

Tim's "We are here" sheet

30Jun03

To our Partners:

It is August. All across Canada a cry rings out. No, I am not referring to a cry of anguish on the opening of mutual fund statements but rather the cry, "are we there yet". While in our case the context is different, given my performance in the back half of last year you are entitled to this cry! The bottom line is, in both funds, we had an okay first six months and I hope your (and my) bladder holds for the back six!

On the portfolios, as of the end of July, our holdings look roughly as follows:

	Trust	LP
Canadian investments	66% of net assets	47% of net assets
Japanese investments	14%	26%
US investments	11%	14%
Everything else incl cash	9%	13%

People, meaning the market, are certainly feeling better than six months ago. This of course means our list of potential investments is shorter than it was. As such our cash is creeping up a little. Nevertheless whether the Dow is at 5,000 or 50,000, if we have a margin of safety I will invest, if we do not, I won't.

The McElvaine Investment Trust:

The 30Jun03 price for the Trust was \$16.60. This represents a gain for the first six months of 2003, net of all fees and expenses, of 11.6%. During this period, the TSX Total Return index rose by 6.7%.

The McElvaine Limited Partnership:

The 30Jun03 price for the LP was \$29.67. This represents a gain for the first six months of 2003, net of all fees and expenses, of 8.9%. By comparison, the Morgan Stanley World Index (in Canadian dollars) fell by 4.4% over the same period while the TSX Total Return Index rose by 6.7%.

Welcome Diann:

I am happy to announce that Diann Fong has joined us at McElvaine Investment Management as Administrative Assistant. Diann had previously worked with Kim at Mackenzie Financial. As the owner and as a client, I am delighted to have this dynamic duo handling the administrative side of the business!

Conclusion:

As always, thanks for your trust and support.

Tim McElvaine
12Aug03

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Performance Summaries

The McElvaine Investment Trust⁸

Year to	S&P/TSX Composite Index Return ¹	Trust Pre-fee Return ³	Trust Net Return ⁴	Median Cdn Equity Fund Return ⁵	T-bill Rate ⁶	Average Cash Balance ⁷
Dec02	-12.4%	5.4%	5.0%	-12.0%	2.6%	5%
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%
6 Year compounded	3.5%	23.5%	18.2%	4.1%		

The McElvaine Investment Limited Partnership⁹

Year to	Morgan Stanley World Index Return ²	LP Pre-fee Return ³	LP Net Return ⁴	Median Global Fund Return ⁵	BMO Rate ⁶	Average Cash Balance ⁷
Dec02	-20.2%	-1.2%	-1.6%	-20.1%	0.9%	2%
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:

- As the Trust must invest 70% of its assets in Canada, the S&P/TSX Composite Index returns have been used. This return includes reinvested dividends.
- 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.
- Pre-fee returns are an indicator of how the investments of the Trust and the LP actually performed. These figures are net of all expenses except the Management fee, the Incentive fee and related GST (historical data has been restated).
- Net returns are the returns to the unitholders/partners.
- 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.
- 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.
- 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.
- The performance table for the Trust excludes the 3 months from 27Sept96 to 31Dec96 (startup period). During this period, the Trust returned 3.1%.
- The predecessor to the LP, Peter Cundill LP, was formed in 1979 and had a 21 year compound rate of return of 13.5%.
- 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.**