

as at September 30, 2001

## Tim's "I am here" sheet

### To my Partners:

Relationships, especially at times like these, are important and I thank you for our relationship. Like you, I am both shocked and saddened by the events of the last couple of months.

### The McElvaine Investment Trust:

For the 9 months to September 28, 2001, The McElvaine Investment Trust rose by 15.9% net of all fees and expenses. By comparison, the TSE Total return index fell by 23.5%.

You may recall we were up somewhat more at June 30. Our performance for the 3rd quarter was -3.7%. Our losses came in September. Looking forward, October has been kind to us.

30Sept was our fifth anniversary. According to the Globe & Mail, we have compounded annually after fees during this period at some 19.4% versus 6.6% for the average Canadian equity fund. To me this is a little disappointing in absolute terms but looks okay on a relative basis. I do appreciate the support you have given me especially as a number of you have never met me. (maybe I ought to thank more the people who know me but decided to invest anyways!) Regardless, I enjoy what I am doing and look forward to the next 5 years with you!

### The McElvaine Investment Limited Partnership:

For the 9 months to September 28, 2001, The McElvaine Investment Limited Partnership rose by 5.1% net of all fees and expenses. By comparison, the Morgan Stanley World Index's total return was negative 24.2%.

During the quarter, we fell by some 6% with all of our decline occurring in September. Like in the Trust, October to date is treating us better. So far this year we have gone up less, and down more, than the Trust. I realize this may raise some eyebrows. I am not fussed though as the portfolios, while different, are equally good. I feel comfortable with both and I have no view on which will do better in the time it takes for the world to circle the sun!

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**Portfolio Comments:**

My thought process post-September 11th was relatively simple. For each holding, I asked myself do I think the underlying worth or value has gone down. In aggregate, my estimate of the "value" of our holdings decreased slightly. By comparison, the "price" of our holdings decreased somewhat more meaning, in my mind, the value to price gap (the gap between what I think each holding is worth and where it trades) has widened. This is the basis for my comments that I feel good about our portfolios.

During the quarter, we tightened up the portfolios a little in that we increased the amount of the portfolio invested in the top ten names. The bottom line is, while I cannot predict our performance, I am comfortable with the margin of safety we have in our holdings.

**Conclusion:**

Each quarter I try to ensure we (Celina, Hakuna Matata or I) invest money in both the Trust and the LP. We did in the 3rd quarter (including at 30Sept). Our money is along side yours.

Thanks for your support and take care.

Tim McElvaine  
October 17, 2001