

**Simplified Prospectus
for an Alternative Mutual Fund
July 23, 2020**

**THE MCELVAINE INVESTMENT
TRUST**

Series A, Series B, Series D and Series F Trust Units

No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise.

Table of Contents

| | |
|---|------------|
| INTRODUCTION | 1 |
| Certain defined terms | 1 |
| GENERAL INFORMATION ABOUT MUTUAL FUNDS AND THE MCELVAINE INVESTMENT TRUST | 2 |
| What is a mutual fund and what are the risks of investing in a mutual fund? | 2 |
| What is a mutual fund?..... | 2 |
| What are the risks of investing in a mutual fund? | 2 |
| Purchases, switches and redemptions | 2 |
| Series of units | 3 |
| Purchase and redemption price..... | 3 |
| Purchasing units | 3 |
| Switching..... | 4 |
| Redeeming units | 4 |
| Short-term trading | 5 |
| Fees and expenses | 5 |
| Fees and expenses payable by the fund..... | 6 |
| Fees and expenses payable directly by you | 9 |
| Impact of sales charges..... | 9 |
| Dealer compensation | 9 |
| Commissions | 9 |
| Trailing commission..... | 9 |
| Equity interests..... | 10 |
| Dealer compensation from management fees | 10 |
| Income tax considerations for investors | 10 |
| Units held in a registered plan | 10 |
| Units held outside a registered plan..... | 11 |
| Tax information reporting | 12 |
| SPECIFIC INFORMATION ABOUT THE MCELVAINE INVESTMENT TRUST..... | 13 |
| Organization and management of The McElvaine Investment Trust | 13 |
| Fund details | 15 |
| What does the fund invest in?..... | 15 |
| Investment objectives | 15 |
| Investment strategies | 15 |
| What are the risks of investing in the fund? | 19 |
| Investment risk classification and methodology | 27 |
| Who should invest in this fund? | 28 |
| Distribution policy..... | 28 |
| Fund expenses indirectly borne by investors..... | 28 |
| WHAT ARE YOUR LEGAL RIGHTS?..... | 30 |
| HOW TO REACH US..... | back cover |

INTRODUCTION

This Simplified Prospectus contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor. This Simplified Prospectus contains information about the fund and the risks of investing in mutual funds generally, as well as the names of the firms responsible for the management of the fund.

Additional information about the fund is available in the following documents:

- the Annual Information Form
- the most recently filed Fund Facts
- the most recently filed annual financial statements
- any interim financial report filed after those annual financial statements
- the most recently filed annual management report of fund performance
- any interim management report of fund performance filed after that annual management report of fund performance

These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can get a copy of these documents, at your request and at no cost, by calling us collect at 250-780-8345, or from your dealer. These documents are also available on our website at www.avaluefund.com or by contacting us by email at info@avaluefund.com.

These documents and other information about the fund are also available on SEDAR at www.sedar.com.

Certain defined terms

In this Simplified Prospectus we use the following key terms:

- “**you**” and “**your**” refer to you, the investor
- “**we**”, “**us**”, “**our**” and the “**Manager**” refer to McElvaine Investment Management Ltd., the manager, portfolio advisor, promoter and trustee of the fund
- “**unit**” or “**units**” refer to the Series A, Series B, Series D and Series F units of the fund
- “**fund**” means The McElvaine Investment Trust

GENERAL INFORMATION ABOUT MUTUAL FUNDS AND THE MCELVAINE INVESTMENT TRUST

What is a mutual fund and what are the risks of investing in a mutual fund?

What is a mutual fund?

A mutual fund is a pool of money contributed by a group of investors with similar investment objectives. The portfolio advisor of a mutual fund (also sometimes referred to as a portfolio manager) uses this pool of money to buy a variety of investments on behalf of all investors in the mutual fund. The portfolio advisor follows a set of guidelines for the mutual fund referred to as the investment objectives and investment strategies. All investors in a mutual fund share in any profits or losses of the mutual fund.

When you invest in a mutual fund, you purchase units of that fund. Each unit of the fund represents an equal, undivided share of the fund's net assets. There is no limit to the number of units the fund can issue. However, the fund may be closed to new investors from time to time.

Some mutual funds issue units in more than one class or series. Each class or series may have different management fees or expenses. The fund currently has six series of units – Series A, Series B, Series D, Series F, Series G and Series I. Series A, Series B, Series D and Series F units are offered under this Simplified Prospectus. Series I units are offered only on a private placement basis. Series G units are no longer being offered to investors.

What are the risks of investing in a mutual fund?

Mutual funds own different types of investments, depending on their investment objectives and investment strategies. The value of your investment in a mutual fund is directly related to the value of the investments held by the fund. The value of these investments will change from day to day due to general market conditions, changes in interest rates, changes in currency exchange rates, and political and economic developments. As a result, the value of a mutual fund's units will go up and down, and the value of your investment in the fund may be more or less when you redeem it than when you purchased it.

Unlike bank accounts or guaranteed investment certificates, units of mutual funds are not covered by Canada Deposit Insurance Corporation or any other government deposit insurer. The full amount of your investment in the fund is not guaranteed.

In exceptional circumstances, a mutual fund may suspend redemptions. For information regarding the circumstances in which we may suspend redemptions of the fund see the section called "*General Information about Mutual Funds and The McElvaine Investment Trust – Purchases, switches and redemptions – Redeeming units of the fund*".

It is very important that you are aware of the risks associated with an investment in the fund. The principal risks associated with the fund are set forth in the section called "*Specific Information about The McElvaine Investment Trust – What are the risks of investing in the fund?*".

Purchases, switches and redemptions

You may buy, switch or redeem units of the fund through authorized dealers on the last business day of each month. For this purpose, a "**business day**" is any day on which the Toronto Stock Exchange is open for business. The purchase, switch, or redemption price of units of the fund is based on the fund's net asset value on the date the purchase, switch or redemption order is processed. For more information, see the

section below called “*General Information about Mutual Funds and The McElvaine Investment Trust – Purchases, switches and redemptions – Purchase and redemption price*”.

Series of units

The fund currently has six series of units – Series A, Series B, Series D, Series F, Series G and Series I. Only Series A, Series B, Series D and Series F units are offered under this Simplified Prospectus. Series I units are offered only on a private placement basis. Series G units are no longer being offered to investors.

Series A and Series B units are available to all investors. Series D units are available to investors who have an account with a discount broker or dealer. Series F units are available to investors who have fee-based accounts with their dealer and whose dealer has signed an agreement with us. Investors in Series F units pay an annual fee to their dealer for investment advice and other services. More information regarding the fees and expenses payable by the fund and investors in the fund, and the compensation payable to dealers in connection with the sale of units is set out in the sections below called “*General Information about Mutual Funds and The McElvaine Investment Trust – Fees and expenses*”, “*– Impact of sales charges*”, “*– Dealer compensation*” and “*– Dealer compensation from management fees*”.

Each series of units can be further sub-divided into sub-series. We may elect to establish a new sub-series of a particular series on each date that units of the series are issued. The use of sub-series in this manner enables us to more equitably charge performance fees.

Purchase and redemption price

The fund maintains a separate net asset value for each series of units, as if each series were a separate fund. However, the assets of the fund constitute a single pool for investment purposes. The net asset value for a particular series is based on series specific amounts, such as amounts paid on the purchase and redemption of units of the series and expenses attributable solely to the series, and on the series’ share of the fund’s investment earnings, market appreciation or depreciation of assets, common expenses and other amounts not attributable to a specific series.

The unit price for each series is the basis for determining the purchase price or redemption price for buying, switching or redeeming units of the fund and is calculated by dividing the net asset value for the series by the number of outstanding units of the series.

The fund will not accept orders to buy, switch or redeem units during periods when we have suspended the right to redeem units (in the circumstances described below in the section called “*General Information about Mutual Funds and The McElvaine Investment Trust – Purchases, switches and redemptions – Redeeming units of the fund*”).

Purchasing units

You may purchase units of the fund on a monthly basis on the last business day of each month or any other business day as the Manager may designate (each a “**Purchase Date**”) through a dealer that has been authorized by us to sell units of the fund. The issue price of the units is based on the unit price for each series on the Purchase Date. If we receive your purchase order by 1:00 p.m. (Pacific time) on a Purchase Date, we will process your order at the unit price calculated on that Purchase Date. Otherwise, we will process your order at the unit price calculated on the next Purchase Date.

Investors purchasing units of the fund are required to make a minimum initial investment of \$1,000. The minimum amount for additional investments is \$1,000. It is within our sole discretion to change or waive the minimum investment amounts at any time and from time to time.

When you buy units of the fund, you have to include full payment for your units with your order. Your dealer must send us your payment within two business days of the applicable Purchase Date.

If we do not receive payment in full within the time limit described above or if a cheque is returned because of insufficient funds, the units that you bought will be redeemed on the next Redemption Date (defined below). If the units are redeemed for more than you paid, the fund keeps the difference. If the units are redeemed for less than you paid, we will charge your authorized dealer for the difference plus any costs. Your authorized dealer may, in turn, charge you for these amounts.

We may refuse any order to buy units within one business day of receiving it. If your order is refused, your money will be returned to you in full.

Switching

A switch is a transfer of your investment in the fund from one series of units to another series of units. You may generally switch units of one series for units of another series on a Purchase Date if you are eligible to purchase the new series. If we receive your order to switch series by 1:00 p.m. (Pacific time) on a Purchase Date, we will complete the redesignation of your units based on the net asset value per unit of each series on that Purchase Date. Otherwise, we will complete the redesignation based on the net asset value per unit of each series on the next Purchase Date.

If you hold Series A or Series B units of the fund in an account with a discount broker, your units will not be automatically switched into Series D. Should you wish to switch your units of the fund into Series D, it is your sole responsibility to instruct your discount broker to do so.

Redeeming units

To redeem units of the fund, you should contact your authorized dealer.

Units of the fund can be redeemed on a monthly basis on the last business day of each month or any other business day the Manager may designate (each a “**Redemption Date**”). If we receive your redemption order by 1:00 p.m. (Pacific time) on a Redemption Date, we will process your order at the unit price calculated on that Redemption Date. Otherwise, we will process your order at the unit price calculated on the next Redemption Date.

When you redeem units of the fund, your money will be sent to you within two business days of the applicable Redemption Date if:

- the fund has received the instructions necessary to complete the transaction; and
- any payment for buying the same units that you are redeeming has cleared.

We have the right, exercisable at any time at our discretion, to require you to redeem your units. We will provide you with written notice of our decision to require you to redeem your units at least five days prior to the date on which the redemption will occur.

If we do not receive all documentation that we need to process your redemption order within 10 business days after the Redemption Date, on that 10th business day (or, if that 10th business day is not a Purchase Date, on the next Purchase Date) we will purchase an equivalent number of units of the fund as have been redeemed, and we will apply the redemption proceeds to the payment of the purchase price of such units. If the purchase price of such units is less than the redemption proceeds, the fund will keep the difference. If, however, the unit price has increased since the Redemption Date such that the redemption proceeds are less than the purchase price of such units, your dealer will be required to pay the fund the amount of the deficiency and will be entitled to collect this amount plus expenses and interest from you.

In exceptional circumstances, we may temporarily suspend your right to redeem your units. We will only do this if:

- normal trading is suspended on an exchange where more than half of the fund's total assets by value are traded; or
- we have permission from the applicable securities regulatory authority.

Short-term trading

Short-term trading in units of the fund can have an adverse effect on the fund. Such trading can disrupt portfolio management strategies, harm performance and increase fund expenses for all unitholders, including long-term unitholders who do not generate these costs.

We have adopted policies and procedures intended to detect and deter short-term trading. For example, we may cancel or refuse to process purchases if we believe that you have engaged in excessive short-term trading. In addition, if units of the fund are redeemed within 90 days of purchase, the fund may, at our discretion, retain an amount equal to 2% of the net asset value of the units being redeemed. More information regarding the fees and expenses payable by the fund and investors in the fund is set out in the section below called "*General Information about Mutual Funds and The McElvaine Investment Trust – Fees and expenses*".

While these policies and procedures are intended to deter short-term trading, we cannot ensure that such trading will not occur.

Fees and expenses

A brief description of the fees and expenses that you may have to pay if you invest in the fund is set out below. Most of these fees and expenses are paid by the fund; however, you may have to pay some of these fees and expenses directly. You should be aware that the payment of fees and expenses by the fund will reduce the value of your investment in the fund.

Fees and expenses payable by the fund

| <p>Management fee</p> | <p>As Manager of the fund, we are responsible for management of the overall business and affairs of the fund, including providing the fund with all necessary investment management services and clerical, administrative and operational services. In this role, our duties include: (i) investment management, including portfolio security selection and investment; (ii) determination of investment policies, practices, objectives and strategies applicable to the fund, including restrictions on investments; (iii) administrative and other services required by the fund in relation to subscriptions and notices of redemption or transfers; (iv) the offering of units of the fund for sale to prospective purchasers including the authority to enter into arrangements regarding the distribution and sale of units; (v) appointment of fund service providers and custodians; (vi) establishment of general matters of policy; (vii) authorization, negotiation and execution of contractual arrangements relating to the fund; (viii) preparation and filing of all documents required in connection with the issue, sale and distribution of units; and (ix) keeping proper records in relation to our duties.</p> <p>For our services as Manager, we are entitled to receive from the fund a management fee in respect of Series A, Series B, Series D and Series F units of the fund, as set forth below.</p> <table data-bbox="706 919 1153 1155"> <thead> <tr> <th>Series</th> <th>Management fee</th> </tr> </thead> <tbody> <tr> <td>Series A</td> <td>1.60% per annum</td> </tr> <tr> <td>Series B</td> <td>1.00% per annum</td> </tr> <tr> <td>Series D</td> <td>0.85% per annum</td> </tr> <tr> <td>Series F</td> <td>0.60% per annum</td> </tr> </tbody> </table> <p>The management fees are calculated and accrued on each Purchase Date for the purposes of determining the unit price for purchases and redemptions, and are paid by the Fund at the end of each month. The management fees are subject to applicable taxes, including GST or HST.</p> <p>We may reduce the management fee for certain investors in the fund. Our decision to do this depends on a number of factors, including the size of the investment and our overall relationship with the investor. An amount equal to the difference between the management fee otherwise chargeable and the reduced fee payable will be distributed by the fund to applicable investors. This is called a “management fee distribution”. Management fee distributions are automatically reinvested in additional units of the same series of the fund. More information regarding management fee distributions is set out in the section called “<i>General Information about Mutual Funds and The McElvaine Investment Trust – Income tax considerations for investors – Units held outside a registered plan</i>”.</p> | Series | Management fee | Series A | 1.60% per annum | Series B | 1.00% per annum | Series D | 0.85% per annum | Series F | 0.60% per annum |
|------------------------------|--|---------------|-----------------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|
| Series | Management fee | | | | | | | | | | |
| Series A | 1.60% per annum | | | | | | | | | | |
| Series B | 1.00% per annum | | | | | | | | | | |
| Series D | 0.85% per annum | | | | | | | | | | |
| Series F | 0.60% per annum | | | | | | | | | | |

| | |
|-----------------------------|---|
| <p>Incentive fee</p> | <p>The fund will pay the Manager an annual performance incentive fee in respect of Series A, Series B, Series D and Series F units of the fund, as set forth below. The performance incentive fee is payable in cash or in units at our discretion and is subject to applicable taxes, including GST or HST.</p> <p><i>Series A, Series D and Series F units</i></p> <p>The Manager will receive a performance incentive fee in respect of Series A, Series D and Series F units equal to 20% of the amount by which the net asset value of each unit of the series (or sub-series within the series) on the last business day of June each year (the “Performance Valuation Date”) exceeds the applicable High Water Mark (defined below) plus a 6% hurdle.</p> <p>We may establish a new sub-series within Series A, Series D and Series F on each date that units of the series are issued, and we may consolidate sub-series within a particular series from time to time, provided the applicable High Water Mark does not decrease as a result of the consolidation. We use sub-series in this manner to ensure performance incentive fees are charged on an equitable basis.</p> <p>The “High Water Mark” for a particular series (or sub-series) of units is the greater of (i) the initial net asset value per unit of the series (or sub-series), and (ii) the net asset value per unit of the series (or sub-series) on the Performance Valuation Date in respect of which a performance incentive fee was last paid for the series (or sub-series).</p> <p>The performance incentive fee for Series A, Series D and Series F units will accrue on each Purchase Date and will be payable annually within 15 business days of the Performance Valuation Date. Upon the redemption of units, the accrued portion of the performance incentive fee in respect of the redeemed units will be payable by the fund within 15 business days of the applicable Redemption Date.</p> <p>For the purpose of determining the performance incentive fee in respect of Series A, Series D and Series F units, (i) the calculation of the net asset value per unit of a series will be adjusted to include distributions made on units of the series, (ii) appropriate adjustments will be made to address any subdivisions or consolidations of units, and (iii) the 6% hurdle will be pro-rated for periods of less than 12 months, but will not compound annually.</p> <p><i>Series B units</i></p> <p>The Manager is entitled to receive a fee equal to 20% of the amount (if any) by which any increase in the Series B net asset value during the fiscal year (adjusted for contributions and redemptions of Series B units and for any shortfall (as described below) from previous fiscal year exceeds a 6% return (the “Series B Hurdle Rate”).</p> <p>If in any fiscal year the increase (or decrease) in the Series B net asset value is less than the Series B Hurdle Rate, we will not receive a performance incentive fee for that fiscal year. Furthermore, if the difference between the increase (or decrease) in the net asset value of the fund and the Series B Hurdle Rate is a “shortfall”, it will be carried forward to the next fiscal year and, after adjustment for redemptions, deducted in the fee calculation from any increase in the net asset value of the fund for that year.</p> |
|-----------------------------|---|

| | |
|---|---|
| | <p>The performance incentive fee for Series B units, if any, will be determined on each Purchase Date during a fiscal year for the purposes of calculating the Series B net asset value per unit, but will be paid to us annually within one month of the fiscal year-end of the fund.</p> |
| <p>Operating expenses</p> | <p>The fund is responsible for the payment of all expenses relating to its operation including, but not limited to, brokerage fees and other fees and disbursements relating to the fund’s portfolio transactions, applicable taxes, any interests expenses, custody and safekeeping charges, audit and legal fees of the fund, costs and expenses of the independent review committee for the fund (the “IRC”) and otherwise incurred in compliance with National Instrument 81-107 <i>Independent Review Committee for Investment Funds</i> (“National Instrument 81-107”), costs of preparing and providing financial statements, unitholder reports and other information to unitholders, costs of preparing and qualifying prospectus and other disclosure documents and forwarding those documents to current unitholders where required by applicable laws, costs of bookkeeping, fund accounting, registry and transfer agent services, expenses of conducting unitholder meetings (except in circumstances where applicable laws prohibit the fund from bearing the costs of a unitholder meeting) and expenses incurred upon the termination of the fund. The expenses of the fund are allocated amongst the series of units on a series-by-series basis. Each series bears, as a separate series, any expense that can be specifically attributed to that series. Common expenses such as audit and custody fees are allocated amongst all series in the manner we determine to be the most appropriate based on the nature of the expense.</p> <p>As noted above, the operating expenses of the fund include the compensation and expenses payable to members of the IRC. The IRC is paid \$15,000 annually, which is comprised of payments of \$6,000 to the Chair of the IRC and \$4,500 to each of the other two IRC members. This may increase if there are more than four meetings per year. Each member of the IRC is also reimbursed for his or her expenses incurred in connection with performing his or her duties as a member of the IRC. A secretariat fee in the amount of \$10,000 per annum for four meetings is paid to Independent Review Inc., an entity that provides secretariat services to the IRC. In addition, an insurance premium of approximately \$4,400 per year is paid for coverage required by the IRC.</p> |
| <p>Investments in other investment funds</p> | <p>The fund may invest in securities of other mutual funds and exchange traded investment funds. These other investment funds have their own fees and expenses to pay in addition to those paid by the fund. However, the fund will not pay: (i) any management or incentive fees in respect of investments in other investment funds that a reasonable person would believe duplicate a fee payable by the other investment fund for the same service; (ii) any sales fees or redemption fees in relation to the fund’s purchases or redemptions of the securities of the other investment funds if the other investment funds are managed by us or one of our affiliates or associates; and (iii) any sales fees or redemption fees in relation to the fund’s purchases or redemptions of securities of the other investment funds that, to a reasonable person, would duplicate a fee payable by an investor in the fund.</p> |

Fees and expenses payable directly by you

| | |
|---------------------------------|---|
| Sales charges | Your dealer may charge you a sales charge, commission or service fee. These charges are negotiated between you and your dealer. |
| Switch fees | None |
| Redemption fees | None |
| Short-term trading fee | If units of the fund are redeemed within 90 days of purchase, the fund may, at our discretion, retain an amount equal to 2% of the net asset value of the units being redeemed. For more information regarding the short-term trading fee see the section above called “ <i>General Information about Mutual Funds and The McElvaine Investment Trust – Purchases, switches and redemptions – Short-term trading</i> ”. |
| Registered tax plan fees | None. Your dealer may charge you a fee. These charges are negotiated between you and your dealer. |

Impact of sales charges

The table below shows the fee you would have to pay under different purchase options if you made an investment of \$1,000 in the fund, if you held that investment for one, three, five or ten years, and you sold your units immediately before the end of each of these time periods:

| | <u>At time of purchase</u> | <u>1 year</u> | <u>3 years</u> | <u>5 years</u> | <u>10 years</u> |
|---------------------------------------|----------------------------|---------------|----------------|----------------|-----------------|
| Sales charge option ¹ | n/a | n/a | n/a | n/a | n/a |
| Redemption charge option ¹ | n/a | n/a | n/a | n/a | n/a |
| No-load option ² | \$0 | \$0 | \$0 | \$0 | \$0 |

¹ There is no sales charge option or redemption charge option when you buy units of the fund.

² This is the only purchase option when you buy units of the fund.

Dealer compensation

Commissions

When you purchase units through an authorized dealer, your dealer may charge you a commission, sales charge or service fee. These charges are negotiated between you and your dealer.

Trailing commission

We pay trailing commissions to your dealer with respect to Series A and Series D units. We expect that dealers (other than discount brokers) will pay a portion of these commissions to investment professionals for services they provide to their clients. These commissions are generally calculated as a percentage of the average daily net asset value of Series A and Series D units held by the dealer’s clients or by the dealer on behalf of its clients. The maximum annual trailing commission is 1.00% for the Series A units and 0.25% for Series D units. These commissions are paid by us and not the fund, and therefore any portion of these

commissions that are not paid to dealers will be retained by us. We may change the terms of these commissions. No trailing commissions are payable with respect to Series B and Series F units.

Although Series A units of the fund are not intended to be sold through discount brokers, to the extent that they are transferred to and held at a discount broker we would also pay trailing commissions to the discount broker for the Series A units held in your discount brokerage account.

Equity interests

No participating dealer or representative of a participating dealer has an equity interest in us.

Dealer compensation from management fees

During 2019, no management fees paid to us by the fund were used to fund the payment of trailing commissions and the costs of marketing, promotional or educational activities in connection with the fund.

Income tax considerations for investors

The following is a brief discussion of a number of income tax considerations applicable to investors who are individuals, other than a trust, resident in Canada and who hold their units as “capital property” (for the purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”). The discussion below is not exhaustive of all income tax considerations and is not intended to be legal or tax advice to an investor. We encourage investors to obtain independent advice regarding the tax consequences of investing in units, based on their own particular circumstances. A more detailed discussion of these and other issues are set out in the fund’s Annual Information Form.

Units held in a registered plan

The units of the fund are expected to be, effective at all material times, qualified investments under the Tax Act for registered plans such as:

- Registered retirement savings plans (“**RRSPs**”), including group registered retirement savings plans (“**GRRSPs**”), locked-in retirement savings plans (“**LRSPs**”) and locked-in retirement accounts (“**LIRAs**”);
- Registered retirement income funds (“**RRIFs**”), including life income funds (“**LIFs**”), locked-in retirement income funds (“**LRIFs**”), prescribed retirement income funds (“**PRIF**”) and restricted life income funds (“**RLIFs**”);
- deferred profit sharing plans (“**DPSPs**”);
- registered education savings plans (“**RESPs**”);
- registered disability savings plans (“**RDSPs**”); and
- tax-free savings accounts (“**TFSA**s”).

Provided that the annuitant of an RRSP or RRIF, the holder of a TFSA or RDSP, or the subscriber of an RESP, deals at arm’s length with the fund, and does not have a “significant interest” (within the meaning of the Tax Act) in the fund, units of the fund will not be a prohibited investment under the Tax Act for that RRSP, RRIF, TFSA, RDSP or RESP. Units of the fund will also not be a prohibited investment for an

RRSP, RRIF, TFSA, RDSP or RESP if the units are “excluded property” under the Tax Act for that RRSP, RRIF, TFSA, RDSP or RESP. Annuitants of RRSPs and RRIFs, holders of TFSAs and RDSPs, and subscribers of RESPs should consult their tax advisors as to whether units of the fund would be a prohibited investment under the Tax Act in their particular circumstances.

If units of the fund are held in a registered plan, distributions from the fund and capital gains from a disposition of the units are generally not subject to tax under the Tax Act until withdrawals are made from the plan (withdrawals from TFSAs, and refunds of contributions from an RESP, are not subject to tax).

Units held outside a registered plan

If you hold units of the fund outside of a registered plan, you will be required to include in computing your income for tax purposes the amount of the net income and the taxable portion of the net capital gains paid or payable to you by the fund in the year (including by way of management fee distributions), whether you receive these distributions in cash or they are reinvested in additional units. Management fee distributions are first made out of net income and net capital gains, and then out of capital. If the appropriate designations are made by the fund, distributions of net taxable capital gains, taxable dividends on shares of taxable Canadian corporations and foreign source income of the fund paid or payable to you by the fund will effectively retain their character and be treated as such in your hands. To the extent that the distributions to you by the fund in any year exceed your share of the net income and net capital gains of the fund allocated to you for that year, those distributions (except to the extent that they are proceeds of disposition) will be a return of capital and will not be taxable to you but will reduce the adjusted cost base of your units of the fund.

In most circumstances, distributions of net income and net capital gains are made annually in December. However, distributions can be made at any time in the calendar year at our sole discretion. Management fee distributions are calculated and accrued daily, and are paid out periodically. You will be taxed on distributions of income and capital gains from the fund, even though the income and capital gains accrued to the fund or were realized by the fund before you acquired the units and were reflected in the purchase price of the units. This may be an important consideration if you invest in the fund late in the year.

The fund’s portfolio turnover rate indicates how actively the fund’s portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the fund’s portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance that you will receive a distribution from the fund that must be included in your income for tax purposes for that year.

If you dispose of a unit, whether by redemption or otherwise, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition, less any costs of disposition, are greater (or less) than the adjusted cost base of the unit. Changing units of one series of the fund into units of another series of the fund will not result in a disposition. One-half of a capital gain (or a capital loss) is generally included in determining your taxable capital gain (or allowable capital loss).

In general, the aggregate adjusted cost base of your units of a series of the fund equals:

- your initial investment in the fund (including any sales charges paid) plus
- the cost of any additional investments in the fund (including any sales charges paid) plus
- reinvestment distributions (including management fee distributions) minus

- the capital returned in any distributions minus
- the adjusted cost base of any previous redemptions.

The adjusted cost base to you of a unit of a series of the fund will generally be determined by reference to the average adjusted cost base of all units of the series of the fund held by you at the time of the disposition.

If you hold units outside of a registered plan, we will issue a tax statement to you each year identifying the taxable portion of your distributions and returns of capital, if any. You should keep detailed records of the purchase cost, sales charges and distributions related to your units as this is the only way to accurately calculate the adjusted cost base of those units.

Tax information reporting

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the U.S. (the “**IGA**”), and related Canadian legislation, the fund and/or registered dealers are required to report certain information with respect to unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other “U.S. Persons” as defined under the IGA (excluding registered plans such as RRSPs), to the Canada Revenue Agency (“**CRA**”). It is expected that the CRA will then exchange the information with the U.S. Internal Revenue Service.

In addition, to meet the objectives of the Organization for Economic Co-operation and Development Common Reporting Standards (“**CRS**”), the fund and/or registered dealers will be required under Canadian legislation to identify and report to the CRA information relating to unitholders in the fund who are resident in a country outside Canada and the U.S. (excluding registered plans such as RRSPs). It is expected that the CRA will provide that information to the tax authorities of the relevant jurisdiction that has adopted the CRS.

SPECIFIC INFORMATION ABOUT THE MCELVAINE INVESTMENT TRUST

Organization and management of The McElvaine Investment Trust

| Role / Provider | Services provided |
|---|---|
| Manager McElvaine Investment Management Ltd. 301-1321 Blanshard Street Victoria, British Columbia V8W 0B6 | As manager of the fund, we manage the overall business and affairs of the fund and administer or arrange for the administration of the day-to-day operations of the fund. |
| Trustee McElvaine Investment Management Ltd. Victoria, British Columbia | As trustee, we hold the legal title to the fund's investments in trust for unitholders. |
| Portfolio Advisor McElvaine Investment Management Ltd. Victoria, British Columbia | As the portfolio advisor, we are responsible for managing the investment portfolio of the fund. |
| Custodian RBC Investor Services Trust Toronto, Ontario | As custodian, RBC Investor Services Trust (or its sub-custodians) holds the fund's cash and investments in safekeeping on behalf of the fund. RBC Investor Services Trust is independent of us. |
| Recordkeeper SS&C Fund Administration Company Toronto, Ontario | As recordkeeper and administrator of the fund, SS&C Fund Administration Company processes all the purchases and redemptions of units of the fund, keeps a register of all investors and prepares and maintains certain other records required by the fund. SS&C Fund Administration Company is independent of us. |
| Auditor KPMG LLP, Chartered Professional Accountants Vancouver, British Columbia | KPMG LLP, Chartered Professional Accountants, is responsible for auditing the annual financial statements of the fund. The auditor is independent with respect to us within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia. |

| Role / Provider | Services provided |
|-------------------------------------|---|
| Independent Review Committee | <p>In accordance with National Instrument 81-107, we have established an independent review committee for the fund (defined above as the “IRC”). The mandate of the IRC is to review and provide us with input on any of our policies and procedures that deal with conflict of interest matters, and to review and provide a decision to us with respect to conflict of interest matters referred by us to the IRC. A conflict of interest matter is any matter in which our interests may be such that they conflict, or could be perceived to conflict, with our obligation to act in the best interest of the fund. The IRC is composed of three members. Each IRC member is independent within the meaning of National Instrument 81-107.</p> <p>The IRC will prepare, at least annually, a report of its activities for you, which will be available on our website at www.avaluefund.com. You can also obtain a copy of the report at your request and at no cost by contacting us by e-mail at info@avaluefund.com. Additional information about the IRC, including the names of its members, is available in the fund’s Annual Information Form.</p> |

Fund details

| | |
|---------------------------|---|
| Fund type | Global equity alternative fund |
| Type of securities | Series A, Series B, Series D and Series F trust units |
| Start date | Series A – December 20, 2019 Series B – December 20, 2019* Series D – December 20, 2019 Series F – December 20, 2019 |
| Eligibility | Units of the fund are qualified investments for RRSPs (including GRRSPs, LRSPs and LIRAs), RRIFs (including LIFs, LRIFs, PRIFs and RLIFs), DPSPs, RESPs, RDSPs and TFSAs. |

* Series B units of the fund were previously offered on a private placement basis from September 27, 1996 to December 20, 2019.

What does the fund invest in?

Investment objectives

The fundamental investment objective of the fund is to provide long-term capital appreciation by acquiring primarily securities that are trading below their intrinsic value, as determined by Tim McElvaine.

Under applicable securities laws and the trust agreement governing the fund, the fundamental investment objective of the fund may only be changed with the approval of a majority of unitholders at a meeting called for that purpose. However, we may change the investment strategies described below at our discretion.

The fund falls within the definition of an “alternative mutual fund” set out in National Instrument 81-102 *Investment Funds* (“**National Instrument 81-102**”). As an alternative mutual fund, the fund is permitted to use strategies generally prohibited by other types of mutual funds. These strategies include the ability to invest up to 20% of the fund’s net asset value in securities of a single issuer, either directly or through the use of specified derivatives, and the ability to use leverage through cash borrowing (up to 33% of the fund’s net asset value) and short sales (up to 50% of the fund’s net asset value). However, the fund’s aggregate gross exposure to these sources of leverage must not exceed 50% of the fund’s net asset value, as calculated in accordance with section 2.9.1 of National Instrument 81-102.

Investment strategies

Investment philosophy

Our investment philosophy is “to make all the money on the purchase”. As an investor, we believe one of the few things we can control is the price we are willing to pay. Therefore, when we are selecting investments, we focus on what we are getting and at what price we are prepared to act. Our intention is to invest only where the difference between the value of the investment and the price we pay gives us a margin of safety.

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

- (a) a competitive advantage when making the investment (such as a seller who does not care about the price they are getting);
- (b) observable investment value that exceeds the share price at the time of purchase (no financial spreadsheet gymnastics involved);
- (c) a financial position ideally combined with strategic position that provides staying power; and
- (d) a board of directors and management team that is owner-focused.

Our process does not involve macro forecasting or economic predictions beyond assuming reversion to the mean at some point.

All investment decisions for the fund are made by Tim McElvaine. Tim is an officer and director of the Manager and has over 28 years of investment management experience. Additional information about Tim, including a description of his relevant experience is available in the fund's Annual Information Form.

Investment policies

We intend to invest the fund's assets primarily in common shares of publicly-traded companies. However, we may make any type of investment that we believe is consistent with the fund's investment objective, including investments in debt securities, preferred shares, convertible securities, securities of private companies, options, futures, currency instruments, precious metal certificates or bullion. These other investments may include short sale of various financial instruments either separately in an attempt to derive gain, or as part of a hedging program or strategy. There will be periods of time where a substantial portion of the fund's assets will be held in the form of cash, short-term money market instruments or other fixed income instruments. This may occur due to a lack of investment opportunities because of equity security price levels, or adverse business conditions and prospects.

Over time, the assets of the fund will primarily be invested as follows:

Marketable securities

The largest category of investments by the fund will be marketable securities, primarily in the form of common shares in businesses that are consistent with our investment philosophy. We expect that the majority of the fund's investments will be in companies whose securities are trading below their intrinsic value. The number of actual investment positions at any one time will vary. However, we may invest up to 20% of the fund's assets in a single investment or issuer.

Risk arbitrage

We may also engage in some risk arbitrage investing (sometimes referred to as "workouts"). Risk arbitrage investing involves the pursuit of profits from an announced corporate event, such as the sale of a company, a merger, a recapitalization, a reorganization, a liquidation or a self-tender. The financial results from this type of investment approach depend more on corporate action than on overall stock market behaviour.

For this type of investing, the factors we consider include:

- how likely is it that the promised event will indeed occur;
- how long the fund's funds will be locked-up;
- what chance is there that something still better will transpire (for example, the emergence of a competing take-over bid); and
- what will happen if the event does not take place (for example, regulatory action or difficulties in obtaining financing).

Risks associated with arbitrage investments may be reduced through hedging.

The gross profits to the fund from most arbitrage investments will appear quite small. However, the predictability of the return coupled with a short holding period tends to produce acceptable annual rates of return.

Illiquid assets

Periodically, circumstances may arise when we believe it would be beneficial for the fund to purchase illiquid assets, such as unlisted securities. However, the fund will not purchase illiquid assets if immediately after the purchase, more than 10% of its net asset value would be made up of illiquid assets.

Derivatives

Subject to the restrictions described below, we may, in our discretion, invest in or use derivatives, such as options, forwards and futures contracts, for hedging and non-hedging purposes in a manner consistent with the fund's investment objective and permitted by applicable securities laws. Options contracts are agreements that give the buyer the right, but not the obligation, to buy or sell certain securities within a certain time period, at a specified price. Futures or forward contracts are agreements made today to buy or sell a particular currency, security or market index on a specific day in the future at a specified price. The fund may use derivatives as long as the use of derivatives is consistent with the fund's investment objective and is permitted by applicable securities laws.

In particular, we may invest the fund's assets in or use derivative instruments, among other things:

- to offset or reduce a risk associated with investments including currency value fluctuations, stock market risks and interest rate changes;
- to position the portfolio so that it may profit from movements in financial markets;
- to reduce transaction costs, achieve greater liquidity, create effective exposure to international financial markets or increase speed and flexibility in making portfolio changes; and
- to seek to enhance the returns to the portfolio, including seeking to reduce the potential for loss or accepting a more certain lower return rather than seeking a less certain higher potential return.

We may make use of clearing corporation options, futures contracts, options on futures, over the counter ("OTC") options, forward contracts, debt like securities and listed warrants for hedging, and non-hedging purposes. The fund may also write exchange-traded or OTC-traded put or call options.

Without prior consent of unitholders, we will not, for non-hedging purposes, invest more than 20% of the value of the assets of the fund in derivative instruments.

Foreign investments

We may invest up to 100% of the fund's assets in securities of foreign issuers where such investments are consistent with the investment objective of the fund.

Securities lending, repurchase and reverse purchase transactions

The fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions in a manner consistent with the fund's investment objective and permitted by applicable securities laws.

A securities lending transaction takes place when the fund temporarily lends securities which it owns to another party. The party is typically a securities dealer or a bank that agrees to return an equal number of such securities to the fund at a later date and to pay a fee to the fund for borrowing the securities. While the securities are borrowed, the party that borrows the securities provides the fund with security for the loan consisting of (i) qualified securities, (ii) securities that are immediately convertible into, or exchangeable for securities of the same type, the same term and in the same number as those loaned by the fund, (iii) cash, or (iv) letters of credit, with a market value of at least 102% of the market value of the loaned securities.

A repurchase transaction occurs when the fund sells portfolio securities that it owns to a third party for cash and agrees to buy back the securities at a later date using the cash received by the fund from the third party. The cash to be delivered to the fund at the beginning of the transaction must be received by the fund either before or at the same time as it delivers the sold securities and the cash must be in an amount equal to at least 102% of the market value of the sold securities.

A reverse repurchase transaction takes place where the fund purchases certain types of debt securities from a third party and agrees to sell the securities back to the third party at a later date. The securities to be delivered to the fund at the beginning of the transaction must be received by the fund either before or at the same time as it delivers the cash used by it to purchase the securities and the securities must have a market value equal to at least 102% of the cash paid for the securities.

The fund may enter into securities lending, repurchase transactions, and reverse repurchase transactions to try to earn additional income and to enhance its performance. Canadian securities legislation provides that the fund may only enter into securities lending, repurchase, or reverse repurchase transactions if such transactions take place pursuant to a specific program which is subject to a number of conditions and requirements. The fund will not enter into such transactions prior to implementing such a program. Before the fund enters into securities lending, repurchase or reverse repurchase transactions, we will establish written policies and procedures regarding the objectives and goals for these transactions, and risk management procedures in connection therewith. We will also enter into an agreement with the custodian or sub-custodian of the fund that will act as agent for the fund in administering these transactions.

The fund will not enter into any securities lending or repurchase transactions if, immediately thereafter, the aggregate market value of all securities loaned by the fund and not yet returned to it, or sold by the fund in a repurchase transaction and not yet repurchased, would exceed 50% of the net asset value of the fund.

The risks associated with engaging in securities lending, repurchase and reverse repurchase transactions are described below.

Investment in other mutual funds

We may from time to time invest a significant portion of the fund's assets in units of other mutual funds or exchange traded funds, including other investment funds managed by us, where we believe that an investment in other funds is a more efficient way of achieving the fund's investment objective versus purchasing individual securities. The fund will only invest in units of other funds where the investment is consistent with the fund's investment objective and investment philosophy, and permitted by Canadian securities regulatory authorities and National Instrument 81-102. Any investments in investment funds will be made on the same basis as the fund's other investments. The investment will only be made if there is no duplication of management fees, incentive fees or sales charges between the funds.

Borrowing cash

As an alternative mutual fund, the fund is permitted to borrow cash for any reason, including to purchase additional securities and to pay expenses without selling its existing investments. The arrangements by which the fund borrows cash are subject to certain requirements under Canadian securities regulations including that (i) the lender be a financial institution capable of acting as a custodian or sub-custodian of the fund's assets, and (ii) the agreement between the fund and the lender is in accordance with normal industry practice and on standard commercial terms for this type of borrowing. We will not allow the fund's debt obligations, net of cash and equivalents, to exceed 33% of the total assets of the fund.

Short selling

The fund may, at the discretion of the Manager, engage in short selling in a manner consistent with the fund's investment objective and permitted by applicable securities laws. A short sale by the fund is where the fund borrows securities from a lender which are then sold in the open market (or "sold short"). At a later date, the same number of securities are repurchased by the fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the fund pays interest to the lender. If the value of the securities declines between the time that the fund borrows the securities and the time it repurchases and returns the securities, the fund makes a profit for the difference (less any interest the fund is required to pay to the lender). In this way, the fund has more opportunities for gains when markets are generally volatile or declining. The fund is permitted to sell securities short up to a maximum of 50% of its net asset value.

Temporary departure from fundamental investment objective

We may depart temporarily from the fund's fundamental investment objective as a result of adverse market, economic, political or other considerations. As a temporary defensive tactic in such circumstances, a substantial portion of the fund's assets may be held in the form of cash, short-term money market instruments or other fixed income instruments.

What are the risks of investing in the fund?

The fund is considered an "alternative mutual fund" meaning that under National Instrument 81-102, it is permitted to use strategies generally prohibited by other types of mutual funds. These strategies include the ability to invest up to 20% of the fund's net asset value in securities of a single issuer, either directly or through the use of specified derivatives, and the ability to use leverage through cash borrowing and short

sales. For more information regarding the risks associated with these strategies, please see “Concentration risk”, “Leverage risk”, “Borrowing risk” and “Short selling risk” below.

The principal risks associated with an investment in the fund are described below.

No assurance

There is no assurance that the fund will achieve its investment objective.

Investment risk

An investment in the fund may be deemed speculative and is not intended as a complete investment program. A subscription for units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the fund. Investors should review closely the investment objective, strategies and restrictions to be utilized by the fund as outlined herein.

No guaranteed return

There is no guarantee that an investment in units will earn any positive return in the short or medium term. In fact, an investor could lose its entire investment in the units.

Reliance on the Manager and Tim McElvaine

The fund relies upon the good faith and expertise of the Manager in providing investment advice and other services to the fund. Tim McElvaine is solely responsible for providing investment advice to the fund on behalf of the Manager. If for any reason Tim McElvaine is unable or unwilling to provide investment advice to the fund, there could be significant adverse consequences to the fund.

Concentration risk

Concentration risk is the risk associated with investments that are concentrated in a particular issuer, sector, country or region of the world. Concentration of investments allows the fund to focus on the potential of a particular issuer, sector, country or region. However, concentration also means that the value of the fund tends to be more volatile than the value of a more diversified fund because the fund’s value is affected more by the performance of that particular issuer, sector, country or region.

The fund is permitted to invest up to 20% of its net asset value in the securities of a single issuer, and in the 12 months immediately preceding June 30, 2020, the fund’s investment in common shares of Maxim Power Corp. represented up to 11.8% of the fund’s net asset value. If the fund concentrates its investments in a particular issuer or issuers, an investment in the fund will involve concentration risk.

Liquidity risk

The market for some securities in which the fund may invest may be relatively illiquid. Liquidity relates to the ability of the fund to sell an investment in a timely manner. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. Investment of the fund’s assets in relatively illiquid securities and loans may restrict the ability of the fund to dispose of its investments at a price and time that it wishes to do so.

Valuation of the fund's investments

The net asset value of the units will vary directly with the market value and return of the investment portfolio of the fund. Valuation of the portfolio securities and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the net asset value of the fund and its units could be adversely affected. Independent pricing information may not at times be available regarding certain of the fund's securities and other investments. Valuation determinations will be made in good faith in accordance with the trust agreement governing the fund.

Although the fund generally will invest in exchange-traded and liquid over-the-counter securities, the fund may from time to time have some of its assets in investments that by their very nature may be extremely difficult to value accurately. For example, as at June 30, 2020, 8.4% of the fund's net asset value was invested in shares of Wintai Holdings Ltd. These shares are not currently listed on any exchange and are challenging to accurately value, and there can be no guarantee that the Manager's valuation of Wintai Holdings Ltd. is accurate.

To the extent that the value assigned by the fund to any investment differs from the actual value, the net asset value per unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that if you redeem all or part of your units while the fund holds such investments, you may be paid an amount less than you might have been paid if the actual value of such investments is higher than the value designated by the fund. Similarly, there is a risk that an investor might, in effect, be overpaid if the actual value of the investor's investments is lower than the value designated by the fund in respect of a redemption. In addition, there is risk that an investment in the fund by a new investor (or an additional investment by an existing unitholder) could dilute the value of your investment if the actual value of such investments is higher than the value designated by the fund. Further, there is risk that a new unitholder (or an existing unitholder that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the fund. We do not intend to adjust the net asset value of the fund retroactively.

Series risk

The fund has different series of units. If the fund cannot pay the fees and expenses attributable to one series of units using the proportionate share of the fund's assets attributable to that series, the fund will be required to pay those fees and expenses out of one or more of the other series' proportionate share of the fund's assets. This may reduce the value of your investment in the fund.

Large redemption risk

In order to pay the redemption price for unitholders who redeem their units, we may be required to liquidate investments earlier than we might otherwise choose. These liquidations may cause the fund to incur losses and could substantially reduce the net asset value of the fund if numerous redemptions are made at the same time. As of June 30, 2020, two investors held units of the fund representing 24.0% and 20.6% of the net asset value of the fund, respectively. If an investor holds units representing a large portion of the outstanding units of the fund, an investment in the fund will also involve large redemption risk. Redemptions by all or a significant portion of the investment of those unitholders would have a material adverse effect on the fund. Such asset liquidation may also trigger tax consequences, such as the characterization of certain profits as ordinary income or losses rather than as capital gains or capital losses.

Performance incentive fee

The payment of the performance incentive fee to the Manager may create an incentive for it to cause the fund to make investments that are riskier or more speculative than if there were no performance incentive fee. Since the performance incentive fee is calculated on a basis that includes unrealized appreciation of the fund's assets, the fee may be greater than if it were based solely on realized gains. In addition, the ordinary income of the fund (including dividends and interest received) is included in the calculation of the fee.

Where there is a shortfall in respect of Series B units that must be carried forward and deducted in the performance incentive fee calculation for a year, it is carried forward for the benefit of all investors in that series. New subscriptions to that series during the year dilute the benefit to existing investors. A shortfall carried forward to the next year is also adjusted for redemptions that year.

Derivatives risk

The fund will invest in and use derivative instruments for hedging and non hedging purposes to the extent considered appropriate by us, as manager of the fund. Derivatives are types of investments the value of which is based on, or derived from, the value or performance of another investment, such as a security, a currency, a commodity or a market index. There are many types of derivatives, including options, futures and forward contracts.

Investment funds often invest in derivatives to reduce the risks associated with other investments or to help offset losses on other investments. The use of derivatives in this way is referred to as "hedging". Investment funds may also use derivatives for other reasons, including helping to achieve their investment objectives, increasing returns, reducing the transaction costs associated with direct investments and positioning the investment funds to profit from declining markets. Although the use of derivatives for hedging or other purposes can be effective, derivatives also have certain risks, including the following:

- There is no guarantee that the use of derivatives for hedging will be effective.
- Hedging does not prevent changes in the market value of the investments in the fund's portfolio or prevent losses if the market value of the investments falls.
- Hedging can prevent the fund from making a gain if the value of the underlying security, currency, commodity or market index rises, or if interest rates fall.
- The fund might not be able to place a hedge if other investors are expecting the same change.
- There is no guarantee that the fund will be able to buy or sell a derivative to make a profit or limit a loss.
- There is no guarantee that the other party to a derivative contract will meet its obligations.
- Derivatives traded on foreign markets may be less liquid and have greater credit risk than similar derivatives traded on North American markets.
- Exchanges set daily trading limits on options and futures contracts, and these limits could prevent the fund from completing a contract.
- The cost of a particular derivatives contract may increase.
- The price of a derivative may not accurately reflect the value of the underlying security or index.
- The Tax Act or its interpretation, may change in respect of the tax treatment of derivatives.

- A large percentage of the assets of the fund may be placed on deposit with one or more counterparties which would expose the fund to the credit risk of those counterparties.

Derivatives will only be used by the fund in a way that is consistent with the fund's investment objective and as permitted by applicable securities laws.

Leverage risk

The fund may leverage its investment positions. Leverage increases both the possibility for profit and the risk of loss on any investment position. The fund is subject to a gross aggregate exposure limit of 50% of the fund's net asset value which is the sum of its shorting and borrowing activities measured on a daily basis. This will operate to limit the extent to which the fund is leveraged.

Commodity risk

If the fund invests in natural resource companies or in income or royalty trusts based on commodities, such as oil and gas, it will be affected by changes in commodity prices. Commodity prices tend to be cyclical and can move dramatically in short periods of time. In addition, new discoveries or changes in government regulations can affect the price of commodities.

Foreign investment risk

The fund intends to invest a portion of its capital in foreign securities. As a result, income or losses may be affected by fluctuations in the rates of exchange between the Canadian dollar and the foreign currencies of the countries in which the fund holds investments. We may or may not hedge the currency risks for significant investment transactions denominated in currencies other than Canadian dollars.

The values of foreign investments are affected by changes in currency rates or exchange control regulations, application of foreign tax laws, including withholding taxes, changes in governmental administration or economic or monetary policy (in Canada or abroad) or changed circumstances in dealings between nations. Costs are incurred in connection with conversions between various currencies. In addition, foreign brokerage commissions are generally higher than in Canada, and foreign securities markets may be less liquid, more volatile and less subject to governmental supervision than in Canada. Investments in foreign countries could be affected by other factors not present in Canada, including expropriation, confiscatory taxation, lack of uniform accounting and auditing standards, and potential difficulties in enforcing contractual obligations, and could be subject to extended settlement periods. Furthermore, the value of securities that are issued by a company in a developing market may be lower, as they may be less liquid and more volatile than those issued by similar companies in North America. In general, investments in more developed markets, such as Western Europe, have lower foreign market risk, whereas investments in emerging markets, such as Southeast Asia or Latin America, have higher foreign market risk.

Credit risk

The fund may, from time to time, invest a portion of its assets in debt securities. When the fund invests in debt securities, such as bonds, it is essentially making a loan to the company or the government issuing the security. The financial condition of an issuer of a debt security may cause it to default or become unable to pay interest or principal due on the security. If an issuer defaults, the affected security could lose all of its value, be renegotiated at a lower interest rate or principal amount, or become illiquid. Furthermore, debt securities are often rated by organizations such as Standard & Poor's, and if a security's rating is downgraded because the rating service feels the issuer may not be able to pay investors back, the value of that investment may fall. Higher yielding debt securities of lower credit quality have greater credit risk than lower yielding securities with higher credit quality.

Political risk

Political risk is the risk that a certain industry or company within that industry may be negatively impacted by legislative change. Relevant risk factors include the imposition of new taxes, regulatory or legal obligations or industry related restrictions.

Net asset value

The net asset value of the fund will fluctuate with changes in the market value of the fund's investments. These changes in market value may occur as the result of various factors, including general economic and market conditions, international currency fluctuations and international developments. Accordingly, the net asset value per unit at any valuation day may be more or less than your original purchase price.

Short selling risk

A short sale by the fund involves borrowing securities from a lender which are then sold in the open market. At a future date, the securities are repurchased by the fund and returned to the lender. While the securities are borrowed, the proceeds from the sale are deposited with the lender and the fund pays interest to the lender. If the value of the securities declines between the time that the fund borrows the securities and the time it repurchases and returns the securities to the lender, the fund makes a profit on the difference (less any interest the fund is required to pay the lender). Short selling involves risk. There is no assurance that securities will decline in value during the period of the short sale and make a profit for the fund. Securities sold short may instead appreciate in value creating a loss for the fund. Unlike a purchase of a share where the maximum amount of the loss is the amount invested, the size of the loss in respect of a short sale is not limited as there is no limit on the amount a security sold short may increase in value. The fund may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender may also recall borrowed securities at any time. The lender from whom the fund has borrowed securities may go bankrupt and the fund may lose the collateral it has deposited with the lender.

Market risk

The value of most investments, in particular equity securities, will be affected by changes general market conditions. These fluctuations may result from one or more factors, such as cyclical changes in the economy, interest rate fluctuations, changes in the level of inflation, and geopolitical events. For example, when a recession is forecast, the stock market may decline as investors perceive that companies will suffer from poorer performance in the near term.

Security risk

The value of each security held by the fund may be affected by factors unique to the company issuing that security. These factors include the company's management capability, performance, products, balance sheet quality and cash flow. If a company whose securities are held by the fund performs poorly in any one or a combination of these areas, then the value of that company's securities, and therefore the value of the fund's assets, will fall. In addition, shares of smaller capitalization companies, without a lengthy operating history, may be less liquid than those of larger, more established companies. Security risk is one reason that the value of a company's shares may fall, despite a rising market.

Interest rate risk

To the extent the fund invests in fixed income or debt instruments it will be subject to interest rate risk because the value of such instruments is determined to a great extent by changes in interest rates. These instruments have a fixed interest rate resulting in interest income that is paid to investors on a regular (often quarterly or semi-annual) basis. When interest rates rise, interest income that will be paid by a debt instrument becomes less valuable because new debt instruments being issued will pay a higher rate of interest. Therefore, the price that investors are willing to pay for the old instrument with the lower rate of interest will fall. Conversely, if interest rates fall then the value of an old debt instrument with a higher rate of interest will rise.

Borrowing risk

Borrowing of cash or securities by the fund could magnify the impact of any movements in the prices of the underlying investments of the fund and, therefore, the value of your investment. Consequently, these investments may produce more volatile gains or losses compared to investing in the same investments without making use of borrowings. The fund may borrow cash to a maximum of 33% of its net asset value.

Conflicts of interest involving other clients

We may from time to time act as the manager and portfolio adviser for other investment funds, and as the portfolio adviser for our investment advisory clients. Situations may arise in which our activities on behalf of other clients may disadvantage the fund, such as an inability of the market to fully absorb orders for the purchase or sale of particular investments placed for the fund and other clients at prices and in quantities which would be obtainable if the same were being placed only for the fund.

Income trust risk

The fund may, from time to time, invest in income trusts. Income trusts commonly hold debt or equity securities in, or are entitled to receive royalties from, an underlying active business. Income trusts generally fall into four sectors: business trusts, utility trusts, resource trusts and real estate investment trusts. The investment returns of an income trust are subject to the risks to which the underlying business is subject, such as industry risks, interest rate fluctuations, commodity prices or other economic factors.

Returns on income trusts are neither fixed nor guaranteed. Income trusts and other securities that are expected to distribute income are more volatile than fixed income securities. The value of income trust units may decline significantly if they are unable to meet their distribution targets. To the extent that claims against an income trust are not satisfied by the trust, investors in the income trust could be held responsible for such obligations. Some, but not all, jurisdictions in Canada have enacted legislation to protect investors from some of this liability.

Securities lending, repurchase, and reverse repurchasing risk

The fund may engage in securities lending transactions, repurchase transactions, and reverse repurchase transactions to try to earn additional income and enhance its performance. There are risks associated with such transactions. If the other party to the transaction defaults in its obligations or goes bankrupt, the fund will be forced to make a claim in order to recover its investment. In the case of securities lending or repurchase transactions, the fund could incur a loss if the value of the security loaned by the fund or sold by the fund has increased by more than the value of cash and security held by the fund. In the case of a reverse repurchase transaction, the fund would be left with security that may have dropped below the value the fund paid for the investments and the fund would incur a loss if it disposed of the security.

Canadian securities law provides that the fund may only enter into securities lending, repurchase or reverse repurchase transactions if such transactions take place pursuant to a specific program which is subject to a number of conditions and requirements.

Lack of focus on ordinary income

Any interest and dividends earned by the fund on its investments will be incidental to the accomplishment of its primary investment objective. All income and capital gains distributions will be reinvested. An investment in the fund is not suitable for unitholders seeking current returns for financial or tax-planning purposes, and should be considered only by persons who are financially able to maintain their investment in the fund over an extended period.

Mutual fund status

In order to qualify as a mutual fund trust under the Tax Act, the fund must have at least 150 unitholders each holding a prescribed number, and value, of units. In the event that the fund does not so qualify, there would be adverse tax consequences to the fund and the unitholders. Among other things, the fund may be subject to taxes under Parts X.2 and XII.2 of the Tax Act or may be subject to alternative minimum tax under the Tax Act. Further, the fund would not be entitled to capital gains refunds, and the election by the fund under subsection 39(4) of the Tax Act may be disallowed. Taxpayers should consult their own tax advisors regarding this risk prior to investing in the fund.

Tax risk

There can be no assurance that the CRA will agree with the tax treatment adopted by the fund in filing its tax returns. The CRA could reassess the fund on a basis that results in tax being payable by the fund or in an increase in the taxable component of distributions considered to have been paid to investors. A reassessment by the CRA may result in the fund being liable for unremitted withholding tax on prior distributions to non-resident investors. Such liability may reduce the net asset value of the units of the fund.

If the fund experiences a “loss restriction event” (i) the fund will be deemed to have a year-end for tax purposes (which could result in the fund being subject to tax unless it distributes its income and capital gains prior to such year-end), and (ii) the fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, the fund will be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the fund. Generally, a person is deemed not to become a majority-interest beneficiary, and a group of persons is deemed not to become a majority-interest group of beneficiaries, of the fund if the fund meets certain investment requirements and qualifies as an “investment fund” under the rules.

Cybersecurity risk

As the use of technology has become more prevalent in the course of business, the Manager and the fund have become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Manager or the fund to lose proprietary information or other information subject to privacy laws, suffer data corruption, or lose operational capacity. This in turn could cause the Manager or the fund to incur regulatory penalties,

reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cyber security breaches may involve unauthorized access to the Manager's or the fund's digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches of the Manager's or the fund's third party service providers (e.g., custodian and recordkeeper) or of issuers that the fund invests in can also subject the fund to many of the same risks associated with direct cyber security breaches. Like with operational risk in general, the Manager has established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will succeed, especially since Manager does not directly control the cyber security systems of issuers or the fund's third party service providers.

Risk of unforeseen geopolitical or other events

The value of investments held by the fund may be negatively impacted by unforeseen geopolitical and other events such as natural and environmental disasters, pandemics, epidemics, terrorism, war, military confrontations, regulatory events, and governmental or quasi-governmental actions. The occurrence of unanticipated geopolitical and other events may result in market volatility and disruption and have short-term or long-term effects on the Canadian, U.S. and global economies and financial markets and other effects that cannot necessarily be presently foreseen, which, in turn, may have an effect on the performance of the fund. For example, the recent international spread of COVID-19 (coronavirus disease) has caused volatility and decline in global financial markets, as well as significant disruptions to global business activity, which have caused losses for investors. In addition to the potential impact on the value of investments held by the fund, unanticipated market volatility and disruptions may cause exchanges to suspend trading and/or investment funds to suspend or limit redemptions, may disrupt the operations and processes of the service providers for the fund and, in some cases, could constitute a force majeure event under contracts with service providers or contracts entered into with counterparties for certain transactions. Further, unanticipated market volatility and disruptions may also lead to an increase in the redemption of units of the fund (including redemptions by large investors – see "Large redemption risk"), and may lead to illiquidity in the investments held by the funds (see "Liquidity risk").

Investment risk classification and methodology

We assign a fund risk rating to the fund as an additional guide to help you decide whether the fund may be right for you. The investment risk level of the fund is determined by applying a standardized risk classification methodology that is based on the fund's historical volatility as measured by the 10-year standard deviation of the returns of the fund, assuming the reinvestment of all income and capital gains distributions in additional units of the fund.

Standard deviation is a statistical measure used to estimate the dispersion of a set of data around the average value of the data. In the context of investment returns, it measures the amount of variability that has historically occurred relative to the average return. Accordingly, the higher the standard deviation of an investment fund, the greater the range of returns it has experienced in the past. However, you should be aware that other types of risk, both measurable and non-measurable, also exist. Additionally, just as historical performance may not be indicative of future returns, the fund's historical volatility may not be indicative of its future volatility.

In accordance with this methodology, we assign a risk rating to the fund as either low, low to medium, medium, medium to high or high risk. In certain instances, we may classify the risk rating of the fund as higher than the corresponding risk rating indicated by the methodology if we believe that doing so is reasonable in the circumstances. The investment risk level of the fund is reviewed at least annually and anytime we determine that the current investment risk level is no longer reasonable in the circumstances.

The standardized risk classification methodology that we use to identify the investment risk level of the fund is available on request, by calling us collect at 250-780-8345, by emailing us at info@avaluefund.com, or by writing to us at the address on the back cover of this Simplified Prospectus.

Who should invest in this fund?

The fund is suitable for investors with a medium tolerance for risk who are:

- seeking long-term capital appreciation
- not concerned by short-term price fluctuations
- planning to hold their investment for the long-term

Don't buy this fund if you need a steady source of income from your investment, have a short term investment time horizon or are unwilling to accept moderate fluctuations in fund value.

The methodology we use to identify the risk level of the fund is described in the section above called "*Specific Information about The McElvaine Investment Trust – What are the risks of investing in the fund? – Investment risk classification and methodology*".

Distribution policy

Net income and net realized capital gains for the fund, if any, will be distributed no less frequently than annually in December. The fund may make more frequent distributions of net income and net realized capital gains at the discretion of the Manager, including where the Manager considers a more frequent distribution to be in the best interests of unitholders as a whole.

Distributions from the fund are automatically reinvested in units of the fund. For more information about distributions, please see the section above called "*General Information about Mutual Funds and The McElvaine Investment Trust – Income tax considerations for investors*".

Fund expenses indirectly borne by investors

The table below shows the fees and expenses that would be indirectly borne by an investor with respect to a \$1,000 investment in the fund over the periods shown, based on the assumption that the fund's annual performance is a constant 5% per year and the fund's management expense ratio remains at 1.45% for Series B units. It is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The costs of investing in Series A, Series D and Series F units of the fund are not shown because no Series A, Series D and Series F units of the fund were outstanding during 2019 and there is no actual management expense ratio on which to base these calculations.

| Period | Series A | Series B | Series D | Series F |
|---------------|-----------------|-----------------|-----------------|-----------------|
| 1 year | - | \$14.50 | - | - |
| 3 years | - | \$45.06 | - | - |
| 5 years | - | \$77.83 | - | - |
| 10 years | - | \$170.50 | - | - |

The above information is based on the management expense ratio for a period when Series B units of the fund were offered privately. The management expense ratio of Series B units of the fund may increase as a result of the fund offering Series B units pursuant to this Simplified Prospectus.

For a discussion of fees and expenses which may be payable by you (including a short term-trading fee), see “*General Information about Mutual Funds and The McElvaine Investment Trust – Fees and expenses – Fees and expenses that you pay directly*”.

WHAT ARE YOUR LEGAL RIGHTS?

Securities legislation in some provinces and territories gives you the right to withdraw from an agreement to buy units of mutual funds within two business days of receiving the Simplified Prospectus or Fund Facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund units and get your money back, or to make a claim for damages, if the Simplified Prospectus, Annual Information Form, Fund Facts or financial statements misrepresent any facts about the fund. These rights must usually be exercised within certain time limits.

For more information, please refer to the securities legislation of your province or territory, or consult a lawyer.

The McElvaine Investment Trust

Additional information about the fund is available in the fund's Annual Information Form, Fund Facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can get a copy of these documents, at your request, and at no cost, by calling us collect at 250-780-8345, by contacting us by e-mail at info@avaluefund.com, or from your dealer. You will also find these documents on our website at www.avaluefund.com.

These documents and other information about the fund, such as information circulars and material contracts, are also available on SEDAR at www.sedar.com.

MCELVAINE INVESTMENT MANAGEMENT LTD.

301-1321 Blanshard Street
Victoria, British Columbia V8W 0B6
Tel 250-708-8345
info@avaluefund.com
www.avaluefund.com