



10Dec07

To my Partners:

It has been a rough fall although I must say I am optimistic about our future. I feel like a player who has had to sit out the last couple of seasons and now is getting a chance to play again. I am moving ahead with confidence and wanted to give you an update on our activities:

#### Investment Performance

To be blunt, November sucked. This is primarily due to my often repeated comment that stuff goes down when we are buying. Certainly, the last two months are showing me to have been a little too honest in this regard!

Our decline in net asset value over the last month was primarily due to two securities: Indigo Books and Citadel Broadcasting. I am confident in the investment merits of both however I understand that you may find the volatility unsettling. At November 30<sup>th</sup>, our year to date performance for the Trust is about negative 2.7% while the LP is roughly flat for the year. December so far has been kinder to us but I wanted to give you an idea of where we stand.

I am pleased to be finding an increasing number of new things to invest in and, as stated at the beginning of this letter, I am actually feeling optimistic about our investments.

#### Rainmaker Income Fund

Late last week, we put out a press releasing stating we had purchased additional units of Rainmaker Income Fund. The Trust, the LP and I now collectively own about 24% of Rainmaker's units (I just bought 50,000 shares personally at the same price as the Trust and the LP; I felt as a trustee it is important I own units too). As you may recall, I became a Trustee of the Rainmaker Income Fund in February. In April of this year, Rainmaker formed a special committee to review Rainmaker's operation. I do not feel it is appropriate to comment on Rainmaker beyond saying that I like the people and I find with each board I join, I add to my understanding of business and investing.

### Geoff Castle

My focus is on improving our investment performance. As the 99 pound weakling on the beach, I figured my alternatives were to either use steroids or to hire brain muscle. I am delighted to say that Geoff Castle certainly fits the “brain muscle” bill and I was pleased when he agreed to join us. Geoff started a month or so ago and his role is to work with me on the investment side as well as help Kim and Di put out the fires that I manage to create on the administrative/marketing side. I am also considering adding an analyst or two so if you know of anyone who is interested, please ask them to send me a resume. I also want to mention that Geoff recently made a significant investment in the Trust. Kim, Diann, Geoff and I eat our own cooking; we are your partners.

### Simplification

My goal has been to simplify and focus our business. The purpose of the Fund merger is to create one Fund rather than the two we have now. Many investment firms have multiple funds and many private accounts. This is not my intention.

### Fund Merger

Many thanks to everyone who offered to help us merge the two funds. In late November, we received approval from the LP partners to move ahead with the two step transaction. It is expected that on January 1<sup>st</sup> 2008, the LP will convert to a corporation via a tax deferred rollover. This will allow us, starting January 31<sup>st</sup>, to accept new purchases into the former LP. Once again, our intention here is not to “grow” the former LP, but rather to try and get sufficient investors to allow the former LP to merge with the Trust on a tax deferred basis. This requires about another 200 investors and hence we have lowered the minimum to \$1,000 in an attempt to get our “numbers”. We will be mailing out specific details in January on how you can help us do this.

### RavenSource Agreement

You may recall that we were the investment counsel to RavenSource Fund. After much discussion, Pat Hodgson and I decided to end our RavenSource relationship. From my side, this was consistent with focusing on the Trust. I very much enjoyed working with Pat; he is both a wonderful investor and one of the most ethical people I have met. I want to also mention that any fees we received for managing RavenSource we credited to the Trust (as it owned a RavenSource position).

### McElvaine RSP

In the past, if you wanted to buy the Trust in your Retirement Savings Plan, we encouraged you to use MRS Securities. We are optimistic that by January 31, 2008, we will now have the capability to hold RSPs directly. The primary benefit to you is that our RSP plan will be fee-free. McElvaine Investment Management has paid the cost of establishing the plan and will pay all fees related to the plan including the annual trustee fees.

### Multi-Series Trust

As mentioned previously, my decision has been to focus on the Trust. After much discussion, we have decided to split the Trust into 3 Series: Series A, Series B and Series F. The Trust units you currently own will be renamed the Series B units. The most important thing regarding your units that I want to stress is nothing will change beyond a new name for your units: The McElvaine Investment Trust Series B.

The reason we are creating the various Series is because we really have two types of partners: those of you who invested with us directly and those of you who have invested with us via an advisor. I want to discuss how we are dealing with each one of you.

For the partner who deals with us directly, you will continue to be able to invest in the Trust via the Series B units. Also as mentioned earlier, we will now be able to help you invest directly with your RSP since we will have "own RSP" registration. I think this cleans up and simplifies the process for those of you who make your own investment decisions.

For the partner who deals with us via an advisor, the investment process was probably quite difficult. We have created the Series A and the Series F units to make this process easier. The Series F units have a similar fee structure as your units (Series B) except they can only be purchased with the assistance of a "fee for service" advisor. We set up the Series F primarily to satisfy the requirements of the various financial institutions we deal with. The other Series we are creating is Series A. The Series A units have a higher fee structure than your units with the bulk of the difference being paid out to advisors as compensation or what is called a "trailer fee". Without going into too much detail, I felt it was important to have the ability to compensate your advisor if you choose to use an advisor. I do think we have come up with an innovative fee structure in that most firms pay the advisor a large fixed trailer fee. We are instead offering a trailer fee linked to our performance.

A final comment is that we have ensured that you will have the ability to convert your Series B units into either the Series A or Series F units if you wish. I am not sure why you would want to do this however I wanted to give you that alternative.

I apologize for the long explanation but I wanted to discuss what was going on. We will be posting a new Offering Memorandum on our website in early January 2008 if you are interested in the "fine print" of the various Series of units. The bottom line is the various series simply offer alternative paths into the Trust; they do not change the Trust. My intent is simply to focus our business on the Trust.

### Road Shows

We are planning to put on a “town hall” type of meeting in Toronto, Vancouver and maybe another city or two some time in 2008. After writing annual reports for the last 11 years, I figure it might be a little more investor-friendly to actually show up once in a while and chat with you about what is going on. This is not a “fête” and there will be no entertainment beyond watching me struggle with any zingers you send my way. We will be in touch when we figure out the timing but I expect the format will be a buffet lunch, a 20 minute presentation and a question and answer period.

### Summary

To sum everything up, we have worked hard at rebuilding our foundation in 2007. I realize it is the investment results at the end of the day that matter. Between the performance fee structure, my ego and my investment in the Funds, I assure you that we all share the same goal!

Many thanks for all your support and all the best for the Holiday Season,

A handwritten signature in black ink, appearing to be 'Tim McElvaine', written in a cursive style.

Tim McElvaine