

Financial Statements of

THE McELVAINE INVESTMENT TRUST

And Independent Auditors' Report thereon

Years ended December 31, 2019 and 2018



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

Opinion

We have audited the accompanying financial statements of The McElvaine Investment Trust (the "Trust"), which comprise:

- the statements of financial position as at December 31, 2019 and 2018
- the statements of comprehensive income for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

The Manager is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".



Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of The Manager and Those Charged with Governance for the Financial Statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting (IFRS), and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Trust's ability to continue as a going concern disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants

Vancouver, Canada

March 16, 2020

THE MCELVAINE INVESTMENT TRUST

Statements of Financial Position

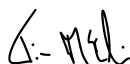
As at December 31, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 4,362,139	\$ 3,581,884
Interest and dividends receivable	13,677	7,025
Prepaid expenses	5,244	-
Derivative assets:		
Options	-	4,092
Investments	23,970,304	24,145,753
	\$ 28,351,364	\$ 27,738,754
Liabilities		
Accrued liabilities	68,650	76,327
Net assets attributable to holders of redeemable units	\$ 28,282,714	\$ 27,662,427
Represented by:		
Series B	\$ 26,815,790	\$ 26,415,010
Series C	18,588	17,014
Series G	1,448,336	1,230,403
	\$ 28,282,714	\$ 27,662,427
Net assets attributable to holders of redeemable units per unit:		
Series B	\$ 5.59	\$ 5.17
Series C	5.74	5.25
Series G	11.69	10.70

Subsequent events (Note 11)

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

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



Tim McElvaine, Director

Director

THE McELVAINE INVESTMENT TRUST

Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	Note	2019	2018
Revenue:			
Dividend income		\$ 530,160	\$ 318,252
Interest income		43,561	27,094
Net foreign currency loss		(20,935)	(8,785)
Other income		88	-
Changes in fair value of investments and derivatives:			
Net realized gain (loss)		4,194,037	(1,020,968)
Net change in unrealized depreciation		(1,973,484)	(4,576,833)
Total revenue		2,773,427	(5,261,240)
Expenses:			
Management fees (including HST/GST)	4	300,579	329,915
Commissions and other portfolio transaction costs		55,109	48,557
Custodial fees		50,768	59,246
Withholding taxes	5	33,287	12,933
Operations and other expenses		29,716	18,740
Audit and tax fees		20,077	24,155
Legal fees		7,949	3,473
Trustee fees		3,600	3,600
Total operating expenses		501,085	500,619
Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions		\$ 2,272,342	\$ (5,761,859)
Distributions to holders of redeemable units:			
From net investment income		(57,048)	-
From net capital gains		(2,190,994)	-
		(2,248,042)	-
Increase (decrease) in net assets attributable to holders of redeemable units, from operations		24,300	(5,761,859)
Increase (decrease) in net assets attributable to holders of redeemable units, from operations:			
Series B		\$ 22,229	\$ (5,513,879)
Series C		97	(3,495)
Series G		1,974	(243,744)
Series X		-	(741)
		\$ 24,300	\$ (5,761,859)
Increase (decrease) in net assets attributable to holders of redeemable units per unit before distributions:			
Series B		\$ 0.44	\$ (1.06)
Series C		0.49	-
Series G		0.97	(2.21)
Series X		-	(0.17)

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

THE McELVAINE INVESTMENT TRUST

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

Years ended December 31, 2019 and 2018

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

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

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

THE McELVAIN INVESTMENT TRUST

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 24,300	\$ (5,761,859)
Adjustments for:		
Interest income	(43,561)	(27,094)
Dividend income,	(530,160)	(318,252)
Withholding taxes	33,287	12,933
Net foreign currency loss	20,935	8,785
Net realized (gain) loss from investments and derivatives	(4,194,037)	1,020,968
Net change in unrealized depreciation	1,973,484	4,576,833
Proceeds from sale of investments	18,253,661	6,694,183
Purchase of investments	(15,853,567)	(9,472,035)
Net decrease in accrued liabilities	(7,677)	(9,179)
Net increase in prepaid expenses	(5,244)	-
Non-cash distributions to holders of redeemable units	2,248,042	-
	1,895,163	(3,274,717)
Withholding taxes paid	(33,287)	(12,933)
Interest received	43,561	27,094
Dividends received	523,508	329,227
	2,453,245	(2,931,329)
Financing activities:		
Proceeds from issue of redeemable units	434,496	81,000
Payments on redemption of redeemable units	(2,086,551)	(1,066,076)
	(1,652,055)	(985,076)
Net increase (decrease) in cash	801,190	(3,916,405)
Cash, beginning of year	3,581,884	7,507,074
Effect of exchange rate fluctuations on cash	(20,935)	(8,785)
Cash, end of year	\$ 4,362,139	\$ 3,581,884

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

THE McELVAINE INVESTMENT TRUST

Schedule of Investments

December 31, 2019

	Number of shares / par value	Cost	Fair value
Canadian - Equities:			
Deans Knight Income Corp.	44,800	\$ 4,928	\$ -
Dorel Industrials Inc., Class B	100,000	556,283	598,000
Empire Industries Ltd.	2,000,000	810,309	940,000
Glacier Media Inc.	4,000,000	5,857,850	2,240,000
Jaguar Mining Inc.	2,500,000	348,509	487,500
Knight Therapeutics Inc.	150,000	1,253,139	1,137,000
Leucrotta Exploration Inc.	1,000,000	609,308	740,000
Maxim Power Corp.	1,300,000	3,399,148	2,366,000
Orca Exploration Group Inc., Class B	100,000	458,310	616,500
The Caldwell Partners International Inc., Class A	600,000	502,118	744,000
Tourmaline Oil Corp.	125,000	1,670,390	1,902,500
Whitecap Resources Inc.	250,000	1,057,390	1,387,500
Wintaai Holdings Ltd.	100,000	1,845,000	1,984,000
Wow Unlimited Media Inc., Class A	1,700,000	2,831,015	909,500
Total Canadian equities		21,203,697	16,052,500
United States - Equities:			
EXCO Resources Inc.	212,835	2,625,391	691,112
General Electric Co.	50,000	484,808	724,769
Jefferies Financial Group	75,000	1,773,041	2,081,764
SEACOR Marine Holdings Inc.	75,000	1,480,232	1,343,356
Voya Financial Inc.	20,000	581,702	1,584,102
Total United States equities		6,945,174	6,425,103
Foreign - Equities:			
Anglo American PLC	40,000	601,697	1,492,701
Total Foreign equities		601,697	1,492,701
Total Investment Portfolio		\$ 28,750,568	\$ 23,970,304
Other Net Assets			4,312,410
Total Net Assets			\$ 28,282,714

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

1. Reporting entity:

The McElvaine Investment Trust (the "Trust") is a unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002, January 1, 2008, April 23, 2012, June 30, 2019 (collectively, the "Trust Agreement"), between McElvaine Investment Management Ltd. and the Trust. McElvaine Investment Management Ltd. acts as trustee of the Trust pursuant to the Trust Agreement. The Trust is also managed by McElvaine Investment Management Ltd. (the "Manager"), which also provides investment counseling services. The address of the Trust's registered office is at Suite 301, 1321 Blanshard Street, Victoria, British Columbia.

The Trust is an open-ended investment Trust with a fundamental investment objective to achieve long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value. The Manager intends to invest the Trust's assets primarily in common shares of publicly-traded companies. However, the Manager may make any type of investment that is believed to be consistent with the Trust's investment objective. There will be periods of time where a substantial portion of the Trust's assets will be held in the form of cash, short-term money market instruments or other fixed income instruments.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Manager on March 16, 2020.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Trust may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(i) Recognition and measurement (continued):

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Trust has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Trust may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(ii) Fair value through profit and loss:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Trust classifies cash, interest and dividends receivable and accrued liabilities as amortized cost.

(b) Redeemable units:

The Trust classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities at FVTPL and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Trust's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

(c) Net assets attributable to holders of redeemable units per unit:

The net assets of a particular series of units is computed by calculating the value of that series' proportionate share of the assets and liabilities of the Trust common to all series less the liabilities of the Trust attributable only to that series. Expenses directly attributable to a series are charged directly to that series. Income, realized and unrealized gains and losses from investment transactions and other expenses are allocated proportionately to each series based upon the relative net asset value of each series.

(d) Income recognition:

Interest income shown on the statement of comprehensive income represents interest received by the Trust accounted for on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(e) Foreign exchange:

The financial statements of the Trust are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

3. Significant accounting policies (continued):

(f) Income taxes:

The Trust qualifies as a unit trust under the Income Tax Act (Canada). All of the Trust's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust does not record income taxes.

4. Related party transactions:

Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the net asset value ("NAV") of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month). The monthly fee payable to the Manager is based upon the following rates:

Series B	1/12 of 1.0% per annum
Series C	1/12 of 0.5% per annum

There are no management fees charged on Series G units.

Performance fees:

The manager is entitled to receive the following performance incentive fees (plus applicable taxes, including GST or HST) from the Trust in respect of Series B, C, G units.

- (i) Series B - 20% per annum of the amount (if any) by which any increase in the Series B net asset value during the fiscal year (after certain adjustments, including any prior period "shortfalls" in net asset value) exceeds 6%.
- (ii) Series C - 20% of the amount (if any) by which the net asset value of each unit on the last business day of June each year (after certain adjustments) exceeds the applicable 6% High Water Mark (as defined below) for such unit.
- (iii) Series G - 20% of the amount (if any) by which the net asset value of each unit on the last business day of December each year (after certain adjustments) exceeds the applicable 6% High Water Mark (as defined below) for such unit.

For the purpose of determining the performance incentive fee in respect of a Series C, and G unit, the "6% High Water Mark" means the greater of (i) the subscription price for such unit multiplied by 1.06, and (ii) if a performance fee has been paid in respect of such unit, the applicable series net asset value per unit on the last date on which the performance fee was paid in respect of such unit multiplied by 1.06.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

4. Related party transactions (continued):

Performance fees (continued):

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Manager annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Manager.

The adjusted shortfall carried forward in respect of Series B of the Trust at December 31, 2019 and 2018, as applicable, was as follows:

	2019	2018
Series B	\$ 15,905,924	\$ 17,821,083

As at December 31, 2019 there is a high water mark for Series C of \$6.27 (2018 - \$6.27) and Series G of \$12.50 (2018 - \$12.50).

Related party shareholdings:

As at December 31, 2019 and 2018, parties related to the Manager directly or indirectly held the following percentages of the Trust's outstanding units. Subscriptions and redemptions are subject to the same terms and conditions as arms-length investors in the Trust.

	2019	2018
Series B	1%	1%
Series C	34%	34%
Series G	3%	-

As at December 31, 2019 and 2018, the aggregate investment in all investee companies owned by the Manager's directors and officers did not exceed 1% of the respective investee companies' issued and outstanding shares.

5. Withholding tax expense:

Certain dividend and interest income received by the Trust is subject to withholding tax imposed in the country of origin. During the year, the average effective withholding tax rate was 5.80% (2018 - 3.74%).

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

6. Redeemable units:

Pursuant to the Trust Agreement, the Trust is authorized to issue an unlimited number of units. Each series of units is described further below:

- Series B units are available from the Manager or through authorized dealers. These units may qualify for redesignation by the unitholder as Series C, G or I units.
- Series C units are available from the Manager or through authorized dealers. These units may qualify for redesignation by the unitholder as Series B, G or I units. Series C units are no longer being offered to investors, and the Manager intends to discontinue Series C units in early 2020.
- Series F units are available from the Manager or through authorized dealers. These units pay an annual fee to their dealer for investment advice and other services. Effective September 25, 2019 the existing Series F units were redesignated as Series G.
- Series G units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. These units may qualify for redesignation by the unitholder as Series B, C or I units. Series G units are no longer being offered to investors.
- Series I units are available only to investors who have entered into an agreement with the Manager and meet certain other conditions and are offered only on a private placement basis. These units may qualify for redesignation by the unitholder as Series B, C, or G units. There are no Series I units outstanding in 2019 and 2018.
- Series X units were cancelled as of March 1, 2018.

Series A, Series B, Series D and Series F units are the only units offered under the Simplified Prospectus, and Series I units are offered only on a private placement basis.

The unit transactions for the Trust during the years ended December 31 are as follows:

	Outstanding redeemable units, beginning of year	Redeemable units issued	Redemption of units	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Transfer in/ out of units	Outstanding redeemable units, end of year
December 31, 2019							
Series B	5,112,401	63,262	(380,888)	381,296	(381,296)	-	4,794,775
Series C	3,241	-	-	257	(257)	-	3,241
Series G	115,024	8,869	-	9,848	(9,848)	-	123,893
	5,230,666	72,131	(380,888)	391,401	(391,401)	-	4,921,909

	Outstanding redeemable units, beginning of year	Redeemable units issued	Redemption of units	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Transfer in/ out of units	Outstanding redeemable units, end of year
December 31, 2018							
Series B	5,312,412	14,750	(165,762)	-	-	(48,999)	5,112,401
Series C	9,343	188	(2,422)	-	-	(3,868)	3,241
Series F	89,266	-	(3,253)	-	-	29,011	115,024
Series X	4,256	-	-	-	-	(4,256)	-
	5,415,277	14,938	(171,437)	-	-	(28,112)	5,230,666

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

7. Capital management:

The redeemable units issued by the Trust represent the capital of the Trust. The Trust is not subject to any internally or externally imposed restrictions on its capital. The Trust's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from distributions, if any, and redemptions.

8. Financial risk management:

(a) Risk management framework:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investments groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value.

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. It arises principally from debt securities held, and also from derivative financial assets, cash, and other receivables due to the Trust. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Trust's maximum exposure to credit risk.

Credit risk is managed by the Manager through a careful selection of securities and diversification of the Trust's portfolio. The Manager monitors the Trust's overall market positions on a daily basis and investment positions are maintained within an established range.

In the Manager's opinion, the Trust does not have significant exposure to credit risk.

(c) Liquidity risk:

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

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

8. Financial risk management (continued):

(c) Liquidity risk (continued):

The Trust primarily invests in investments in listed securities that are considered to be readily realizable because they are traded on major global stock exchanges. In addition, the Trust retains sufficient cash and deposit positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid.

The Trust's non-derivative liabilities are generally expected to be due and paid within 90 days, with the exception of net assets attributable to holders of redeemable units. Redeemable units are redeemable on demand at the holder's option, however in the Manager's opinion the redeemable units do not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long term.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Trust's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and deposits. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As at December 31, 2019 and 2018, the Trust did not hold any debt securities.

(ii) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Trust will fluctuate due to changes in foreign exchange rates.

The Trust's currency risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Trust may use foreign currency contracts to hedge some foreign currency exposure and engage in the buying and selling of currencies through forward contracts in order to achieve the desired currency exposure. At the reporting date, the carrying value of the Trust's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows.

December 31, 2019	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 16,052,500	\$ 4,361,981	\$ (49,729)	\$ -	\$ 20,364,752
US dollar	6,425,103	158	-	-	6,425,261
British pound	1,492,701	-	-	-	1,492,701
	\$ 23,970,304	\$ 4,362,139	\$ (49,729)	\$ -	\$ 28,282,714

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

8. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk (continued):

December 31, 2018	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 16,676,120	\$ 3,580,917	\$ (69,302)	\$ -	\$ 20,187,735
US dollar	5,945,566	967	-	4,092	5,950,625
British pound	1,524,067	-	-	-	1,524,067
	\$ 24,145,753	\$ 3,581,884	\$ (69,302)	\$ 4,092	\$ 27,662,427

As at December 31, 2019 and 2018, had the Canadian dollar strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets would have increased or decreased by approximately \$395,953 (2018 - increased or decreased by approximately \$373,734). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(iii) Other price risk:

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

The Manager manages price risk on a daily basis. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy of the Trust. Except for written options and securities sold short, the maximum risk resulting from financial instruments is equivalent to their fair values as set forth in the Trust's statement of financial position. Possible losses from written options and securities sold short can be unlimited.

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

As at December 31, 2019 and 2018, had the respective benchmark of the Trust increased or decreased by 10%, with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively by approximately \$2.3 million (2018 - \$2.4 million) or 8.5% (2018 - 8.7%) of net assets attributable to redeemable units.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

9. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs that are unobservable.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Trust uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as forward contracts and options that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Trust uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

9. Fair value of financial instruments (continued):

(a) Valuation models (continued):

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Trust believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Trust and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

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

2018	Level 1	Level 2	Level 3	Total
Equities	\$ 24,145,753	\$ -	\$ -	\$ 24,145,753
Derivatives	4,092	-	-	4,092
	\$ 24,149,845	\$ -	\$ -	\$ 24,149,845

The carrying amount of the Trust's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2019 and 2018.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

9. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value (continued):

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

As at December 31, 2019:

	Equity Securities
Balance, beginning of year	\$ -
Purchases	2,998,125
Sales	(1,738,625)
Net realized gain on investments	585,522
Net change in unrealized appreciation on investments	138,978
Balance, end of year	\$ 1,984,000

There were no Level 3 investments as at December 31, 2018.

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

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

December 31, 2019					
Description	Fair value	Valuation technique	Unobservable input	Amount	Sensitivity to change in significant unobservable input
Equities	\$ 1,984,000	Multiple approach	Book value multiple	1.1x	The estimated fair value would increase if the book value multiple increases

The book value multiple represents the Manager's assessment of the investments fair value in excess of its book value. The Manager determines this multiple in reference to trading multiples of similar companies in comparable industries.

(d) Effects of unobservable input on fair value measurement:

Although the Trust believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Holding other assumptions constant, increasing the book value multiple by 5% used in the model to value investments would increase the fair value of the investment by \$ 99,620 and decreasing the book value multiple by 5% would decrease the fair value of the investment by \$ 94,095.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2019 and 2018

9. Fair value of financial instruments (continued):

(e) Financial instruments not measured at fair value:

The carrying value of cash, interest and dividends receivable, and accrued liabilities approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

10. Income taxes:

As at December 31, 2019, the Trust had net capital loss carry forwards of approximately nil (2018 - \$976,478) available for utilization against capital gains in future years. Such net capital losses are available to be carried forward indefinitely. The Trust had non-capital loss carry forwards of approximately nil (2018 - \$31,587).

11. Subsequent events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak.

As a result of the COVID-19 outbreak, global financial markets have experienced significant volatility. Given the extent of the crisis, it is difficult to estimate the ultimate impact or duration of the volatility on the portfolio of the Trust.

Financial Statements of

THE McELVAINE INVESTMENT TRUST

Year ended December 31, 2018



KPMG LLP
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Vancouver BC V7Y 1K3
Canada
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

Opinion

We have audited the accompanying financial statements of The McElvaine Investment Trust (the Entity), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Manager and Those Charged with Governance for the Financial Statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting (IFRS), and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Entity's ability to continue as a going concern disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.



- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

March 14, 2019

THE McELVAINE INVESTMENT TRUST

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Cash	\$ 3,581,884	\$ 7,507,074
Interest and dividends receivable	7,025	18,000
Derivative assets:		
Options	4,092	383,578
Investments	24,145,753	26,586,216
	27,738,754	34,494,868
Liabilities		
Accrued liabilities	76,327	85,506
Net assets attributable to holders of redeemable units	\$ 27,662,427	\$ 34,409,362
Represented by:		
Series B	\$ 26,415,010	\$ 33,166,171
Series C	17,014	58,809
Series F	1,230,403	1,142,642
Series X	-	41,740
	\$ 27,662,427	\$ 34,409,362
Net assets attributable to holders of redeemable units per unit:		
Series B	\$ 5.17	\$ 6.24
Series C	5.25	6.29
Series F	10.70	12.80
Series X	-	9.81

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

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

Tim McElvaine

Tim McElvaine, Director

Director

THE McELVAINE INVESTMENT TRUST

Statement of Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	Note	2018	2017
Revenue:			
Dividend income		\$ 318,252	\$ 245,004
Interest income		27,094	1,372
Net foreign currency (loss) gain		(8,785)	69,416
Changes in fair value of investments and derivatives:			
Net realized (loss) gain		(1,020,968)	4,800,497
Net change in unrealized (depreciation) appreciation		(4,576,833)	2,478,421
Total revenue		(5,261,240)	7,594,710
Expenses:			
Management fees	4	329,915	321,207
Commissions and other portfolio transaction costs		48,557	76,008
Trustee, custodial and legal		66,319	64,505
Audit and tax fees		24,155	48,531
Operations and other expenses		18,740	22,696
Withholding taxes	5	12,933	7,220
Performance fees	4	-	1,848
Total operating expenses		500,619	542,015
(Decrease) increase in net assets attributable to holders of redeemable units from operations excluding distributions		(5,761,859)	7,052,695
(Decrease) increase in net assets attributable to holders of redeemable units		\$ (5,761,859)	\$ 7,052,695
(Decrease) increase in net assets attributable to holders of redeemable units:			
Series B		\$ (5,513,879)	\$ 6,804,837
Series C		(3,495)	10,436
Series F		(243,744)	229,217
Series X		(741)	8,205
		\$ (5,761,859)	\$ 7,052,695
(Decrease) increase in net assets attributable to holders of redeemable units per unit:			
Series B		\$ (1.06)	\$ 2.87
Series C		(0.56)	1.45
Series F		(2.21)	2.91
Series X		(0.17)	1.93

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

THE McELVAINE INVESTMENT TRUST

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

Year ended December 31, 2018, with comparative information for 2017

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

	Series B	Series C	Series F	Series X	Total
Balance, December 31, 2016	\$ 29,007,449	\$ 33,973	\$ 713,425	\$ 33,535	\$ 29,788,382
Increase in net assets attributable to holders of redeemable units	6,804,837	10,436	229,217	8,205	7,052,695
Redeemable unit transactions:					
Issue of redeemable units	110,000	14,400	200,000	-	324,400
Redemption of redeemable units	(2,756,115)	-	-	-	(2,756,115)
Net increase (decrease) from redeemable unit transactions	(2,646,115)	14,400	200,000	-	(2,431,715)
Balance, December 31, 2017	\$ 33,166,171	\$ 58,809	\$ 1,142,642	\$ 41,740	\$ 34,409,362

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

THE McELVAINE INVESTMENT TRUST

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
(Decrease) Increase in net assets attributable to holders of redeemable units	\$ (5,761,859)	\$ 7,052,695
Adjustments for:		
Interest income	(27,094)	(1,372)
Dividend income,	(318,252)	(245,004)
Withholding taxes	12,933	7,220
Net foreign currency loss (gain)	8,785	(69,416)
Net realized loss (gain) from investments and derivatives	1,020,968	(4,800,497)
Net change in unrealized depreciation (appreciation)	4,576,833	(2,478,421)
Proceeds from sale of investments	6,694,183	18,818,116
Purchase of investments	(9,472,035)	(14,932,693)
Net (decrease) increase in accrued liabilities	(9,179)	4,598
	(3,274,717)	3,355,226
Withholding taxes paid	(12,933)	(7,220)
Interest received	27,094	1,372
Dividends received	329,227	234,754
	(2,931,329)	3,584,132
Financing activities:		
Proceeds from issue of redeemable units	81,000	324,400
Payments on redemption of redeemable units	(1,066,076)	(2,756,115)
	(985,076)	(2,431,715)
Net increase (decrease) in cash	(3,916,405)	1,152,417
Cash, beginning of year	7,507,074	6,285,241
Effect of exchange rate fluctuations on cash	(8,785)	69,416
Cash, end of year	\$ 3,581,884	\$ 7,507,074

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

THE McELVAINE INVESTMENT TRUST

Schedule of Investments

December 31, 2018

	Number of shares / par value	Cost	Fair value
Canadian - Equities:			
Bonterra Energy Corp.	25,000	\$ 169,736	\$ 161,500
Carmanah Technologies Corp.	450,000	629,119	2,700,000
Empire Industries Ltd.	1,000,000	417,309	365,000
Glacier Media Inc.	4,000,000	5,857,850	2,400,000
ITAFOS	400,000	840,000	400,000
Jaguar Mining Inc.	1,000,000	197,439	210,000
Knight Therapeutics Inc.	150,000	1,253,139	1,153,500
Maxim Power Corp.	1,200,000	3,202,153	2,604,000
Orca Exploration Group Inc., Class B	115,000	527,056	580,750
Power Corporation of Canada	35,000	939,694	858,550
Prairiesky Royalty Ltd.	25,000	458,750	441,750
Sprott Resource Holdings Inc.	300,000	1,249,285	336,000
The Caldwell Partners International Inc., Class A	624,700	522,788	812,110
Village Farms International Inc.	250,000	384,023	1,105,000
Whitecap Resources Inc.	200,000	830,419	870,000
Wow Unlimited Media Inc., Class A	1,398,300	2,582,112	1,677,960
Total Canadian equities		20,060,872	16,676,120
United States - Equities			
Baker Hughes A Ge Co.	25,000	942,106	733,288
General Electric Co.	50,000	484,808	516,371
Greenlight Capital Re Ltd.	50,000	954,851	587,995
Jefferies Financial Group	75,000	1,773,041	1,776,262
SEACOR Marine Holdings Inc.	60,000	1,181,859	962,619
Voya Financial Inc.	25,000	727,127	1,369,031
Total United States equities		6,063,792	5,945,566
Foreign - Equities			
Anglo American PLC	50,000	752,122	1,524,067
Total Foreign equities		752,122	1,524,067
Total Investment Portfolio		\$ 26,876,786	\$ 24,145,753
Derivatives:			
Options (Schedule 1)			\$ 4,092
Other Net Assets			3,512,582
Total Net Assets			\$ 27,662,427

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

THE McELVAINE INVESTMENT TRUST

Schedule of Option Contracts

Schedule 1

December 31, 2018

Number of Contracts	Description	Expiration date	Cost		Fair value	
1,000	General Electric Co., @9.00 Call Option	January 18, 2019	\$	48,955	\$	4,092
Net value			\$	48,955	\$	4,092

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

1. Reporting entity:

The McElvaine Investment Trust (the "Trust") is a unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002, January 1, 2008, April 23, 2012 (collectively, the "Trust Agreement"), between McElvaine Investment Management Ltd. as manager and the Trust. McElvaine Investment Management Ltd. acts as trustee of the Trust pursuant to the Trust Agreement. The Trust is also managed by McElvaine Investment Management Ltd. (the "Manager"), which also provides investment counseling services. The address of the Trust's registered office is at Suite 219, 2187 Oak Bay Avenue, Victoria, British Columbia.

The Trust is an open-ended investment Trust with a fundamental investment objective to achieve long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value. The Manager intends to invest the Trust's assets primarily in common shares of publicly-traded companies. However, the Manager may make any type of investment that is believed to be consistent with the Trust's investment objective. There will be periods of time where a substantial portion of the Trust's assets will be held in the form of cash, short-term money market instruments or other fixed income instruments.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Manager on March 14, 2019.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Trust may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(i) Recognition and measurement (continued):

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Trust has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Trust may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(ii) Fair value through profit and loss:

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Trust classifies cash, interest and dividends receivable and accrued liabilities as amortized cost.

(b) Redeemable units:

The Trust classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities at FVTPL and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Trust's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

(c) Foreign exchange:

The financial statements of the Trust are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

(d) Income recognition:

Interest income shown on the statement of comprehensive income represents interest received by the Trust accounted for on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(e) Income taxes:

The Trust qualifies as a unit trust under the Income Tax Act (Canada). All of the Trust's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust does not record income taxes.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

4. Related party transactions:

Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the net asset value ("NAV") of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month). The monthly fee payable to the Manager is based upon the following rates:

Series B	1/12 of 1.0% per annum
Series C	1/12 of 0.5% per annum
Series Cd	1/12 of 0.5% per annum
Series X	1/12 of 1.2% per annum

Series I units will pay management fees directly to the Manager in an amount determined by negotiation and set out in an agreement between the Manager and the investor.

There are no management fees charged on Series F and Fd units.

Performance fees:

The manager is entitled to receive the following performance incentive fees (plus applicable taxes, including GST or HST) from the Trust in respect of Series B, C, Cd, F and Fd units:

- (i) Series B - 20% per annum of the amount (if any) by which any increase in the Series B net asset value during the fiscal year (after certain adjustments, including any prior period "shortfalls" in net asset value) exceeds 6%.
- (ii) Series C and Cd - 20% of the amount (if any) by which the net asset value of each unit on the last business day of June each year (after certain adjustments) exceeds the applicable 6% High Water Mark (as defined below) for such unit.
- (iii) Series F and Fd - 20% of the amount (if any) by which the net asset value of each unit on the last business day of December each year (after certain adjustments) exceeds the applicable 6% High Water Mark (as defined below) for such unit.

For the purpose of determining the performance incentive fee in respect of a Series C, Cd, F and Fd unit, the "6% High Water Mark" means the greater of (i) the subscription price for such unit multiplied by 1.06, and (ii) if a performance fee has been paid in respect of such unit, the applicable series net asset value per unit on the last date on which the performance fee was paid in respect of such unit multiplied by 1.06.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

4. Related party transactions (continued):

Performance fees (continued):

No performance fee is paid by the Trust in respect of Series I units. Instead an investor who holds Series I units may be charged a negotiated performance fee, plus applicable taxes, including GST or HST, which is paid directly to us by the Series I investor and not by the Trust.

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

The adjusted shortfall carried forward in respect of Series B of the Trust at December 31, 2018 and 2017, as applicable, was as follows:

	2018	2017
Series B	\$ 17,821,083	\$ 10,776,510

As at December 31, 2018 there is a high water mark for Series C of \$6.27 (2017 - not applicable) and Series F of \$12.50 (2017 - not applicable).

As at December 31, 2018 there were no units outstanding for Series Cd and Fd.

Series I units will pay performance fees directly to the Manager in an amount determined by negotiation and set out in an agreement between the Manager and the investor.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

4. Related party transactions (continued):

Related party shareholdings:

As at December 31, 2018 and 2017, parties related to the Manager directly or indirectly held the following percentages of the Trust's outstanding units. Subscriptions and redemptions are subject to the same terms and conditions as arms-length investors in the Trust.

	2018	2017
Series B	1%	2%
Series C	34%	64%

As at December 31, 2018 and 2017, the aggregate investment in all investee companies owned by the Manager's directors and officers did not exceed 1% of the respective investee companies' issued and outstanding shares.

5. Withholding tax expense:

Certain dividend and interest income received by the Trust is subject to withholding tax imposed in the country of origin. During the year, the average effective withholding tax rate was 3.74% (2017 - 2.93%).

6. Redeemable units:

Pursuant to the Trust Agreement, the Trust is authorized to issue an unlimited number of units. Each series of units is described further below:

- Series B units are available from the Manager or through authorized dealers. These units may qualify for redesignation by the unitholder as Series C or Cd units.
- Series C and Cd units are available from the Manager or through authorized dealers. Series Cd units entitle the holder to receive a quarterly cash distribution of approximately 5% of the net asset value from the previous fiscal year. Series Cd was introduced in 2017 and does not have any units outstanding as at December 31, 2018 or 2017. These units may qualify for redesignation by the unitholder as Series B units.
- Series F and Fd units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. Series Fd units entitle the holder to receive a quarterly cash distribution of approximately 5% of the net asset value from the previous fiscal year. Series Fd was introduced in 2017 and does not have any units outstanding as at December 31, 2018 or 2017. These units may qualify for redesignation by the unitholder as Series B, C or Cd units.
- Series I units are available only to investors who have entered into an agreement with the Manager and meet certain other conditions. Series I was introduced in 2017 and does not have any units outstanding as at December 31, 2018 or 2017. These units may qualify for redesignation by the unitholder as Series B, C or Cd units.
- Series X units were cancelled as of March 1, 2018.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

6. Redeemable units (continued):

The unit transactions for the Trust during the years ended December 31 are as follows:

December 31, 2018	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units issued on subdivision of units*	Redeemable units issued on reinvestment of distributions	Redemption of units	Consolidation of redeemable units	Transfer in/ out of units	Outstanding redeemable units, end of year
Series B	5,312,412	14,750	-	-	(165,762)	-	(48,999)	5,112,401
Series C	9,343	188	-	-	(2,422)	-	(3,868)	3,241
Series F	89,266	-	-	-	(3,253)	-	29,011	115,024
Series X	4,256	-	-	-	-	-	(4,256)	-
	5,415,277	14,938	-	-	(171,437)	-	(28,112)	5,230,666

December 31, 2017	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units issued on subdivision of units*	Redeemable units issued on reinvestment of distributions	Redemption of units	Consolidation of redeemable units	Transfer in / out of units	Outstanding redeemable units, end of year
Series B	1,452,044	11,417	4,017,009	-	(168,058)	-	-	5,312,412
Series C	3,291	1,559	4,493	-	-	-	-	9,343
Series F	70,172	19,094	-	-	-	-	-	89,266
Series X	4,256	-	-	-	-	-	-	4,256
	1,529,763	32,070	4,021,502	-	(168,058)	-	-	5,415,277

* Effective June 1, 2017, all issued and outstanding units of Class C series were subdivided for additional units, on a two for one basis of NAV value at the time of the split.

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

7. Capital management:

The redeemable units issued by the Trust represent the capital of the Trust. The Trust is not subject to any internally or externally imposed restrictions on its capital. The Trust's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from distributions, if any, and redemptions.

8. Financial risk management:

(a) Risk management framework:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investments groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

8. Financial risk management:

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. It arises principally from debt securities held, and also from derivative financial assets, cash, and other receivables due to the Trust. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Trust's maximum exposure to credit risk.

Credit risk is managed by the Manager through a careful selection of securities and diversification of the Trust's portfolio. The Manager monitors the Trust's overall market positions on a daily basis and investment positions are maintained within an established range.

As at December 31, 2018 and 2017, the Trust did not hold any debt securities. In the Manager's opinion, the Trust does not have significant exposure to credit risk.

(c) Liquidity risk:

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

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

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

The Trust primarily invests in investments in listed securities that are considered to be readily realizable because they are traded on major global stock exchanges. In addition, the Trust retains sufficient cash and deposit positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid.

The expiration date of the Trust's derivative liabilities is disclosed in the Schedule of Option Contracts.

The Trust's non-derivative liabilities are generally expected to be due and paid within 90 days, with the exception of net assets attributable to holders of redeemable units. Redeemable units are redeemable on demand at the holder's option, however in the Manager's opinion the redeemable units do not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long term.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

8. Financial risk management:

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Trust's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and deposits. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As at December 31, 2018 and 2017, the Trust did not hold any debt securities.

(ii) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Trust will fluctuate due to changes in foreign exchange rates.

The Trust's currency risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Trust may use foreign currency contracts to hedge some foreign currency exposure and engage in the buying and selling of currencies through forward contracts in order to achieve the desired currency exposure. At the reporting date, the carrying value of the Trust's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows.

December 31, 2018	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 16,676,120	\$ 3,580,917	\$ (69,302)	\$ -	\$ 20,187,735
US dollar	5,945,566	967	-	4,092	5,950,625
British pound	1,524,067	-	-	-	1,524,067
	\$ 24,145,753	\$ 3,581,884	\$ (69,302)	\$ 4,092	\$ 27,662,427

December 31, 2017	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 19,402,726	7,506,845	(67,506)	\$ -	\$ 26,842,065
US dollar	5,869,464	229	-	383,578	6,253,271
British pound	1,314,026	-	-	-	1,314,026
	\$ 26,586,216	\$ 7,507,074	\$ (67,506)	\$ 383,578	\$ 34,409,362

As at December 31, 2018 and 2017, had the Canadian dollar strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets would have increased or decreased by approximately \$373,734 (2017 - increased or decreased by approximately \$378,365). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

8. Financial risk management (continued):

(d) Market risk (continued):

(iii) Other price risk:

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

The Manager manages price risk on a daily basis. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy of the Trust. Except for written options and securities sold short, the maximum risk resulting from financial instruments is equivalent to their fair values as set forth in the Trust's statement of financial position. Possible losses from written options and securities sold short can be unlimited.

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

As at December 31, 2018 and 2017, had the respective benchmark of the Trust increased or decreased by 10%, with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively by approximately \$2.4 million (2017 - \$2.7 million) or 8.7% (2017 - 7.8%) of net assets attributable to redeemable units.

9. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

9. Fair value of financial instruments (continued):

(a) Valuation models (continued):

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Trust uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as forward contracts and options that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Trust uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Trust believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Trust and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

9. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

2018	Level 1	Level 2	Level 3	Total
Equities	\$ 24,145,753	\$ -	\$ -	\$ 24,145,753
Derivatives	4,092	-	-	4,092
	\$ 24,149,845	\$ -	\$ -	\$ 24,149,845

2017	Level 1	Level 2	Level 3	Total
Equities	\$ 26,586,216	\$ -	\$ -	\$ 26,586,216
Derivatives	-	383,578	-	383,578
	\$ 26,586,216	\$ 383,578	\$ -	\$ 26,969,794

The carrying amount of the Trust's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2018 and 2017.

The Trust did not hold any Level 3 investments in 2018 and 2017.

(c) Financial instruments not measured at fair value:

The carrying value of cash, interest and dividends receivable, and accrued liabilities approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

10. Income taxes:

As at December 31, 2018, the Trust had net capital loss carry forwards of approximately \$976,478 (2017 - \$907,290) available for utilization against capital gains in future years. Such net capital losses are available to be carried forward indefinitely. The Trust had non-capital loss carry forwards of approximately \$31,587 (2017 - nil). These non-capital losses expires as follows:

2038	\$	31,587
	\$	31,587

11. Changes in accounting policy:

The Trust has adopted IFRS 9 *Financial Instruments* ("IFRS 9") with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 specifies the accounting for financial instruments, including: classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 have been applied retrospectively. The nature and effects of the key changes to the Trust's accounting policy are summarized below.

(i) Classification and measurement of financial assets and liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Trust may also, at initial recognition, irrevocably designate a financial asset as measured at FVTPL when doing so results in more relevant information. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Trust may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2018

11. Changes in accounting policy (continued):

(i) Classification and measurement of financial assets and liabilities (continued):

The adoption of IFRS 9 did not result in any measurement differences in the Trust's financial assets and liabilities as at the transition date. The following table shows the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Trust's financial assets and financial liabilities as at January 1, 2018.

	Original Classification under IAS 39	New Classification under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Interest and dividends receivable	Loans and receivables	Amortized cost
Derivatives	FVTPL	FVTPL
Investments	FVTPL	FVTPL
Financial liabilities		
Accrued liabilities	Other financial liabilities	Amortized cost

(ii) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. As the Trust measures its financial assets at FVTPL or holds only short-term financial assets at amortized cost, the impairment requirements under the new standard do not impact these financial statements.

(iii) Hedge accounting:

As permitted by IFRS 9, an election is available to continue to apply the hedge accounting requirements of IAS 39. However, the Trust has not applied hedge accounting under either standard. Therefore, the hedge accounting requirements under the new standard do not impact these financial statements.

Financial Statements of

THE McELVAINE INVESTMENT TRUST

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

We have audited the accompanying financial statements of The McElvaine Investment Trust, which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The McElvaine Investment Trust as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

A handwritten signature in black ink, consisting of a long, sweeping horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Vancouver, Canada
February 28, 2018

THE McELVAINE INVESTMENT TRUST

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	Note	2017	2016
Assets			
Cash		\$ 7,507,074	\$ 6,285,241
Interest and dividends receivable		18,000	7,750
Derivative assets:			
Options		383,578	10,070
Investments		26,586,216	23,566,229
		34,494,868	29,869,290
Liabilities			
Accrued liabilities		85,506	80,908
Net assets attributable to holders of redeemable units		\$ 34,409,362	\$ 29,788,382
Represented by:			
Series B		\$ 33,166,171	\$ 29,007,449
Series C		58,809	33,973
Series F		1,142,642	713,425
Series X		41,740	33,535
		\$ 34,409,362	\$ 29,788,382
Net assets attributable to holders of redeemable units per unit:			
Series B	7	\$ 6.24	\$ 19.98
Series C	7	6.29	10.32
Series F		12.80	10.17
Series X		9.81	7.88

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

Approved on behalf of the Manager
McElvaine Investment Management Ltd.

“Tim McElvaine” Director
Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Statement of Comprehensive Income

Year ended December 31, 2017, with comparative information for 2016

	Note	2017	2016
Revenue:			
Dividend income		\$ 245,004	\$ 376,350
Interest income		1,372	216,008
Net foreign currency gain (losses)		69,416	(72,303)
Changes in fair value of investments and derivatives:	4		
Net realized gains (loss)		4,800,497	(4,138,378)
Net change in unrealized appreciation		2,478,421	5,230,549
Total revenue		7,594,710	1,612,226
Expenses:			
Management fees	5	321,207	308,004
Brokerage commissions		76,008	52,656
Trustee, custodial and legal		64,505	42,000
Audit and tax fees		48,531	35,169
Operations and other expenses		22,696	11,894
Withholding taxes	6	7,220	17,889
Performance fees	5	1,848	-
Total operating expenses		542,015	467,612
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		7,052,695	1,144,614
Distributions to holders of redeemable units:			
From net investment income		-	117,616
Increase in net assets attributable to holders of redeemable units		\$ 7,052,695	\$ 1,026,998
Increase (decrease) in net assets attributable to holders of redeemable units:			
Series A		\$ -	\$ (17)
Series B		6,804,837	994,425
Series C		10,436	1,151
Series F		229,217	31,008
Series X		8,205	431
		\$ 7,052,695	\$ 1,026,998
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Series A		\$ -	\$ (0.20)
Series B		2.87	0.66
Series C		1.45	0.88
Series F		2.91	0.44
Series X		1.93	0.08

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

THE McELVAIN INVESTMENT TRUST

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

Year ended December 31, 2017, with comparative information for 2016

	Series B	Series C	Series F	Series X	Total
Balance, December 31, 2016	\$ 29,007,449	\$ 33,973	\$ 713,425	\$ 33,535	\$ 29,788,382
Increase in net assets attributable to holders of redeemable units	6,804,837	10,436	229,217	8,205	7,052,695
Redeemable unit transactions:					
Issue of redeemable units	110,000	14,400	200,000	-	324,400
Redemption of redeemable units	(2,756,115)	-	-	-	(2,756,115)
Net increase (decrease) from redeemable unit transactions	(2,646,115)	14,400	200,000	-	(2,431,715)
Balance, December 31, 2017	\$ 33,166,171	\$ 58,809	\$ 1,142,642	\$ 41,740	\$ 34,409,362

	Series A	Series B	Series C	Series F	Series X	Total
Balance, December 31, 2015	\$ 1,463	\$ 30,223,293	\$ 9,108	\$ 679,600	\$ 195,023	\$ 31,108,487
Increase (decrease) in net assets attributable to holders of redeemable units	(17)	994,425	1,151	31,008	431	1,026,998
Redeemable unit transactions:						
Issue of redeemable units	-	580,000	16,999	-	-	596,999
Reinvestment of distributions	-	114,448	134	2,817	132	117,531
Redemption of redeemable units	-	(2,899,582)	-	-	(162,051)	(3,061,633)
Transfer In / Transfer Out	(1,446)	(5,135)	6,581	-	-	-
Net increase (decrease) from redeemable unit transactions	(1,446)	(2,210,269)	23,714	2,817	(161,919)	(2,347,103)
Balance, December 31, 2016	\$ -	\$ 29,007,449	\$ 33,973	\$ 713,425	\$ 33,535	\$ 29,788,382

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

THE McELVAINE INVESTMENT TRUST

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Increase in net assets attributable to holders of redeemable units	\$ 7,052,695	\$ 1,026,998
Adjustments for:		
Interest income	(1,372)	(216,008)
Dividend income, net of withholding tax	(237,784)	(358,461)
Net foreign currency (gain) loss	(69,416)	72,303
Net realized (gain) loss from investments and derivatives	(4,800,497)	4,138,378
Net change in unrealized appreciation from investments and derivatives	(2,478,421)	(5,230,549)
Proceeds from sale of investments	18,818,116	15,108,476
Purchase of investments	(14,932,693)	(12,400,378)
Net realized loss on forward contracts settled	-	320,686
Net increase in accrued liabilities	4,598	4,194
Net increase (n payable for investments purchased	-	(128,594)
	3,355,226	2,337,045
Interest received	1,372	266,244
Dividends received	227,534	377,796
	3,584,132	2,981,085
Financing activities:		
Proceeds from issue of redeemable units	324,400	596,999
Distributions to holders of redeemable units from net investment income	-	117,531
Payments on redemption of redeemable units	(2,756,115)	(3,061,633)
	(2,431,715)	(2,347,103)
Net increase in cash	1,152,417	633,982
Cash, beginning of year	6,285,241	5,723,562
Effect of exchange rate fluctuations on cash	69,416	(72,303)
Cash, end of year	\$ 7,507,074	\$ 6,285,241

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

THE McELVAINE INVESTMENT TRUST

Schedule of Investments

December 31, 2017

	Number of shares / par value	Cost	Fair value
Canadian - Equities:			
Blackberry Ltd.	50,000	\$ 392,768	\$ 702,000
Carmanah Technologies Corp.	439,711	581,559	2,044,656
Deans Knight Income and Growth Fund	44,800	4,928	-
Ensign Energy Services Inc.	150,000	925,550	970,500
Glacier Media Inc. (note 5)	4,000,000	5,857,850	2,640,000
Hyduke Energy Services Inc.	1,722,000	934,930	344,400
Itafos	400,000	840,000	968,000
Knight Therapeutics Inc.	125,000	1,064,389	1,038,750
Maxim Power Corp.	929,000	2,532,133	2,554,750
Orca Exploration Group Inc., Class B	115,000	527,056	575,000
Sprott Resource Holdings Inc.	7,500,000	1,653,450	1,162,500
The Caldwell Partners International Inc., Class A	624,700	522,788	687,170
Village Farms International Inc.	425,000	652,836	3,247,000
Wow Unlimited Media Inc., Class A (note 5)	1,398,300	2,582,112	2,468,000
Total Canadian equities		19,072,349	19,402,726
United States - Equities			
Baker Hughes, a GE Co.	25,000	966,490	992,347
Coty Inc., Class A	35,000	822,213	873,353
Leucadia National Corp.	50,000	1,157,084	1,661,648
SEACOR Marine Holdings Inc.	75,000	1,477,324	1,100,866
Voya Financial Inc.	20,000	464,370	1,241,250
Total United States equities		4,887,481	5,869,464
Foreign – Equities			
Anglo American PLC	50,000	752,122	1,314,026
Total Foreign equities		752,122	1,314,026
Total Investment Portfolio		\$ 24,711,952	\$ 26,586,216
Derivatives:			
Options (Schedule 1)			383,578
Other Net Assets			7,439,568
Total Net Assets			\$ 34,409,362

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

THE McELVAINE INVESTMENT TRUST

Schedule of Option Contracts

Schedule 1

December 31, 2017

Number of Contracts	Description	Expiration date	Cost		Fair value
250	SPDR S&P 500 ETF Trust @238.00 Put Option	December 21, 2018	\$	224,565	\$ 210,450
300	ProShares Ultra S&P 500 @85.00 Put Option	January 18, 2019		204,624	173,128
Net value			\$	429,189	\$ 383,578

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2017

1. Reporting entity:

The McElvaine Investment Trust (the "Trust") is a unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002, January 1, 2008, April 23, 2012 (collectively, the "Trust Agreement"), between McElvaine Investment Management Ltd. as manager and the Trust. Prior to April 23, 2012, RBC Dexia Investor Services Trust ("RBC Dexia") acted as trustee of the Trust pursuant to the Trust Agreement. Effective April 23, 2012, McElvaine Investment Management Ltd. was appointed as the replacement trustee of the Trust following the resignation of RBC Dexia. The Trust is managed by McElvaine Investment Management Ltd. (the "Manager"), which also provides investment counseling services. The address of the Trust's registered office is at Suite 219, 2187 Oak Bay Avenue, Victoria, British Columbia.

The Trust is an open-ended investment Trust with a fundamental investment objective to achieve long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value. The Manager intends to invest the Trust's assets primarily in common shares of publically-traded companies. However, the Manager may make any type of investment that is believed to be consistent with the Trust's investment objective. There will be periods of time where a substantial portion of the Trust's assets will be held in the form of cash, short-term money market instruments or other fixed income instruments.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Manager on February 28, 2018.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as held-for-trading or fair value through profit or loss in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held-for-trading or at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Trust has not classified any of its financial instruments as available-for-sale or assets held-to-maturity.

(ii) Held-for-trading and fair value through profit and loss:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(ii) Held-for-trading and fair value through profit and loss (continued):

Fair value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivables is at amortized cost, less any impairment losses. The Trust classifies cash and interest and dividends receivable as loans and receivables.

(iv) Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. The Trust's other financial liabilities are comprised of accrued liabilities.

(b) Redeemable units:

The Trust classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities at FVTPL and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Trust's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Significant accounting policies (continued):

(c) Foreign exchange:

The financial statements of the Trust are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

(d) Income recognition:

Interest income shown on the statement of comprehensive income represents interest received by the Trust accounted for on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(e) Income taxes:

The Trust qualifies as a unit trust under the Income Tax Act (Canada). All of the Trust's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust does not record income taxes.

(f) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statement of the Trust, with the possible exception of IFRS 9, *Financial Instruments*.

IFRS 9 deals with recognition, derecognition, classification and measurement of financial statements and its requirements and represent a significant change from the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

The standard is effective for fiscal years beginning January 1, 2018, but early adoption is permitted. The Trust's Manager has evaluated the impact of the new standard and does not expect the standard to have a material impact on the financial statements since the Trust's financial assets are currently measured at fair value or amortized cost and will continue to be measured as such under IFRS 9.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Net gain (loss) from financial instruments at fair value through profit or loss:

	2017	2016
Net loss from financial instruments held for trading:		
Derivative financial instruments	\$ (285,126)	\$ (8,437)
Net gain from financial assets designated as fair value through profit or loss:		
Investments	7,564,044	1,100,608
	\$ 7,278,918	\$ 1,092,171
Net gain (loss) from financial instruments at fair value through profit or loss:		
Realized	\$ 4,800,497	\$ (4,138,378)
Unrealized	2,478,421	5,230,549
	\$ 7,278,918	\$ 1,092,171

5. Related party transactions:

Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the net asset value ("NAV") of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month). The monthly fee payable to the Manager is based upon the following rates:

Series A	1/12 of 2.0% per annum
Series B	1/12 of 1.0% per annum
Series C	1/12 of 0.5% per annum
Series Cd	1/12 of 0.5% per annum
Series X	1/12 of 1.2% per annum

Series I units will pay management fees directly to the Manager in an amount determined by negotiation and set out in an agreement between the Manager and the investor.

There are no management fees charged on Series C, Cd, F and Fd units.

Performance fees:

The Trust will pay the Manager a performance incentive fee for its services as a portfolio advisor at a rate of 20% for Series A, B, C, Cd, F, Fd and X (the "Incentive Fee Rate") on the following basis:

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Related party transactions (continued):

Performance fees (continued):

- (i) For Series A, payable annually on any increase in the Series A NAV during the fiscal year (adjusted for contributions and redemptions of Series A units and for any shortfall, as described below) in excess of a 12% return (the "Series A Hurdle Rate").
- (ii) For Series B, payable annually on any increase in the Series B NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the "Series B, F and Fd Hurdle Rate").
- (iii) For Series C and Cd, payable annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below).
- (iv) For Series F and Fd, payable annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the "Series B, F and Fd Hurdle Rate").
- (v) For Series X, payable quarterly on any increase in the Series X NAV during a calendar quarter (adjusted for redemptions and distributions on Series X units), but no fee is payable unless the Series X NAV at the end of the calendar quarter is greater than the highest quarter-end Series X NAV previously achieved by the Trust.
- (vi) For Series B, if in any fiscal year the increase in a series NAV is less than the respective hurdle rate (a shortfall), the difference will be carried forward to the next fiscal year and, after adjustment for series redemptions, deducted from any increase in the NAV in the performance incentive fee calculation of the respective series of the Trust for that year.

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

The adjusted shortfall carried forward in respect of Series B of the Trust at December 31, 2017 and 2016, as applicable, was as follows:

	2017	2016
Series B	\$ 10,776,510	\$ 17,417,620

As at December 31, 2017 and 2016 there is no shortfall carried forward for Series A, C, Cd, F, Fd, or X.

Series I units will pay performance fees directly to the Manager in an amount determined by negotiation and set out in an agreement between the Manager and the investor.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Related party transactions (continued):

Related party shareholdings

As at December 31, 2017 and 2016, parties related to the Manager directly or indirectly held the following percentages of the Trust's outstanding units. Subscriptions and redemptions are subject to the same terms and conditions as arms-length investors in the Trust.

	2017	2016
Series B	2%	2%
Series C	77%	99%

As at December 31, 2017 and 2016, the aggregate investment in all investee companies owned by the Manager's directors and officers did not exceed 1% of the respective investee companies' issued and outstanding shares.

Investments:

Rainmaker Entertainment Inc. ("Rainmaker") concluded a series of transactions on December 12, 2016 which included exchanging its 8% convertible debentures for cash and common shares and changing its name to Wow! Unlimited Media Inc. ("Wow! Unlimited"). As part of these transactions, the Trust received cash of \$410,400 and 1,398,301 shares in Wow! Unlimited. The Trust's director stepped down from the board of directors of Rainmaker upon the completion of these transactions. Wow! Unlimited was not related to the Trust during the year ended December 31, 2017.

Glacier Media Inc. was related to the Trust during the years ended December 31, 2017 and 2016 by virtue of having directors in common.

During the years ended December 31, 2017 and 2016, the following transactions occurred between the Trust and these related parties:

	2017	2016
Wow Unlimited Media Inc. (related party only in 2016)		
Investments, as at December 31	\$	\$ 2,642,788
Proceeds from sale of investments		(2,945,170)
Purchase of investments		2,582,112
Interest for distribution purposes		215,827
Changes in fair value of investments:		-
Net realized loss		(3,523,415)
Net change in unrealized appreciation (depreciation)		3,054,262
Glacier Media Inc.:		
Investments, as at December 31	2,640,000	2,760,000
Changes in fair value of investments:		
Net change in unrealized depreciation	(120,000)	(200,000)

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Withholding tax expense:

Certain dividend and interest income received by the Trust is subject to withholding tax imposed in the country of origin. During the period, the average effective withholding tax rate was 2.93 % (2016 - 3.02%).

7. Redeemable units:

Pursuant to the Trust Agreement, the Trust is authorized to issue an unlimited number of units. Each series of units is described further below:

- Series A units were cancelled as of November 1, 2016.
- Series B units are available from the Manager or through authorized dealers. These units may qualify for redesignation by the unitholder as Series C or Cd units.
- Series C and Cd units are available from the Manager or through authorized dealers. Series Cd units entitle the holder to receive a quarterly cash distribution of approximately 5% of the net asset value from the previous fiscal year. Series Cd was introduced in 2016 and does not have any units outstanding as at December 31, 2017 or 2016. These units may qualify for redesignation by the unitholder as Series B units.
- Series F and Fd units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. Series Fd units entitle the holder to receive a quarterly cash distribution of approximately 5% of the net asset value from the previous fiscal year. Series Fd was introduced in 2016 and does not have any units outstanding as at December 31, 2017 or 2016. These units may qualify for redesignation by the unitholder as Series B, C or Cd units.
- Series I units are available only to investors who have entered into an agreement with the Manager and meet certain other conditions. Series I was introduced in 2016 and does not have any units outstanding as at December 31, 2017 or 2016. These units may qualify for redesignation by the unitholder as Series B, C or Cd units.
- Prior to February 26, 2009, Series X units were designated as "Series A units". As of their redesignation date, Series X units are no longer offered for sale to the public.

The unit transactions for the Trust during the years ended December 31 are as follows:

December 31, 2017	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units issued on subdivision of units*	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Outstanding redeemable units, end of year
Series B	1,452,044	11,417	4,017,009	(168,058)	-	5,312,412
Series C	3,291	1,559	4,493	-	-	9,343
Series F	70,172	19,094	-	-	-	89,266
Series X	4,256	-	-	-	-	4,256
	1,529,763	32,070	4,021,502	(168,058)	-	5,415,277

* Effective June 1, 2017, all issued and outstanding units of Class C series were subdivided for additional units, on a two for one basis of NAV value at the time of the split.

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Redeemable units (continued):

December 31, 2016	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Outstanding redeemable units, end of year
Series A	100	-	-	-	(100)	-
Series B	1,569,924	30,126	(153,470)	5,729	(265)	1,452,044
Series C	1,000	1,735	-	13	543	3,291
Series F	69,895	-	-	277	-	70,172
Series X	25,548	-	(21,309)	17	-	4,256
	1,666,467	31,861	(174,779)	6,036	178	1,529,763

8. Capital management:

The redeemable units issued by the Trust represent the capital of the Trust. The Trust is not subject to any internally or externally imposed restrictions on its capital. The Trust's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from distributions, if any, and redemptions.

9. Financial risk management:

(a) Risk management framework:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investment Portfolio groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value.

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. It arises principally from debt securities held, and also from derivative financial assets, cash, and other receivables due to the Trust. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Trust's maximum exposure to credit risk.

Credit risk is managed by the Manager through a careful selection of securities and diversification of the Trust's portfolio. The Manager monitors the Trust's overall market positions on a daily basis and investment positions are maintained within an established range.

As at December 31, 2017 and 2016, the Trust did not hold any debt securities. In the Manager's opinion, the Trust does not have significant exposure to credit risk.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Financial risk management (continued):

(c) Liquidity risk:

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

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

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

The Trust primarily invests in investments in listed securities that are considered to be readily realizable because they are traded on major global stock exchanges. In addition, the Trust retains sufficient cash and deposit positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid.

The expiration date of the Trust's derivative liabilities is disclosed in the Schedule of Option Contracts.

The Trust's non-derivative liabilities are generally expected to be due and paid within 90 days, with the exception of net assets attributable to holders of redeemable units. Redeemable units are redeemable on demand at the holder's option, however does not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long term.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Trust's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and deposits. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As at December 31, 2017, the Trust did not hold any debt securities.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk (continued)

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Trust will fluctuate due to changes in foreign exchange rates.

The Trust's currency risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Trust may use foreign currency contracts to hedge some foreign currency exposure and engage in the buying and selling of currencies through forward contracts in order to achieve the desired currency exposure. At the reporting date, the carrying value of the Trust's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows:

December 31, 2017	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 19,402,726	7,506,845	(67,506)	\$ -	\$ 26,842,065
US dollar	5,869,464	229	-	383,578	6,253,271
British pound	1,314,026	-	-	-	1,314,026
	\$ 26,586,216	\$ 7,507,074	\$ (67,506)	\$ 383,578	\$ 34,409,362

December 31, 2016	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 15,324,760	\$ 6,285,215	\$ (73,158)	\$ -	\$ 21,536,817
US dollar	7,082,372	26	-	10,070	7,092,468
Euro	198,355	-	-	-	198,355
British pound	960,742	-	-	-	960,742
	\$ 23,566,229	\$ 6,285,241	\$ (73,158)	\$ 10,070	\$ 29,788,382

As at December 31, 2017 and 2016, had the Canadian dollar strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets would have increased or decreased by approximately \$378,365 (2016 - increased or decreased by approximately \$412,578). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(iii) Other price risk:

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Financial risk management (continued):

(d) Market risk (continued):

(iii) Other price risk (continued):

The Manager manages price risk on a daily basis. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy of the Trust. Except for written options and securities sold short, the maximum risk resulting from financial instruments is equivalent to their fair values as set forth in the Trust's statement of financial position. Possible losses from written options and securities sold short can be unlimited.

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

As at December 31, 2017 and 2016, had the respective benchmark of the Trust increased or decreased by 10%, with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively by approximately \$2.7 million (2016 - \$2.4 million) or 7.8% (2016 - 7.9%) of net assets attributable to redeemable units.

10. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Fair value of financial instruments:

(a) Valuation models (continued):

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Trust uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as forward contracts and options that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Trust uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Trust believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Trust and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

2017	Level 1	Level 2	Level 3	Total
Equities	\$ 26,586,216	\$ -	\$ -	\$ 26,586,216
Derivatives	-	383,578	-	383,578
	\$ 26,586,216	\$ 383,578	\$ -	\$ 26,969,794

2016	Level 1	Level 2	Level 3	Total
Equities	\$ 23,566,229	\$ -	\$ -	\$ 23,566,229
Derivatives	-	10,070	-	10,070
	\$ 23,566,229	\$ 10,070	\$ -	\$ 23,576,299

The carrying amount of the Trust's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2017 and 2016.

The Fund did not hold any Level 3 investments in 2017 and 2016.

(c) Financial instruments not measured at fair value:

The carrying value of cash, interest and dividends receivable, and accrued liabilities approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

11. Income taxes:

As at December 31, 2017, the Trust had net capital loss carry forwards of approximately \$907,290 (2016 - \$5,005,335) available for utilization against capital gains in future years. Such net capital losses are available to be carried forward indefinitely. The Trust does not have any non-capital losses to carry forward.

Financial Statements of

THE McELVAINE INVESTMENT TRUST

Year ended December 31, 2016



KPMG LLP
PO Box 10426 777 Dunsmuir Street
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Canada
Telephone (604) 691-3000
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

We have audited the accompanying financial statements of the McElvaine Investment Trust, which comprise the statement of financial position as at December 31, 2016, the statements of comprehensive income or loss, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The McElvaine Investment Trust as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

February 24, 2017
Vancouver, Canada

THE McELVAINE INVESTMENT TRUST

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Cash	\$ 6,285,241	\$ 5,723,562
Interest and dividends receivable	7,750	77,321
Derivative assets:		
Forwards	-	6,935
Options and warrants	10,070	402,578
	10,070	409,513
Investments	23,566,229	25,284,524
	29,869,290	31,494,920
Liabilities		
Payable for investments purchased	-	128,594
Other accrued liabilities	80,908	76,714
Derivative liabilities:		
Forwards	-	181,125
	80,908	386,433
Net assets attributable to holders of redeemable units	\$ 29,788,382	\$ 31,108,487
Represented by:		
Series A	\$ -	\$ 1,463
Series B	29,007,449	30,223,293
Series C	33,973	9,108
Series F	713,425	679,600
Series X	33,535	195,023
	\$ 29,788,382	\$ 31,108,487
Net assets attributable to holders of redeemable units per unit:		
Series A	\$ -	\$ 14.63
Series B	19.98	19.25
Series C	10.32	9.11
Series F	10.17	9.72
Series X	7.88	7.63

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

Approved on behalf of the Manager
McElvaine Investment Management Ltd.

"Tim McElvaine" Director
Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Statement of Comprehensive Income or loss

Year ended December 31, 2016, with comparative information for 2015

	Note	2016	2015
Revenue:			
Interest income		\$ 216,008	\$ 200,000
Dividend income		376,350	715,081
Net foreign currency gain		(72,303)	138,380
Changes in fair value of investments and derivatives:	4		
Net realized loss		(4,138,378)	(644,359)
Net change in unrealized appreciation (depreciation)		5,230,549	(3,275,046)
Total revenue		1,612,226	(2,865,944)
Expenses:			
Management fees	5	308,004	373,295
Brokerage commissions		52,656	58,428
Trustee, custodial and legal		42,000	51,444
Audit fees		35,169	46,785
Withholding taxes	6	17,889	4,259
Other		11,894	5,920
Total operating expenses		467,612	540,131
Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions		1,144,614	(3,406,075)
Distributions to holders of redeemable units:			
From net investment income		117,616	371,761
From net realized gains on investments and derivatives		-	-
		117,616	371,761
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 1,026,998	\$ (3,777,836)
Increase (decrease) in net assets attributable to holders of redeemable units:			
Series A		\$ (17)	\$ (197)
Series B		994,425	(3,711,006)
Series C		1,151	(1,001)
Series F		31,008	(44,871)
Series X		431	(20,761)
		\$ 1,026,998	\$ (3,777,836)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Series A		\$ (0.20)	\$ (1.97)
Series B		0.66	(2.30)
Series C		0.88	(1.00)
Series F		0.44	(2.65)
Series X		0.08	(0.72)

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

THE McELVAIN INVESTMENT TRUST

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

Year ended December 31, 2016, with comparative information for 2015

	Series A	Series B	Series C	Series F	Series X	Total
Balance, December 31, 2014	\$ 1,463	\$ 30,223,293	\$ 9,108	\$ 679,600	\$ 195,023	\$ 31,108,487
Decrease in net assets attributable to holders of redeemable units	(17)	994,425	1,151	31,008	431	1,026,998
Redeemable unit transactions:						
Issue of redeemable units	-	580,000	16,999	-	-	596,999
Reinvestment of distributions	-	114,448	134	2,817	132	117,531
Redemption of redeemable units	-	(2,899,582)	-	-	(162,051)	(3,061,633)
Transfer In / Transfer Out	(1,446)	(5,135)	6,581	-	-	-
Net increase (decrease) from redeemable unit transactions	(1,446)	(2,210,269)	23,714	2,817	(161,919)	(2,347,103)
Balance, December 31, 2015	\$ -	\$ 29,007,449	\$ 33,973	\$ 713,425	\$ 33,535	\$ 29,788,382

	Series A	Series B	Series C	Series F	Series X	Total
Balance, December 31, 2014	\$ 1,643	\$ 35,153,130	\$ -	\$ 82,379	\$ 478,056	\$ 35,715,208
Decrease in net assets attributable to holders of redeemable units	(197)	(3,711,006)	(1,001)	(44,871)	(20,761)	(3,777,836)
Redeemable unit transactions:						
Issue of redeemable units	-	61,283	10,000	-	-	71,283
Reinvestment of distributions	17	361,182	109	8,122	2,331	371,761
Redemption of redeemable units	-	(987,776)	-	(19,550)	(264,603)	(1,271,929)
Transfer In / Transfer Out	-	(653,520)	-	653,520	-	-
Net increase (decrease) from redeemable unit transactions	17	(1,218,831)	10,109	642,092	(262,272)	(1,200,646)
Balance, December 31, 2015	\$ 1,463	\$ 30,223,293	\$ 9,108	\$ 679,600	\$ 195,023	\$ 31,108,487

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

THE McELVAINE INVESTMENT TRUST

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 1,026,998	\$ (3,777,836)
Adjustments for:		
Interest income	(216,008)	(200,000)
Dividend income, net of withholding tax	(358,461)	(710,822)
Net Foreign currency gain	72,303	(138,380)
Net realized loss from investments and derivatives	4,138,378	644,359
Net change in unrealized (appreciation) depreciation from investments and derivatives	(5,230,549)	3,275,046
Proceeds from sale of investments	15,108,476	11,152,425
Purchase of investments	(12,400,378)	(10,560,450)
Net realized gains (losses) on forward contracts settled	320,686	(197,729)
Net increase (decrease) in other accrued liabilities	4,194	(11,085)
Net increase (decrease) in payable for investments purchased	(128,594)	128,594
Net decrease in subscriptions received in advance	-	(9,000)
	2,337,045	(404,878)
Interest received	266,244	200,000
Dividends received	377,796	766,481
	2,981,085	561,603
Financing activities:		
Proceeds from issue of redeemable units	596,999	71,283
Distributions to holders of redeemable units from net investment income	117,531	371,761
Payments on redemption of redeemable units	(3,061,633)	(1,271,929)
	(2,347,103)	(828,885)
Net increase (decrease) in cash	633,982	(267,282)
Cash, beginning of year	5,723,562	5,852,464
Effect of exchange rate fluctuations on cash	(72,303)	138,380
Cash, end of year	\$ 6,285,241	\$ 5,723,562

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

THE McELVAINE INVESTMENT TRUST

Schedule of Investments

December 31, 2016

	Number of shares / par value	Cost	Fair value
Canadian - Equities:			
Blackberry Ltd.	100,000	\$ 785,531	\$ 924,000
Carmanah Technologies Corp.	500,000	661,297	1,960,000
Deans Knight Income and Growth Fund	44,800	4,928	-
Dundee Corp. Class A	100,000	981,214	595,000
Glacier Media Inc. (note 5)	4,000,000	5,857,850	2,760,000
Hydruke Energy Services Inc.	2,000,000	1,187,888	630,000
Imperial Metals Corp.	100,000	774,275	606,000
Maxim Power Corp.	400,000	1,117,137	1,180,000
Noranda Income Fund	250,000	562,626	595,000
Orca Exploration Group Inc., Class B 1	15,000	527,056	445,624
Prairiesky Royalty Ltd.	25,000	444,050	798,500
Wow Unlimited Media Inc. (note 5)	1,398,301	2,582,112	2,642,788
Sprott Resource Corp.	1,342,000	1,096,976	664,290
The Caldwell Partners International Inc.	988,500	827,239	983,558
Village Farms International Inc.	400,000	627,314	540,000
Total Canadian equities		18,037,493	15,324,760
United States - Equities			
Coty Inc.	25,000	619,560	614,595
Leucadia National Corp.	60,000	1,388,500	1,872,986
Seacor Holdings Inc.	20,000	1,331,639	1,914,071
Symphony International Holdings Ltd.	1,000,000	813,486	1,100,967
Voya Financial Inc.	30,000	696,556	1,579,753
Total United States equities		4,849,741	7,082,372
Foreign – Equities			
Bank of Cyprus PCL	1,000,000	295,534	198,355
Anglo American PLC	50,000	752,122	960,742
NBNK Investments PLC	64,000	5,396	-
Total Foreign equities		1,053,052	1,159,097
Total Investment Portfolio		\$23,940,286	\$ 23,566,229
Derivatives:			
Options and warrants (Schedule 1)			10,070
Other Net Assets			6,212,083
Total Net Assets			\$ 29,788,382

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

THE McELVAINE INVESTMENT TRUST

Schedule of Option Contracts and Warrants

Schedule 1

December 31, 2016

Number of Contracts	Description	Expiration date	Cost	Fair value
1,500	PowerShares Senior Loan Portfolio @ 22.00 Put Option	January 20, 2017	\$ 240,166	\$ 10,070
Net value			\$ 240,166	\$ 10,070

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

1. Reporting entity:

The McElvaine Investment Trust (the "Trust") is a unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002, January 1, 2008 and April 23, 2012 (collectively, the "Trust Agreement"), between McElvaine Investment Management Ltd. as manager and the Trust. Prior to April 23, 2012, RBC Dexia Investor Services Trust ("RBC Dexia") acted as trustee of the Trust pursuant to the Trust Agreement. Effective April 23, 2012, McElvaine Investment Management Ltd. was appointed as the replacement trustee of the Trust following the resignation of RBC Dexia. The Trust is managed by McElvaine Investment Management Ltd. (the "Manager"), which also provides investment counseling services. The address of the Trust's registered office is at Suite 219, 2187 Oak Bay Avenue, Victoria, British Columbia.

The Trust is an open-ended investment Trust with a fundamental investment objective to achieve long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value. The Manager intends to invest the Trust's assets primarily in common shares of publically-traded companies. However, the Manager may make any type of investment that is believed to be consistent with the Trust's investment objective. There will be periods of time where a substantial portion of the Trust's assets will be held in the form of cash, short-term money market instruments or other fixed income instruments.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Manager on February 24, 2017.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash:

Cash is comprised of cash on deposit with financial institutions.

(b) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as held-for-trading or fair value through profit or loss in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held-for-trading or at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Trust has not classified any of its financial instruments as available-for-sale or assets held-to-maturity.

(ii) Held-for-trading and fair value through profit and loss:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

3. Significant accounting policies (continued):

(b) Financial instruments (continued):

(ii) Held-for-trading and fair value through profit and loss (continued):

Fair value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivables is at amortized cost, less any impairment losses. The Trust classifies cash and interest and dividends receivable as loans and receivables.

(iv) Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. The Trust's other financial liabilities are comprised of payable for investments purchased and other accrued liabilities.

(c) Redeemable units:

The Trust classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities at FVTPL and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Trust's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income or loss when they are authorized and no longer at the discretion of the Manager.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

3. Significant accounting policies (continued):

(d) Foreign exchange:

The financial statements of the Trust are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income or loss.

(e) Income recognition:

Interest income shown on the statement of comprehensive income or loss represents interest received by the Trust accounted for on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(f) Income taxes:

The Trust qualifies as a unit trust under the Income Tax Act (Canada). All of the Trust's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust does not record income taxes.

(g) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for year ended December 31, 2016, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statement of the Trust, with the possible exception of IFRS 9, *Financial Instruments*.

IFRS 9 deals with recognition, derecognition, classification and measurement of financial statements and its requirements represent a significant change from the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

The standard is effective for fiscal years beginning January 1, 2018, but early adoption is permitted. The Trust's Manager is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the Trust's financial assets are currently measured at fair value or amortized cost.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

4. Net gain (loss) from financial instruments at fair value through profit or loss:

	2016	2015
Net loss from financial instruments held for trading:		
Derivative financial instruments	\$ (8,437)	\$ (583,923)
Net gain (loss) from financial assets designated as fair value through profit or loss:		
Investments	1,100,608	(3,335,482)
	<u>\$ 1,092,171</u>	<u>\$ (3,919,405)</u>
Net gain (loss) from financial instruments at fair value through profit or loss:		
Realized	\$ (4,138,378)	\$ (644,359)
Unrealized	5,230,549	(3,275,046)
	<u>\$ 1,092,171</u>	<u>\$ (3,919,405)</u>

5. Related party transactions:

Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the net asset value ("NAV") of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month). The monthly fee payable to the Manager is based upon the following rates:

Series A	1/12 of 2.0% per annum
Series B	1/12 of 1.0% per annum
Series X	1/12 of 1.2% per annum

Series I units will pay management fees directly to the Manager in an amount determined by negotiation and set out in an agreement between the Manager and the investor.

There are no management fees charged on Series C, Cd, F and Fd units.

Performance fees:

The Trust will pay the Manager a performance incentive fee for its services as a portfolio advisor at a rate of 25% for Series C, Cd, F and Fd and 20% for Series A, B and X (the "Incentive Fee Rate") on the following basis:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

5. Related party transactions (continued):

Performance fees (continued):

- (ii) For Series B, payable annually on any increase in the Series B NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the "Series B, F and Fd Hurdle Rate").
- (iii) For Series C and Cd, payable semi-annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below).
- (iv) For Series F and Fd, payable semi-annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the "Series B, F and Fd Hurdle Rate").
- (v) For Series X, payable quarterly on any increase in the Series X NAV during a calendar quarter (adjusted for redemptions and distributions on Series X units), but no fee is payable unless the Series X NAV at the end of the calendar quarter is greater than the highest quarter-end Series X NAV previously achieved by the Trust.
- (vi) For Series A and B, if in any fiscal year the increase in a series NAV is less than the respective hurdle rate (a shortfall), the difference will be carried forward to the next fiscal year and, after adjustment for series redemptions, deducted from any increase in the NAV in the performance incentive fee calculation of the respective series of the Trust for that year.

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

The adjusted shortfall carried forward in respect of each of Series A, B and X of the Trust at December 31, 2016, and 2015, as applicable, was as follows:

	2016	2015
Series A	\$ -	\$ 178
Series B	17,417,620	18,603,404

Series I units will pay performance fees directly to the Manager in an amount determined by negotiation and set out in an agreement between the Manager and the investor.

Unit holdings:

At December 31, 2016, 29,053 Series B and 3,145 Series C redeemable units (2015 - 29,053 Series B and 1,000 Series C redeemable units) were held by directors and close family members of the Manager.

At December 31, 2016, 7,530 Series B and 146 Series C redeemable units (2015 - 100 Series A and 20,000 Series B redeemable units) were held by the Manager and its parent company.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

5. Related party transactions (continued):

Investments:

Rainmaker Entertainment Inc. and Glacier Media Inc. are related to the Trust by virtue of having directors in common. During the years ended December 31, 2016 and 2015 the following transactions occurred between the Trust and these related parties:

	2016	2015
Rainmaker Entertainment Inc.:		
Interest and dividend receivable	\$ -	\$ 548
Investments, as at December 31	2,642,788	3,475,000
Proceeds from sale of investments	(2,945,170)	-
Purchase of investments	2,582,112	-
Interest income	215,827	200,000
Changes in fair value of investments:		
Net realized loss	(3,523,415)	-
Net change in unrealized appreciation	3,054,262	383,000
Glacier Media Inc.:		
Investments, as at December 31	2,760,000	2,960,000
Proceeds from sale of investments	-	636,000
Purchase of investments	-	(1,609,000)
Dividend income	-	112,000
Changes in fair value of investments:		
Net realized loss	-	(535,570)
Net change in unrealized depreciation	(200,000)	(1,691,430)

Rainmaker concluded a series of transactions on December 12, 2016 which included exchanging its 8% convertible debentures for cash and common shares and changing its name to Wow! Unlimited Media Inc. ("Wow! Unlimited"). As part of these transactions, the Trust received cash of \$410,400 and 1,398,301 shares in Wow! Unlimited. The Trust's directors stepped down from the board of directors of Rainmaker upon the completion of these transactions.

6. Withholding tax expense:

Certain dividend and interest income received by the Trust is subject to withholding tax imposed in the country of origin. During the year, the average effective withholding tax rate was 3.02% (2015 - 0.4%).

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

7. Redeemable units:

Pursuant to the Trust Agreement, the Trust is authorized to issue an unlimited number of units. Each series of unit is described further below:

- Series A units were cancelled as of November 1, 2016.
- Series B units are available from the Manager or through authorized dealers. These units may qualify for redesignation by the unitholder as Series C or Cd units.
- Series C and Cd units are available from the Manager or through authorized dealers. Series Cd units entitle the holder to receive a quarterly cash distribution of approximately 5% of the net asset value from the previous fiscal year. Series Cd was introduced in 2016 and does not have any units outstanding as at December 31, 2016. These units may qualify for redesignation by the unitholder as Series B units.
- Series F and Fd units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. Series Fd units entitle the holder to receive a quarterly cash distribution of approximately 5% of the net asset value from the previous fiscal year. Series Fd was introduced in 2016 and does not have any units outstanding as at December 31, 2016. These units may qualify for redesignation by the unitholder as Series B, C or Cd units.
- Series I units are available only to investors who have entered into an agreement with the Manager and meet certain other conditions. Series I was introduced in 2016 and does not have any units outstanding as at December 31, 2016. These units may qualify for redesignation by the unitholder as Series B, C or Cd units.
- Prior to February 26, 2009, Series X units were designated as "Series A units". As of their redesignation date, Series X units are no longer offered for sale to the public.

The unit transactions for the Trust during the year ended December 31 are as follows:

December 31, 2016	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Outstanding redeemable units, end of year
Series A	100	-	-	-	(100)	-
Series B	1,569,924	30,126	(153,470)	5,729	(265)	1,452,044
Series C	1,000	1,735	-	13	543	3,291
Series F	69,895	-	-	277	-	70,172
Series X	25,548	-	(21,309)	17	-	4,256
	1,666,467	31,861	(174,779)	6,036	178	1,529,763

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

7. Redeemable units (continued):

December 31, 2015	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Outstanding redeemable units, end of year
Series A	100	-	-	-	-	100
Series B	1,645,386	2,755	(45,762)	(32,455)	-	1,569,924
Series C	-	1,000	-	-	-	1,000
Series F	9,175	-	(2,074)	64,021	(1,227)	68,895
Series X	56,058	-	(30,510)	-	-	25,548
	1,710,719	3,755	(78,346)	31,566	(1,227)	1,665,467

8. Capital management:

The redeemable units issued by the Trust represent the capital of the Trust. The Trust is not subject to any internally or externally imposed restrictions on its capital. The Trust's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising distributions, if any, and redemptions.

9. Financial risk management:

(a) Risk management framework:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investments groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value.

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. It arises principally from debt securities held, and also from derivative financial assets, cash, and other receivables due to the Trust. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Trust's maximum exposure to credit risk.

Credit risk is managed by the Manager through a careful selection of securities and diversification of the Trust's portfolio. The Manager monitors the Trust's overall market positions on a daily basis and investment positions are maintained within an established range.

As at December 31, 2016, the Trust did not hold any debt securities. As at December 31, 2015, the Trust was exposed to credit risk through its investment in Rainmaker Entertainment Inc. debentures, which was not rated. As of December 31, 2016, this investment represented nil% (2015 - 9.6%) of the net assets of the Trust. In the Manager's opinion, the Trust does not have significant exposure to credit risk.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

9. Financial risk management (continued):

(c) Liquidity risk:

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

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

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

The Trust primarily invests in investments in listed securities that are considered to be readily realizable because they are traded on major Canadian and American stock exchanges. In addition, the Trust retains sufficient cash and deposit positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid.

The Trust's non-derivative liabilities are generally expected to be due and paid within 90 days, with the exception of net assets attributable to holders of redeemable units. Redeemable units are redeemable on demand at the holder's option, however does not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long-term.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Trust's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and deposits. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As at December 31, 2016, the Trust did not hold any debt securities. As at December 31, 2015, the Trust was exposed to interest rate risk through its investment in Rainmaker Entertainment Inc. debentures. In the Manager's opinion, the Trust does not have significant exposure to interest rate risk.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

9. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Trust will fluctuate due to changes in foreign exchange rates.

The Trust's currency risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Trust may use foreign currency contracts to hedge some foreign currency exposure and engage in the buying and selling of currencies through forward contracts in order to achieve the desired currency exposure. At the reporting date, the carrying value of the Trust's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows.

December 31, 2016	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 15,324,760	\$ 6,285,215	\$ (73,158)	\$ -	\$ 21,536,817
US dollar	7,082,372	26	-	10,070	7,092,468
Euro	198,355	-	-	-	198,355
British pound	960,742	-	-	-	960,742
	\$ 23,566,229	\$ 6,285,241	\$ (73,158)	\$ 10,070	\$ 29,788,382

December 31, 2015	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 18,585,385	\$ 5,721,430	\$ (127,987)	\$ 7,524,803	\$ 31,703,631
US dollar	3,828,720	2,132	-	(3,269,435)	561,417
Euro	2,369,628	-	-	(3,007,190)	(637,562)
British pound	500,791	-	-	(1,019,790)	(518,999)
	\$ 25,284,524	\$ 5,723,562	\$ (127,987)	\$ 228,388	\$ 31,108,487

As at December 31, 2016 and 2015, had the Canadian dollar strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets would have increased or decreased by approximately \$412,578 (2015 - increased or decreased by approximately \$29,757). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(iii) Other price risk:

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

9. Financial risk management (continued):

(d) Market risk (continued):

(iii) Other price risk (continued):

The Manager manages price risk on a daily basis. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy of the Trust. Except for written options and securities sold short, the maximum risk resulting from financial instruments is equivalent to their fair values as set forth in the Trust's statement of financial position. Possible losses from written options and securities sold short can be unlimited.

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

As at December 31, 2016 and 2015, had the respective benchmark of the Trust increased or decreased by 10%, with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively by approximately \$2.4 million (2015 - \$2.6 million) or 7.9% (2015 - 8.3%) of net assets attributable to redeemable units.

10. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Trust uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as forward contracts and options that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Trust uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Trust believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Trust and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2016

10. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

2016	Level 1	Level 2	Level 3	Total
Equities	\$ 23,566,229	\$ -	\$ -	\$ 23,566,229
Derivatives	-	10,070	-	10,070
	\$ 23,566,229	\$ 10,070	\$ -	\$ 23,576,299

2015	Level 1	Level 2	Level 3	Total
Equities	\$ 22,284,524	\$ -	\$ -	\$ 22,284,524
Bonds	-	3,000,000	-	3,000,000
Derivatives	-	228,388	-	228,388
	\$ 22,284,524	\$ 3,228,388	\$ -	\$ 25,512,912

The carrying amount of the Trust's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2016 and 2015.

The Fund did not hold any Level 3 investments in 2015 and 2016.

(c) Financial instruments not measured at fair value:

The carrying value of cash, interest and dividends receivable, payable for investments purchased and other accrued liabilities, approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

11. Income taxes:

As at December 31, 2016, the Trust had net capital loss carry forwards of approximately \$5,005,335 (2015 - \$773,336) available for utilization against capital gains in future years. Such net capital losses are available to be carried forward indefinitely. The Trust does not have any non-capital losses to carry forward.

Financial Statements of

THE McELVAINE INVESTMENT TRUST

Year ended December 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

We have audited the accompanying financial statements of the McElvaine Investment Trust, which comprise the statement of financial position as at December 31, 2015, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The McElvaine Investment Trust as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants

February 17, 2016
Vancouver, Canada

THE McELVAINE INVESTMENT TRUST

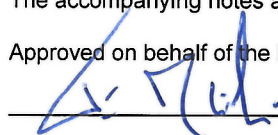
Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Cash	\$ 5,723,562	\$ 5,852,464
Interest and dividends receivable	77,321	132,980
Derivative assets:		
Forwards	6,935	43,174
Options and warrants	402,578	82,946
	409,513	126,120
Investments	25,284,524	29,700,443
	31,494,920	35,812,007
Liabilities		
Subscriptions received in advance	-	9,000
Payable for investments purchased	128,594	-
Other accrued liabilities	76,714	87,799
Derivative liabilities:		
Forwards	181,125	-
	386,433	96,799
Net assets attributable to holders of redeemable units	\$ 31,108,487	\$ 35,715,208
Represented by:		
Series A	\$ 1,463	\$ 1,643
Series B	30,223,293	35,153,130
Series C	9,108	-
Series F	679,600	82,379
Series X	195,023	478,056
	\$ 31,108,487	\$ 35,715,208
Net assets attributable to holders of redeemable units per unit:		
Series A	\$ 14.63	\$ 16.40
Series B	19.25	21.36
Series C	9.11	-
Series F	9.72	8.98
Series X	7.63	8.53

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

Approved on behalf of the Manager:



Director

THE McELVAINE INVESTMENT TRUST

Statement of Comprehensive Income

Year ended December 31, 2015, with comparative information for 2014

	Note	2015	2014
Revenue:			
Interest income		\$ 200,000	\$ 194,999
Dividend income		715,081	629,813
Net foreign currency gain		138,380	95,089
Changes in fair value of investments and derivatives:	4		
Net realized gain (loss)		(644,359)	588,400
Net change in unrealized appreciation (depreciation)		(3,275,046)	1,194,619
Total revenue		(2,865,944)	2,702,920
Expenses:			
Management fees	5	373,295	401,988
Brokerage commissions		58,428	60,786
Trustee, custodial and legal		51,444	52,654
Audit fees		46,785	32,850
Withholding taxes	6	4,259	5,328
Other		5,920	672
Total operating expenses		540,131	554,278
Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions		(3,406,075)	2,148,642
Distributions to holders of redeemable units:			
From net investment income		371,761	251,398
From net realized gains on investments and derivatives		-	-
		371,761	251,398
Increase (decrease) in net assets attributable to holders of redeemable units		\$ (3,777,836)	\$ 1,897,244
Increase (decrease) in net assets attributable to holders of redeemable units:			
Series A		\$ (197)	\$ 2,136
Series B		(3,711,006)	1,860,938
Series C		(1,001)	-
Series F		(44,871)	3,974
Series X		(20,761)	30,196
		\$ (3,777,836)	\$ 1,897,244
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Series A		\$ (1.97)	\$ 0.71
Series B		(2.30)	1.10
Series C		(1.00)	-
Series F		(2.65)	0.43
Series X		(0.72)	0.41

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

THE McELVAIN INVESTMENT TRUST

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

Year ended December 31, 2015, with comparative information for 2014

	Series A	Series B	Series C	Series F	Series X	Total
Balance, December 31, 2014	\$ 1,643	\$ 35,153,130	\$ -	\$ 82,379	\$ 478,056	\$ 35,715,208
Decrease in net assets attributable to holders of redeemable units	(197)	(3,711,006)	(1,001)	(44,871)	(20,761)	(3,777,836)
Redeemable unit transactions:						
Issue of redeemable units	-	61,283	10,000	-	-	71,283
Reinvestment of distributions	17	361,182	109	8,122	2,331	371,761
Redemption of redeemable units	-	(987,776)	-	(19,550)	(264,603)	(1,271,929)
Transfer In / Transfer Out	-	(653,520)	-	653,520	-	-
Net increase (decrease) from redeemable unit transactions	17	(1,218,831)	10,109	642,092	(262,272)	(1,200,646)
Balance, December 31, 2015	\$ 1,463	\$ 30,223,293	\$ 9,108	\$ 679,600	\$ 195,023	\$ 31,108,487

	Series A	Series B	Series C	Series F	Series X	Total
Balance, December 31, 2013	\$ 51,767	\$ 35,181,019	\$ -	\$ 77,825	\$ 622,248	\$ 35,932,859
Increase in net assets attributable to holders of redeemable units	2,136	1,860,938	-	3,974	30,196	1,897,244
Redeemable unit transactions:						
Issue of redeemable units	-	352,394	-	-	-	352,394
Reinvestment of distributions	12	247,441	-	580	3,365	251,398
Redemption of redeemable units	(52,272)	(2,488,662)	-	-	(177,753)	(2,718,687)
Net increase (decrease) from redeemable unit transactions	(52,260)	(1,888,827)	-	580	(174,388)	(2,114,895)
Balance, December 31, 2014	\$ 1,643	\$ 35,153,130	\$ -	\$ 82,379	\$ 478,056	\$ 35,715,208

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

THE McELVAIN INVESTMENT TRUST

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (3,777,836)	\$ 1,897,244
Adjustments for:		
Interest income	(200,000)	(194,999)
Dividend income, net of withholding tax	(710,822)	(629,813)
Foreign currency gain	(138,380)	(95,089)
Net realized (gain) loss from investments and derivatives	644,359	(588,400)
Net change in unrealized (appreciation) depreciation from investments and derivatives	3,275,046	(1,194,619)
Proceeds from sale of investments	11,152,425	11,213,579
Purchase of investments	(10,560,450)	(13,159,638)
Net realized losses on forward contracts settled	(197,729)	(39,950)
Net increase (decrease) in other accrued liabilities	(11,085)	9,866
Net increase (decrease) in subscriptions received in advance	(9,000)	9,000
Net increase (decrease) in balances due to brokers	128,594	(394,016)
Net increase (decrease) in redemptions payable	-	(1,127,562)
	(33,117)	(4,294,397)
Interest received	200,000	192,417
Dividends received	766,481	616,819
	933,364	(3,485,161)
Financing activities:		
Proceeds from issue of redeemable units	71,283	352,394
Distributions to holders of redeemable units from net investment income	371,761	251,398
Payments on redemption of redeemable units	(1,271,929)	(2,718,687)
	(1,200,646)	(2,114,895)
Net decrease in cash	(128,902)	(5,600,056)
Cash, beginning of year	5,852,464	11,357,431
Effect of exchange rate fluctuations on cash	138,380	95,089
Cash, end of year	\$ 5,723,562	\$ 5,852,464

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

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

December 31, 2015

	Coupon rate (%)	Maturity date	Number of shares / par value	Cost	Fair value
Canadian - Equities:					
Blackberry Ltd.			100,000	\$ 785,535	\$ 1,284,000
Canaccord Genuity Group Inc.			100,000	501,110	511,000
Carmanah Technologies Corp.			500,000	661,297	2,840,000
Deans Knight Income and Growth Fund			44,800	4,928	-
Dundee Corp. Class A			150,000	1,708,013	684,000
Glacier Media Inc. (note 5)			4,000,000	5,857,850	2,960,000
Hydruke Energy Services Inc.			2,050,000	1,217,585	758,500
Imperial Metals Corp.			100,000	774,275	666,000
Maxim Power Corp.			172,100	442,906	509,417
Noranda Income Fund			500,000	1,125,253	1,165,000
Orca Exploration Group Inc., Class B			210,700	965,659	574,158
Rainmaker Entertainment Inc. (note 5)			1,900,000	3,968,585	475,000
Sprott Resource Corp.			1,000,000	914,792	470,000
The Caldwell Partners International Inc., Class A			992,000	830,168	1,418,560
Village Farms International Inc.			1,000,000	1,868,824	850,000
Wajax Corp.			25,000	394,540	419,750
Total Canadian equities				22,021,320	15,585,385
United States - Equities					
Leucadia National Corp.			50,000	1,177,213	1,203,460
Symphony International Holdings Ltd.			1,000,000	813,486	1,003,460
Voya Financial Inc.			25,000	520,253	1,277,163
WL Ross Holding Corp.			25,000	278,179	344,637
Total United States equities				2,789,131	3,828,720
Foreign - Equities					
Bank of Cyprus PCL			1,000,000	295,534	222,423
BHF Kleinwort Benson Group.			250,000	1,895,623	2,147,205
Anglo American PLC			75,000	1,128,182	458,342
NBNK Investments PLC			640	38,468	42,449
Total foreign equities				3,357,807	2,870,419
Canada - Corporate Bonds					
Rainmaker Entertainment Inc. (note 5)	8.00%	March 31, 2016	2,500	2,500,000	3,000,000
Total Canadian corporate bonds				2,500,000	3,000,000
Less: transaction costs				(36,269)	
Total investment Portfolio				\$30,631,989	25,284,524
Derivatives:					
Forward contracts (Schedule 1)					(174,190)
Options and warrants (Schedule 2)					402,578
Other Net Assets					5,595,575
Total Net Assets					\$ 31,108,487

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

THE McELVAINE INVESTMENT TRUST

Schedule of Foreign Currency Forward Contracts

Schedule 1

December 31, 2015

Currency to be received at inception	Currency to be delivered at inception	Currency to be delivered at December 31	Settlement date	Fair value
EUR 2,000,000	CAD 2,974,800	CAD 3,007,190	January 13, 2016	\$ (32,390)
GBP 500,000	CAD 1,026,725	CAD 1,019,790	January 13, 2016	6,935
USD 2,000,000	CAD 2,648,500	CAD 2,767,557	January 13, 2016	(119,057)
USD 650,000	CAD 869,778	CAD 899,456	January 13, 2016	(29,678)
Net value				\$ (174,190)

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

THE McELVAINE INVESTMENT TRUST

Schedule of Option Contracts

Schedule 2

December 31, 2015

Number of contracts	Description	Expiration date	Cost	Fair value
1,000,000	MBAC Fertilizer Corp., Warrant	April 17, 2019	\$ 49,925	\$ 5,000
1,500	PowerShares Senior Loan Portfolio @ \$22.00 Put Option	January 20, 2017	240,166	275,087
500	Seair Inc. @ \$25.00 Call Option	January 20, 2017	243,295	121,799
500	Seair Inc. @ \$30.00 Call Option	January 15, 2016	132,119	692
Net value			\$ 665,505	\$ 402,578

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

1. Reporting entity:

The McElvaine Investment Trust (the "Trust") is a unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002, January 1, 2008 and April 23, 2012 (collectively, the "Trust Agreement"), between McElvaine Investment Management Ltd. as manager and the Trust. Prior to April 23, 2012, RBC Dexia Investor Services Trust ("RBC Dexia") acted as trustee of the Trust pursuant to the Trust Agreement. Effective April 23, 2012, McElvaine Investment Management Ltd. was appointed as the replacement trustee of the Trust following the resignation of RBC Dexia. The Trust is managed by McElvaine Investment Management Ltd. (the "Manager"), which also provides investment counseling services. The address of the Trust's registered office is at Suite 219, 2187 Oak Bay Avenue, Victoria, British Columbia.

The Trust is an open-ended investment Trust with a fundamental investment objective to achieve long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value. The Manager intends to invest the Trust's assets primarily in common shares of publically-traded companies. However, the Manager may make any type of investment that is believed to be consistent with the Trust's investment objective. There will be periods of time where a substantial portion of the Trust's assets will be held in the form of cash, short-term money market instruments or other fixed income instruments.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Manager on February 17, 2016.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash:

Cash is comprised of cash on deposit with financial institutions.

(b) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as held-for-trading or fair value through profit or loss in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held-for-trading or at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Trust has not classified any of its financial instruments as available-for-sale or assets held-to-maturity.

(ii) Held-for-trading and fair value through profit and loss:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

3. Significant accounting policies (continued):

(b) Financial instruments (continued):

(ii) Held-for-trading and fair value through profit and loss (continued):

Fair value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivables is at amortized cost, less any impairment losses. The Trust classifies cash and interest and dividends receivable as loans and receivables.

(iv) Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. The Trust's other financial liabilities are comprised of subscriptions received in advance, payable for investments purchased and other accrued liabilities.

(c) Redeemable units:

The Trust classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities at FVTPL and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Trust's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

3. Significant accounting policies (continued):

(d) Foreign exchange:

The financial statements of the Trust are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

(e) Income recognition:

Interest income shown on the statement of comprehensive income represents interest received by the Trust accounted for on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(f) Income taxes:

The Trust qualifies as a unit trust under the Income Tax Act (Canada). All of the Trust's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust does not record income taxes.

(g) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for year ended December 31, 2015, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statement of the Trust, with the possible exception of IFRS 9, *Financial Instruments*.

IFRS 9 deals with recognition, derecognition, classification and measurement of financial statements and its requirements represent a significant change from the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

The standard is effective for fiscal years beginning January 1, 2018, but early adoption is permitted. The Trust's Manager is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the Trust's financial assets are currently measured at fair value or amortized cost.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

4. Net gain (loss) from financial instruments at fair value through profit or loss:

	2015	2014
Net gain (loss) from financial instruments held for trading:		
Derivative financial instruments	\$ (583,923)	\$ 252,904
Net gain (loss) from financial assets designated as fair value through profit or loss:		
Investments	(3,335,482)	2,035,923
	<u>\$ (3,919,405)</u>	<u>\$ 1,783,019</u>
Net gain (loss) from financial instruments at fair value through profit or loss:		
Realized	\$ (644,359)	\$ 588,400
Unrealized	(3,275,046)	1,194,619
	<u>\$ (3,919,405)</u>	<u>\$ 1,783,019</u>

5. Related party transactions:

Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the net asset value ("NAV") of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month). The monthly fee payable to the Manager is based upon the following rates:

Series A	1/12 of 2.0% per annum
Series B	1/12 of 1.0% per annum
Series X	1/12 of 1.2% per annum

There are no management fees charged on Series C and Series F units.

Performance fees:

The Trust will pay the Manager a performance incentive fee for its services as a portfolio advisor at a rate of 25% for Series C and 20% for Series A, B, F, and X (the "Incentive Fee Rate") on the following basis:

- (i) For Series A, payable annually on any increase in the Series A NAV during the fiscal year (adjusted for contributions and redemptions of Series A units and for any shortfall, as described below) in excess of a 12% return (the "Series A Hurdle Rate").
- (ii) For Series B, C, and F, payable annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the "Series B, C and F Hurdle Rate").

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

5. Related party transactions (continued):

Performance fees (continued):

- (iii) If in any fiscal year the increase in a series NAV is less than the respective hurdle rate (a shortfall), the difference will be carried forward to the next fiscal year and, after adjustment for series redemptions, deducted from any increase in the NAV in the performance incentive fee calculation of the respective series of the Trust for that year.
- (iv) For Series X, payable quarterly on any increase in the Series X NAV during a calendar quarter (adjusted for redemptions and distributions on Series X units), but no fee is payable unless the Series X NAV at the end of the calendar quarter is greater than the highest quarter-end Series X NAV previously achieved by the Trust.

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

The adjusted shortfall carried forward in respect of each of Series A, B, C and F of the Trust at December 31, 2015 December 31, 2014, as applicable, was as follows:

	2015	2014
Series A	\$ 178	\$ -
Series B	18,603,404	14,106,067
Series C	-	-
Series F	-	39

No performance fee was paid in respect of Series X of the Trust during the years ended December 31, 2015 and 2014 as the Series X NAV did not exceed the highest quarter-end Series X NAV previously achieved by the Trust.

Unit holdings:

At December 31, 2015, 29,053 Series B and 1,000 Series C redeemable units (2014 - 29,053 Series B and nil Series C redeemable units) were held by directors and close family members of the Manager.

At December 31, 2015, 100 Series A and 20,000 Series B redeemable units (2014 - 100 Series A and 20,000 Series B redeemable units) were held by the Manager and its parent company.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

5. Related party transactions (continued):

Investments:

Rainmaker Entertainment Inc. and Glacier Media Inc. are related to the Trust by virtue of having directors in common. During the years ended December 31, 2015 and 2014 the following transactions occurred between the Trust and these related parties:

	2015	2014
Rainmaker Entertainment Inc.:		
Interest and dividend receivable	\$ 548	\$ 50,236
Investments, as at December 31	3,475,000	3,092,000
Proceeds from sale of investments	-	-
Purchase of investments	-	(300,000)
Interest income	200,000	195,551
Changes in fair value of investments:		
Net realized gain (loss)	-	-
Net change in unrealized appreciation (depreciation)	383,000	288,000
Glacier Media Inc.:		
Interest and dividend receivable	-	56,000
Investments, as at December 31	2,960,000	4,214,000
Proceeds from sale of investments	636,000	-
Purchase of investments	(1,609,000)	(1,340,050)
Dividend income	112,000	223,000
Changes in fair value of investments:		
Net realized gain (loss)	(535,570)	-
Net change in unrealized appreciation (depreciation)	(1,691,430)	443,950

6. Withholding tax expense:

Certain dividend and interest income received by the Trust is subject to withholding tax imposed in the country of origin. During the period, the average effective withholding tax rate was 0.47% (2014 - 0.65%).

7. Redeemable units:

Pursuant to the Trust Agreement, the Trust is authorized to issue an unlimited number of units in four distinct series of units and prior to February 26, 2009 offered a fourth series of unit. Each series of unit is described further below:

- Series A units are available to all investors. Dealers may charge a commission or fee of up to 2% of the total purchase of Series A units. These units may be redesignated at the discretion of the unitholder as Series F units.
- Series B units are available only from the Manager. These units may qualify for redesignation by the unitholder as Series A or F units.
- Series C units are available only from the Manager. These units may qualify for redesignation by the unitholder as Series A, B or F units.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

7. Redeemable units (continued):

- Series F units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. These units may qualify for redesignation by the unitholder as Series A units.
- Prior to February 26, 2009, Series X units were designated as "Series A units". As of their redesignation date, Series X units are no longer offered for sale to the public.

The unit transactions for the Trust during the year ended December 31 are as follows:

December 31, 2015	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Outstanding redeemable units, end of year
Series A	100	-	-	-	-	100
Series B	1,645,386	2,755	(45,762)	(32,455)	-	1,569,924
Series C	-	1,000	-	-	-	1,000
Series F	9,175	-	(2,074)	64,021	(1,227)	68,895
Series X	56,058	-	(30,510)	-	-	25,548
	1,710,719	3,755	(78,346)	31,566	(1,227)	1,665,467

December 31, 2014	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Outstanding redeemable units, end of year
Series A	3,290	-	(3,190)	1	(1)	100
Series B	1,746,246	16,736	(117,596)	11,582	(11,582)	1,645,386
Series F	9,175	-	-	65	(65)	9,175
Series X	77,045	-	(20,987)	395	(395)	56,058
	1,835,756	16,736	(141,773)	12,043	(12,043)	1,710,719

8. Capital management:

The redeemable units issued by the Trust represent the capital of the Trust. The Trust is not subject to any internally or externally imposed restrictions on its capital. The Trust's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

9. Financial risk management:

(a) Risk management framework:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investment Portfolio groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value.

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. It arises principally from debt securities held, and also from derivative financial assets, cash, and other receivables due to the Trust. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Trust's maximum exposure to credit risk.

Credit risk is managed by the Manager through a careful selection of securities and diversification of the Trust's portfolio. The Manager monitors the Trust's overall market positions on a daily basis and investment positions are maintained within an established range.

As at December 31, 2015 and December 31, 2014, the Trust was exposed to credit risk through its investment in Rainmaker Entertainment Inc. debentures, which are not rated. As of December 31, 2015, this investment represented 9.6% (December 31, 2014 - 7.7%) of the net assets of the Trust. In the Manager's opinion, the Trust does not have significant exposure to credit risk.

(c) Liquidity risk:

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

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

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

The Trust primarily invests in investments in listed securities that are considered to be readily realizable because they are traded on major Canadian and American stock exchanges. In addition, the Trust retains sufficient cash and deposit positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

9. Financial risk management (continued):

(c) Liquidity risk (continued):

The Trust's non-derivative liabilities are generally expected to be due and paid within 90 days, with the exception of net assets attributable to holders of redeemable units. Redeemable units are redeemable on demand at the holder's option, however does not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long term.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Trust's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and deposits. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As at December 31, 2015, the Trust was exposed to interest rate risk through its investment in Rainmaker Entertainment Inc. debentures, which represented 9.6% (December 31, 2014 - 7.7%) of the net assets of the Trust. In the Manager's opinion, the Trust does not have significant exposure to interest rate risk.

(ii) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Trust will fluctuate due to changes in foreign exchange rates.

The Trust's currency risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Trust may use foreign currency contracts to hedge some foreign currency exposure and engage in the buying and selling of currencies through forward contracts in order to achieve the desired currency exposure. At the reporting date, the carrying value of the Trust's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows.

December 31, 2015	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 18,585,385	\$ 5,721,430	\$ (127,987)	\$ 7,524,803	\$ 31,703,631
US dollar	3,828,720	2,132	-	(3,269,435)	561,417
Euro	2,369,628	-	-	(3,007,190)	(637,562)
British pound	500,791	-	-	(1,019,790)	(518,999)
	\$ 25,284,524	\$ 5,723,562	\$ (127,987)	\$ 228,388	\$ 31,108,487

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

9. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk (continued):

December 31, 2014	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 20,235,864	\$ 3,086,981	\$ 36,181	\$ 3,563,775	\$ 26,922,801
US dollar	4,948,956	2,765,483	-	82,946	7,797,385
Euro	3,386,440	-	-	(3,520,601)	(134,161)
British pound	1,129,183	-	-	-	1,129,183
	\$ 29,700,443	\$ 5,852,464	\$ 36,181	\$ 126,120	\$ 35,715,208

As at December 31, 2015 and December 31, 2014, had the Canadian dollar strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets would have increased or decreased by approximately \$29,757 (2014 - increased or decreased by approximately \$439,620). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(iii) Other price risk:

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

The Manager manages price risk on a daily basis. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy of the Trust. Except for written options and securities sold short, the maximum risk resulting from financial instruments is equivalent to their fair values as set forth in the Trust's statement of financial position. Possible losses from written options and securities sold short can be unlimited.

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

As at December 31, 2015 and December 31, 2014, had the respective benchmark of the Trust increased or decreased by 10%, with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively by approximately \$2.6 million (2014 - \$2.7 million) or 8.3%% (2014 - 7.6%) of net assets attributable to redeemable units.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

10. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Trust uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as forward contracts and options that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Trust uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Trust believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Trust and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

2015	Level 1	Level 2	Level 3	Total
Equities	\$ 22,284,524	\$ -	\$ -	\$ 22,284,524
Bonds	-	3,000,000	-	3,000,000
Derivatives	-	228,388	-	228,388
	\$ 22,284,524	\$ 3,228,388	\$ -	\$ 25,512,912

2014	Level 1	Level 2	Level 3	Total
Equities	\$ 26,950,443	\$ -	\$ -	\$ 26,950,443
Bonds	-	2,750,000	-	2,750,000
Derivatives	-	126,120	-	126,120
	\$ 26,950,443	\$ 2,876,120	\$ -	\$ 29,826,563

The carrying amount of the Trust's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2015 and 2014.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2015

10. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value (continued):

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

2014	Bonds
Balance, beginning of the year	\$ 2,200,000
Total gains or losses recognized in profit or loss	-
Purchases	300,000
Sales	-
Transfers into Level 3	-
Transfers out of Level 3	(2,500,000)
Balance, end of year	\$ -
Total unrealized gains or losses for the period included in profit or loss relating to financial assets and liabilities held at the reporting date	\$ -

The Fund did not hold any Level 3 investments in 2015.

(c) Financial instruments not measured at fair value:

The carrying value of cash, interest and dividends receivable, subscriptions received in advance, payable for investments purchased and other accrued liabilities, approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

11. Income taxes:

As at December 31, 2015, the Trust had net capital loss carry forwards of approximately \$773,336 (2014 - \$245,198) available for utilization against capital gains in future years. Such net capital losses are available to be carried forward indefinitely. The Trust does not have any non-capital losses to carry forward.

Financial Statements of

THE McELVAINE INVESTMENT TRUST

Years ended December 31, 2014 and 2013



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INDEPENDENT AUDITORS' OPINION

To the Unitholders of The McElvaine Investment Trust

We have audited the accompanying financial statements of The McElvaine Investment Trust, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Manager's Responsibility for the Financial Statements

The manager is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the McElvaine Investment Trust as at December 31, 2014, December 31, 2013 and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013, in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Accountants

March 30, 2015
Vancouver, Canada

THE McELVAINE INVESTMENT TRUST

Statements of Financial Position

	December 31, 2014	December 31, 2013	January 1, 2013
		(Restated - note 12)	(Restated - note 12)
Assets			
Cash	\$ 5,852,464	\$ 11,357,431	\$ 8,362,163
Interest and dividends receivable	132,980	117,404	61,436
Derivative assets:			
Forwards	43,174	79,973	511,011
Options	82,946	3,191	59,694
	126,120	83,164	570,705
Investments	29,700,443	26,143,636	28,198,730
	\$ 35,812,007	\$ 37,701,635	\$ 37,193,034
Liabilities			
Other accrued liabilities	\$ 87,799	\$ 77,933	\$ 66,913
Subscriptions received in advance	9,000	-	-
Balances due to brokers	-	394,016	-
Redemptions payable	-	1,127,562	222,497
Derivative liabilities:			
Forwards	-	169,265	99,046
	\$ 96,799	\$ 1,768,776	\$ 388,456
Net assets attributable to holders of redeemable units	\$ 35,715,208	\$ 35,932,859	\$ 36,804,578
Represented by:			
Series A	\$ 1,643	\$ 51,767	\$ 43,965
Series B	35,153,130	35,181,019	36,171,555
Series F	82,379	77,825	65,353
Series X	478,056	622,248	523,705
	\$ 35,715,208	\$ 35,932,859	\$ 36,804,578
Net assets attributable to holders of redeemable units per unit:			
Series A	\$ 16.40	\$ 15.73	\$ 13.36
Series B	21.36	20.15	16.90
Series F	8.98	8.48	7.12
Series X	8.53	8.08	6.80

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

Approved on behalf of the Manager:

Director

THE McELVAIN INVESTMENT TRUST

Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

	Note	2014	2013
			(Restated - note 12)
Revenue:			
Interest income		\$ 194,999	\$ 120,206
Dividend income		629,813	458,284
Net foreign currency gain		95,089	77,589
Changes in fair value of investments and derivatives:	4		
Net realized gain (loss)		649,185	(982,109)
Net change in unrealized appreciation		1,133,834	7,541,248
Total revenue		2,702,920	7,215,218
Expenses:			
Management fees	5	401,988	370,672
Brokerage commissions		60,786	62,368
Trustee, custodial and legal		52,654	55,361
Audit fees		32,850	52,525
Withholding taxes	6	5,328	2,458
Other		672	36,654
Total operating expenses		554,278	580,038
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		2,148,642	6,635,180
Distributions to holders of redeemable units:			
From net investment income		251,398	-
From net realized gains on investments and derivatives		-	-
		251,398	-
Increase in net assets attributable to holders of redeemable units		\$ 1,897,244	\$ 6,635,180
Increase in net assets attributable to holders of redeemable units:			
Series A		\$ 2,136	\$ 7,802
Series B		1,860,938	6,516,363
Series F		3,974	12,472
Series X		30,196	98,543
		\$ 1,897,244	\$ 6,635,180
Increase in net assets attributable to holders of redeemable units per unit:			
Series A		\$ 0.71	\$ 2.37
Series B		1.10	3.27
Series F		0.43	1.36
Series X		0.41	1.29

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

THE McELVAINE INVESTMENT TRUST

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

Years ended December 31, 2014 and 2013

	Series A	Series B	Series F	Series X	Total
Balance, December 31, 2013	\$ 51,767	\$ 35,181,019	\$ 77,825	\$ 622,248	\$ 35,932,859
Increase in net assets attributable to holders of redeemable units	2,136	1,860,938	3,974	30,196	1,897,244
Redeemable unit transactions:					
Issue of redeemable units	-	352,394	-	-	352,394
Reinvestment of distributions	12	247,441	580	3,365	251,398
Redemption of redeemable units	(52,272)	(2,488,662)	-	(177,753)	(2,718,687)
Net decrease from redeemable unit transactions	(52,260)	(1,888,827)	580	(174,388)	(2,114,895)
Balance, December 31, 2014	\$ 1,643	\$ 35,153,130	\$ 82,379	\$ 478,056	\$ 35,715,208

Restated – note 12	Series A	Series B	Series F	Series X	Total
Balance, December 31, 2012	\$ 43,965	\$ 36,171,555	\$ 65,353	\$ 523,705	\$ 36,804,578
Increase in net assets attributable to holders of redeemable units	7,802	6,516,363	12,472	98,543	6,635,180
Redeemable unit transactions:					
Issue of redeemable units	-	1,482,499	-	-	1,482,499
Redemption of redeemable units	-	(8,989,398)	-	-	(8,989,398)
Net decrease from redeemable unit transactions	-	(7,506,899)	-	-	(7,506,899)
Balance, December 31, 2013	\$ 51,767	\$ 35,181,019	\$ 77,825	\$ 622,248	\$ 35,932,859

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

THE McELVAIN INVESTMENT TRUST

Statements of Cash Flows

Years ended December 31, 2014 and 2013

	Note	2014	2013
			(Restated - note 12)
Cash provided by (used in):			
Operating activities:			
Increase in net assets attributable to holders of redeemable units	\$	1,897,244	\$ 6,635,180
Adjustments for:			
Interest income		(194,999)	(120,206)
Dividend income		(629,813)	(458,284)
Foreign currency gain		(95,089)	(77,589)
Net realized gain (loss) from investments and derivatives		(649,185)	982,109
Net change in unrealized appreciation (depreciation) from investments and derivatives		(1,133,834)	(7,541,248)
Proceeds from sale of investments		11,213,579	18,281,765
Purchase of investments		(13,159,638)	(9,339,740)
Net realized gains (losses) on forward contracts settled		(39,950)	229,968
Net increase (decrease) in other accrued liabilities		9,866	11,020
Net increase (decrease) in subscriptions received in advance		9,000	-
Net increase (decrease) in balances due to brokers		(394,016)	394,016
Net increase (decrease) in redemptions payable		(1,127,562)	905,065
		(4,294,397)	9,902,056
Interest received		192,417	82,282
Dividends received		616,819	440,239
		(3,485,161)	10,424,577
Financing activities:			
Proceeds from issue of redeemable units		352,394	1,482,500
Distributions to holders of redeemable units from net investment income		251,398	-
Payments on redemption of redeemable units		(2,718,687)	(8,989,398)
		(2,114,895)	(7,506,898)
Net increase (decrease) in cash		(5,600,056)	2,917,679
Cash, beginning of year		11,357,431	8,362,163
Effect of exchange rate fluctuations on cash		95,089	77,589
Cash, end of year	\$	5,852,464	\$ 11,357,431

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

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

Year ended December 31, 2014

	Coupon rate (%)	Maturity date	Number of shares / par value	Cost	Fair value
Canadian - Equities:					
Blackberry Ltd.			100,000	\$ 785,535	\$ 1,274,000
Carmanah Technologies Corp.			602,900	797,392	1,754,440
Deans Knight Income and Growth Fund			44,800	4,928	-
Dundee Corp., Class A			100,000	1,408,588	1,281,000
Glacier Media Inc.			2,800,000	5,420,420	4,214,000
Goodfellow Inc.			25,000	243,935	241,500
Legumex Walker Inc.			500,000	1,571,535	1,325,000
Maxim Power Corp.			126,900	314,312	333,746
MBAC Fertilizer Corp., warrants			1,000,000	49,925	20,000
Noranda Income Fund			641,800	1,444,374	1,700,770
Opta Minerals Inc.			40,100	49,226	75,388
Orca Exploration Group Inc., Class B			210,700	965,659	611,030
Rainmaker Entertainment Inc.			1,900,000	3,968,585	342,000
Sprott Resource Corp.			250,000	508,650	470,000
The Caldwell Partners International Inc., Class A			1,000,000	836,863	1,480,000
Torstar Corp., Class B			225,000	1,260,937	1,467,000
Touchstone Exploration Inc.			146,000	107,590	45,990
Village Farms International Inc.			1,000,000	1,868,824	850,000
Total Canadian equities				21,607,278	17,485,864
United States - Equities					
Navient Corp.			50,000	\$ 908,298	\$ 1,253,480
Symphony International Holdings Ltd.			1,000,000	813,486	939,675
Voya Financial Inc.			50,000	1,040,505	2,458,237
WL Ross Holding Corp.			25,000	278,179	297,564
Total United States equities				3,040,468	4,948,956
Foreign - Equities					
Anglo American PLC			50,000	\$ 1,064,276	\$ 1,084,658
Bank of Cyprus PCL			500,000	162,245	150,898
NBNK Investments PLC			640	38,468	44,525
RHJ International SA			500,000	3,791,246	3,235,542
Total foreign equities				5,056,235	4,515,623
Canada - Corporate Bonds					
Rainmaker Entertainment Inc.	9.00%	March 31, 2016	2,500	\$ 2,500,000	\$ 2,750,000
Total corporate bonds				2,500,000	2,750,000
Total investment Portfolio				\$32,203,981	\$ 29,700,443
Derivatives:					
Forward contracts (Schedule 1)				\$	43,174
Options (Schedule 2)					82,946
Other Net Assets					5,888,645
Total Net Assets					\$ 35,715,208

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

THE McELVAINE INVESTMENT TRUST

Schedule of Foreign Currency Forward Contracts

Schedule 1

Year ended December 31, 2014

December 31, 2014:

Currency to be received at inception	Currency to be delivered at inception	Currency to be delivered at December 31	Settlement date	Fair value
EUR 2,500,000	CAD 3,563,775	CAD 3,520,601	January 15, 2015	\$ 43,174
Net unrealized gain				\$ 43,174

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

THE McELVAINE INVESTMENT TRUST

Schedule of Option Contracts

Schedule 2

Year ended December 31, 2014

December 31, 2014:

Number of contracts	Description	Expiration date	Cost	Fair value
500	Proshares Ultrashort S&P500 @ \$30 Call option	January 16, 2015	\$ 132,119	\$ 82,946

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

1. Reporting entity:

The McElvaine Investment Trust (the "Trust") is a unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002, January 1, 2008 and April 23, 2012 (collectively, the "Trust Agreement"), between McElvaine Investment Management Ltd. as manager and the Trust. Prior to April 23, 2012, RBC Dexia Investor Services Trust ("RBC Dexia") acted as trustee of the Trust pursuant to the Trust Agreement. Effective April 23, 2012, McElvaine Investment Management Ltd. was appointed as the replacement trustee of the Trust following the resignation of RBC Dexia. The Trust is managed by McElvaine Investment Management Ltd. (the "Manager" or "Investment Counsel"), which also provides investment counseling services. The address of the Trust's registered office is at Suite 219, 2187 Oak Bay Avenue, Victoria, British Columbia.

The Trust is an open-ended investment Trust with a fundamental investment objective to achieve long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value. The Manager intends to invest the Trust's assets primarily in common shares of publically-traded companies. However, the Manager may make any type of investment that is believed to be consistent with the Trust's investment objective. There will be periods of time where a substantial portion of the Trust's assets will be held in the form of cash, short-term money market instruments or other fixed income instruments.

2. Basis of preparation:

(a) Statement of compliance:

The financial statements of the Trust have been prepared in compliance with International Financial Reporting Standards ("IFRS"). This is the first time that the Trust has prepared its financial statements in accordance with IFRS, and IFRS 1 (*First - Time Adoption of International Financial Reporting Standards*) has been applied. The Trust previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Details of transition from Canadian GAAP to IFRS are provided in note 12. The financial statements were authorized for issue by the Manager on March 30, 2015.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash:

Cash is comprised of cash on deposit with financial institutions.

(b) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as held-for-trading or fair value through profit or loss in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held-for-trading or at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Trust has not classified any of its financial instruments as available-for-sale or assets held-to-maturity.

(ii) Held-for-trading and fair value through profit and loss:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

3. Significant accounting policies (continued):

(b) Financial instruments (continued):

(ii) Held-for-trading and fair value through profit and loss (continued):

Fair value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivables is at amortized cost, less any impairment losses. The Trust classifies cash, dividends receivable and interest receivable as loans and receivables.

(iv) Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. The Trust's other financial liabilities are comprised of balances due to broker, redemptions payable, and other accrued liabilities.

(c) Redeemable units:

The Trust classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities at FVTPL and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Trust's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

3. Significant accounting policies (continued):

(d) Foreign exchange:

The financial statements of the Trust are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

(e) Income recognition:

Interest income shown on the statement of comprehensive income represents interest received by the Trust accounted for on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(f) Income taxes:

The Trust qualifies as a unit trust under the Income Tax Act (Canada). All of the Trust's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust does not record income taxes.

(g) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for year ended December 31, 2014, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statement of the Trust, with the possible exception of IFRS 9, *Financial Instruments*.

The IFRS 9 deals with recognition, derecognition, classification and measurement of financial statements and its requirements and represent a significant change from the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

The standard is effective for fiscal years beginning January 1, 2018, but early adoption is permitted. The Trust's Manager is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the Trust's financial assets are currently measured at fair value or amortized cost.

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Notes to Financial Statements

Years ended December 31, 2014 and 2013

4. Net gain (loss) from financial instruments at fair value through profit or loss:

	2014	2013
Net gain (loss) from financial instruments held for trading:		
Derivative financial instruments	\$ 252,904	\$ (112,261)
Net gain (loss) from financial assets designated as fair value through profit or loss:		
Investments	2,035,923	6,671,401
	\$ 1,783,019	\$ 6,559,140
Net gain (loss) from financial instruments at fair value through profit or loss:		
Realized	\$ 649,185	\$ (982,109)
Unrealized	1,133,834	7,541,248
	\$ 1,783,019	\$ 6,559,140

5. Related party transactions:

Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the NAV of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month). The monthly fee payable to the Manager is based upon the following rates:

Series A	1/12 of 2.0% per annum
Series B	1/12 of 1.0% per annum
Series F	1/12 of 1.0% per annum
Series X	1/12 of 1.2% per annum

Performance fees:

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

- (a) For Series A, payable annually on any increase in the Series A NAV during the fiscal year (adjusted for contributions and redemptions of Series A units and for any shortfall, as described below) in excess of a 12% return (the "Series A Hurdle Rate").
- (b) For Series B and F, payable annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the "Series B and F Hurdle Rate").

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Notes to Financial Statements

Years ended December 31, 2014 and 2013

5. Related party transactions (continued):

Performance fees (continued):

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

- (c) If in any fiscal year the increase in a series NAV is less than the respective hurdle rate (a shortfall), the difference will be carried forward to the next fiscal year and, after adjustment for series redemptions, deducted from any increase in the NAV in the performance incentive fee calculation of the respective series of the Trust for that year.
- (d) For Series X, payable quarterly on any increase in the Series X NAV during a calendar quarter (adjusted for redemptions and distributions on Series X units), but no fee is payable unless the Series X NAV at the end of the calendar quarter is greater than the highest quarter-end Series X NAV previously achieved by the Trust.

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

The adjusted shortfall carried forward in respect of each of Series A, B and F of the Trust at December 31, 2014 and 2013, as applicable, was as follows:

	2014	2013
Series A	\$ -	\$ -
Series B	14,106,067	15,157,009
Series F	39	-

Performance fees of nil (2013 - \$2,141) were earned by the Investment Counsel in respect to Series F for the year ended December 31, 2014, all of which were waived by the Investment Counsel.

No performance fee was paid in respect of Series X of the Trust during the year ended December 31, 2014 and 2013 as the Series X NAV did not exceed the highest quarter-end Series X NAV previously achieved by the Trust.

Unit holdings:

At December 31, 2014, 29,053 Series B redeemable units (2013 - 27,388 Series B redeemable units) were held by directors and close family members of the investment manager.

At December 31, 2014, 100 Series A and 20,000 Series B redeemable units (2013 - 100 Series A and 26,934 Series B redeemable units) were held by the investment manager and its parent company.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

5. Related party transactions (continued):

Investments:

Rainmaker Entertainment Inc. and Glacier Media Inc. are related to the Trust by virtue of having directors in common. During the years ended December 31, 2014 and 2013 the following transactions occurred between the Trust and these related parties:

	2014	2013
Rainmaker Entertainment Inc.:		
Interest and dividend receivable	\$ 50,236	\$ 44,153
Investments, as at December 31	3,092,000	2,504,000
Proceeds from sale of investments	-	355,123
Purchase of investments	(300,000)	(2,200,000)
Interest income	195,551	120,197
Changes in fair value of investments:		
Net realized gain (loss)	-	(7,062,431)
Net change in unrealized appreciation (depreciation)	288,000	6,685,821
Glacier Media Inc.:		
Interest and dividend receivable	56,000	36,000
Investments, as at December 31	4,214,000	2,430,000
Proceeds from sale of investments	-	694,512
Purchase of investments	(1,340,050)	-
Dividend income	223,000	148,000
Changes in fair value of investments:		
Net realized gain (loss)	-	(212,236)
Net change in unrealized appreciation (depreciation)	443,950	(491,253)

6. Withholding tax expense:

Certain dividend and interest income received by the Trust is subject to withholding tax imposed in the country of origin. During the year, the average withholding tax rate was 0.65% (2013 - 0.42%).

7. Redeemable units:

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

- Series A units are available to all investors. Dealers may charge a commission or fee of up to 2% of the total purchase of Series A units. These units may be redesignated at the discretion of the unitholder as Series F units.
- Series B units are available only from the Manager. These units may qualify for redesignation by the unitholder as Series A or F units.

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Notes to Financial Statements

Years ended December 31, 2014 and 2013

7. Redeemable units (continued):

- Series F units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. These units may qualify for redesignation by the unitholder as Series A units.
- Prior to February 26, 2009, Series X units were designated as "Series A units". As of their redesignation date, Series X units are no longer offered for sale to the public.

The unit transactions for the Trust during the year ended December 31 are as follows:

December 31, 2014	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Outstanding redeemable units, end of year
Series A	3,290	-	(3,190)	1	(1)	100
Series B	1,746,246	16,736	(117,596)	11,582	(11,582)	1,645,386
Series F	9,175	-	-	65	(65)	9,175
Series X	77,045	-	(20,987)	395	(395)	56,058
	1,835,756	16,736	(141,773)	12,043	(12,043)	1,710,719

December 31, 2013	Outstanding redeemable units, beginning of year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Consolidation of redeemable units	Outstanding redeemable units, end of year
Series A	3,290	-	-	-	-	3,290
Series B	2,140,627	77,606	(471,987)	-	-	1,746,246
Series F	9,175	-	-	-	-	9,175
Series X	77,045	-	-	-	-	77,045
	2,230,137	77,606	(471,987)	-	-	1,835,756

8. Capital management:

The redeemable units issued by the Trust represent the capital of the Trust. The Trust is not subject to any internally or externally imposed restrictions on its capital. The Trust's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

9. Financial risk management:

(a) Risk management framework:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investment Portfolio groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value.

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. It arises principally from debt securities held, and also from derivative financial assets, cash, and other receivables due to the Trust. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Trust's maximum exposure to credit risk.

Credit risk is managed by the Manager through a careful selection of securities and diversification of the Trust's portfolio. The Manager monitors the Trust's overall market positions on a daily basis and investment positions are maintained within an established range.

As at December 31, 2014 and 2013, the Trust was exposed to credit risk through its investment in Rainmaker Entertainment Inc. debentures, which are not rated. As of December 31, 2014, this investment represented 7.7% (December 31, 2013 - 6.1%) of the net assets of the Trust. In the Manager's opinion, the Trust does not have significant exposure to credit risk.

(c) Liquidity risk:

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

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

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

The Trust primarily invests in investments in listed securities that are considered to be readily realizable because they are traded on major Canadian and American stock exchanges. In addition, the Trust retains sufficient cash and deposit positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

9. Financial risk management (continued):

(c) Liquidity risk (continued):

The Trust's non-derivative liabilities are generally expected to be due and paid within 90 days, with the exception of net assets attributable to holders of redeemable units. Redeemable units are redeemable on demand at the holder's option, however does not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long term.

There were no derivative liabilities outstanding as at December 31, 2014. Derivative liabilities as at December 31, 2013 matured within one month of the year-end of the Trust.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Trust's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and deposits. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As at December 31, 2014, the Trust was exposed to interest rate risk through its investment in Rainmaker Entertainment Inc. debentures, which represented 7.7% (2013 - 6.1%) of the net assets of the Trust. In the Manager's opinion, the Trust does not have significant exposure to interest rate risk.

(ii) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Trust will fluctuate due to changes in foreign exchange rates.

The Trust's currency risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Trust may use foreign currency contracts to hedge some foreign currency exposure and engage in the buying and selling of currencies through forward contracts in order to achieve the desired currency exposure. At the reporting date, the carrying value of the Trust's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows.

December 31, 2014	Investments	Cash	Net other assets	Derivatives	Total
Canadian dollar	\$ 20,235,864	\$ 3,086,981	\$ 36,181	\$ 3,563,775	\$ 26,922,801
US dollar	4,948,956	2,765,483	-	82,946	7,797,385
Euro	3,386,440	-	-	(3,520,601)	(134,161)
British pound	1,129,183	-	-	-	1,129,183
	\$ 29,700,443	\$ 5,852,464	\$ 36,181	\$ 126,120	\$ 35,715,208

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

9. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk (continued):

December 31, 2013	Investments	Cash	Net other liabilities	Derivatives	Total
Canadian dollar	\$ 16,438,642	\$ 5,564,216	\$ (1,088,091)	\$ 5,821,704	\$ 26,736,471
US dollar	4,514,663	5,793,215	(394,016)	3,191	9,917,053
Euro	3,244,431	-	-	(4,393,865)	(1,149,434)
Japanese yen	1,904,723	-	-	(1,517,131)	387,592
British pound	41,177	-	-	-	41,177
	\$ 26,143,636	\$ 11,357,431	\$ (1,482,107)	\$ (86,101)	\$ 35,932,859

As at December 31, 2014 and 2013, had the Canadian dollar strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets would have increased or decreased by approximately \$439,620 (2013 - increased or decreased by approximately \$459,819). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(iii) Other price risk:

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

Investment Counsel manages price risk on a daily basis. Investment Counsel moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy of the Trust. Except for written options and securities sold short, the maximum risk resulting from financial instruments is equivalent to their fair values as set forth in the Trust's statement of financial position. Possible losses from written options and securities sold short can be unlimited.

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

As at December 31, 2014 and 2013, had the respective benchmark of the Trust increased or decreased by 10%, with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively by approximately \$2.7 million (2013 - \$2.4 million) or 7.6% (2013 - 6.6%) of net assets attributable to redeemable units.

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10. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Trust uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as forward contracts and options that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Trust uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Trust believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Trust and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

2014	Level 1	Level 2	Level 3	Total
Equities	\$ 26,950,443	\$ -	\$ -	\$ 26,950,443
Bonds	-	2,750,000	-	2,750,000
Derivatives	-	126,120	-	126,120
	\$ 26,950,443	\$ 2,876,120	\$ -	\$ 29,826,563

2013	Level 1	Level 2	Level 3	Total
Equities	\$ 23,943,636	\$ -	\$ -	\$ 23,943,636
Bonds	-	-	2,200,000	2,200,000
Derivatives	-	(86,101)	-	(86,101)
	\$ 23,943,636	\$ (86,101)	\$ 2,200,000	\$ 26,057,535

The carrying amount of the Trust's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2014 or 2013.

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Notes to Financial Statements

Years ended December 31, 2014 and 2013

10. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value (continued):

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

2014		Bonds
Balance, beginning of the year	\$	2,200,000
Total gains or losses recognized in profit or loss		-
Purchases		300,000
Sales		-
Transfers into Level 3		-
Transfers out of Level 3		2,500,000
Change in unrealized appreciation/depreciation		-
Balance, end of year	\$	-
Total unrealized gains or losses for the period included in profit or loss relating to financial assets and liabilities held at the reporting date		\$ -
2013		Bonds
Balance, beginning of the year	\$	-
Total gains or losses recognized in profit or loss		-
Purchases		2,200,000
Sales		-
Transfers into Level 3		-
Transfers out of Level 3		-
Balance, end of year	\$	2,200,000
Total unrealized gains or losses for the period included in profit or loss relating to financial assets and liabilities held at the reporting date		\$ -

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

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

2013						Sensitivity to change in significant unobservable input
Description	Fair value	Valuation technique	Unobservable input	Amount		
Bonds	\$ 2,200,000	Investment cost / enterprise value	Enterprise value	2,200,000		The estimated fair value would increase if enterprise value increased

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

10. Fair value of financial instruments (continued):

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

Enterprise value represents the amount that market participants would pay when purchasing the company. The Manager determines this value based on comparable arm's length transactions in shares of the respective company. If the enterprise value were to increase or decrease by 10%, this would result in increase or decrease the investment fair value by \$220,000.

There is no Level 3 investment held by the Trust as at December 31, 2014.

- (d) Financial instruments not measured at fair value:

The carrying value of cash, interest receivable, dividend receivable, balances due to broker, redemptions payable and other accrued liabilities, approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

11. Income taxes:

As at December 31, 2014, the Trust had net capital loss carry forwards of approximately \$245,198 (2013 - \$1,058,039) available for utilization against capital gains in future years. Such net capital losses are available to be carried forward indefinitely. The Trust does not have any non-capital losses to carry forward.

12. Transition to IFRS:

The nature and the effect of the Trust's transition to IFRS is summarized below.

- (a) Transition elections:

The only voluntary exemption adopted by the Trust upon transition was the ability to designate a financial asset or financial liability at "FVTPL" upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*, accordingly no adjustments to measurement were required.

- (b) Statement of cash flows:

Under Canadian GAAP, the Trust was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financials include a statement of cash flows for the current and comparative periods, without exception. As a result, the Trust has presented the required statement of cash flows.

- (c) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS:

	December 31, 2013	January 1, 2013
Equity		
Equity as reported under Canadian GAAP	\$ 35,748,337	\$ 36,449,304
Revaluation of investments at FVTPL (refer to note (e) below)	(184,522)	(355,274)
Net assets attributable to holders of redeemable units	\$ 35,932,859	\$ 36,804,578

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2014 and 2013

12. Transition to IFRS (continued):

- (c) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (continued):

	Year ended December 31, 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	\$ 6,805,932
Revaluation of investments at FVTPL (refer to note (e) below)	(170,752)
Increase in net assets attributable to holders of redeemable units	\$ 6,635,180

- (d) Classification of redeemable units issued by the Trust:

On transition to IFRS, the Manager has reassessed whether the Trust's units meet the criteria in IAS 32 for classification as equity. Under Canadian GAAP, the Trust accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Trust's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

- (e) Revaluation of investments at FVTPL:

Under Canadian GAAP, the Trust measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Trust measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* ("IFRS 13"), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value.

It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Trust's investments by \$355,274 at January 1, 2013 and \$184,522 as at December 31, 2013. The impact of this adjustment was to increase the Trust's decrease in net assets attributable to holders of redeemable units by \$170,752 for the year ended December 31, 2013.

- (f) Reclassification adjustments:

In addition to the measurement adjustments noted above, the Trust reclassified withholding taxes upon transition in order to conform to its financial statement presentation under IFRS. Withholding taxes of \$2,458 for the year ended December 31, 2013, which were previously netted against dividend income under Canadian GAAP, have been reclassified and presented separately as expense under IFRS.

Financial Statements of

THE MCELVAINE INVESTMENT TRUST

Year ended December 31, 2013



KPMG LLP
Chartered Accountants
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Canada

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

We have audited the accompanying financial statements of The McElvaine Investment Trust, which comprise the schedule of investment portfolio and the statement of net assets as at December 31, 2013, the statements of operations and changes in net assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets of The McElvaine Investment Trust as at December 31, 2013, and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

March 12, 2014
Vancouver, Canada

THE McELVAINE INVESTMENT TRUST

Statement of Net Assets

December 31, 2013, with comparative information for 2012

	Notes	2013	2012
Assets			
Investment portfolio, at fair value		\$ 25,959,114	\$ 27,840,473
Receivable from forward currency contracts	3	79,973	511,011
Option contracts	3	3,191	62,677
Cash and deposits		11,357,431	8,362,163
Dividends and interest receivable		117,404	61,436
		37,517,113	36,837,760
Liabilities			
Due to broker		394,016	-
Payable on forward currency contracts	3	169,265	99,046
Accounts payable and accrued liabilities		77,933	66,913
Redemptions payable		1,127,562	222,497
		1,768,776	388,456
Net assets		\$ 35,748,337	\$ 36,449,304
Net assets by series:			
Series A		\$ 51,501	\$ 43,540
Series B		35,000,357	35,822,393
Series F		77,426	64,722
Series X		619,053	518,649
		\$ 35,748,337	\$ 36,449,304
Number of units outstanding:			
	4		
Series A		3,290	3,290
Series B		1,746,246	2,140,627
Series F		9,175	9,175
Series X		77,045	77,045
Net assets per unit:			
	5		
Series A		\$ 15.65	\$ 13.23
Series B		20.04	16.73
Series F		8.44	7.05
Series X		8.04	6.73

See accompanying notes to financial statements.

Approved by the Manager
McElvaine Investment Management Ltd.

"Tim McElvaine"

Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	Notes	2013	2012
Investment income:			
Dividends		\$ 458,284	\$ 581,826
Interest		120,206	263
Withholding tax		(2,458)	(14,695)
		576,032	567,394
Expenses:			
Management fee	6	370,672	387,311
Trustee, custodial and legal fees		55,361	24,900
Audit and tax fees		52,525	26,341
Other		36,654	43,705
		515,212	482,257
Net investment income		60,820	85,137
Realized loss on sale of securities		(1,408,805)	(196,131)
Foreign exchange		77,589	(406,780)
Forward foreign currency contracts		229,968	1,305,712
Option contracts		-	99,876
Transaction costs		(62,368)	(32,887)
Change in unrealized appreciation of investments		7,908,728	5,697,531
Net gain on investments		6,745,112	6,467,321
Income from operations		\$ 6,805,932	\$ 6,552,458
Income from operations by series:			
Series A		\$ 7,961	\$ 6,347
Series B		6,684,863	6,432,161
Series F		12,704	10,057
Series X		100,404	103,893
		\$ 6,805,932	\$ 6,552,458
Income from operations per unit			
Series A		\$ 2.42	\$ 1.93
Series B		3.35	2.99
Series F		1.39	1.10
Series X		1.31	1.29

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

	Notes	Series A	Series B	Series F	Series X	Total
Net assets, December 31, 2011		\$ 37,193	\$ 39,605,205	\$ 54,665	\$ 699,833	\$ 40,396,896
Income from operations		6,347	6,432,161	10,057	103,893	6,552,458
Unit transactions:	4					
Issued for cash		-	275,000	-	-	275,000
Redeemed		-	(10,489,973)	-	(285,077)	(10,775,050)
		-	(10,214,973)	-	(285,077)	(10,500,050)
Increase (decrease) in net assets		6,347	(3,782,812)	10,057	(181,184)	(3,947,592)
Net assets, December 31, 2012		43,540	35,822,393	64,722	518,649	36,449,304
Income from operations		7,961	6,684,863	12,704	100,404	6,805,932
Unit transactions:	4					
Issued for cash		-	1,482,499	-	-	1,482,499
Redeemed		-	(8,989,398)	-	-	(8,989,398)
		-	(7,506,899)	-	-	(7,506,899)
Increase (decrease) in net assets		7,961	(822,036)	12,704	100,404	(700,966)
Net assets, December 31, 2013		\$ 51,501	\$ 35,000,357	\$ 77,426	\$ 619,053	\$ 35,748,337

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

Year ended December 31, 2013

Portfolio of investments	Number of shares / par value	Cost	Fair value
Canada - Equities (39.4%)			
Blackberry Ltd.	100,000	\$ 785,535	\$ 789,000
The Caldwell Partners International Inc.	1,500,000	1,255,294	1,380,000
Carmanah Technologies Corp.	6,029,000	797,392	904,350
EGI Financial Holdings Inc.	150,000	1,226,344	2,061,000
Glacier Media Inc.	1,800,000	4,080,370	2,430,000
Legumex Walker Inc.	379,100	1,086,122	1,857,590
MBAC Fertilizer Corp.	750,000	1,437,668	1,095,000
Opta Minerals Inc.	40,100	49,226	68,170
Orca Exploration Group Inc. Class B	210,700	965,659	495,145
Rainmaker Entertainment Inc.	1,900,000	3,968,585	304,000
Ten Peaks Coffee Co. Inc.	300,000	855,633	1,002,000
Torstar Corp. Class B	72,500	456,133	420,500
Village Farms International Inc.	1,000,000	1,868,824	1,270,000
Total Canadian equities		\$ 18,832,785	\$ 14,076,755
United States - Equities (11.5%)			
ING U.S. Inc	50,000	\$ 1,040,505	\$ 1,868,745
News Corp.	50,000	781,313	958,304
The Howard Hughes Corp.	10,000	470,994	1,277,596
Total United States equities		\$ 2,292,812	\$ 4,104,645
Foreign - Equities (15.6%)			
Monex Group Inc.	400,000	\$ 1,197,050	\$ 1,900,679
NBNK Investments	64,000	38,468	37,228
RHJ International	600,000	4,549,495	3,235,639
Symphony International Holdings	500,000	396,535	404,168
Total foreign equities		\$ 6,181,548	\$ 5,577,714
Canada - Corporate Bonds (6.1%)			
Rainmaker Entertainment Inc. 8% 03/31/2016	2,200,000	\$ 2,200,000	\$ 2,200,000
Total Canadian corporate bonds		\$ 2,200,000	\$ 2,200,000
Transaction costs		\$ (62,368)	\$ -
Total investment portfolio at fair value (72.6%)		\$ 29,444,777	\$ 25,959,114
Net forward foreign currency contracts and options (-0.2%)			(86,101)
Other assets less liabilities (27.6%)			9,875,324
Net assets			\$ 35,748,337

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

1. Organization:

The McElvaine Investment Trust (the "Trust") is a unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002, January 1, 2008 and April 23, 2012 (the "Trust Agreement"), between McElvaine Investment Management Ltd. as manager and the Trust. Prior to April 23, 2012, RBC Dexia Investor Services Trust ("RBC Dexia") acted as trustee of the Trust pursuant to the Trust Agreement. Effective April 23, 2012, McElvaine Investment Management Ltd. was appointed as the replacement trustee of the Trust following the resignation of RBC Dexia. The Trust is managed by McElvaine Investment Management Ltd. (the "Manager" or "Investment Counsel"), which also provides investment counseling services.

2. Significant accounting policies:

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

(a) Investments:

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

(b) Options and forward foreign currency contracts:

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

(c) Valuation of series:

Net assets are calculated monthly for each series of units. Net assets of a particular series of units is computed by calculating the value of that series' proportionate share of the assets and liabilities of the Trust common to all series plus net assets of the Trust attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately based upon the net assets of each series in relation to the total net assets value of the Trust.

Net asset values are calculated for each series units at each month end valuation date. The net asset value per unit used for transacting subscriptions and redemptions of each series is further described in note 5.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

2. Significant accounting policies (continued):

(d) Income and expenses:

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

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

(e) Transaction costs:

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

(f) Foreign exchange:

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

(g) Per unit values:

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

Net assets per unit	On the number of units outstanding at the period-end with investments valued using closing bid prices.
Income (loss) from operations	On the monthly weighted average number of units outstanding during the period.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reporting year. Actual results could differ from those estimates.

(i) Future accounting changes:

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"), on January 1, 2011. Subsequently the AcSB deferred the mandatory IFRS changeover for Canadian investment funds to January 1, 2014.

As a result the Trust will publish its first annual audited financial statements in accordance with IFRS for the year ending December 31, 2014, with comparatives for the year ending December 31, 2013, and prepare an opening IFRS statement of net assets at January 1, 2013.

The Manager has not identified any changes that will impact NAV per unit as a result of the changeover to IFRS. However, this determination is subject to change as the Manager finalizes its assessment of the impact of IFRS, and the impact of new standards issued by the IASB prior to the Fund's adoption of IFRS. The criteria contained within IAS 32 *Financial Instruments: Presentation* may require unitholders' equity to be classified as a liability within the Trust's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Trust's unitholder structure to confirm the appropriate classification in accordance with IFRS.

IFRS is also expected to affect the overall presentation of financial statements, such as the inclusion of a Statement of Cash Flows in the financial statements. Overall, enhanced disclosure requirements are expected.

Upon adoption of IFRS the Fund will apply IFRS 13 *Fair Value Measurement*. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It applies when other IFRSs require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in eliminating the difference between the NAV per unit and net assets per unit under current Canadian GAAP.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

2. Significant accounting policies (continued):

(i) Future accounting changes (continued):

In October 31, 2012, the IASB published *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*, which provides an exemption from consolidation of subsidiaries under IFRS 10 *Consolidated Financial Statements* for entities which meet the definition of an 'investment entity'. A qualifying investment entity is *required* to account for investments in controlled entities - as well as investments in associates and joint ventures - at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory - not optional.

3. Commitments:

(a) Forward foreign currency contracts:

At December 31, 2013 and 2012, the Trust had the following outstanding contracts to sell (buy) Euros and Japanese Yen and to receive Canadian dollars:

December 31, 2013:

	Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date	Unrealized gain/(loss)
EUR	3,000,000	CAD (4,224,600)	CAD (4,393,865)	January 16, 2014	\$ (169,265)
YEN	150,000,000	CAD (1,597,104)	CAD (1,517,131)	January 16, 2014	79,973
Net unrealized gain					\$ (89,292)

December 31, 2012:

	Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date	Unrealized gain/(loss)
EUR	3,500,000	CAD (4,501,700)	CAD (4,600,746)	February 15, 2013	\$ (99,046)
YEN	500,000,000	CAD (6,271,952)	CAD (5,760,941)	January 16, 2013	511,011
Net unrealized gain					\$ 411,965

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

3. Commitments (continued):

(b) Option contracts:

December 31, 2013:

Number of contracts	Description	Expiration date	Cost	Fair value	Unrealized gain (loss)
3,000	Proshares Ultrashort 20+ @ 25 Call option	January 2014	\$ 256,128	\$ 3,191	\$ (252,937)

December 31, 2012:

Number of contracts	Description	Expiration date	Cost	Fair value	Unrealized gain (loss)
3,000	Proshares Ultrashort 20+ @ 25 Call option	January 2014	\$ 256,128	\$ 62,677	\$ (193,451)

4. Unitholders' equity:

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

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

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

Series F units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. These units may qualify for redesignation by the unitholder as Series A units.

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

4. Unitholders' equity (continued):

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

	2013	2012
Series A:		
Balance, beginning of year	3,290	3,290
Issued for cash	-	-
Redeemed	-	-
Balance, end of year	3,290	3,290
Series B:		
Balance, beginning of year	2,140,627	2,803,618
Issued for cash	77,606	16,891
Redeemed	(471,987)	(679,882)
Balance, end of year	1,746,246	2,140,627
Series F:		
Balance, beginning of year	9,175	9,175
Issued for cash	-	-
Redeemed	-	-
Balance, end of year	9,175	9,175
Series X:		
Balance, beginning of year	77,045	122,841
Issued for cash	-	-
Redeemed	-	(45,796)
Balance, end of year	77,045	77,045

The Manager, its officers and directors invest in units of the Trust from time to time in the normal course of business. All transactions between the Manager, its officers, its directors and the Trust are measured at the respective net asset value at the time of subscription or redemption.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

5. Reconciliation of net assets and net asset value:

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

December 31, 2013:

	NAV	Difference	Net assets
By series:			
Series A	\$ 51,767	\$ (266)	\$ 51,501
Series B	35,180,810	(180,453)	35,000,357
Series F	77,825	(399)	77,426
Series X	622,244	(3,191)	619,053
	\$ 35,932,646	\$ (184,309)	\$ 35,748,337

Per unit:

Series A	\$ 15.74	\$ (0.09)	\$ 15.65
Series B	20.15	(0.11)	20.04
Series F	8.48	(0.04)	8.44
Series X	8.08	(0.04)	8.04

December 31, 2012:

	NAV	Difference	Net assets
By series:			
Series A	\$ 44,001	\$ (461)	\$ 43,540
Series B	36,201,528	(379,135)	35,822,393
Series F	65,407	(685)	64,722
Series X	524,138	(5,489)	518,649
	\$ 36,835,074	\$ (385,770)	\$ 36,449,304

Per unit:

Series A	\$ 13.37	\$ (0.14)	\$ 13.23
Series B	16.91	(0.18)	16.73
Series F	7.13	(0.08)	7.05
Series X	6.80	(0.07)	6.73

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

6. Management and other services:

(a) Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the NAV of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month). The monthly fee payable to the Manager is based upon the following rates:

Series A 1/12 of 2.0% per annum;

Series B 1/12 of 1.0% per annum;

Series F 1/12 of 1.0% per annum; and

Series X 1/12 of 1.2% per annum

(b) Performance fees:

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

- (i) For Series A, payable annually on any increase in the Series A NAV during the fiscal year (adjusted for contributions and redemptions of Series A units and for any shortfall, as described below) in excess of a 12% return (the "Series A Hurdle Rate").
- (ii) For Series B and F, payable annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the "Series B and F Hurdle Rate").
- (iii) If in any fiscal year the increase in a series NAV is less than the respective hurdle rate (a shortfall), the difference will be carried forward to the next fiscal year and, after adjustment for series redemptions, deducted from any increase in the NAV in the performance incentive fee calculation of the respective series of the Trust for that year.
- (iv) For Series X, payable quarterly on any increase in the Series X NAV during a calendar quarter (adjusted for redemptions and distributions on Series X units), but no fee is payable unless the Series X NAV at the end of the calendar quarter is greater than the highest quarter-end Series X NAV previously achieved by the Trust.

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

6. Management and other services (continued):

(b) Performance fees (continued):

The adjusted shortfall carried forward in respect of each of Series A and B of the Trust at December 31, 2013 and 2012, as applicable, was as follows:

	2013	2012
Series A	\$ -	\$ 3,303
Series B	15,157,009	24,148,651

Performance fees of \$2,141 were earned by the Investment Counsel in respect to Series F for the year ended December 31, 2013, all of which were waived by the Investment Counsel.

There was no shortfall carried forward in respect of Series F of the Trust as at December 31, 2013 and December 31, 2012.

No performance fee was paid in respect of Series X of the Trust during the year ended December 31, 2013 and 2012 as the Series X NAV did not exceed the highest quarter-end Series X NAV previously achieved by the Trust.

7. Financial instruments:

(a) Risk management:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investment Portfolio groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by investing primarily in equity securities that are trading below their intrinsic value, as determined by Investment Counsel.

(b) Credit risk:

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. As at December 31, 2013, the Trust was exposed to credit risk through its investment in Rainmaker Entertainment Inc. debentures, which are not rated. As this investment represents 6.1% of the net assets of the Trust, in the Manager's opinion, the Trust does not have significant exposure to credit risk. As at December 31, 2012, the Trust was not exposed to significant credit risk.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

7. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust's exposure to liquidity risk is concentrated in the monthly cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust retains sufficient cash and deposit positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. However, the Trust requires appropriate notice of unit redemptions, which may be restricted in certain circumstances. Accordingly, in the Manager's opinion, as at December 31, 2013 and 2012, the Trust does not have significant exposure to liquidity risk.

(d) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and deposits. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As at December 31, 2013, the Trust was exposed to interest rate risk through its investment in Rainmaker Entertainment Inc. debentures. As this investment represents 6.1% of the net assets of the Trust, in the Manager's opinion, the Trust does not have significant exposure to interest rate risk. As at December 31, 2012, the Trust was not exposed to significant interest rate risk.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

7. Financial instruments (continued):

(e) Currency risk:

Currency risk is the risk that the value of the investments denominated in currencies other than the Canadian dollar will fluctuate due to changes in foreign exchange rates. The tables below summarize the Trust's exposure to currency risk as at December 31, 2013 and 2012. Amounts shown are based on the carrying value of assets and liabilities (including derivatives, which are comprised of options and forward currency contracts).

December 31, 2013	Investments	Cash	Net other liabilities	Derivatives	Total
Canadian dollar	\$ 16,276,755	\$ 5,564,216	\$ (1,088,091)	\$ 5,821,704	\$ 26,574,584
US dollar	4,508,813	5,793,215	(394,016)	3,191	9,911,203
Euro	3,235,639	-	-	(4,393,865)	(1,158,226)
Japanese yen	1,900,679	-	-	(1,517,131)	383,548
British pound	37,228	-	-	-	37,228
	\$ 25,959,114	\$ 11,357,431	\$ (1,482,107)	\$ (86,101)	\$ 35,748,337

December 31, 2012	Investments	Cash	Net other liabilities	Derivatives	Total
Canadian dollar	\$ 15,869,907	\$ 8,338,574	\$ (227,974)	\$ 10,773,652	\$ 34,754,159
US dollar	5,118,486	23,589	-	62,677	5,204,752
Euro	3,843,631	-	-	(4,600,746)	(757,115)
Japanese yen	3,008,449	-	-	(5,760,941)	(2,752,492)
	\$ 27,840,473	\$ 8,362,163	\$ (227,974)	\$ 474,642	\$ 36,449,304

As at December 31, 2013, if the Canadian dollar had strengthened or weakened by 5% in relation to all other foreign currencies, with all other factors remaining constant, the net assets of the Trust could have decreased or increased by approximately \$458,684 (2012 - \$623,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

7. Financial instruments (continued):

(f) Other price risk:

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

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

For the Trust, the most significant exposure to other price risk arises from its investment in equity securities as disclosed in the Trust's statement of investment portfolio. As at December 31, 2013, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively by approximately \$2.4 million (approximately 6.6% of net assets), (2012 - \$3.2 million; approximately 9% of net assets). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(g) Fair value:

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

7. Financial instruments (continued):

(g) Fair value (continued):

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

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

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

December 31, 2013	Level 1	Level 2	Level 3	Total
Cash and deposits	\$ 11,357,431	\$ -	\$ -	\$ 11,357,431
Equities	23,759,114	-	-	23,759,114
Bonds	-	-	2,200,000	2,200,000
Derivatives	-	(86,101)	-	(86,101)
	\$ 35,116,545	\$ (86,101)	\$ 2,200,000	\$ 37,230,444

December 31, 2012	Level 1	Level 2	Level 3	Total
Cash and deposits	\$ 8,362,163	\$ -	\$ -	\$ 8,362,163
Equities	27,840,473	-	-	27,840,473
Derivatives	-	474,642	-	474,642
	\$ 36,202,636	\$ 474,642	\$ -	\$ 36,677,278

There were no transfers between Level 1 and Level 2 during the year.

The following table summarizes the Level 3 securities for the year ended December 31, 2013.

2013	Opening balance	Net purchase	Net sales	Transfers in/out	Realized gain (loss)	Unrealized gain (loss)	Ending balance
Bonds	\$ -	\$ 2,200,000	\$ -	\$ -	\$ -	\$ -	\$ 2,200,000

As at December 31, 2012, there were no financial instruments categorized as Level 3.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2013

8. Capital management:

The capital of the Trust is represented by the net assets of the Trust as allocated to the participating shares. The capital received by the Trust is utilized within the investment mandate of the Fund. There are no external restrictions on the capital of the Trust.

9. Income taxes:

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

As at December 31, 2013, the Trust had capital tax loss carryforwards of \$1,058,039 (December 31, 2012 - \$105,873).

Financial Statements of

THE MCELVAINE INVESTMENT TRUST

Year ended December 31, 2012

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

McElvaine Investment Management Ltd.

"Tim McElvaine"

Tim McElvaine, Director

February 11, 2013



KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

We have audited the accompanying financial statements of The McElvaine Investment Trust, which comprise the schedule of investment portfolio and the statement of net assets as at December 31, 2012, the statements of operations and changes in net assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The McElvaine Investment Trust as at December 31, 2012, and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

February 11, 2013
Vancouver, Canada

THE McELVAINE INVESTMENT TRUST

Statement of Net Assets

December 31, 2012, with comparative information for 2011

	Notes	2012	2011
Assets			
Investment portfolio, at fair value		\$ 27,840,473	\$ 37,585,975
Receivable from forward currency contracts	3	511,011	238,782
Option contracts	3	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	3	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
Net assets by series:			
Series A		\$ 43,540	\$ 37,193
Series B		35,822,393	39,605,205
Series F		64,722	54,665
Series X		518,649	699,833
		\$ 36,449,304	\$ 40,396,896
Number of units outstanding:			
	4		
Series A		3,290	3,290
Series B		2,140,627	2,803,618
Series F		9,175	9,175
Series X		77,045	122,841
Net assets per unit:			
	5		
Series A		\$ 13.23	\$ 11.31
Series B		16.73	14.13
Series F		7.05	5.96
Series X		6.73	5.70

See accompanying notes to financial statements.

Approved by the Manager
McElvaine Investment Management Ltd.

"Tim McElvaine"

Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Statement of Operations

Year ended December 31, 2012, with comparative information for 2011

	Notes	2012	2011
Investment income:			
Dividends		\$ 581,826	\$ 451,132
Interest		263	143,678
Other income		-	43,001
Withholding tax		(14,695)	(10,289)
		567,394	627,522
Expenses:			
Management fee	6	387,311	541,585
Trustee, custodial and legal fees		24,900	57,682
Audit and tax fees		26,341	34,904
Other		43,705	66,809
		482,257	700,980
Net investment loss		85,137	(73,458)
Realized gain (loss) on sale of securities		(196,131)	4,730,262
Foreign exchange		(406,780)	(149,561)
Forward foreign currency contracts		1,305,712	(1,640,772)
Option contracts		99,876	694,643
Transaction costs		(32,887)	(174,963)
Change in unrealized appreciation (depreciation) of investments		5,697,531	(9,876,656)
Net gain (loss) on investments		6,467,321	(6,417,047)
Income (loss) from operations		\$ 6,552,458	\$ (6,490,505)
Income (loss) from operations by series:			
Series A		\$ 6,347	\$ (6,076)
Series B		6,432,161	(6,370,727)
Series F		10,057	(11,446)
Series X		103,893	(102,256)
		\$ 6,552,458	\$ (6,490,505)
Income (loss) from operations per unit			
Series A		\$ 1.93	\$ (1.66)
Series B		2.99	(1.91)
Series F		1.10	(0.73)
Series X		1.29	(0.77)

See accompanying notes to financial statements.

THE MCELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets

Year ended December 31, 2012, with comparative information for 2011

	Notes	Series A	Series B	Series F	Series X	Total
Net assets, December 31, 2010		\$ 57,803	\$ 63,218,558	\$ 105,717	\$ 1,094,982	\$ 64,477,060
Loss from operations		(6,076)	(6,370,727)	(11,446)	(102,256)	(6,490,505)
Unit transactions:	4					
Issued for cash		-	410,220	64,534	-	474,754
Redeemed		(14,534)	(17,652,846)	(104,140)	(292,893)	(18,064,413)
		(14,534)	(17,242,626)	(39,606)	(292,893)	(17,589,659)
Decrease in net assets		(20,610)	(23,613,353)	(51,052)	(395,149)	(24,080,164)
Net assets, December 31, 2011		37,193	39,605,205	54,665	699,833	40,396,896
Income from operations		6,347	6,432,161	10,057	103,893	6,552,458
Unit transactions:	4					
Issued for cash		-	275,000	-	-	275,000
Redeemed		-	(10,489,973)	-	(285,077)	(10,775,050)
		-	(10,214,973)	-	(285,077)	(10,500,050)
Increase (decrease) in net assets		6,347	(3,782,812)	10,057	(181,184)	(3,947,592)
Net assets, December 31, 2012		\$ 43,540	\$ 35,822,393	\$ 64,722	\$ 518,649	\$ 36,449,304

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

Year ended December 31, 2012

Portfolio of investments	Notes	Number of shares / par value	Cost	Fair value
Canada - Equities (41.9%)				
Caldwell Partners International Inc.		1,677,500	\$ 1,403,837	\$ 1,358,775
EGI Financial Holdings Inc.		300,000	2,452,687	2,730,000
Glacier Media Inc.		2,200,000	4,987,118	3,828,001
International Forest Products Inc.		321,600	1,438,085	2,563,153
Opta Minerals Inc.		40,100	49,226	100,250
Research in Motion		100,000	785,535	1,178,000
Rainmaker Entertainment Inc.	7	5,451,228	11,386,139	1,035,733
Ten Peaks Coffee Co. Inc.		625,100	1,782,854	1,656,515
Torstar Corp.		26,600	177,635	207,480
Village Farms International Inc.		800,000	1,689,373	632,000
Total Canadian equities			\$ 26,152,489	\$ 15,289,907
United States - Equities (12.1%)				
AV Homes Inc.		39,236	\$ 397,237	\$ 553,139
H&R Block Inc.		75,000	1,034,433	1,384,901
Legg Mason Inc.		25,000	626,261	639,472
The Howard Hughes Corp.		25,000	1,177,485	1,816,687
Total United States equities			\$ 3,235,416	\$ 4,394,199
Foreign - Equities (22.4%)				
Bank of Ireland		5,000,000	\$ 580,336	\$ 734,619
Diana Shipping Inc.		100,000	728,123	724,287
Monex Group Inc.		10,000	2,992,625	2,461,312
RHJ International		600,000	4,549,495	3,109,012
Tokio Marine Holdings		20,000	454,604	547,137
Orca Exploration Group		200,000	943,720	580,000
Total foreign equities			\$ 10,248,903	\$ 8,156,367
Transaction costs			\$ (32,887)	\$ -
Total investment portfolio at fair value (76.6%)			\$ 39,603,921	\$ 27,840,473
Net forward foreign currency contracts (1.13%)	3			411,965
Other assets less liabilities (22.3%)				8,196,866
Net assets				\$ 36,449,304

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

1. Organization:

The McElvaine Investment Trust (the "Trust") is an unincorporated unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002, January 1, 2008 and April 23, 2012 (the "Trust Agreement"), between McElvaine Investment Management Ltd. as manager and the Trust. Prior to April 23, 2012, RBC Dexia Investor Services Trust ("RBC Dexia") acted as trustee of the Trust pursuant to the Trust Agreement. Effective April 23, 2012, McElvaine Investment Management Ltd. was appointed as the replacement trustee of the Trust following the resignation of RBC Dexia. The Trust is managed by McElvaine Investment Management Ltd. (the "Manager" or "Investment Counsel"), which also provides investment counseling services.

2. Significant accounting policies:

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

(a) Valuation of series:

Net assets are calculated monthly for each series of units. Net assets of a particular series of units is computed by calculating the value of that series' proportionate share of the assets and liabilities of the Trust common to all series plus net assets of the Trust attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately based upon the net assets of each series in relation to the total net assets value of the Trust.

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

(b) Investments:

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

(c) Transaction costs:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

2. Significant accounting policies (continued):

(d) Foreign exchange:

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

(e) Options and forward foreign currency contracts:

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

(f) Income and expenses:

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

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

(g) Per unit values:

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

Net assets per unit	On the number of units outstanding at the period-end with investments valued using closing bid prices.
Income (loss) from operations	On the monthly weighted average number of units outstanding during the period.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reporting year. Actual results could differ from those estimates.

(i) Future accounting changes:

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"), on January 1, 2011. Subsequently the AcSB deferred the mandatory IFRS changeover for Canadian investment funds to January 1, 2014.

As a result the Trust will publish its first annual audited financial statements in accordance with IFRS for the year ending December 31, 2014, with comparatives for the year ending December 31, 2013, and prepare an opening IFRS statement of net assets at January 1, 2013.

The Manager has not identified any changes that will impact NAV per unit as a result of the changeover to IFRS. However, this determination is subject to change as the Manager finalizes its assessment of the impact of IFRS, and the impact of new standards issued by the IASB prior to the Fund's adoption of IFRS. The criteria contained within IAS32 *Financial Instruments: Presentation* may require unitholders' equity to be classified as a liability within the Trust's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Trust's unitholder structure to confirm the appropriate classification in accordance with IFRS.

IFRS is also expected to affect the overall presentation of financial statements, such as the inclusion of a Statement of Cash Flows in the financial statements. Overall, enhanced disclosure requirements are expected.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

3. Commitments:

(a) Forward foreign currency contracts:

At December 31, 2012 and 2011, the Trust had the following outstanding contracts to sell (buy) Euros and Japanese Yen and to receive Canadian dollars:

December 31, 2012:

	Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date	Unrealized gain/(loss)
EUR	3,500,000	CAD (4,501,700)	(4,600,746)	February 15, 2013	\$ (99,046)
YEN	500,000,000	CAD (6,271,952)	(5,760,941)	January 16, 2013	511,011
Net unrealized gain					\$ 411,965

December 31, 2011:

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

(b) Option contracts:

December 31, 2012:

Number of contracts	Description	Expiration date	Cost	Bid value	Unrealized gain (loss)
3,000	Proshares Ultrashort 20+ @ 25 Call option	January 2014	\$ (256,128)	\$ 62,677	\$ (193,451)

There were no option contracts as at December 31, 2011.

4. Unitholders' equity:

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

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

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

Series F units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. These units may qualify for redesignation by the unitholder as Series A units.

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

4. Unitholders' equity (continued):

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

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

	2012	2011
Series A:		
Balance, beginning of year	3,290	4,375
Issued for cash	-	-
Redeemed	-	(1,085)
Balance, end of year	3,290	3,290
Series B:		
Balance, beginning of year	2,803,618	3,872,896
Issued for cash	16,891	24,779
Redeemed	(679,882)	(1,094,057)
Balance, end of year	2,140,627	2,803,618
Series F:		
Balance, beginning of year	9,175	15,391
Issued for cash	-	9,175
Redeemed	-	(15,391)
Balance, end of year	9,175	9,175
Series X:		
Balance, beginning of year	122,841	165,860
Issued for cash	-	-
Redeemed	(45,796)	(43,019)
Balance, end of year	77,045	122,841

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

5. Reconciliation of net assets and net asset value:

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

December 31, 2012:

	NAV	Difference	Net assets
By series:			
Series A	\$ 44,001	\$ (461)	\$ 43,540
Series B	36,201,528	(379,134)	35,822,393
Series F	65,407	(685)	64,722
Series X	524,139	(5,489)	518,649
	\$ 36,835,074	\$ (385,770)	\$ 36,449,304

Per unit:

Series A	\$ 13.37	\$ (0.14)	\$ 13.23
Series B	16.91	(0.18)	16.73
Series F	7.13	(0.08)	7.05
Series X	6.80	(0.07)	6.73

December 31, 2011:

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

Per unit:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

6. Management and other services:

(a) Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the NAV of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month. The monthly fee payable to the Manager is based upon the following rates:

Series A 1/12 of 2.0% per annum

Series B 1/12 of 1.0% per annum

Series F 1/12 of 1.0% per annum

Series X 1/12 of 1.2% per annum

(b) Performance fees:

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

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

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

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

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

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

6. Management and other services (continued):

(b) Performance fees (continued):

Performance fees of \$1,403 were earned by the Investment Counsel in respect to Series F for the year ended December 31, 2012, all of which were waived by the Investment Counsel. No performance fees were earned for the year ended December 31, 2011.

No performance fee was paid in respect of Series X of the Trust during the year ended December 31, 2012 and 2011 as the Series X NAV did not exceed the highest quarter-end Series X NAV previously achieved by the Trust.

The adjusted shortfall carried forward in respect of each of Series A and B of the Trust at December 31, 2012 and 2011, as applicable, was as follows:

	2012	2011
Series A	\$ 3,303	\$ 9,663
Series B	24,148,651	35,923,305

There was no shortfall carried forward in respect of Series F of the Trust as at December 31, 2012 and December 31, 2011.

7. Rainmaker Entertainment Inc.:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

8. Financial instruments:

(a) Risk management:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investment Portfolio groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by investing primarily in equity securities that are trading below their intrinsic value, as determined by Investment Counsel.

(b) Credit risk:

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. As at December 31, 2012 and 2011, the Trust is not exposed to significant credit risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust's exposure to liquidity risk is concentrated in the monthly cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust retains sufficient cash and cash equivalent positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. However, the Trust requires appropriate notice of unit redemptions, which may be restricted in certain circumstances. Accordingly, in the Manager's opinion, as at December 31, 2012 and 2011, the Trust does not have significant exposure to liquidity risk.

(d) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and deposits. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As at December 31, 2012, the Trust held no such convertible instruments. Accordingly, as at December 31, 2012 and 2011, the Trust was not exposed to significant interest rate risk.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

8. Financial instruments (continued):

(e) Currency risk:

Currency risk is the risk that the value of the investments denominated in currencies other than the Canadian dollar will fluctuate due to changes in foreign exchange rates. The tables below summarize the Trust's exposure to currency risk as at December 31, 2012 and 2011. Amounts shown are based on the carrying value of assets and liabilities (including derivatives, which are comprised of options and forward currency contracts).

December 31, 2012	Investments	Cash	Net other liabilities	Derivatives	Total
Canadian dollar	\$ 15,869,907	\$ 8,338,574	\$ (227,974)	\$ 10,773,652	\$ 34,754,159
US dollar	5,118,486	23,589	-	62,677	5,204,752
Euro	3,843,631	-	-	(4,600,746)	(757,115)
Japanese yen	3,008,449	-	-	(5,760,941)	(2,752,492)
	\$ 27,840,473	\$ 8,362,163	\$ (227,974)	\$ 474,642	\$ 36,449,304

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

As at December 31, 2012, if the Canadian dollar had strengthened or weakened by 5% in relation to all other foreign currencies, with all other factors remaining constant, the net assets of the Trust could have decreased or increased by approximately \$623,000 (2011 - decreased or increased by \$117,000), respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

8. Financial instruments (continued):

(f) Other price risk:

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

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

For the Trust, the most significant exposure to other price risk arises from its investment in equity securities as disclosed in the Trust's statement of investment portfolio. As at December 31, 2012, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively by approximately \$3.2 million (approximately 9% of net assets), (2011 - \$3.8 million; approximately 9% of net assets). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(g) Fair value:

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

8. Financial instruments (continued):

(g) Fair value (continued):

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

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

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

December 31, 2012	Level 1	Level 2	Level 3	Total
Cash and deposits	\$ 8,362,163	\$ -	\$ -	\$ 8,362,163
Equities	27,840,473	-	-	27,840,473
Derivatives	-	474,642	-	411,965
	\$ 36,202,636	\$ 474,642	\$ -	\$ 36,677,278

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

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

9. Capital management:

The capital of the Trust is represented by the net assets of the Trust as allocated to the participating shares. The capital received by the Trust is utilized within the investment mandate of the Fund. There are no external restrictions on the capital of the Trust.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2012

10. Income taxes:

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

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

Financial Statements of

THE MCELVAINE INVESTMENT TRUST

Year ended December 31, 2011

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

McElvaine Investment Management Ltd.

"Tim McElvaine"

Tim McElvaine, Director

February 14, 2012



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
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Canada

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

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

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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



Opinion

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

KPMG LLP

Chartered Accountants

February 14, 2012
Vancouver, Canada

THE McELVAINE INVESTMENT TRUST

Statement of Net Assets

December 31, 2011, with comparative figures for 2010

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

See accompanying notes to financial statements.

Approved by the Manager
McElvaine Investment Management Ltd.

“Tim McElvaine”

Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Statement of Operations

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

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

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets

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

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

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

December 31, 2011

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

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

1. Organization:

The McElvaine Investment Trust (the "Trust") is an unincorporated unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002 and January 1, 2008 (the "Trust Agreement"), between McElvaine Investment Management Ltd. and RBC Dexia Investor Services Trust (the "Trustee"). The Trust is managed by McElvaine Investment Management Ltd. (the "Manager" or "Investment Counsel"), which also provides investment counseling services.

2. Significant accounting policies:

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

(a) Valuation of series:

Net assets are calculated monthly for each series of units. Net assets of a particular series of units is computed by calculating the value of that series' proportionate share of the assets and liabilities of the Trust common to all series plus net assets of the Trust attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately based upon the net assets of each series in relation to the total net assets value of the Trust.

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

(b) Investments:

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

(c) Transaction costs:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

2. Significant accounting policies (continued):

(d) Foreign exchange:

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

(e) Options and forward foreign currency contracts:

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

(f) Income and expenses:

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

2. Significant accounting policies (continued):

(g) Per unit values:

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

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

(h) Use of estimates:

The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reporting year. Actual results could differ from those estimates.

(i) Future accounting changes:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

3. Unitholders' equity:

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

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

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

Series F units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. These units may qualify for redesignation by the unitholder as Series A units.

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

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

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

3. Unitholders' equity (continued):

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

4. Forward foreign currency contracts:

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

December 31, 2011:

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

December 31, 2010:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

5. Management and other services:

(a) Management fees:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the NAV of the respective series (prior to the calculation of any performance incentive fees, described below, on the last business day of the preceding month. The monthly fee payable to the Manager is based upon the following rates:

Series A 1/12 of 2.0% per annum

Series B 1/12 of 1.0% per annum

Series F 1/12 of 1.0% per annum

Series X 1/12 of 1.2% per annum

(b) Performance fees:

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

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

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

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

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

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net assets per series and per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

5. Management and other services (continued):

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

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

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

6. Rainmaker Entertainment Inc.:

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

7. Financial instruments:

(a) Risk management:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investment Portfolio groups securities by asset type and geographic region. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by investing primarily in equity securities that are trading below their intrinsic value, as determined by Investment Counsel.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

7. Financial instruments (continued):

(b) Credit risk:

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

(c) Liquidity risk:

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust's exposure to liquidity risk is concentrated in the monthly cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust retains sufficient cash and cash equivalent positions to maintain liquidity. The Trust may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. However, the Trust requires appropriate notice of unit redemptions, which may be restricted in certain circumstances. Accordingly, as at December 31, 2011 and 2010, the Manager considered that the Trust does not have significant exposure to liquidity risk.

(d) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Trust's primary interest rate risk relates to the investment of cash and cash equivalents. From time to time, the Trust may also hold convertible debt securities of portfolio investees that the Trust will expect to be converted into equity investments. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. Accordingly, as at December 31, 2011 and 2010, the Trust was not exposed to significant interest rate risk.

(e) Currency risk:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

7. Financial instruments (continued):

(e) Currency risk (continued):

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

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

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

(f) Other price risk:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

7. Financial instruments (continued):

(f) Other price risk (continued):

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

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

(g) Fair value:

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

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

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

7. Financial instruments (continued):

(g) Fair value (continued):

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

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

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

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

8. Income taxes:

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

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2011

9. Reconciliation of net assets and net asset value:

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

December 31, 2011:

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

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

December 31, 2010:

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

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

Financial Statements of

THE MCELVAINE INVESTMENT TRUST

Year ended December 31, 2010

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

McElvaine Investment Management Ltd.

"Tim McElvaine"

Tim McElvaine, Director

February 9, 2011



KPMG LLP
Chartered Accountants
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Canada

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

We have audited the accompanying financial statements of The McElvaine Investment Trust, which comprise the statement of net assets and the schedule of investment portfolio as at December 31, 2010, the statements of operations and changes in net assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The McElvaine Investment Trust as at December 31, 2010, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, flowing style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Accountants

Vancouver, Canada
February 9, 2011

THE McELVAINE INVESTMENT TRUST

Statement of Net Assets

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Investment portfolio, at fair value	\$ 64,160,256	\$ 65,393,561
Cash and deposits	1,258,154	10,611,027
Subscriptions receivable	508,000	191,653
Distributions and interest receivable	69,371	84,493
	65,995,781	76,280,734
Liabilities		
Redemptions payable	1,409,218	1,125,781
Accounts payable and accrued liabilities	109,503	282,005
Due to brokers	-	14,670
	1,518,721	1,422,456
Net assets	\$ 64,477,060	\$ 74,858,278
Net assets by series:		
Series A	\$ 57,803	\$ 57,095
Series B	63,218,558	73,579,957
Series F	105,717	127,680
Series X	1,094,982	1,093,546
Number of units outstanding (note 3):		
Series A	4,375	4,375
Series B	3,872,896	4,609,224
Series F	15,391	18,901
Series X	165,860	168,975
Net assets per unit (note 10):		
Series A	\$ 13.21	\$ 13.05
Series B	16.32	15.96
Series F	6.87	6.76
Series X	6.60	6.47

See accompanying notes to financial statements.

Approved by the Manager
McElvaine Investment Management Ltd.

"Tim McElvaine"

Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

December 31, 2010

	Number of shares/ par value	Cost	Fair value
Canada – Convertible Debentures (6.0%)			
TimberWest Forest Corp., 9%, Feb. 11, 2014	\$ 2,863,675	\$ 3,171,343	\$ 3,873,120
Total Canadian convertible debentures		\$ 3,171,343	\$ 3,873,120
Canada - Equities (65.2%)			
Caldwell Partners International Inc.	2,441,500	\$ 2,050,665	\$ 1,538,145
EGI Financial Holdings Inc.	500,000	4,087,812	3,835,000
Glacier Media Inc.	5,202,000	11,792,263	12,224,701
Indigo Books & Music Inc.	300,000	2,114,893	4,380,000
Maple Leaf Foods Inc.	300,000	3,039,390	3,417,000
Patheon Inc.	982,800	2,457,316	2,230,956
PRT Forest Regeneration Income Fund	500,000	718,004	1,210,000
Rainmaker Entertainment Inc.	5,451,228	9,868,492	1,417,319
Sun Gro Horticulture Income Fund	539,700	1,727,009	2,752,470
Sun-Rype Products Ltd.	566,173	4,160,616	4,670,927
Swiss Water Decaffeinated Coffee Income Fund	500,000	1,510,000	1,835,000
Village Farms International Inc.	1,982,783	3,877,385	2,537,962
Total Canadian equities		\$ 47,403,845	\$ 42,049,480
United States - Equities (3.8%)			
ADPT Corp.	700,000	\$ 2,113,236	\$ 2,037,977
Bank of America Corp.	150,000	490,879	397,957
Total United States equities		\$ 2,604,115	\$ 2,435,934
Foreign - Equities (23.2%)			
Alpha Bank AE	300,000	\$ 2,823,156	\$ 1,527,654
Makita Corp.	75,000	2,267,250	3,050,601
Monex Group Inc.	17,500	5,357,983	5,119,864
RHJ International	638,688	5,363,086	5,236,055
Total Foreign equities		\$ 15,811,475	\$ 14,934,174
Miscellaneous securities (1.2%)		\$ 699,148	\$ 772,040
Transaction costs (note 2(c))		\$ (217,645)	\$ -
Total securities (99.4%)		\$ 69,472,281	\$ 64,064,748
Forward foreign currency contracts (0.1%) (note 4)			
Net unrealized gain on forward foreign currency contracts			\$ 95,508
Total investment portfolio at fair value, December 31, 2010 (99.5%)			\$ 64,160,256
Other assets less liabilities (0.5%)			316,804
Net assets (100%)			\$ 64,477,060

See accompanying notes to financial statements.

THE McELVAIN INVESTMENT TRUST

Statement of Operations

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Investment income:		
Dividends	\$ 425,955	\$ 545,413
Interest	440,103	367,594
Withholding tax	(20,680)	(23,066)
	845,378	889,941
Expenses:		
Performance incentive fee (note 5)	-	1,237
Management fee (note 6)	716,357	702,961
Trustee, custodial and legal fees	54,172	72,433
Audit and tax fees	35,000	48,666
Goods and services taxes	63,917	40,394
	869,446	865,691
Net investment income (loss)	\$ (24,068)	\$ 24,250
Net realized gains:		
Proceeds from sale of securities	\$ 30,605,168	\$ 37,490,270
Securities at cost, beginning of year	65,806,476	86,987,878
Cost of securities purchased during the year	27,527,076	25,693,082
	93,333,552	112,680,960
Securities at cost, end of year	(69,472,281)	(65,806,476)
Cost of securities sold	23,861,271	46,874,484
Gain (loss) on sale of securities	6,743,897	(9,384,214)
Foreign exchange	(127,944)	(80,790)
Forward foreign currency contracts	532,072	1,196,300
Transaction costs (note 2(c))	(173,850)	(264,200)
	6,974,175	(8,532,904)
Change in net unrealized appreciation (depreciation) of:		
Securities	(5,109,857)	20,575,481
Forward foreign currency contracts	1,767	84,665
	(5,108,090)	20,660,146
Net gain from investing activities	1,866,085	12,127,242
Income from operations	\$ 1,842,017	\$ 12,151,492
Income from operations by series:		
Series A	\$ 708	\$ 7,371
Series B	1,815,329	11,950,182
Series F	2,475	19,764
Series X	23,505	174,175
Income (loss) from operations per unit (note 2(g))		
Series A	\$ 0.16	\$ 2.44
Series B	0.43	2.44
Series F	0.13	0.99
Series X	0.14	1.01

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets

Year ended December 31, 2010, with comparative figures for 2009

	Series A	Series B	Series F	Series X	Total
Net assets, December 31, 2008	-	\$ 66,929,391	\$ 119,940	\$ 954,434	\$ 68,003,765
Income from operations	7,371	11,950,182	19,764	174,175	12,151,492
Unit transactions (note 3):					
Issued for cash	49,724	16,957,079	24,019	6,638	17,037,460
Redeemed	-	(22,256,695)	(36,043)	(41,701)	(22,334,439)
	49,724	(5,299,616)	(12,024)	(35,063)	(5,320,998)
Increase in net assets	57,095	6,650,566	7,740	139,112	6,854,513
Net assets, December 31, 2009	57,095	73,579,957	127,680	1,093,546	74,858,278
Income from operations	708	1,815,329	2,475	23,505	1,842,017
Unit transactions (note 3):					
Issued for cash	-	5,138,088	-	-	5,138,088
Redeemed	-	(17,314,816)	(24,438)	(22,069)	(17,361,323)
	-	(12,176,728)	(24,438)	(22,069)	(12,223,235)
Increase (decrease) in net assets	708	(10,361,399)	(21,963)	1,436	(10,381,218)
Net assets, December 31, 2010	\$ 57,803	\$ 63,218,558	\$ 105,717	\$ 1,094,982	\$ 64,477,060

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

1. Organization:

The McElvaine Investment Trust (the "Trust") is an unincorporated unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002 and January 1, 2008 (the "Trust Agreement"), between McElvaine Investment Management Ltd. and RBC Dexia Investor Services Trust (the "Trustee"). The Trust is managed by McElvaine Investment Management Ltd. (the "Manager" or "Investment Counsel"), which also provides investment counselling services.

Investment capital is contributed to the Trust through the purchase of Series A, B or F units at a net asset value established on a monthly basis (note 10).

2. Significant accounting policies:

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

(a) Valuation of series:

Net assets are calculated monthly for each series of units. Net assets of a particular series of units is computed by calculating the value of that series' proportionate share of the assets and liabilities of the Trust common to all series plus net assets of the Trust attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately based upon the relative net assets of each series.

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

(b) Investments:

Investments are stated at period-end fair values, which are generally determined based on closing bid prices reported either by appropriate securities exchanges or in the over-the-counter market ("net assets"). In respect of any securities for which the closing bid price is not considered to be representative of fair value, such securities will be valued at their fair value as determined by the Trustee, in consultation with the Manager, on the basis of the latest reported information available.

The Trust calculates net asset value for unit sales and redemption pricing purposes ("NAV") on a basis consistent with the investment funds industry, in accordance with Rules and Policies issued by the Canadian Securities Administrators (the "CSA"). A reconciliation between net assets and NAV at the period end is disclosed in note 10.

Average cost is used to compute realized gains and losses on investments.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

2. Significant accounting policies (continued):

(c) Transaction costs:

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

(d) Foreign exchange:

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

(e) Forward foreign currency contracts:

The Trust may enter into forward foreign currency contracts, the purpose of which is to provide an economic hedge against exposure to foreign currency fluctuations. The carrying value of these forward contracts, which is recorded in the schedule of investments portfolio, is the gain or loss that would be realized if, on valuation day, the positions were closed out. For financial statement purposes this value is recorded as an unrealized gain or loss in the statements of operations. When the contracts are closed or expire, gains and losses are included in realized gains and losses in the statements of operations.

Gains and losses arise due to changes in the value of the foreign currency in relation to the Canadian dollar. Losses may also occur if the counterparty does not perform under the contract.

(f) Income and expenses:

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

2. Significant accounting policies (continued):

(g) Per unit values:

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

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

(h) Use of estimates:

The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reporting year. Actual results could differ from those estimates.

3. Unitholders' equity:

Pursuant to the Trust Agreement which was amended and restated as of January 1, 2008, the Trust is authorized to issue an unlimited number of units in three distinct series of units as follows:

Series A units were first made available for sale on February 26, 2009 and are available to all investors. May be subject to a fee if redeemed early. Dealers may charge a commission or fee of up to 2% of the total purchase. May be redesignated by the unitholder as Series F.

Series B units are available only from the Manager. May qualify for redesignation by the unitholder as Series A or F. Effective January 1, 2008, all then outstanding units of the Trust were designated as Series B units.

Series F units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. May qualify for redesignation by the unitholder as Series A.

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

3. Unitholders' equity (continued):

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

	2010	2009
Series A:		
Balance, beginning of year	4,375	-
Issued for cash	-	4,375
Redeemed	-	-
Balance, end of year	4,375	4,375
Series B:		
Balance, beginning of year	4,609,224	4,980,847
Issued for cash	304,345	1,346,684
Redeemed	(1,040,673)	(1,718,307)
Balance, end of year	3,872,896	4,609,224
Series F:		
Balance, beginning of year	18,901	21,123
Issued for cash	-	3,510
Redeemed	(3,510)	(5,732)
Balance, end of year	15,391	18,901
Series X:		
Balance, beginning of year	168,975	175,357
Issued for cash	-	1,211
Redeemed	(3,115)	(7,593)
Balance, end of year	165,860	168,975

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

4. Forward foreign currency contracts:

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

Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date	
EUR 5,500,000	CAD 7,306,200	CAD (7,334,241)	January 18, 2011	\$ (28,041)
YEN400,000,000	CAD 4,948,800	CAD (4,903,549)	January 18, 2011	45,251
YEN150,000,000	CAD 1,847,550	CAD (1,838,826)	January 18, 2011	8,724
USD 4,000,000	CAD 4,107,800	CAD (3,976,218)	January 18, 2011	131,582
USD (1,500,000)	CAD(1,553,100)	CAD 1,491,092	January 18, 2011	(62,008)
Net unrealized gain				\$ 95,508

At December 31, 2009:

Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date	
YEN133,744,000	CAD 1,599,966	CAD 1,506,225	January 20, 2010	\$ 93,741
Net unrealized gain				\$ 93,741

5. Performance incentive fee:

Effective January 1, 2008 (February 26, 2009 for Series A), the Trust will pay the Investment Counsel a performance incentive fee for its services as portfolio advisor at a rate of 20% (the "Incentive Fee Rate") of:

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

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

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

5. Performance incentive fee (continued):

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

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the NAV per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

The adjusted shortfall carried forward in respect of each of Series A, B and F of the Trust at December 31, 2010 and December 31, 2009, as applicable, was as follows:

	December 31, 2010	December 31, 2009
Series A	\$ 6,562	\$ -
Series B	40,159,574	45,015,566
Series F	57,361	64,879

The shortfall carried forward in respect of Series B includes shortfall transferred to the Trust in respect of units issued to investors who redeemed Class B shares of McElvaine Value Fund Ltd and used the proceeds to subscribe for Series B units of the Trust.

No incentive fee was paid in respect of Series X of the Trust during the years ended December 31, 2010 or 2009 as the Series X NAV did not exceed the highest quarter-end Series X NAV previously achieved by the Trust.

6. Management fee:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the NAV of the respective series (prior to the calculation of any performance incentive fee (note 5)) on the last business day of the preceding month. Effective January 1, 2008 (February 26, 2009 for Series A), the monthly fee payable to the Manager is based upon the following rates:

Series A 1/12 of 2.0% per annum

Series B 1/12 of 1.0% per annum

Series F 1/12 of 1.0% per annum

Series X 1/12 of 1.2% per annum

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

7. Financial instruments:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investment Portfolio groups securities by asset type, geographic region and/or market segment. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by investing primarily in equity securities that are trading below their intrinsic value, as determined by Investment Counsel.

(a) Currency risk:

Currency risk is the risk that the value of the investments denominated in currencies, other than the Canadian dollar, will fluctuate due to changes in foreign exchange rates. The tables below summarize the Trust's exposure to currency risk as at December 31, 2010 and 2009. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and underlying principal (notional) amount of forward currency contracts, if any).

December 31, 2010	Investments	Cash	Net other liabilities	Derivatives (note 4)	Total
Canadian dollar	\$ 45,987,161	\$ 1,257,204	\$ (941,350)	\$ 16,657,250	\$ 62,960,265
US dollar	3,143,414	950	-	(2,485,126)	659,238
European euro	6,763,708	-	-	(7,334,241)	(570,533)
Japanese yen	8,170,465	-	-	(6,742,375)	1,428,090
	\$ 64,064,748	\$ 1,258,154	\$ (941,350)	\$ 95,508	\$ 64,477,060
December 31, 2009	Investments	Cash	Net other liabilities	Derivatives (note 4)	Total
Canadian dollar	\$ 55,257,721	\$ 10,604,270	\$ (1,146,310)	\$ 1,599,966	\$ 66,315,647
US dollar	6,879,166	6,757	-	-	6,885,923
European euro	1,277,828	-	-	-	1,277,828
Japanese yen	1,885,105	-	-	(1,506,225)	378,880
	\$ 65,299,820	\$ 10,611,027	\$ (1,146,310)	\$ 93,741	\$ 74,858,278

As at December 31, 2010, if the Canadian dollar had strengthened or weakened by 5% in relation to all other foreign currencies, with all other factors remaining constant, the net assets of the Trust could have decreased or increased by approximately \$76,000 (2009 - increased or decreased by \$427,000), respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

7. Financial instruments (continued):

(b) Interest rate risk:

Interest rate risk is the risk that the market value of the Trust's interest bearing investments, such as bonds, money market instruments and debentures, will fluctuate due to changes in market interest rates. The Trust's exposure to interest rate risk is concentrated in its investment in debt securities. As at December 31, 2010, the Trust held one convertible debt security with a fair value of \$3,873,120 (6% of net assets) and a maturity date of 2014.

All other securities, comprising equity securities and forward foreign currency contracts, were not subject to significant interest rate risk.

(c) Liquidity risk:

The Trust's exposure to liquidity risk is concentrated in the monthly cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust retains sufficient cash and cash equivalent positions to maintain liquidity. The Trust may, from time to time, enter into over-the counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. However, the Trust requires appropriate notice of unit redemptions, which may be restricted in certain circumstances. Accordingly, as at December 31, 2010, the Manager considered that the Trust did not have significant exposure to liquidity risk.

(d) Credit risk:

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the counter derivative instruments is represented by any unrealized gain on the contractual obligations with the counterparty as at the reporting date. As at December 31, 2010, the Trust's exposure to credit risk related primarily to the TimberWest Forest Corp. convertible debentures.

(e) Other market risk:

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short term in nature and are not subject to other market risk.

The geographical and market sector breakdown of securities is disclosed in the Trust's Schedule of Investment Portfolio. For additional information on other market risks, refer to the Trust's Confidential Offering Memorandum.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

7. Financial instruments (continued):

(f) Fair value:

Effective January 1, 2009, the Fund adopted the amendments to Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures ("S3862"), which established a fair value hierarchy that categorizes the inputs used to calculate a financial instrument's fair value. The hierarchy contains three "levels" of fair value inputs as follows:

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

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

December 31, 2010	Level 1	Level 2	Level 3	Total
Equities	\$ 58,153,651	\$ 2,037,977	\$ -	\$ 60,191,628
Bonds	-	3,873,120	-	3,873,120
Derivatives (note 4)	-	95,508	-	95,508
	\$ 58,153,651	\$ 6,006,605	\$ -	\$ 64,160,256

December 31, 2009	Level 1	Level 2	Level 3	Total
Equities	\$ 61,766,042	\$ -	\$ -	\$ 61,766,042
Bonds	-	3,533,778	-	3,533,778
Derivatives (note 4)	-	93,741	-	93,741
	\$ 61,766,042	\$ 3,627,519	\$ -	\$ 65,393,561

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

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

8. Rainmaker Income Fund:

On May 31, 2002, shares held by the Trust in Rainmaker Entertainment Group were exchanged for units in Rainmaker Income Fund. For tax purposes, this transaction resulted in a capital gain of \$1,284,893 to the Trust during the year ended December 31, 2002. For accounting purposes, the gain was not recognized as the exchange did not represent the culmination of the earnings process. Accordingly, the cost of the units acquired was recorded at the cost of the shares given up in the exchange. A realized gain or loss on investment will be recorded for accounting purposes when the investment is sold in the normal course, which amount will be adjusted for tax purposes by the previously reported capital gain.

9. Income taxes:

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

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

The Trust has accumulated capital losses of \$3,350,979, which may be carried forward indefinitely and applied against capital gains realized in future years.

10. Reconciliation of net assets and net asset value:

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

	NAV	S3855 adjustment	Net Assets
By series at December 31, 2010:			
Series A	\$ 58,439	\$ (636)	\$ 57,803
Series B	63,923,149	(704,591)	63,218,558
Series F	107,148	(1,431)	105,717
Series X	1,107,021	(12,039)	1,094,982
	\$ 65,195,757	\$ (718,697)	\$ 64,477,060

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Year ended December 31, 2010

10. Reconciliation of net assets and net asset value (continued):

Per unit at December 31, 2010:

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

11. Future changes in accounting standards:

The Manager is in the process of implementing a changeover plan to meet the timetable published by the CICA for changeover to International Financial Reporting Standards ("IFRS") effective January 31, 2013. As at December 31, 2010, the Manager does not believe the impact on net assets from the changeover to IFRS will be significant. The impact of adopting IFRS is expected to be mainly in presentation and additional disclosures in the financial statements of the Trust.