

## Tim's "We are here" sheet

31Dec02

### **To my Partners:**

Girls' softball season approaches in Vancouver. Recently while practicing pitching with my eldest daughter, my mind wandered to our investment portfolios. As my concentration was on you and not on her fastball, the fastball missed my glove and caught me somewhat below the belt. The "umpf" I let out (and felt) perhaps is similar to the one you exclaimed on opening your investment statement!

All in all our returns for 2002 were poor on an absolute basis but acceptable on a relative basis. I should mention that neither fund paid an incentive fee to me. The only fee I received from you was the management fee of four tenths of 1%. Believe me when I say we both wish for a better 2003!

### **The McElvaine Investment Trust:**

The unaudited 31Dec02 price for the Trust was \$14.88 after paying a reinvested distribution of \$1.67 per unit. This represents a gain for 2002, net of all fees and expenses, of 5.0%. By comparison, the TSX Total Return Index fell by 12.4% for the year.

### **The McElvaine Investment LP:**

The unaudited 31Dec02 price for the LP was \$27.26 after adjusting for the 1,000 for 1 unit split that occurred in late May02. This represents a loss for 2002, net of all fees and expenses, of 1.6%. By comparison, the Morgan Stanley World Index (in Canadian dollars) fell by 20.2% for the year.

### **Conclusion:**

The Annual Report (including audited statements for both the Trust and the LP) will be mailed in a month or so and will provide further details.

As always, I am comfortable and confident with our portfolios and I very much appreciate your support.

Take care,

Tim McElvaine  
05Feb03

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## Performance Summaries

### The McElvaine Investment Trust

Year to	TSX Total Return	Trust Pre-fee Return	Trust Net Return	Median Cdn Fund Return	T-bill Rate	Average Cash Balance
<b>Dec02</b>	<b>-12.4%</b>	<b>5.4%</b>	<b>5.0%</b>	<b>-12.0%</b>	<b>2.6%</b>	
<b>Dec01</b>	<b>-12.6%</b>	<b>37.2%</b>	<b>28.0%</b>	<b>-4.2%</b>	<b>3.8%</b>	<b>2%</b>
<b>Dec00</b>	<b>7.4%</b>	<b>24.6%</b>	<b>19.2%</b>	<b>12.0%</b>	<b>5.5%</b>	<b>9%</b>
<b>Dec99</b>	<b>31.6%</b>	<b>38.8%</b>	<b>29.5%</b>	<b>20.7%</b>	<b>4.7%</b>	<b>26%</b>
<b>Dec98</b>	<b>-1.6%</b>	<b>21.3%</b>	<b>16.6%</b>	<b>-2.1%</b>	<b>4.7%</b>	<b>27%</b>
<b>Dec97</b>	<b>15.0%</b>	<b>16.8%</b>	<b>12.8%</b>	<b>14.0%</b>	<b>3.2%</b>	<b>59%</b>
<b>6 Year compounded</b>	<b>3.4%</b>	<b>23.5%</b>	<b>18.2%</b>	<b>4.1%</b>		

### 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
<b>Dec02</b>	<b>-20.2%</b>	<b>-1.2%</b>	<b>-1.6%</b>	<b>-20.1%</b>	<b>0.9%</b>	
<b>Dec01</b>	<b>-11.5%</b>	<b>17.4%</b>	<b>13.9%</b>	<b>-12.4%</b>	<b>2.6%</b>	<b>-4%</b>
<b>July to Dec00</b>	<b>-10.9%</b>	<b>15.1%</b>	<b>13.6%</b>	<b>-8.8%</b>	<b>3.2%</b>	<b>8%</b>

Notes:

1. As the Trust must invest 70% of its assets in Canada, Toronto Stock Exchange's (TSE 300) returns have been used. The TSX 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.