



Tim's "We are here" sheet

31Dec08

To my Partners:

It was not a good year. I will discuss our performance and our portfolio in some detail in our Annual Report which I expect to be mailed in early March. In this note, I do want to emphasize four things:

1. Markets

We have done best over time when I buy on assets and sell on earnings. Quite often our holdings are earnings challenged. I focus instead on what I estimate to be the economic value of their tangible and intangible assets including things such as competitive position, operating licenses and brand.

This market is very focused on what earnings will be next quarter. I would not be an optimist on this score. Longer term, I am finding we are able to buy trophy-like assets at a large discount as people worry about their short-term prospects. This is an environment I am comfortable in as an investor. I have no idea what our short-term performance will be but I like our longer term prospects.

2. Integrity

There has been a lot of press recently about investment fund fraud. Our assets are held at RBC Dexia; they are the custodian. Our bank account is at RBC Dexia; we do not handle or hold the funds' cash. RBC Dexia is the Trustee. KPMG is the auditor. We disclose to you our portfolio in our audited financial statements which are sent to you each year. My name is on the door and my reputation is important to me.

3. Personal holdings

I am an owner too. I will provide details in the annual report but virtually all of my investments are in our two funds. Further, my business revenue depends on the funds so when we have a year like 2008, not only does my portfolio fall in value but my business does poorly. In other words, my pain is not limited to pride.

In November I purchased additional units in the Trust for my kids, in December I added to my RRSP (which is 100% invested in the Trust) and I expect to make an additional RRSP purchase at the end of January. To be honest, these are not large purchases as I have a limited amount of cash but I believe in what I am doing. This does not mean we will automatically do better but I am not selling you a GM while I drive a Mercedes.

4. Fees

There was no performance fee paid in 2008. Further, I have a large shortfall to make up before any performance fees are paid in the future. Our fees are limited to a 1% administration fee. The fund does pay some expenses such as audit, custody, trustee and legal; these traditionally have amounted to approximately 1/5 of 1% of assets. I think our MER in this environment is significantly lower than other funds out there.

The McElvaine Investment Trust:

The 31Dec08 net asset value per unit for the Trust was \$13.7384. This represents a loss for 2008, net of all fees and expenses, of 48.8%. During this period, the S&P/TSX Total Return Index fell by 33.0%. There was no distribution at 31Dec08.

Conclusion:

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

All the best,

Tim McElvaine
15Jan09

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Performance Summary as of 31Dec08

The McElvaine Investment Trust⁷ Series B

Year (Period)	Pre-fee Return ⁽¹⁾⁽²⁾ - Series B Units	Net Return ⁽¹⁾⁽³⁾ - Series B Units	Index ⁽⁴⁾	Average Cash Balance ⁽⁵⁾
2008	-47.8%	-48.8%	-33.0%	6%
2007	1.0%	0.6%	9.8%	9%
2006	15.1%	11.9%	17.3%	11%
2005	22.9%	17.2%	24.1%	13%
2004	11.3%	8.6%	14.5%	23%
2003	36.5%	28.2%	26.7%	14%
2002	5.4%	5.0%	-12.4%	5%
2001	37.2%	28.0%	-12.6%	2%
2000	24.6%	19.2%	7.4%	9%
1999	38.8%	29.5%	31.6%	26%
1998	21.3%	16.6%	-1.6%	27%
1997	16.8%	12.8%	15.0%	59%
12 Year Compound	12.3%	9.0%	5.2%	
\$100 invested Jan97 is now		\$259	\$183	

Notes:

- (1) The “Pre-fee Return” and “Net Return” information includes distributions reinvested in additional units.
- (2) “Pre-fee Return” is our estimate of the increase in the asset value of the Trust during the period after the deduction of all expenses, other than the management fee and performance incentive fee, and applicable GST. The Pre-fee Return gives you the best indication of how the Trust’s investments have performed. However, the “Net Return” is a better indicator of the returns actually earned by investors.
- (3) “Net Return” is our estimate of the increase in the net asset value of the Series B units during the period, which is based upon the fees in effect prior to January 1, 2008. No Series A units or Series F units were issued during the periods shown. The Net Return for each series of units will differ since the fee and expense structure for each series units differs.
- (4) As the Trust invests primarily in Canadian securities, we have compared its performance to that of the S&P/TSX Composite Total Return Index. This index tracks changes in the share price of 300 of the largest companies (by market capitalization) listed on the Toronto Stock Exchange (and includes the return from reinvested dividends). These companies represent a broad range of industries. The Trust may often invest in small-cap and mid-cap companies that are not included in the S&P/TSX Composite Total Return Index, and therefore, other indices may also be appropriate comparisons for the Trust.
- (5) “Average Cash Balance” is our estimate of the average of the month-end cash and short-term bond balances held by the Trust. We have included this to allow you to assess how the Trust was invested in order to generate the returns shown. For example, the 1997 Pre-fee Return of 16.8% was earned while the portfolio was on average only 41% invested.
- (6) This Performance Table excludes the three months from 27Sep96 to 31Dec96 (start-up period). During this period, the Trust returned 3.1%
- (7) **It is important that you understand that performance is yesterday’s news and you should be careful about using it as a guide to tomorrow. The figures above are unaudited and in many circumstances, simply our estimates.**