. Seacor is well run, has a reasonable balance sheet and I believe we invested at a substantial discount to its underlying value.

Special Situations and net cash:

Our only special situation investment at this time is our position in Deans Knight Income Corporation which is in liquidation. Our cash remained high throughout 2017 averaging approximately 26% of net assets although cash declined during the fall as we invested more than we sold.

Outlook:

While one never knows how a stock may perform, I will make a couple of comments:

1. In aggregate, the balance sheets of our holdings continued to improved through 2017. In fact, I am pleased with the financial strength of the businesses we own.
2. The vast majority of our holdings have large insider ownership. It gives me a lot of comfort knowing we are dealing with owners rather than hired guns.

As mentioned in the beginning, there is potential for volatility in 2018. I think we are well positioned, both with my experience and with our cash, to take advantage of any opportunities.

Patrick W. E. Hodgson

I originally met Pat in the 1990s when we invested in Seattle-based Todd Shipyards. Pat was Chairman of Todd and I was surprised to find out he lived in Ontario and “commuted” to Seattle. A couple of years later the Trust invested in Scott’s Hospitality and Scott’s Restaurants and our paths crossed again as Pat was on the Board of both. It led to many years of great conversations. In addition, Pat served as a member of our advisory committee. It was with great sadness I learnt of Pat’s passing over Christmas. My condolences go out to Camille and Pat’s family.

I will miss Pat’s wise counsel, quick wit and humble manner. I am blessed to have known him.

The McElvaine Investment Trust

To my Partners:

Let's deal with the "elephants in the room" first.

1. Performance: We lagged the S&P/TSX Total Return Index in 2016. I'd give us a C if I was grading 2016, a passing grade (because we were positive) but definitely requiring makeup work. I measure our performance in three ways:
    - **a.** Did we perform on an absolute basis (ie. not lose money): Yes
    - **b.** Did we outperform the index (for better or worse I use the TSX): No
    - **c.** Did we earn a satisfactory real return (say inflation + 5%): No

    I will discuss our 2016 performance in the following pages.

2. Active Management: Over the last couple of years a number of experienced value investors, including me, have underperformed the index. While this is not the first time this has happened, it has coincided with a significant increase in the amount of indexed money. I want to make 3 points: one, I would be careful if you invest in sector or high yield ETFs; two, more indexing will lead to more opportunities in non-index shares for value investors like us; and three, our portfolio differs significantly from any index (its active share for those of you who follow this is in the high 90s). While we will be in and out of favor, I am confident about our future returns.

3. US politics: Washington reminds me of Dr Dolittle's "pushmi-pullyu": one body, two heads and lots of manure! While there has been optimism around several of the financial policy initiatives, I always keep in mind in politics there is the action, the reaction and the outcome. What I mean is I am not sure anyone can confidently predict what legislation will ultimately be enacted. While the glass looks half full at this moment, it would not take much to drain it. In other words, as I mentioned in our December letter, increased volatility is the only assured outcome.

4. Market: It is hard to find cheap stocks at this moment so our cash has been building up. I don't get particularly fussed when this happens. A value investor can be thought of like a beachcomber. Some days there are lots of interesting things on the beach and other days there is very little. The only thing one can be confident about is tomorrow's tide will bring in something new.

In January I recorded the first of what I call “McElvaine Minutes”. These will be short (and infrequent!) videos discussing some aspect of the Trust or value investing. The best way to stay in the loop is to sign up for our newsletter on our website (www.avaluefund.com) and we will notify you via email whenever a new video is posted. If you already receive emails from us, no need to sign up again.

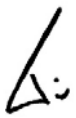
2016 was a milestone year on a number of accounts. Firstly, we exited 2016 with a stronger portfolio than the one with which we started. I will discuss this a little more later in this report. Secondly, I have stepped down from the Rainmaker Board and our position in Rainmaker has been replaced by Wow! Unlimited Media, a financially stronger company with experienced owner operators. Thirdly, believe it or not, the Trust is now over 20 years old. In our first decade, our performance was good. In the second, certainly at the beginning, we struggled. As we enter our 3rd, I am optimistic and confident.

In fact, to underscore my confidence and following the structure Warren Buffett used in his partnerships, we have created two new series of units (Series C for direct investors and Series F for advisors) which have no management fee and only a performance fee. If you currently own Series B units, I think given we have a performance fee shortfall, you are best to stay put in Series B. If you are a new investor or adding to your investment, you may wish to consider the new series. Either way, please let us know if you would like an investor package which describes all three series.

Our 2017 Partners’ conference will be on Monday June 5th at the Four Seasons in Vancouver. We will send out an invitation in a month or so. I also expect to be hosting some type of get together in the fall in Toronto. I will circulate something as we firm up the dates.

Most importantly, thank you for your friendship and confidence.

Warm regards,



Tim McElvaine
March 10, 2017

Our Return for 2016 – Series B Units

The McElvaine Investment Trust's 31Dec2016 net asset value for the Series B units was $19.98. This represents a gain for calendar 2016, net of all fees and expenses, of 4.1%. During this period, the S&P/TSX Composite Total Return Index rose by 21.1%.

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Investment Returns versus Your Returns

For discussion purposes, I have estimated the components of our 2016 returns as a percentage of our 2016 opening Series B net asset value per unit. I should caution you these figures are my estimates and are unaudited:

Returns from investments	5.5%
Operating expenses and related taxes	-0.3%
Return pre-management and pre-incentive fee	5.2%
Management fee	-1.0%
Incentive fee	0%
Taxes on fees	-0.1%
Net return to you	4.1%

I don't 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, I have broken our investing into 3 categories. I 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. Examples from our history include the opportunity in Mattel shares which took place when Mattel ran into difficulties with its business or more recently in 2011 when we had a large investment in Japanese stocks. Over our history, we have had reasonable returns in this area but patience (and tolerance) were definitely required.

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 or a constraint or dislocation such as a spinoff. For simplicity, I have defined a secondary issue as a company with a market value below $1bn although some of our investments have been much smaller companies.

3. Special situations and workouts - I would include in this area everything from liquidations to distressed debt. This category will be unlikely to contain equity investments unless they have a limited life. (eg. Liquidations, risk arbitrage etc…)

Following this format, I estimate the contribution of each segment to 2016 returns as follows:

Large unpopular companies	7.3%
Bargain secondary companies	-0.5%
Special situations and workouts	-1.3%
Forwards, hedging and everything else	0%
Return from investments	5.5%

The Year in Retrospect

Large unpopular companies:

The vast majority of our returns in this category came from three stocks: Anglo American, Seacor Holdings and Leucadia National. All three's price suffered in the early part of 2016 but recovered strongly by December 31st. By early 2017, we had trimmed our positions in 2 of the 3.

Bargain Secondary companies:

This category represented over half of the Trust's assets for most of the year. Performance by security was a mixed bag; Noranda Income Fund and Village Farms contributed to performance while Carmanah Technologies and Caldwell Partners detracted from our returns. (Both Carmanah and Caldwell had been strong performers in prior years) Lack of a reasonable return on this segment of the portfolio was a big drag on our overall performance.

Special Situations and workouts:

While this category may contain anything from a workout to a liquidation, our returns (or lack of them) were due to our position in Rainmaker convertible debentures. As mentioned, these debentures were redeemed for cash and new shares in Wow! Unlimited in mid-December.

Forwards, hedging and everything else:

The Forward and hedging line represents the net contribution of our currency forwards and put option positions. Coincidently this ended up netting to zero in 2016 as gains in our currency hedges were offset by losses in our put options.

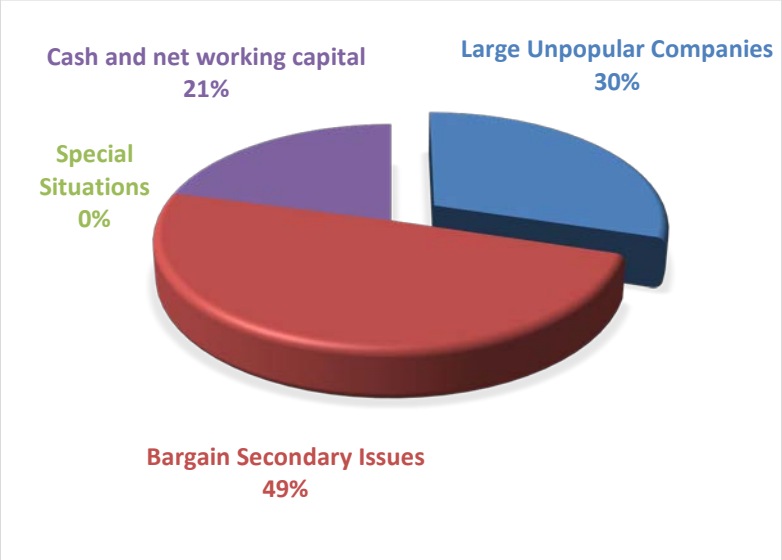
Other items:

The Trust ended the year with taxable income as the Trust's interest and dividend income exceeded its expenses. This amounted to approx. $0.08 per unit which was allocated to all investors. It will appear on your statements as a distribution and reinvestment in units.

The Trust's expenses consisted primarily of custodial, legal, audit and other operating expenses which amounted to a little over 0.30% of net assets. Our management fee was 1% of net assets bringing the total MER with taxes to something around 1.48%. There was no performance fee paid on the B units. There continues to be a performance fee shortfall for the B units which will have to be made up prior to any performance fees being paid.

Where We Are Now

Below are some details on our portfolio at 31Dec16. Audited financial statements, including a statement of Investment Portfolio, have been included separately from this Annual Report. Following the Ben Graham categories referred to above, our portfolio looked roughly as follows:



Large Unpopular Companies	29.8%
Seacor	6.4%
Leucadia	6.3%
Voya Financial	5.3%
Anglo American plc	3.2%
Four other holdings	8.6%

Large unpopular companies:

While I did not breakout geography, the majority of these investments are US listed. In early 2016, we started buying shares of Seacor Holdings which is an operator of marine vessels primarily related to the oil & gas industry (although it does have a large barge operation). We acquired our position at a significant discount to tangible book value hence the bird in hand. Its balance sheet on an unconsolidated basis has significant financial flexibility (brick house). Chairman and CEO Charles Fabrikant has a good reputation as a capital allocator and owns approximately 7.5% of Seacor or well over $100mn of stock. Shares of Seacor appreciated somewhat in the latter part of the year on renewed optimism for the price of oil and gulf drilling activity as well as news Seacor may proceed with a spin-off of its Off Shore Marine Services unit.

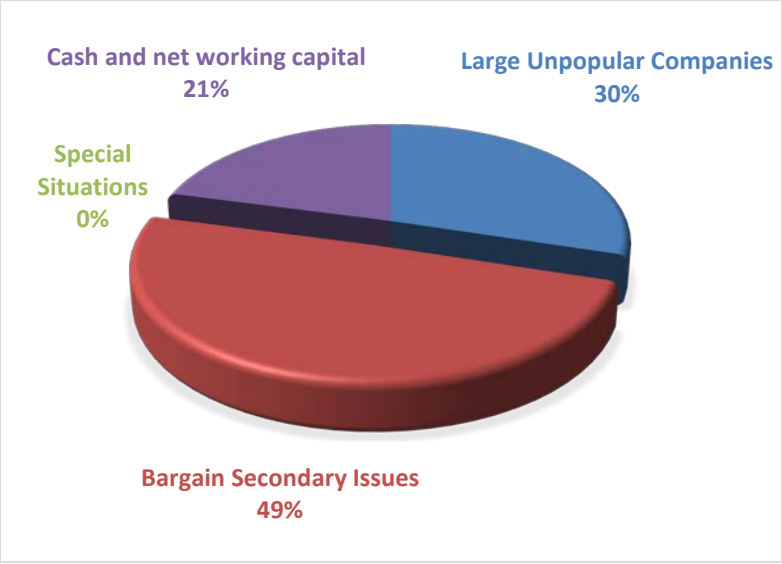
Leucadia National similarly suffered in the early part of 2016 due to its exposure to parts of the bond market via its wholly owned Jefferies LLC, a US based securities firm. In addition, another large subsidiary, National Beef, had poor results. The bird in hand in our Leucadia investment rational was Leucadia's conservative tangible book value which exceeded by a large margin the price we were paying, a reasonably strong capital structure and large insider ownership. We

acquired our first shares in Leucadia in late 2015 and added significantly to our position in early 2016. By December, Leucadia had appreciated on improved results in both its securities and beef businesses.

I have discussed VOYA Financial in the past. We have owned shares for several years and had in fact trimmed our position in early 2015. By mid-2016, the share price had fallen as the market had grown concerned over the pace of operational improvements at VOYA and with their exposure to oil & gas high yield debt. We took advantage of this pessimism and added to our position. We once again trimmed our position in early 2017 as the stock had rebounded strongly from mid-2016 prices.

Anglo American, the South African mining group with interests in diamonds (DeBeers), platinum, coal, copper and other metals has certainly has been a roller coaster. Concerns over their commodity market exposure and balance sheet led to a significant fall in the price of the shares. Our initial investment occurred in mid-2015 and we continued to buy as the share price fell. By late 2016, the view of the market towards Anglo had changed. Not only has Anglo's balance sheet improved due to asset sales and improved cash flows but the outlook had also improved on optimism on commodities prices and on the potential of a separation of Anglo's South African operations. We trimmed our position in Anglo in late 2016.

Bargain Secondary Issues:



Bargain Secondary Issues	49.4%
Glacier Media	9.3%
Wow! Unlimited Media	8.9%
Carmanah Technology	6.6%
Maxim Power	4.0%
Symphony International	3.7%
Eight other holdings	16.9%

Nearly all of our current bargain secondary issues are Canadian listed although several have significant non-Canadian operations. The largest holding in this segment is Glacier Media which has been a long standing investment of ours and one I suspect many of you are tired of hearing about. Keeping this short but sweet, over the last 2 years Glacier has significantly improved its balance sheet and operations. While challenges remain, I do expect good things in the future.

Wow! Unlimited Media as I have previously discussed is a combination of Rainmaker and Frederator Networks, a New York City based animation multi-channel network using video platforms such as YouTube. We first got involved in Rainmaker many years ago when it was the leading post production studio in Vancouver. Needless to say, times and technology changed and its post production business became less profitable. To offset this, the Board at the time acquired a number of assets including an animation studio. By 2006, we had a very large unrealized gain in our holding. If only I had sold our shares then! Simply put, things turned ugly and I joined the Board. Thankfully several years later I was joined by Craig Graham who with Michael Hefferon led the turnaround of Rainmaker.

As mentioned in my December letter, in late 2016 the Trust exchanged its Rainmaker debentures for cash and shares in a reshaped firm which will be called Wow! Unlimited Media. In addition, I stepped off the Rainmaker board. The new entity will be led by Michael Hirsh who was a co-founder of Nelvana as well as the leader of the consortium which acquired CINAR in 2004. You may recall we owned CINAR and the sale netted a good profit for the Trust. I like Michael and where he will be going with the new firm. I would like to take this opportunity to extend my thanks for all his hard work to Craig Graham who was Chairman and CEO of Rainmaker.

We have owned Carmanah Technology, a designer and distributor of infrastructure related LED lighting (including solar) since late 2013 originally investing via a rights issue. While it detracted significantly from our performance in 2016, we continue to have a large unrealized gain in the shares. I continue to have a lot of confidence in its CEO John Simmons. In addition, Carmanah has a strong balance sheet with cash net of long term debt in excess of $12mn. Over the last couple of quarters, both the company and several of its directors have been purchasers of Carmanah shares.

Maxim Power is a relatively recent investment of the Trust. While its stock price roughly ended the year where it started, there was a significant change in the underlying businesses of Maxim. Maxim started 2016 having significant French and US based power generation assets in addition to its Alberta power related assets. Over the course of the year, Maxim sold all of its foreign operations which on closing I estimate will result in Maxim having over $100 million in cash. I have a lot of confidence in its two largest shareholders who collectively own over 42% of the shares. I expect 2017 will similarly be an important year for Maxim as the Board considers its next steps. We added to our position in early 2017.

I discussed Symphony International in last year's report. A condition of its 2012 rights issue was if its discount to NAV in September 2017 was greater than 35%, it would effectively liquidate a large portion of its investments and return the capital to shareholders. Not surprisingly, in late 2016, the Board instituted a share repurchase plan which has reduced its discount to under 30%. We trimmed our position in early 2017.

Special Situations and net cash:

As we no longer hold convertible debentures of Rainmaker, our special situation category has significantly decreased in size. While we continue to have a couple of liquidation stubs (Deans Knight, NBNK), our activities in this area have been muted. Cash rose somewhat in 2016, and into 2017, as we sold more than we bought.

Outlook:

While one never knows how a stock may perform, I will make a couple of comments:

1. In aggregate, the balance sheets of our holdings improved through 2016. In fact, I am pleased with the financial strength of the businesses we own.
2. While there was substantial appreciation in a number of our "large unpopular" holdings, our "bargain secondary" holdings didn't do much stock price-wise in 2016. This means going into 2017, I view them in aggregate as cheap.
3. The vast majority of our holdings have large insider ownership. It gives me a lot of comfort knowing we are dealing with owners rather than hired guns.

As mentioned in the beginning, there is a lot of potential for volatility in 2017. I think we are well positioned, both with our history and with our cash, to take advantage of any opportunities.

2015 Annual Report

The McElvaine Investment Trust

To my Partners:

It certainly has been an interesting first couple of months of 2016. Whether it is politics, economy, foreign affairs or weather: all have been unpredictable!

As it is often said, economic/financial forecasters make weathermen look good. The good news is as a value investor our focus is simply what we pay and what we get. For example, in the early part of 2016, we were able to buy shares of a large operator of barges, shipping operations and oil service vessels at a large discount to asset value. Management is very well regarded and has a large equity ownership. In addition, the company is repurchasing shares. Certainly, the oil service part of their business is weak but their history has shown them to be a great operator and consolidator. In other words, while the future is uncertain, I don't particularly view this investment as risky. Sometimes it is more fruitful to sow than to watch the weather.

The question is how does one, as an investor in the Trust, take the volatility that has come along with this environment. For example, in 2015 we had a strong first half and gave it all back and more in the back part of the year. I appreciate this type of volatility causes some apprehension.

For each of our holdings, I not only look at the value today but also have an estimate of what I think the intrinsic value will be in 3 years. While I have been doing this for some 20 years, I do acknowledge I am always surprised by how outcomes differ from my estimates. On the negative side, this has been primarily due to financial leverage. On the positive side, an owner focused company often does better than I expect. As you can imagine, this history has encouraged me to focus on less levered investments which have owner/operators.

As of the end of February, when I add up the price to my estimate of 3 year intrinsic value, I find the Trust in aggregate is trading at a wide discount to intrinsic value. The bad news is we would all be happier if the discount was not as wide. The good news is I have confidence the volatility has been more in the market prices of our holdings than the intrinsic value. This gives me comfort both as the portfolio manager and as an investor in the Trust.

I have often discussed ETFs in the past. I realize they are the flavor du jour. Like many things, what starts as a good idea quickly gets spun into rather dubious territory. For example, a S&P500 index fund or ETF seems reasonable enough. In contrast, investors in sector specific ETFs (such as say biotech or leveraged loans) are investing in something much closer to a Ponzi type scheme than a rational investment. The reason simply is investment fund flows drive the performance much more than the economic fundamentals of the underlying business. ETFs are by nature liquidity driven investments.

You don't want to own them if the tide is flowing out of the ETF sector. By contrast, in our fund, I am able to look at what we own and compare the underlying intrinsic value to where it is trading. This ensures an unreasonably valued position does not remain a component of our fund simply because it belongs to a certain sector. In other words, if one's investment approach is predicting future popularity of a group, ETFs are your baby. Buying an ETF thinking one is value investing is similar to buying a G-string bathing suit believing it will help avoid a sunburn. Only on the darkest days will the two come true!

Moving quickly to get the image of a G-string out of your mind, I do share others' comments the current environment has a lot of unknowns. If you have ever had new drivers in your home, you will recognize the inclination to have one foot on the brake and one foot on the accelerator at the same time. We see the same phenomena with governments today. Fiscal policy has the brakes on, while monetary policy is stepping on the gas. This approach causes lots of smoke, noise and lurching and perhaps is not the most effective way to get from point A to point B.

In addition, unlike the US, Europe never cleaned up its financial institutions' balance sheets. In many cases, it has exacerbated the problem by encouraging the banks to own sovereign debt. I worry more about another European crisis than perhaps a China hard landing or a Japanese blowup. Europe simply does not have the buffer to absorb stress. Our European holdings are relatively low. BHF Kleinwort Benson's takeover was completed in February 2016 leaving us with little invested in Europe. This is not to say we would not add investments in that area but at this time, more attractive ideas can be found elsewhere.

Our Return for 2015 – Series B Units

Our returns for the Series B units are as follows:

	---------- Percentage change----------		
	The McElvaine Investment Trust	S&P/TSX with dividends included	Trust's average cash balance
2015	-9.8%	-8.3%	19%
$100 invested:			
01Jan13 is now (3 yrs)	$114	$115	25%
01Jan97 is now (19 yrs)	$360	$339	17%

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

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

You will note our process does not involve macro forecasting or economic predictions beyond assuming reversion to the mean at some point. Investing is a messy business and our protection is in the price we pay.

Investment Returns versus Your Returns

To illustrate our performance below I have broken out the details as a percentage of our 2015 opening Series B net asset value per unit. I should caution you that these figures are my estimates and are unaudited:

Returns from investments	-8.3%
Operating expenses and related taxes	-0.4%
Return pre-management and pre-incentive fee	-8.7%
Management fee	-1.0%
Incentive fee	0%
Taxes on fees	-0.1%
Net return to you	-9.8%

Breaking down our returns from investments further, I estimate the impact (realized and unrealized) from various investments as follows:

Canadian investments	-7.6%
US	0.1%
Europe	-1.6%
Everything else	0.8%
Return from investments	-8.3%

The Year in Retrospect

The results above are net of currency hedging which was a modest negative in 2015.
As you may recall, over the last year or so we had sold most of our US holdings hence the small contribution in 2015.

In 2015, the Trust ended the year with taxable income which was allocated to all investors. While the distribution was relatively small, I appreciate it did cause confusion and apologize. The distribution is automatically reinvested in additional units. Commonwealth Fund Services (the record-keeper and fund valuator for the Trust) believed the best approach was to follow the reinvestment of the distribution with a reverse split effectively leaving the outstanding units unchanged. While in theory this makes a lot of sense, in practice it caused lots of questions. We are working with Commonwealth Fund Services to improve the reporting of the distribution.

I should add that the Trust has significant capital loss carryforwards. Not that this is something to be particularly proud of but nevertheless it will shelter the Trust from capital gains in the near term. The distribution mentioned above was due to the Trust's interest and dividend income exceeding its expenses.

Significant contributors to performance

Breaking out our performance by company:

Carmanah Technologies	4.8%
Kleinwort Benson (RHJ International)	1.7%
Rainmaker Entertainment	1.7%
Glacier Media	-6.1%
Dundee Corp	-2.6%
Anglo American	-2.4%
Everything else	-5.4%
Return from Investments	-8.3%

For the 2nd year in a row, Victoria-based Carmanah Technologies rose significantly on an improved outlook and the acquisition of one of its competitors. We sold a portion of our Carmanah holding in June which effectively took our "cost" off the table. Kleinwort Benson (formerly RHJ International) received a takeover bid which was completed in February 2016. Kleinwort had been a long time holding and while we made a modest profit, overall it was a disappointing investment. Glacier Media fell significantly due to the elimination of its dividend as its results were impacted by the weak commodity market. Dundee and Anglo likewise fell on a negative outlook for commodity based investments.

The Trust's expenses consisted primarily of custodial, legal, audit and other operating expenses which amounted to about 0.40% of net assets. In addition, our management fee was 1% of net assets bringing the total MER, with taxes, to something around 1.5%.

There was no performance fee paid on the B units. There continues to be a performance fee shortfall for the B units which will have to be made up prior to any performance fees being paid.

Where We Are Now

Below are some details on our portfolio at 31Dec15. Audited financial statements, including a statement of Investment Portfolio, have been mailed to you. As you know, my primary focus is always on the specific company and country allocation is somewhat of an afterthought. Nevertheless, our portfolio based on the country of the primary listing of the holdings breaks out as follows:

Canadian holdings	60%	of net assets
US holdings	10%	
European holdings	12%	
Cash and Net Working Capital	18%	

Our Canadian portfolio has tended to be smaller companies. Our holdings are as follows:

Rainmaker common shares and debentures	11%	of net assets
Glacier Media	10%	
Carmanah Technologies	9%	
Caldwell Partners	5%	
Blackberry	4%	
Noranda Income Fund	4%	
11 Other Canadian Holdings	17%	

Early in 2016, we disposed of our common shares in Rainmaker and acquired additional debentures. At this time our entire investment in Rainmaker is in the convertible debentures.

I realize the most pressing question is simply why does the Trust have 11% of its assets in Rainmaker. I would expect our position will be smaller by the end of the year. One way this may happen is a portion (or all) of the debentures may be repaid. In late April 2016, Rainmaker will release in theatres its 2nd feature animated film. This film is based on the best-selling Sony game *Ratchet & Clank*. While the success of the film is uncertain, a significant amount of any Rainmaker proceeds will be escrowed for the benefit of the debenture holders. I will provide an update at the end of June.

Glacier Media has also been a difficult investment. While it has had its operational challenges, the biggest negatives have been a reassessment from CRA and a levered balance sheet. Glacier continues to de-lever both through operational cashflow and asset sales. When complete, I believe the result will be a very cash generative set of businesses run by good people. I should add I am on the board of both Rainmaker and Glacier.

Carmanah has risen to become a large position primarily due to appreciation of the stock price. By way of background, Carmanah designs, develops and distributes energy efficient (solar) LED solutions for infrastructure. For example, their lights are used on buoys, offshore windmills and to light pathways and parking lots without access to power.

My interest in Carmanah was peaked when John Simmons (CEO) and the Board backstopped a rights issue. The Trust acquired rights and established its position at the same time. In 2015, Carmanah's operations improved, it acquired a competitor and strengthened its balance sheet via a share offering.

We continue to own a large position as the balance sheet is strong, the industry has a tailwind, management is focused and large shareowners, and most importantly, the stock is not expensive.

In the 2nd half of 2015, we added to our US portfolio and our holdings at 31Dec15 included:

VOYA Financial	4% of net assets
Leucadia National	4%
4 Other US holdings	2%

We sold half of our VOYA position in the early part of 2015. Subsequently, the share price weakened over concerns on both interest rates and its exposure to oil company debt. You may recall, we acquired VOYA when it was divested from ING Groep as part of their restructuring. VOYA is primarily an asset manager and provider of retirement management services however it continues to have a legacy life insurance and annuity business. The shares continue to trade at a significant discount to book value, its operations are industry leaders, it is focused on returning capital to shareowners, and management are large shareowners.

In the late fall, we started to purchase shares of Leucadia National. Leucadia has a number of businesses but the most significant one is the investment bank Jefferies Group. Without a doubt, some of their businesses including Jefferies are challenged at the moment. The shares trade at a large discount to tangible book, the balance sheet is reasonable and the board and management are large owners. Leucadia has also recently repurchased shares.

Our overseas portfolio at 31Dec15 consisted of the following:

Kleinwort Benson (RHJ International)	7% of net assets
Symphony International	3%
3 Other European Holdings	2%

As mentioned, we tendered our remaining shares of Kleinwort to a takeover bid and received cash in late February. While we made a small amount of money, on a time weighted basis it was a poor investment. While the balance sheet remained our source of a margin of safety, operations never obtained the expected results.

Symphony International's structure is confusing. Simply put it is a publicly traded private equity business focused on Asian businesses but listed in the UK and trades only in US dollars! Their largest holdings include Minor International (one of the largest restaurant

and hospitality companies in Thailand and the Asia Pacific) and IHH Healthcare (operates 49 hospitals throughout the Middle East and Asia and has a 10% ownership position in one of India's largest healthcare providers). Symphony came on my radar screen a couple of years ago when they did a rights issue backed stopped by insiders. Symphony has net cash at the holding company level, trades at a significant discount to net asset value, has a modest catalyst with a (weak) sunset clause and most importantly, has significant insider ownership.

Our conference – May 11th

Our conference will be on May 11th at the Terminal City Club in Vancouver. If you have not received an invitation, please let us know. We got pretty full last year and have added additional seating for this year. I would encourage you to let us know early if you would like to attend.

We will get underway at 11am with a presentation by Michael Ross on the Middle East. You may recall Michael was the ex-Mossad operative who spoke to us a couple of years ago. At that time, he warned us Syria was going to be a mess. As I write this, Michael is gallivanting around in Nigeria and I look forward to hearing his views. On the assumption Michael has not spoiled your appetite, his talk will be followed by a buffet lunch and then my presentation. It should be an interesting event and I look forward to seeing you then.

Conclusion

I hope my discussion has given you a sense of what I am up to. The key takeaway I want to leave with you is on a price to intrinsic value basis, our fund is cheap.

As always, we are open for business and appreciate any additional investment you may make and any referral you are able to provide. Please email us at info@mcelvaine.com if you are interested in receiving an investor package.

Most importantly, many thanks for your trust and support. I realize there are many investing alternatives and I appreciate your confidence.

Warm regards,

March 31, 2016

2014 Annual Report

The McElvaine Investment Trust

www.avaluefund.com

To my Partners:

It was disappointing to end the year behind the TSX. I do believe there was substantial business improvement in a number of our holdings during the year with the result that our value to price ratio widened somewhat in 2014. In other words, our stocks got cheaper as the underlying business value change exceeded the change in stock price. Having said this, the proof is in the pudding so to speak so we will see what this year brings us. The bottom line is I am optimistic on 2015.

Our returns for the Series B units are as follows:

	---------- Percentage change----------		
	The McElvaine Investment Trust	S&P/TSX with dividends included	Trust's average cash balance
2014	6.0%	10.6%	26%
3 years to 2014	49.4%	33.9%	25%
1997 to 2014	399%	370%	17%

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

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

You will note our process does not involve macro forecasting or economic predictions beyond assuming reversion to the mean at some point. Investing is a messy business and our protection ideally is in the price we pay. Whenever I see an elaborate model, I cannot help but be reminded of the following story:

> *During World War II, [Nobel laureate, Ken] Arrow was assigned to a team of statisticians to produce long-range weather forecasts. After a time, Arrow and his team determined that their forecasts were not much better than pulling predictions out of a hat. They wrote their superiors, asking to be relieved of the duty. They received the following reply, and I quote "The Commanding General is well aware that the forecasts are no good. However, he needs them for planning purposes." (Minutes of Meeting of the Federal Open Market Committee on September 20, 2005)*

Investments cannot be popular and cheap at the same time. To use a present day example, one needs to look no further than European government bonds. A Bloomberg story in late March suggested some $1.4 trillion of euro sovereign debt carry negative yields. In other words, the best outcome for one of these bond "investors", assuming the bonds are held to maturity, is a loss. This outcome can only be avoided if the bond is sold in the interim to someone else who will then experience an even greater guaranteed loss. I think Hans Christian Anderson covered this type of investing in The Emperor's New Clothes.

I figure investing is a little like doing a house reno. You might carefully plan how everything will go but when you cut into that first wall, all bets are off! In a similar vein, it is unlikely all possible scenarios are taken into account by a forecaster. A story told by a friend comes to mind:

> *Driving below the speed limit through an intersection, John noticed a flash as the traffic camera took a picture of his car license plate. Somewhat incensed as he clearly was not speeding nor running the light, John turned around and drove through the intersection again while his wife filmed his speed and the surrounding traffic. The camera light flashed once again. Determined to ensure he had adequately recorded his innocence, John drove through a third time. About a week later, he eagerly opened the citation letter knowing he had prepared a rock solid defense. Imagine his surprise when he found 3 tickets for not wearing his seatbelt.*

As Warren Buffett has said, you don't find out who is swimming naked until the tide goes out. I put some ETFs into this class of free spirited bathers. ETFs have been sold as a liquid and low cost alternative to funds and stocks. In reality, many are simply instruments of investment demand. Simply put, when there is excess demand for an ETF, the designated broker takes your cash and in effect "manufactures" more units by buying the underlying security and swapping it into the ETF. This generates liquidity and ensures the ETF remains around NAV. The reverse occurs when supply exceeds demand. This is definitely a fair weather concept. Add a little market dislocation and one of the more esoteric ETFs and you have the financial equivalent of a wardrobe malfunction. We have recently hedged part of the portfolio by taking advantage of the current optimism for some of these structures.

This brings me back to my comments on forecasting. I am surprised with how often forecasts are incorrect. In spite of this, there is always someone on the TV or in the paper saying how one should invest given such and such an outlook. This is not our approach.

The flip side of a forecast is valuation. If the price is cheap enough, the future will take care of itself. In other words, our protection is in the price we pay. The downside of this, and paraphrasing the Buckley's cough syrup line, is our stocks look awful, but they are cheap.

I like what we own. In the following section, you will find a discussion of our 2014 results (the princes so to speak) and our current investments (the frogs we have kissed). I am confident in our prospects and in my ability to find sensible investments.

As always, we are open for business and appreciate any additional investment you may make and any referral you are able to provide. Please email us at info@mcelvaine.com if you are interested in receiving an investor package.

Most importantly, many thanks for your trust and support. I realize there are many investing alternatives and I appreciate your confidence.

Warm regards,

March 31, 2015

Our Return for 2014 – Series B Units

The Trust's return for the 12 months ending 31Dec2014 after all fees and expenses was +6.0%. By comparison, the S&P/TSX Composite Total Return Index (including dividends) for this same period was +10.6%.

Investment Returns versus Your Returns

To illustrate our performance, below I have broken out the details as a percentage of our 2014 opening Series B net asset value per unit. I should caution you that these figures are my estimates and are unaudited:

Returns from investments	7.5%
Operating expenses and related taxes	-0.4%
Return pre-management and pre-incentive fee	7.1%
Management fee	-1.0%
Incentive fee	0%
Taxes on fees	-0.1%
Net return to you	6.0%

Breaking down our returns from investments further, I estimate the impact (realized and unrealized) from various investments as follows:

Canada related	2.0%
US related	2.9%
Japan related:	-0.6%
Europe related:	3.2%
Return from investments	7.5%

The Year in Retrospect

2014 was a little bit like having one of your kids as a new driver. A car trip starts off slowly and peacefully but by the end everyone is a little shaken up! Our Canadian holdings impacted our performance negatively in the 4th quarter while our investments outside of Canada faired reasonably well.

For the first time in many years, the Trust ended the year with taxable income which was allocated to all investors. While the distribution was relatively small, I appreciated it did cause some confusion and apologize. As a partner myself, I understand after tax returns matter.

Significant contributors to performance

Breaking out our performance by company:

Carmanah Technologies	2.4%
RHJ International	2.1%
Caldwell Partners	1.9%
Glacier Media	1.9%
VOYA Financial (formerly ING US)	1.7%
Rainmaker Entertainment	1.4%
Legumex Walker	-3.0%
MBAC Fertilizer	-4.2%
Everything else	3.3%
Return from Investments	7.5%

I think our performance could be best described as a lot of nice singles offset by a stupid mistake. Starting with the stupid mistake, I of course am referring to MBAC Fertilizer. While there was definitely asset value and insider participation, this was offset by weak operating results and a poor capital structure. My error was simply owning too much and it hurt our performance in 2014.

Our other large detractor was Legumex Walker which by comparison was a large winner in 2013. Early in 2015, Legumex announced it was exploring strategic alternatives and the stock rebounded quite strongly. I suspect over the next couple of months the end game will become clear.

Our largest gainer was a Victoria-based turnaround Carmanah Technologies. We invested at $1.20 per share when the company was recapitalized in the fall of 2013 by several of the Board members including the CEO John Simmons. The changes have been nothing short of breathtaking as both operations and prospects have vastly improved. Just as I was finishing this report, Carmanah announced it concluded a $28 million offering at $5. The moral of the story for me: when multiple board members and the CEO invest substantial monies, pay attention!

RHJ and Caldwell Partners showed some life in 2014. It has been a long wait for both. In early 2014, RHJ finally received regulatory approval to acquire Deutsche Bank's private bank BHF. RHJ's (now called BHF Kleinwort Benson) share and corporate structure was simplified and management is now focused on execution. Caldwell Partners insiders did a large private placement at a discount to the market to themselves in early 2014 and not surprisingly the stock subsequently has performed well. I was not a fan of the maneuver but cannot complain about the outcome.

Both Rainmaker and Glacier have been long time holdings. Both progressed in 2014 however I will be cautious in my comments as I am a director of both companies. Rainmaker's Craig Graham (Chair and CEO) and Michael Hefferon (President) have significantly improved both operations and sales. In addition, both participated in a

recapitalization of Rainmaker. Nevertheless, it is a very tough business. Glacier Media sold a number of assets in 2014 in order to deal with a tax reassessment. Business challenges remain but I have confidence in both Sam Grippo (Chair) and Jon Kennedy (CEO).

I have talked about VOYA Financial in the past. We acquired our position in May 2013 at $21 and in early 2015 disposed of half of our holdings at a little over $43. Once again, the story is experienced and incentivized new management were brought in to turn around an underperforming company.

The Trust's expenses consisted primarily of custodial, legal, audit and other operating expenses which amounted to about 0.40% of net assets. In addition, our management fee was 1% of net assets bringing the total MER, with taxes, to something around 1.5%.

There was no performance fee paid on the B units. There continues to be a performance fee shortfall for the B units which will have to be made up prior to any performance fees being paid.

Where We Are Now

Below are some details on our portfolio at 31Dec14. Audited financial statements, including a statement of Investment Portfolio, have been mailed to you. As you know, my primary focus is always on the specific company and country allocation is somewhat of an afterthought. Nevertheless, our portfolio based on the country of the primary listing of the holdings breaks out as follows:

Canadian holdings	56%	of net assets
US holdings	12%	
European holdings	16%	
Cash and Net Working Capital	16%	

Our Canadian portfolio has tended to be smaller companies. Our holdings are as follows:

Glacier Media	12%	of net assets
Rainmaker common shares and debentures	9%	
Carmanah Technologies	5%	
Noranda Income Fund	5%	
Caldwell Partners	4%	
Torstar Corp	4%	
Legumex Walker	4%	
Dundee Corp	4%	
10 Other Canadian Holdings	9%	

Significant Canadian dispositions in 2014 included Ten Peaks and Encana. Our Ten Peaks position was acquired in 2009. Their primary business was the decaffeination of coffee beans both under their own brands as well as under contract for Tim Hortons and Kraft (Nabob). Including dividends, we approximately doubled our money over 4 or so years. By contrast, Encana was a disappointment. We sold our position in the fall at an approximately 15% loss.

In the fall, we also acquired several new positions including Noranda Income Fund and Dundee Corp. Noranda Income Fund operates a zinc smelter based in Quebec. The accident or trigger was concern Noranda will significantly reduce its distribution given its current zinc sourcing contract ends in 2017. This caused several large income oriented funds to dispose of their positions hence giving us the price opportunity. I acknowledge the risk to the distribution but am more optimistic over the ongoing value of the facility. Our average cost is $2.25. Dundee Corp is a holding company controlled by the Goodman family. I completely agree there are many issues with Dundee including the valuation of some of its underlying holdings and insider compensation. Positive aspects include their long term track record and the re-emergence of David Goodman as President and CEO. The Dundee bottom line is the net asset value exceeds $20, perhaps substantially, while our cost is about $14.

Our US portfolio has continued to be a source of funds for us and our holdings at 31Dec14 included:

VOYA Financial	7%	of net assets
Navient	4%	
2 Other US holdings	1%	

Our most significant disposition was our position in Howard Hughes Corp. I have discussed this at some length in earlier notes. Our average cost in 2011 was approximately $45 and we sold our last shares at $120.

We established a position in Navient Corp in the spring of 2014 as it was spun out of Sallie Mae. Navient has several businesses all related to the US student loan industry. We acquired the position around $16.50 and disposed of our shares in early 2015 at $20. I grew increasing uncomfortable with the business and balance sheet hence the sale.

Our overseas portfolio increased in 2014 and consists of the following:

RHJ International	9%	of net assets
Anglo American plc	3%	
Symphony International	3%	
2 Other European Holdings	1%	

Our main non-American disposition was the sale of our remaining shares in Monex Group. While we roughly doubled our money in Monex over a 4 year period, I was a disappointed we did not do better. Monex was the last of our Japanese holdings. Our experience with Japan was profitable but without a doubt our performance over the last 3 years would have been significantly improved had I not sold our Japanese positions so quickly. This was definitely an "unforced error" on my part. It is interesting but perhaps not surprising how views towards Japan have changed. When we were investing in Japan, even our conference guest speaker had negative things to say. Today, it seems to be in vogue.

Our most significant new foreign investment was Anglo American plc. Anglo is as welcome in many investors' portfolios as I am at one of my teenage daughters' parties. Anglo has a number of businesses including diamonds (DeBeers), iron ore, coal, and copper. I agree completely that the outlook for several of these is at best uncertain. Our focus as always is price. We are purchasing long life assets at a large discount. There is a relatively new CEO, Mark Cutifani, who is focused on improving both Anglo's cost structure and balance sheet. I think this is the 3rd time I have purchased Anglo over the last 20+ years. Similar to today, each time the investment community was very negative and hence the pricing became attractive. Time will tell if we are third time lucky.

On a final note, generally speaking, I am not a big fan of current stock market valuations. This is not a prediction rather a comment caution may be warranted. As such we do have some hedges in place. If these positions expire worthless, the impact will not be significant. If events take an unexpected twist, I will sleep better knowing we have a modest amount of insurance.

Conclusion

I hope my discussion has given you a sense of what I am up to. As mentioned several times, I like what we own. Similar to last year, I will chat a little further about what we are doing at our conference on May 6th in Vancouver. I hope to see you there. We will post a transcript of this meeting on our website.

As always, I thank you for your trust and support.

To my Partners:

Thank you for your trust and for being my partner. I realize some people find my letters quirky but rest assured I have only one objective. My sole focus is to increase the value of our investments on a per unit basis.

I started The McElvaine Investment Trust in 1996. You and I have seen a lot of different environments together. Our investments in the Trust have ranged from Japan to Victoria. Regardless of location, the focus is always the same. Is there a margin of safety at the price we are paying? The reason a margin of safety is so important is unexpected things happen.

For example, three years ago I said gold was high at $1,800 and the Japanese Nikkei Stock Market Index was low at 8,000. There was no margin of safety in the former and lots in the latter. I had a number of people including a speaker at our conference question my sanity. Price matters. Today gold is below $1,300 and the Nikkei is almost 15,000.

The environment we live in has changed significantly in the last 17 or so years since I started the Trust. Wonderful advancements have taken place in technology and medicine. Not so great things have happened in the financial industry. The basic human emotions still dominate: fear, greed, envy, impatience, and ego.

It is a little bit of an unusual time in the markets as we are finding few bargains. As a result, at the end of March, our cash is approximately 26% of net assets. Having said this, we don't invest in the market but rather deal in discounted merchandise. In other words, we shop in the bargain basement not the fashion aisle.

About nine months ago, I formed an advisory committee. The committee is made up of 3 successful and experienced investors. In addition, all three have served on many public company boards including as Chair. Two of the three are investors in The Trust; the third has a significant investment in one of our larger holdings. Each of them own 5% of McElvaine Investment Management. The purpose of this committee is to add a level of accountability for me. Peter Cundill had a similar structure when he operated Cundill Value Fund. This advisory board does not make any investment decisions but rather is both a sounding board for me and also keeps my feet to the fire. I am blessed and thank all three for their friendship, "brutal" honesty and insight.

There is a lot of "financial porn" on TV and the internet. Everyone has an opinion. I realize this creates a lot of confusion. To me, the basic principles don't change. Be honest in your dealings, surround yourself with good people, align your incentives with your partners and buy cheap. I know I got all of these key things right.

March 31, 2014

Our Return for 2013 – Series B Units

The Trust's return for the 12 months ending 31Dec2013 after all fees and expenses was +19.1%. By comparison, the S&P/TSX Composite Total Return Index (including dividends) for this same period was +13.0%.

Investment Returns versus Your Returns

To illustrate our performance, below I have broken out the details as a percentage of our 2013 opening Series B net asset value per unit. I should caution you that these figures are my estimates and are unaudited:

Returns from investments	20.7%
Operating expenses and related taxes	-0.5%
Return pre-management and pre-incentive fee	20.2%
Management fee	-1.0%
Incentive fee	0%
Taxes on fees	-0.1%
Net return to you	19.1%

Breaking down our returns from investments further, I estimate the impact (realized and unrealized) from various investments as follows:

Canada related	4.9%
US related	10.8%
Japan related:	5.5%
Europe related:	-0.5%
Return from investments	20.7%

The Year in Retrospect

2013 was a year of harvesting. Admittedly I harvested a little too quickly but that is the curse of a value investor: in a little early, out a little early. In spite of this, the Trust did not have a tax distribution in 2013 as realized capital gains were offset primarily by a realized capital loss on Rainmaker common shares. As a partner myself, I understand after tax returns matter.

Our investments in the US drove our performance. Breaking out performance by company:

Howard Hughes Corp	3.3%
ING US (VOYA)	2.6%
H&R Block	2.0%
Other US	2.9%
Return from US Investments	10.8%

As discussed in the past, concerns over the outlook for US housing in the fall of 2011 gave us the opportunity to invest in a number of housing related companies at discounts to their intrinsic value. We sold a number of these holdings over the last year or so including PRT and Interfor. The last of these were Howard Hughes Corp and H&R Block. Howard Hughes Corporation was a spinout consisting of master planned communities primarily in Las Vegas and Texas as well as a collection of development assets. We acquired our position for about $48 and sold the last of our shares around $120. H&R Block was depressed due to concern over its exposure to a mortgage origination business was operated through a subsidiary. Our average purchase price was a little over $13. We received approximately $1.20 in dividends and sold our position for about $27. The appreciation in these securities primarily occurred as people began to feel better about the future for US housing. I realize many feel the US' recovery is just beginning. I have no idea. Our focus is simply the price.

Earlier in 2013, we had the opportunity to acquire shares of ING US (renamed VOYA). This was a somewhat distressed sale of ING Groep's US insurance operations. We acquired the shares at a significant discount to book value and at a single digit PE. With new management in place, margins are widening and return on equity is improving.

Nearly all of Japan's performance was due to our holding in Monex Group. We have significantly reduced our position over the last year or so. Similar to my comments on US housing, I realize many believe the move in Japan is just beginning. Given the index is almost double where it was when we were investing, I will leave future predictions to others. The future market outlook is simply not the hook on which I choose to hang an investment decision.

Gains on our holding in Bank of Ireland offset somewhat the poor performance of RHJ International. We have since sold our Bank of Ireland position but continue to hold RHJ International. At long last and after many delays, RHJ recently concluded its acquisition of the former Deutsche Bank private bank BHF. RHJ has been a long time holding and definitely a disappointment. Higher than expected costs and a much delayed timetable has eroded somewhat our estimate of net asset value. Having said this, at EUR3.70, I feel comfortable with the investment.

Our Canadian performance came from the following companies:

EGI Financial	3.8%
Legumex Walker	2.4%
Village Farms	1.5%
Glacier Media	-1.9%
Blackberry	-1.3%
Rainmaker (incl convertible debenture interest)	-1.1%
Other Canada	1.5%
Return from Canadian Investments	4.9%

After a many year wait, EGI Financial performed strongly as improved underwriting and a refocusing of its business lead to a reappraisal in the market. We almost have doubled our money on EGI over a 7 year period. While this was a double digit return, it was a long wait.

On the topic of waits both Rainmaker and Glacier Media did not make our life any easier in 2013 as both negatively impacted our performance. Rainmaker made significant management changes in late 2012 with the addition of Craig Graham as Chairman and CEO and the hiring of Michael Hefferon as President. We disposed of a portion of our common shares and subscribed for a position in the convertible debentures. On a fully diluted basis, our ownership position of Rainmaker has been significantly reduced however the position does remain an important holding in the Trust.

The Trust's expenses consisted primarily of custodial, legal, audit and other operating expenses which amounted to about 0.50% of net assets. In addition, our management fee was 1% of net assets bringing the total MER, with taxes, to something around 1.6%.

There was no performance fee paid on the B units. There continues to be a performance fee shortfall for the B units that will have to be made up prior to any performance fees being paid.

Where We Are Now

Below are some details on our portfolio at 31Dec13. Audited financial statements, including a statement of Investment Portfolio, has been separately mailed to you.

Canadian holdings	46%	of net assets
US holdings	12%	
European holdings	10%	
Japanese holdings	5%	
Cash and Net Working Capital	27%	

As you know, my primary focus is always on the specific company and country allocation is somewhat of an afterthought. Looking at the portfolio as I do, you will see our largest positions at 31Dec2013 were as follows:

RHJ International	9%	of net assets
Rainmaker common shares and debentures	7%	
Glacier Media	7%	
EGI Financial	6%	
Monex Group	5%	
10 Other Canadian Holdings	18%	
6 Other Foreign Holdings	26%	
Cash and Net Working Capital	27%	

Conclusion

Similar to last year, I will chat a little further about what we are doing at our conference on May 8th in Vancouver. I hope to see you there. We will post a transcript of this meeting on our website. As always, I thank you for your trust and support.

To my Partners:

In last year's Annual Report, I concluded it was a good environment to be a value investor. What I meant was uncertainty was giving us opportunities to find interesting investments. Today the investment environment is tougher. The major difference is stock prices are higher today because investor perceptions have changed. The pendulum has swung from negative to optimistic.

When I think about perceptions and the influence of the media, I am reminded of the following old joke:

> *A little girl is walking down the street when a growling Rottweiler runs towards her. A woman grabs a stick and fends off the dog. Coincidently, a nearby newspaper reporter watches the entire incident and rushes over to help. Marveling at the woman's bravery, he decides to write an article. He tells the woman he is going to title it: Neighbour saves child from dog attack. The lady replies that she is visiting from the UK so the reporter responds that he will instead title the article: UK Tourist saves local girl. The woman adds that truth be told she is just temporarily in the UK on a university exchange but actually lives in Afghanistan. Next day the front page of the paper carries the headline: Local dog attacked by Terrorist.*

As stated, a year ago stock prices were lower but there was a lot of uncertainty. Today, investors feel there is less uncertainty and prices have risen. I would strongly argue that uncertainty does not equal risk. Risk depends solely on your margin of safety. In many ways, I find today's environment "riskier" than 18 months ago.

There is a lot to be positive about. Both housing starts and auto sales are up 50% from the 2009 lows. These are key drivers to the US economy. The major central banks are all providing substantial liquidity into the system. This contrasts sharply with the 1930s when monetary policy was tight.

The dark side of this wave of cheap money is that it acts as an "interest rate price control". Price controls distort decisions whether they are financial market, housing, spending or capital allocation related. Like a teenager with a new credit card, you just don't know when the cookie jar will be taken away. The effective structure of government investing "long" and borrowing "short" bothers me. This is a very unstable situation if perception changes.

The bottom line is I live in Victoria. The sunny days are wonderful and I enjoy them. During one of these days, I would be naïve to think there will not be rain sometime in the future. In the market today, we have had a sunny streak. It has served us well. As discussed in the following section, several of our holdings have either been taken over or their shares prices have reached our target prices. As a result, our cash level has risen somewhat. Having said this, there are enough unknowns out there that I am confident there will be moments of downpour. I realize the last 5 years have been difficult and I appreciate the support and patience you have shown. I remain

confident in our approach and have the liquidity and experience to take advantage of any opportunities that arise.

Investor Conference

We will be holding our investor conference on May 15th at the Terminal City Club in Vancouver. As usual, I will start with a presentation on what we are up to in the Trust and then I would be delighted to answer any questions you may have. Our luncheon speaker will be Michael Ross. Michael's CV is as follows:

> ***Michael Ross**, a pseudonym, is a Canadian intelligence and terrorism expert and a former deep cover Mossad Operations Officer who served in the Near East, Africa and Asia for 11 years, and was the Mossad's Counter-Terrorism Liaison Officer to the CIA and FBI for two-and-a-half years. Ross is a graduate of Political Studies from Bar Ilan University and the Begin-Sadat (BESA) Center for Strategic Studies and studied Economics and International Trade at the London School of Economics. Ross is the author of the bestselling memoir, The Volunteer: The Incredible True Story of an Israeli Spy on the Trail of International Terrorists and a regular contributor to the National Post.*

I am sure you will find his comments enlightening. The invitations will be going out in early March so please let us know if you will, or will not, be attending.

We are unique

I believe we are unique in many ways:

1. We eat our own cooking. Our investments are in the Trust alongside yours. This is not a job to me.

2. Our process is not confusing. We have been clear that we are looking for "ABBA" stocks (Appendix A has a refresher if you wish) and I am not at all concerned if our portfolio make up differs substantially from any index. Our approach over time should provide not only superior performance but also will likely not be closely correlated to whatever else you may be invested in.

3. Our fee structure rewards performance. I do well when you do well. We have some ground to make up before any performance fees are generated which results in our MER being relatively low.

Acknowledgements

I continue to be blessed doing something I enjoy for people I like and respect. Given the number of investment alternatives available in the market place, I consider myself very fortunate to have your trust. Thank you.

Tim McElvaine
February 26, 2013

Our Return for 2012 – Series B Units

The Trust's return for the 12 months ending 31Dec2012 after all fees and expenses was +18.3%. By comparison, the S&P/TSX Composite Total Return Index (including dividends) for this same period was +7.2%.

Investment Returns versus Your Returns

To illustrate our performance, below I have broken out the details as a percentage of our 2012 opening Series B net asset value per unit. I should caution you that these figures are my estimates and are unaudited:

Returns from investments	19.7%
Operating expenses and related taxes	-0.3%
Return pre-management and pre-incentive fee	19.4%
Management fee	-1.0%
Incentive fee	0%
Taxes on fees	-0.1%
Net return to you	18.3%

Breaking down our returns from investments further, I estimate the impact (realized and unrealized) from various investments as follows:

Japan related:	8.3%
Housing related:	7.2%
Europe related:	2.0%
Everything else:	2.2%
Return from investments	19.7%

The Year in Retrospect

This business always is full of surprises. A year ago, few would have predicted the strength in housing or the new found optimism for Japan. Nevertheless both of these areas were top contributors to our investment performance in 2012.

The largest contributors to our Japanese return were our investments in Monex and Shinsei Bank. The bulk of our Japanese positions were purchased only 2 years ago. I have to say our holding period has felt like a lifetime to me! As I write this note, we have reduced our exposure to Japan and it currently is in the upper single digits. I am not a Japanese bull or bear; we just invested when the pricing was attractive.

Our housing-related exposure was split between the US and Canada. PRT and Interfor are both lumber related companies based in British Columbia. We made our PRT investment in 2009/2010 at an average cost of about $1.45 per share. PRT was taken over in December 2012 for $4.45 per share. We acquired Interfor in the fall of 2011 and early 2012 with an average cost of $4.50 per share and sold our last

shares in late February 2013 at a little over $9. Our US positions consist of AV Homes and Howard Hughes Corp. We continue to hold both of these positions.

European returns were driven largely by RHJ and Bank of Ireland. Bank of Ireland was recently sold at a profit however we continue to hold RHJ. Our cost in RHJ is about €5.40 versus a current price of about €4.0. We acquired most of our position in 2010 and while I continue to feel we have a margin of safety, the market obviously disagrees. Part of the issue is RHJ has entered into an agreement to purchase a private bank from Deutsche Bank. This was negotiated in the summer of 2012 and is awaiting regulator approval. A number of investors oppose this move and would prefer RHJ distributed the bulk of its cash to investors. I met with RHJ's Chairman several months ago and concluded the agenda will be driven by the regulators decision on the Deutsche Bank transaction. This decision is expected in the spring.

The everything else category consists of a mix of investments. The two largest negative contributors to performance were Rainmaker Entertainment and Glacier Media. We have held both investments for many years. I have commented often on Rainmaker in our quarterly letters so I won't repeat myself here except to say over the last 5 years it has been an enormous negative to our performance. With a new management team, a recently released feature film (Escape from Planet Earth) and a financing, I am optimistic on its future. Glacier's poor performance I think has been driven by disappointment with the speed of its integration of various Postmedia properties acquired in late 2011. In addition, national advertising has been weak. I believe both in the soundness of the acquisition and the mgmt/owners of Glacier. Once again, like Rainmaker, in 2008 we had an opportunity to sell Glacier at a substantial profit. It currently trades below our average cost. While I continue to be comfortable with both these holdings, I do appreciate you may want to use an impolite phrase to refer to my astuteness.

The largest positive contributors in the everything else category included EGI Financial, The Caldwell Partners and Pacific Capital. EGI has been a longtime holding and while it trades over our cost, it has not performed particularly well over time. The board is good and I believe they are focused on shareholder returns. The Caldwell Partners instituted a dividend and the stock responded positively. Pacific Capital is a restructured US bank which was taken over early in 2012.

The Trust's expenses consisted primarily of custodial, audit and other operating expenses which amounted to about 0.30% of net assets. In addition, our management fee was 1% of net assets bringing the total MER, with taxes, to something around 1.40%. I believe this is significantly below the industry average.

Given our performance of late, there was no performance fee paid on the B units. There is a significant shortfall for the B units that will have to be made up prior to any fees being paid.

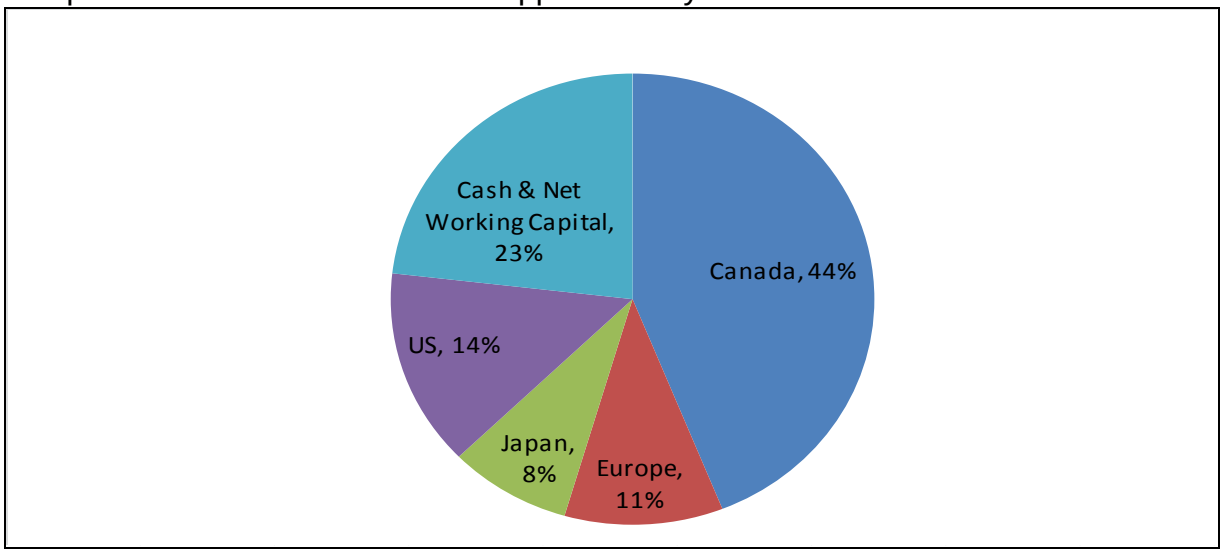
Where We Are Now

Below is the unaudited statement of net assets for The McElvaine Investment Trust. Audited financial statements, including a statement of Investment Portfolio, has been separately mailed to you.

THE MCELVAINE INVESTMENT TRUST
Statement of Net Assets
December 31, 2012, with comparative information for 2011

	2012	2011
Assets		
Investment portfolio, at fair value	$ 27,840,473	$ 37,585,975
Receivable from forward currency contracts	511,011	238,782
Options contracts	62,677	-
Cash and deposits	8,362,163	3,225,086
Dividends and interest receivable	61,436	52,052
	36,837,760	41,101,895
Liabilities		
Payable on forward currency contracts	99,046	78,598
Accounts payable and accrued liabilities	66,913	90,035
Redemptions payable	222,497	536,366
	388,456	704,999
Net assets	$ 36,449,304	$ 40,396,896

Our portfolio at 31Dec2012 looked approximately as follows:



As you know, my primary focus is always on the specific company and country allocation is somewhat of an afterthought. Looking at the portfolio as I do, you will see our largest positions at 31Dec2012 were as follows:

Glacier Media Inc.	11%	of net assets
RHJ International	9%	
EGI Financial	8%	
Interfor	7%	
Monex Group	7%	
8 Other Canadian Holdings	18%	
8 Other Foreign Holdings	17%	
Cash and Net Working Capital	23%	

As stated above, we sold the balance of our Interfor position in February 2013. Glacier, RHJ, EGI and Monex all have significant insider ownership. In many ways, an owner of these companies are managements' minority partner rather than simply an investor. I think this is a good position to be in.

Conclusion

We made up some ground in 2012. The Trust has some cash to take advantages of any turbulence as well as owns a number of inexpensive securities. As I approach my 50th birthday, I feel blessed with my relationships and as always, thankful for all your support.

To my Partners:

The future is always uncertain; however uncertainty does not automatically mean risky. Riskiness to me is dependent on the price paid. Nevertheless, in spite of the confidence of various "experts" on BNN and CNBC, no-one can tell us what is around the corner (the saying that comes to mind is "people don't predict because they know but because they are asked"). With this in mind, I will nevertheless make a couple of observations.

I have coined an acronym to summarize the threats of today: ICED. In other words, we live in an ICED age! ICED stands for Iran (and Middle East generally), China, Europe and Debt. I will chat briefly on each of these:

I – Iran (and Middle East generally)

Transitions are never smooth, especially when there are a number of players with vested interests in the background. Further, I wholeheartedly agree with the view that Iran must not be allowed to develop nuclear weapons. I only hope we achieve this outcome without conflict but it certainly is a risk.

C – China

The rise of China and the lifting of tens of millions of people out of poverty has been a marvelous thing. China's challenge is to move peacefully and quickly to a free society: one that is governed by the rule of law and the concept of private property. In addition, the move from an export oriented system to a consumption based economy is complicated by an opaque financial and economic system. I share the hope that the Chinese economy will muddle through. World history with real estate booms combined with opaque financial system is not good.

E – Europe

If austerity was the road to financial freedom, North Korea would be the king of the world. The burden of debt can only be reduced through repayment (which admittedly austerity does offer a partial solution to), economic growth, default (includes "forgiveness"/restructuring), or inflation that exceeds the interest cost. A financial crisis was avoided last year by the injection of liquidity into the banking system by the ECB. This is not the same as solving the problem. It is hard to envision a long term solution that does not involve the exit of one or more of the troubled countries from the Eurozone.

D - Debt

The biggest change in the investment environment during my career has been the transition of government debt from a riskless asset to a risky asset. This has been combined with a certain amount of price manipulation by the Fed and others on the cost of this "asset". As discussed in the fall, I do believe the US is in a much different, and better, situation than Europe and Japan. This is due to several factors including having its own currency and primarily US$ denominated debt. Further, the US has the capacity to improve its financial situation through population growth, public determination and to some extent, inflation.

My point in discussing ICED age is simply to suggest that one should expected continued volatility in the markets. The path to the solution of any of these issues is likely to be messy with lots of noise. Nevertheless this is a good environment for a value investor. As always, our decisions are not governed by macro trends but are very specific to the investment. I discuss our portfolio in the following section.

Investor Conference

We will be holding our investor conference on May 11th at the Terminal City Club in Vancouver. As usual, I will start with a presentation on what we are up to in the Trust and then I would be delighted to answer any questions you may have. This will be followed by presentations by the CEOs of several of our holdings: The Caldwell Partners, Interfor and PRT. Our luncheon speaker will be Christopher Risso-Gill who wrote Peter Cundill's biography. As you know, I worked closely with Peter for more than a decade and the book reads like a fireside chat with Peter. Please let us know if you will, or will not, be attending.

We are Unique

I believe we are unique in many ways:

1. We eat our own cooking. All of my investments are in our stuff. This is not a job to me.

2. Our process is not confusing. We have been clear that we are looking for "ABBA" stocks (Appendix A has a refresher if you wish) and I am not at all concerned if our portfolio make-up differs substantially from any index. Our approach over time should provide not only superior performance but also will likely not be closely correlated to whatever else you may be invested in.

3. Our fee structure rewards performance. I do well when you do well. We have some ground to make up before any performance fees are generated which results in our MER being relatively low.

Acknowledgements

Our decreased asset base means I have had to reduce costs. I am therefore consolidating our operations in Victoria which means I have had to part ways with Diann, Kim, and Balkar. This was a very difficult decision and I have only myself to blame. Kim, Diann and Balkar have all found new jobs as one would expect given how good they are. I will miss them and always be indebted to them for all their confidence, work and friendship.

I continue to be blessed doing something I enjoy for people I like and respect. Given the number of investment alternatives available in the market place, I consider myself very fortunate to have your trust. Thank you.

Tim McElvaine
April 12, 2012

Our Return for 2011 – Series B Units

The Trust's return for the 12 months ending 31Dec2011 after all fees and expenses was -13.4%. By comparison, the S&P/TSX Composite Total Return Index (including dividends) for this same period was -8.7%. A comparison to the Index can be found in the Performance Summary at the beginning of this report. The Trust's Series B monthly returns are detailed in the following table:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	4.17%	0.67%	-3.55%	-0.49%	-0.18%	-2.80%	-0.47%	-2.68%	-4.98%	-2.41%	-3.37%	2.20%	-13.37%
2010	0.54%	1.68%	5.46%	2.87%	-7.60%	-5.29%	3.99%	-2.40%	2.03%	-0.62%	-1.59%	3.52%	1.75%
2009	-1.76%	-14.39%	5.50%	11.31%	4.76%	0.10%	-1.01%	3.05%	0.94%	3.36%	1.61%	5.42%	18.07%
2008	-8.34%	-3.68%	3.48%	-5.75%	2.21%	-6.23%	-4.26%	2.23%	-11.08%	-16.59%	-17.84%	4.12%	-48.75%
2007	1.23%	0.11%	0.98%	2.76%	3.01%	-0.71%	-0.02%	-1.18%	-0.91%	-0.37%	-7.29%	3.39%	0.56%
2006	4.74%	2.17%	0.42%	-1.25%	-0.49%	0.52%	1.46%	1.03%	-0.71%	0.58%	0.94%	2.04%	11.90%
2005	1.71%	3.31%	1.14%	-0.26%	-0.23%	3.34%	2.16%	1.68%	0.75%	-2.59%	0.43%	4.72%	17.18%
2004	3.04%	0.56%	1.17%	-0.07%	-0.31%	1.65%	0.79%	-0.67%	-0.13%	0.44%	-1.12%	3.01%	8.59%
2003	3.89%	0.06%	-0.05%	1.60%	2.99%	2.59%	3.54%	4.96%	-0.41%	3.88%	1.46%	0.73%	28.19%
2002	4.63%	4.24%	6.69%	2.04%	3.83%	-4.81%	-6.30%	-1.44%	-3.04%	-0.43%	1.21%	-0.83%	5.02%
2001	3.49%	1.02%	3.57%	0.00%	7.95%	2.99%	-1.35%	3.76%	-5.93%	3.85%	2.09%	4.16%	28.03%
2000	-2.48%	1.88%	1.66%	2.91%	2.12%	-0.69%	-1.91%	5.86%	2.60%	0.33%	1.95%	3.74%	19.16%
1999	2.98%	0.37%	5.68%	5.37%	0.73%	3.00%	6.05%	-0.52%	2.74%	2.00%	-0.20%	-1.75%	29.46%
1998	3.51%	4.33%	8.14%	2.41%	1.91%	-2.02%	3.83%	-7.58%	0.61%	0.84%	3.10%	-2.72%	16.60%
1997	1.55%	0.19%	1.34%	-0.47%	0.00%	0.38%	3.21%	3.75%	1.15%	2.18%	-0.43%	-0.56%	12.88%
1996										0.70%	0.70%	1.72%	3.14%

Investment Returns versus Your Returns

To illustrate our performance, I have expressed the details as a percentage of our 2011 opening Series B net asset value per unit. I should caution you that these figures are my estimates and are unaudited:

Returns from investments	-12.1%
Operating expenses and related taxes	-0.2%
Return pre-management and pre-incentive fee	-12.3%
Management fee	-1.0%
Incentive fee	0%
Taxes on fees	-0.1%
Net return to you	-13.4%

Breaking down our returns from investments further, I estimate the impact (realized and unrealized) from various investments as follows:

TimberWest bonds	2.4%
Rainmaker Entertainment	1.3%
Sun-Gro Horticulture	1.1%
Pola Orbis	1.1%
Glacier Media	-1.4%
Indigo	-1.6%
Sun-Rype Products	-1.7%
RHJ International	-4.1%
Monex Group	-4.6%
Other securities	-1.4%
Return from securities	-8.9%
Impact of currency hedging	-3.2%
Return from investments	-12.1%

The Year in Retrospect

The holdings that hurt us the most in 2011 are actually helping us in 2012. Nevertheless you can see that our largest foreign positions, RHJ and Monex (as well as related currency hedging), accounted for almost all of our losses. I discuss these below; I continue to like both stocks as they are cheap and run by owners. This is a good combination although I suspect you would have preferred I timed our purchases better.

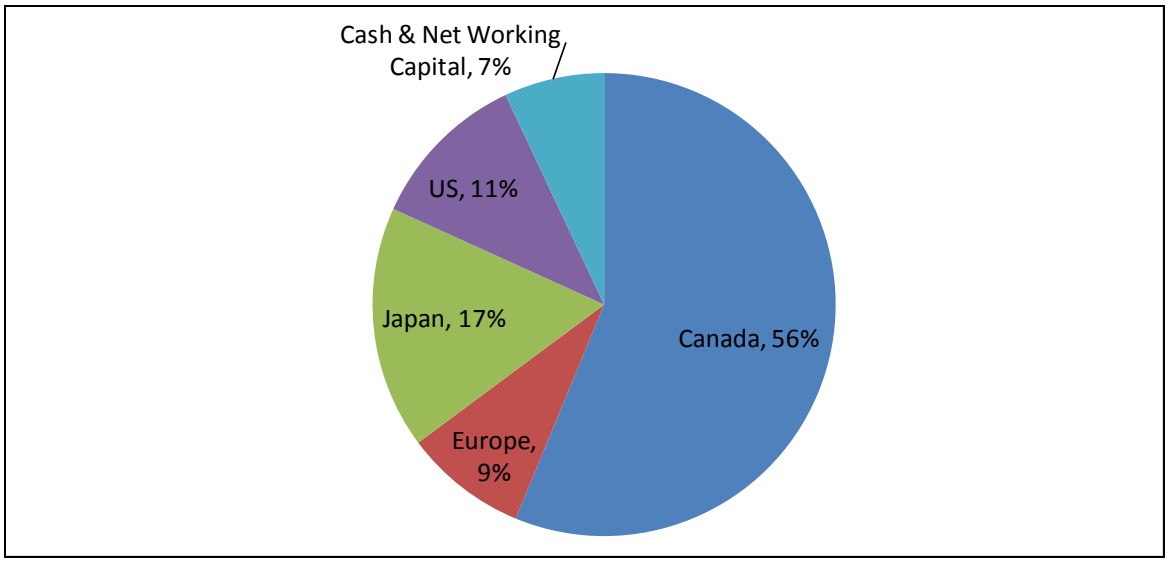
Our gainers included two take-overs: TimberWest and Sun-Gro. We started buying TimberWest units in 2008. This became a big position in TimberWest debentures in early 2009 when they did a rights issue. Our rationale at the time was that the debentures paid a 9% coupon and were convertible into units at $3.50. I figured that in a better environment than 2009, the assets were worth double this as TimberWest had substantial freehold timber properties as well as development lands. About 2 ½ years later (a relatively short timeframe in the scheme of things but a lifetime when you are long), TimberWest received a takeover bid of $6.16. I estimate that with interest included, we more than doubled our money on this position.

The Trust's expenses consisted primarily of custodial, audit and other operating expenses which amounted to about 0.20% of net assets. In addition, our management fee was 1% of net assets bringing the total MER, with taxes, to something around 1.30%. I believe this is significantly below the industry average.

Given our performance of late, there was no performance fee paid on the B units. There is a significant shortfall for the B units that will have to be made up prior to any fees being paid.

Where We Are Now

Our portfolio at 31Dec2011 looked approximately as follows:



As you know, my primary focus is always on the specific company and country allocation is somewhat of an afterthought. Looking at the portfolio as I do, you will see our largest positions at 31Dec2011 were as follows:

Glacier Media Inc.	16%	of net assets
RHJ International	9%	
EGI Financial	8%	
Ichigo Group Holdings	7%	
Sun-Rype Products Ltd.	6%	
10 Other Canadian Holdings	26%	
7 Other Foreign Holdings	21%	
Cash and Net Working Capital	7%	

As I discussed in the fall, a business can build value through expanding its own operations, via acquisitions (and dispositions) and by balance sheet activity. In tough markets, if a business can make smart acquisitions and/or repurchase its own shares at a discount, we as the owners benefit. I believe having the directors/management as owners is especially important as it brings an additional intensity to these capital allocation decisions. Below is the 2011 activity for several of our largest holdings:

Glacier Media:

- Ownership/control: Directors/management own 34%
- Repurchases: 1,275,000 shares for about $3 million
- Acquisitions: Included Canada's largest outdoor agricultural trade show, 50% of InfoMine - a leading digital mining information business, several papers including 12 community papers around Vancouver

EGI Financial

- Ownership/control: Directors/management own 13%
- Repurchases: $0
- Acquisitions: Formed a European non-life Insurance business with EGI owning 51% and two owner/operators owning the balance

RHJ International

- Ownership/control: Directors/management own 13%
- Repurchases: 2,500,000 shares for approximately $14.25 million
- Acquisitions: In exclusive negotiations to acquire a private banking business from Deutsche Bank

Sun-Rype

- Ownership/control: Directors/management own 65%
- Repurchases: $0
- Acquisitions: Acquired a US juice concentrate business

Monex Group

- Ownership/control: Directors/management own 9%
- Repurchases: 200,000 shares for approximately $39 million
- Acquisitions: Acquired Tradestation (US Internet Broker) and IBFX (US Forex trading services)

I am pleased we have invested in companies that have the capacity to expand in difficult times. While acquisitions always have some risk, the large insider ownership in all of these companies ensures their interests are aligned with ours.

Outside of these holdings, our largest area of new purchases was the US. Our buys included:

- Pacific Capital Bancorp, a restructured US financial institution. A couple of years ago, this bank effectively became insolvent. A group lead by a seasoned bank investor injected about $500 million into the bank. In addition, the bank did a rights issue hence a stub is public. The result was we were able to invest in a cleaned up bank with strong regional market share and an experienced financially committed owner all at a cheap price.

- The Howard Hughes Corporation, a spinoff from General Growth Properties. HHC is a collection of planned residential communities and potential development projects. An interesting twist is senior management paid $19 million for 7 year warrants with an effective price around our cost. These aren't stock options with no cost to management! Further, Bill Ackman, recently in the headlines as he is attempting to change the CP board, is Chairman of HHC.

Conclusion

All in all, it was a disappointing year however our losses occurred largely in stocks I think are cheap. The 1st quarter of 2012 has given us improved performance as many of these shares rebounded. Thanks for your support.