December 20, 2016

CSA members,

I read with interest the proposed amendments to National Instrument 81-102 to permit the offering of Alternative Funds.

I should preface my comments by saying I am not lawyer. BLG does our legal work and they have not reviewed this note. I solely take responsibility for my comments and apologize in advance any comments which may be simplistic.

The McElvaine Investment Trust was formed in 1996 and since formation has been distributed under Offering Memorandum.

1. Performance history

   Without a doubt this is self-serving however I would suggestion track record ***prior to conversion to a prospectus alternative fund is important information for the public***. Unlike a current prospectus fund, your new framework will allow many alternative funds to continue with their existing investment approach. I believe having access to the fund's prior performance enhances investors' ability to make a judgement on the fund. Of course, a key consideration is that the alternative fund when converting to prospectus will not be substantially changing its investment approach.

2. Calculation of Net Asset Value

   While I appreciate frequency of NAV calculation is covered under NI 81-106, I nevertheless think it is an important consideration for Alternative Funds. The frequency of NAV valuations has a direct impact on a Fund's need for liquidity. This in turn impacts issues surrounding concentration and illiquid assets.

   NI 81-106 14.2 (3) requires a Fund to calculate its net asset value weekly if it does not use specified derivatives. I believe the current definition of "specified derivatives" would result in a number of Alternative Funds being valued daily. The result of this translates into increased costs to investors as well as an increase need for liquidity.

   My suggestion is to expand the definition of "specified derivatives" to exclude the use of derivatives for currency hedging. This in turn will allow a fund using only currency hedging derivatives to value once a week.

   It seems to me this type of use of derivative reduces risk in a portfolio and the use of such an instrument should not result in increased costs of investors of a daily valuation.

3. Concentration

Your concentration suggestion of 20 soft, 25% hard seems reasonable.

While not addressed, ***I do think it would be appropriate to allow alternative funds to acquire up to 20% of the votes of an issuer.*** This is not inconsistent with other changes and from a practical point of view, fund managers currently may own more than 10% of votes but do so via several funds.

Allowing an alternative fund is hold 20% of an issuer does not weaken the compliance framework. As a safeguard, the definition of illiquid investment could be expanded to include any securities of an issuer where the fund (or manager) control more than 10% of the votes.

4. Illiquid assets

My response is somewhat tempered by the frequency of valuations. In the case of a fund such as ours which values less frequently than daily, I feel your suggestion of a 10% cap on illiquid especially listed illiquid investments appears low.

I suggest there are in fact 3 classes of illiquid investments:

- Illiquid assets listed on an exchange:

  I realize the issue is simply whether a fund is able to sell identified securities within a reasonable time frame at the price quoted. A listed security, no matter how frequently it trades, is still by its nature much more liquid than an unlisted asset.

  I would suggest a soft cap of 20% and hard cap of 25% is reasonable for a fund holding listed illiquid assets.

- Illiquid assets not listed on an exchange

  I acknowledge especially in the age of structured products, an unlisted investment may take many forms. Nevertheless, by its nature an unlisted asset is less liquid. I would suggest current restrictions are reasonable for illiquid assets not listed on an exchange.

- Restricted securities

  The simple solution would be to use existing limits on this type of asset. A more complex solution would be to allow more lenient limits if remaining restriction period is say less than 30 days.

Given the different nature of each of these illiquid assets, I suggest the illiquid asset limitation be as follows:

Illiquid assets in aggregate (listed, unlisted and restricted) have a soft cap of 20% and hard cap of 25%. In addition, "illiquid assets not listed on an

exchange" as well as "restricted securities" in aggregate have a soft cap of 10% and hard cap of 15%.

I hope my comments have been of some use and I am of course available if any clarification is required.

Respectfully

Tim McElvaine