



We are here

31Dec09

To my Partners:

The 4th quarter was kind to us but our overall return for 2009 was modest. Unfortunately our investments do not realize that it would be helpful for them to move in unison with the calendar. More to the point, over the first couple of weeks of January 2010, Glacier Media, Indigo Books and TimberWest Forest, 3 of our largest positions, are each up somewhat. It is a nice way to start 2010 but I still have a lot of ground to make up.

During periods such as the last 2 years, one reflects on what one does well and what needs to be worked on. As I have a large family, I am quite aware, or at least quickly reminded, of my shortcomings. Nevertheless, I realize that over the years the consistency and depth of my communication has been poor. We will be fine tuning it over the next couple of months so any suggestions you have will be appreciated. Some of our changes include:

- Quarterly Reports will be mailed around 15 days after quarter end;
- The Quarterly Reports will provide more information on our portfolio and the changes in our investments;
- The Annual Report, subject to audit finalization, will be mailed within 45 days of year end;
- We will have improved communication on our website (we expect this to be up and running over the next month or two depending on Olympic “disruptions”);
- We will provide increased disclosure on why we hold a number of our positions and how they fit into our approach;
- Our monthly price sheet, as you may have noticed, provides more historical information and a general overview of portfolio composition; and
- We expect to hold some type of investor event each year. The form is somewhat up in the air at the moment and it is likely we will alternate between the west coast and the east. The tentative date for this year is May 7th in Vancouver so please mark it on your calendars.

As we start 2010, our response to the question, “Why should we invest with you?” remains:

- I am an owner. All my investments are in our stuff;
- Our fees, especially due to the performance fee shortfall, are significantly lower than many other funds;
- Our banker, trustee and custodian is RBC Dexia, our auditor is KPMG, and our portfolio is disclosed and audited. I know you trust me but given the shenanigans in the sector over the last year or so, I thought I should highlight these; and
- Our approach is unique and our record, although tainted of late, is long. Over the 13 or so years the Trust has been in operation, our cumulative return after fees continues to have been better than a similar amount of money invested in the S&P/TSX Composite Total Return Index.

McElvaine Investment Management Ltd.
Suite 463, Three Bentall Centre
595 Burrard Street, P.O. Box 49308
Vancouver, B.C. V7X 1L3
www.mcelvaine.com

Phone: (604) 601-8345
Fax: (604) 601-8346
E-mail: tim@mcelvaine.com
kim@mcelvaine.com
diann@mcelvaine.com

Performance:

The McElvaine Investment Trust's 31Dec09 net asset value for the Series B units of the Trust was \$16.2215. This represents a gain for 2009, net of all fees and expenses, of 18.1%. During this period, the S&P/TSX Composite Total Return Index rose by 35.1%. There was no distribution at 31Dec09.

Portfolio Holdings at 31Dec09:

Indigo Books	13.8%	
Glacier Media	13.6%	
EGI Financial	9.0%	
TimberWest	6.9%	(units and convertible debentures)
Sun-Rype Products	5.6%	
Arlington Investment	5.2%	
Maple Leaf Foods	4.5%	
Rainmaker	3.2%	
Arbor Memorial	3.0%	
PRT Forest	2.5%	
Other holdings	19.0%	
Cash + net working capital	13.7%	

Portfolio Activity:

Investments made during the quarter \$10,800,000

We invested about \$5.3 million outside of Canada in the quarter. Our purchases consisted of one brand name Japanese company, a European holding company, and two US companies. We subsequently disposed of one of the US positions.

Investments sold during the quarter \$8,300,000

We did a little trimming of some of our larger positions generating proceeds of about \$4.9 million. We also disposed of our position in Livingston International.

I will enlarge on the details, including information about new investments for 2010, in our Annual Report.

Conclusion:

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

All the best,



Tim McElvaine
14Jan10