

Tim's "We are here" sheet

30Sept02

To my Partners:

First and foremost, thank you! I am blessed to be working for you. Not only do I appreciate the words of encouragement I received from many of you but we actually had more purchasers than redeemers at 30Sept02. Thank you for your confidence.

On the markets, I note, on any day, or rather at any minute, the markets appear to have as much self-esteem as a Woody Allan character. Are markets cheap? I do not know.

On our portfolios, I believe a significant number of our holdings are worth more than twice (a couple of years out) what they are trading at today. I am further encouraged as the underlying operations of a number of our holdings continues to improve. For example:

- at Mattel, margins are stronger, sales are increasing and cash is being generated.
- at Humpty Dumpty, margins are growing and the balance sheet is improving.
- at Glacier Ventures, the acquisition of the Western Producer newspaper earlier in the year has significantly improved the results and prospects.
- at Sun-Rype (based on public announcements and commenting gingerly as I am a director), sales for the first 6 months grew and Sun-Rype has embarked on capex program that should increase food capacity and reduce costs.
- at CINAR, the most recent figures show a strong education business and improved entertainment results (this is not a recommendation; CINAR is subject to a cease trade order).
- at Nikko Cordial, costs are down and leverage is low.
- at Alderwoods, cash is being generated as Paul Houston and his team work on increasing revenues and reducing costs.

Without a doubt, in any quarter, there will be challenges and disappointments. I just wanted to stress that while the stock prices may fluctuate, I believe our margin of safety in the portfolio is large and growing.

The McElvaine Investment Trust:

The 30Sept02 price for the Trust was \$16.56. This represents a gain for the first nine months of 2002, net of all fees and expenses, of 5.1%. During this period, the TSE Total Return index fell by 18.6%.

The McElvaine Investment Limited Partnership:

The 30Sept02 price for the Trust was \$27.65. This represents a loss for the first nine months of 2002, net of all fees and expenses, of 0.2%. By comparison, the Morgan Stanley World Index (in Canadian dollars) fell by 25.6% over the same period. These numbers reflect the 1,000 for 1 unit split in May02.

Conclusion:

The last quarter has been disappointing. Based on the 30Sept02 valuation, there was no incentive fee payable in either fund thus you are only paying the management fee of 0.40%. I think I can vouch for all of us by saying "that's a bummer!"

As stated in my last report, markets will do what they will do. I remain excited by what we own and by what opportunities the market may present us. As always, and especially in light of your responses to me, I very much appreciate your trust and support.

Tim McElvaine
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McElvaine Investment Management Ltd.
200 Sun Life Plaza
1100 Melville Street
Vancouver, B.C.
V6E 4A6

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

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.