



## Tim's "We are here" sheet

30Jun07

### To my Partners:

Many thanks for the vote of confidence at our unitholder meetings in May. Partners of both funds were very supportive and we received your "nod" to proceed with the takeover of the LP by the Trust. Sadly, the tax authorities have been less enthusiastic and have sent us back to the drawing board. We have a number of alternatives but I want to take a month or so to think about what is next; lick my wounds so to speak. The good news is this process did not cost you anything although it has been distracting for us. I will update you in October on our next steps.

As you may notice from our financial statements, the cash level in both funds rose over the first six months of the year. This was handy as in the last week or so as we have spent a little cash. More specifically, we have added to one of our holdings as well as established a new moderately-sized position. I would rather be a little vague at this moment as we are buying; I will say that this company is a "spin-off/special situation" which is an area I love to look at. For the most part, special situations have been a little pricey of late in my view but recent market excitement has given us an opportunity. As with all our new purchases, the stock promptly went down after I started buying but what else is new! We continue to pick away and while I have no idea where the price is going over the next 6 months, I think over a multi-year horizon, it ought to work out well.

We have had a little bit higher redemption activity of late. I have been around long enough to realize this is part of the ebb and flow of the business. I realize our performance over the last couple of years has been adequate on an absolute basis but poor on a relative basis. I do appreciate your confidence. I continue to add to my personal holdings in the funds. I don't think I am any dumber than I was 11 years ago when I started although my teenage daughters may have a different opinion of their Dad's intelligence!

### The McElvaine Investment Trust:

The 30Jun07 price for the Trust was \$29.21. This represents a gain for the first 6 months of 2007, net of all fees and expenses, of 7.6%. During this period, the TSX Total Return index rose by 9.1%.

### The McElvaine Limited Partnership:

The 30Jun07 price for the LP was \$50.76. This represents a gain for the first 6 months of 2007, net of all fees and expenses, of 7.5%. By comparison, the Morgan Stanley World Index (in Canadian dollars) fell by 0.1% over the same period while the TSX Total Return Index rose by 9.1%.

### Conclusion:

As always, many thanks for all your support and confidence. I appreciate your trust.

All the best,

Tim McElvaine  
09Aug07

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## Performance Summaries as of 31Dec06

### The McElvaine Investment Trust<sup>8</sup>

Year to	S&P/TSX Composite Index <sup>1</sup>	Trust Pre-fee Return <sup>3</sup>	Trust Net Return <sup>4</sup>	Avg Canadian Fund Return <sup>5</sup>	T-bill Rate <sup>6</sup>	Avg Cash Balance <sup>7</sup>
Dec06	17.3%	15.1%	11.9%	14.6%	4.0%	11%
Dec05	24.1%	22.9%	17.2%	16.6%	2.7%	13%
Dec04	14.5%	11.3%	8.6%	12.1%	2.2%	23%
Dec03	26.7%	36.5%	28.2%	20.6%	2.9%	14%
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%
10 Year compound	10.0%	22.5%	17.4%	8.8%		
\$100 invested Jan97 is now	\$259		\$498	\$230		

### The McElvaine Limited Partnership<sup>9</sup>

Year to	Morgan Stanley World Index <sup>2</sup>	LP Pre-fee Return <sup>3</sup>	LP Net Return <sup>4</sup>	Median Global Fund Return <sup>5</sup>	Deposit Rate <sup>6</sup>	Avg Cash Balance <sup>7</sup>
Dec06	20.6%	7.9%	6.3%	16.5%	2.1%	17%
Dec05	6.6%	17.0%	13.3%	7.2%	1.1%	24%
Dec04	7.3%	16.8%	13.2%	6.0%	1.1%	26%
Dec03	9.4%	33.3%	27.0%	12.8%	1.1%	11%
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%
\$100 invested Jul00 is now	\$95		\$221	\$95		

#### Notes:

- As the Trust invests primarily in Canadian securities, we have compared its performance to that of the S&P/TSX Composite Total Return Index (formerly the TSX 300 Total Return Index). This index tracks changes in the share price of 300 of the largest companies (by market capitalization) listed on the Toronto Stock Exchange (and includes the return from reinvested dividends). These companies represent a broad range of industries.
- The investment objective of the Partnership does not restrict the countries in which it may invest. Accordingly, we have compared its performance to the Morgan Stanley Capital International World Index. This index is designed to measure the performance of equity markets in countries that are considered to have "developed" equity markets. **You should understand that the Partnership's portfolio may differ substantially from the investments reflected in this index.**
- "Pre-fee Return" is the increase in the asset value during the period after the deduction of all expenses, other than the management fee and performance incentive fee, and applicable GST, and for the Trust includes distributions reinvested in additional units. The Pre-fee Return gives you the best indication of how the funds' investments have performed. However, the "Net Return" is a better indicator of the returns actually earned by investors.
- "Net Return" is the increase in the net asset value of the Trust or the LP during the period and for the Trust includes distributions reinvested in additional units.
- We have compared the Trust's performance to the average return of Canadian equity funds, and have compared the LP's performance to the average return of Global equity funds, as published on the globefund.com website operated by The Globe and Mail and CTVglobemedia. Copyright 2007 CTVglobemedia Publishing Inc., its affiliates and/or licensors.
- "T-bill Rate" is the average of the monthly 90-day treasury bill rates during the year. "Deposit Rate" refers to the average 30-day deposit rate paid by a Canadian Bank. We have included these rates because they are used to determine whether the Portfolio Adviser receives a performance incentive fee.
- "Average Cash Balance" is the average of the month-end cash and short-term bond balances. 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%.
- It is important that you understand that performance is yesterday's news and you should be careful about using it as a guide to tomorrow. The figures above are unaudited and in many circumstances, simply our estimates.**