

Tim's "I am here" sheet

30Jun02

To my Partners:

I have been dragging my feet in writing to you. This was not out of despair but rather due to confusion on my part on what I might say! Nevertheless, the bottom line is we are price to mess investors and these are our type of markets. I do not mean we are able to go up each month when the tide is down but rather I am able to find ideas with which to "restock our shelves". These ideas will be the source of returns for us in the future.

Some investors look at PE, some look at PCF and some look at PEBITDA. As stated, I focus on "price to mess" otherwise known as Tim's PMS ratio. I am investing our money carefully but am certainly a net buyer of securities. Like others, I am unsure if the next move is up or down. My focus is simply on what we are paying and what we are getting.

Although this report is as of June 30, I do want to mention for the month of July we were down a little over 6% in both the Trust and the LP. While this is "better than the market", that is hardly great news. The more important issue is I am comfortable and optimistic on our holdings.

The McElvaine Investment Trust:

The 28Jun02 price for the Trust was \$18.50. This represents a gain for the first six months of 2002, net of all fees and expenses, of +17.4%. By comparison, the TSE Total Return index fell by 6.3% in the first half.

The McElvaine Investment Limited Partnership:

The 28Jun02 price for the LP was \$30.10. This represents a gain for the first six months of 2002, net of all fees and expenses, of +8.6%. By comparison, the Morgan Stanley World Index (in Canadian dollars) fell by 12.8% in the first half. These numbers reflect the 1,000 for 1 unit split that occurred in late May02.

It has been two years since you appointed me your investment counsel of the LP. Our per unit net asset value has risen over these two years by approximately 40%; in other words, a dollar two years ago is now worth about \$1.40 at 30Jun02. By comparison, a dollar invested two years ago in the Morgan Stanley World index (C\$) would be worth about \$0.67 at 30Jun02.

Conclusion:

A couple of concluding comments:

1. Thanks for your support earlier this year on the various amendments to our documents.
2. In early August, Cheryl Burgess joined Kim and I at McElvaine Investment Mgmt as admin assistant. We are delighted to have a helping hand!
3. In late May, Celina and I were blessed with a baby boy. As there are now 4 children in our family, my expenses are increasing at a faster rate than my income. In other words, and solely for your benefit, I am still hungry!

Once again, markets will do what they will do. I am excited by what we own and by what opportunities may lie ahead! As always, thanks for your trust and support.

Tim McElvaine
14Aug02

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Performance Summaries

The McElvaine Investment Trust

| Year to | TSE Total Return | Trust Pre-fee Return | Trust Net Return | Median Cdn Fund Return | T-bill Rate | Average Cash Balance |
|--------------------------|------------------|----------------------|------------------|------------------------|-------------|----------------------|
| Dec01 | -12.6% | 37.2% | 28.0% | -4.2% | 3.8% | 2% |
| Dec00 | 7.4% | 24.6% | 19.2% | 12.0% | 5.5% | 9% |
| Dec99 | 31.6% | 38.8% | 29.5% | 20.7% | 4.7% | 26% |
| Dec98 | -1.6% | 21.3% | 16.6% | -2.1% | 4.7% | 27% |
| Dec97 | 15.0% | 16.8% | 12.8% | 14.0% | 3.2% | 59% |
| 5 Year compounded | 6.9% | 27.4% | 21.1% | 7.6% | | |

The McElvaine Investment Limited Partnership

| Year to | Morgan Stanley World Index | LP Pre-fee Return | LP Net Return | Median Global Fund | BMO Rate | Average Cash Balance |
|----------------------|----------------------------|-------------------|---------------|--------------------|-------------|----------------------|
| Dec01 | -11.5% | 17.4% | 13.9% | -12.4% | 2.6% | -4% |
| July to Dec00 | -10.9% | 15.1% | 13.6% | -8.8% | 3.2% | 8% |

Notes:

1. As the Trust must invest 70% of its assets in Canada, Toronto Stock Exchange's (TSE 300) returns have been used. The TSE return includes reinvested dividends.
2. The LP has a global mandate and as such the Morgan Stanley World Index (Canadian Dollars) was used. I would caution that the LP's portfolio differs substantially from the makeup of this index.
3. Pre-fee Returns are the best indicator of the Funds' investment performance. These figures are net of all expenses except the Management fee, the Incentive fee and related GST. (historical data has been restated)
4. Net Returns are the returns to the unitholders/partners.
5. For the Trust, Median Canadian Equity Fund Return is included to provide a comparison to other managed funds. The return figures were provided by GlobeFund and are for the Canadian Equity Category. For the LP, Global Fund Returns were used. GlobeFund's Global Equity Category was the source of the data.
6. T-bill Rate refers to the average of the monthly 90-day T-bill rate during the year. For the LP, the average Bank of Montreal 30-day deposit rate is shown as it is the hurdle rate for the LP.
7. Average Cash balance represents the average of the month-end cash/ST bond balances held. This allows you to judge how invested we were in order to generate the return. For example, the 1997 pre-fee return for the Trust of 16.8% was earned while the portfolio was on average only 41% invested.
8. The performance table for the Trust excludes the 3 months from 27Sept96 to 31Dec96 (startup period). During this period, the Trust returned 3.1%.
9. The predecessor to the LP, Peter Cundill LP, was formed in 1979 and had a 21 year compound rate of return of 13.5%.
10. The figures above are unaudited and in many circumstances simply my estimates. As a disclaimer, I should also add that performance is yesterday's news and you should be careful about using it as a guide to tomorrow.