

To my Partners:

Go ahead make my day seems to be the phrase du jour, whether it is the Republicans to Obama, Greece to the ECB or the hedge funds to the PIGS. I realize this macro environment causes a lot of uncertainty in the markets and certainly anxiety with investors. I feel good about our positioning as the Trust has ample cash, a smattering of put options, very little in the US or Europe, nothing in commodities outside a small holding in a gas company, and some cheap stocks in Japan and Canada. The portfolio has been cleaned up.

Interestingly, in spite of this macro backdrop, it has been a year of M&A for our portfolio. We have had two companies taken over and several companies undertake their own acquisitions. The most recent takeover in our portfolio was our position in Timberwest. We started buying Timberwest units in 2008. This became a big position in Timberwest debentures in early 2009 when Timberwest did a rights issue. Our rationale at the time was the debentures paid a 9% coupon and were convertible into Timberwest units at \$3.50. I figured in a better environment than 2009, the assets were worth double this as Timberwest had substantial freehold timber properties as well as development lands. Well, fast forward 2 ½ years, Timberwest received a takeover bid of \$6.16 with the result for us of getting roughly a double in the debentures while picking up a coupon for the last couple of years while we waited. Our total gain on the position I estimate topped \$2 1/2 million when the coupon is factored in..

So you may rightly ask with a couple of takeovers why have we not done better. Certainly Japan on a market to market basis has hurt us this year and has largely offset our Canadian gains to date. The concern is that Japan is a value trap because of its corporate governance. I am aware of this and have focused our largest investments on companies where I think there is an owner mentality. In fact, our two largest Japanese positions both have repurchased stock in the last 2 months. Further, I have met with the Chairs of both and they both have a significant financial investment in the firms. As sentiment improves in Japan post-earthquake, I expect our holdings to benefit.

You will receive our semi-annual financials in a couple of weeks. I am sure you will note our portfolio is somewhat cleaner. Several long standing positions have been reduced or eliminated. In spite of uncertain times, I like what we own.

What makes us special?

- We eat our own cooking. All of my investments are in our stuff. Further, Kim, Diann, and Balkar have all invested in the Trust. This is more than just a job to us.
- Our deep value investment process is simple and straightforward. We focus on buying \$1.00 for \$0.40.
- We are not at all concerned if our portfolio make-up differs substantially from any index. Our approach over time should provide not only superior performance but also will likely not be closely correlated to whatever else you may be invested in.
- Our performance incentive fee structure rewards fund performance, not increases in net assets.

Performance:

The McElvaine Investment Trust's 30Jun2011 net asset value for the Series B units of the Trust was \$16.1192. This represents a loss for the first half of 2011, net of all fees and expenses, of 2.3%. During this period, the S&P/TSX Composite Total Return Index rose by 0.2%.

Portfolio Holdings at 30Jun11 (pre-unitholder activity):

Glacier Media	14%
RHJ International	8%
EGI Financial	7%
Monex Group	6%
Sun-Rype Products	5%
Other 16 holdings	42%
Cash + net working capital	18%

Portfolio Activity

Investments made during the quarter \$5,000,000

Our new purchases were primarily in Japan although we established an initial position in a international gas company.

Investments sold during the quarter \$17,000,000

As discussed, Timberwest was taken over. In addition, we reduced our positions in a number of existing holdings and eliminated one long standing position.

Conclusion:

As always, many thanks for all your support and confidence. I appreciate your trust.

All the best,



Tim McElvaine
16Jul11