



Tim's "We are here" sheet

30Sept07

To my Partners:

There are a number of things in the hopper but at this moment I want to focus on two key items:

1. I am not pleased with our returns. This summer I reviewed all of our positions with the goal of "tightening up" the portfolio. Over the last couple of months, we have sold a couple of holdings and put the proceeds in existing investments. In addition, I met with a number of the managements of our investments. The bottom line is that I like what we own.
2. The fund merger saga continues. As mentioned in July, we did not receive tax authority approval to proceed as we proposed. In order to complete the merger, we now need two things:
 - i. The approval of the LP partners (again) as the steps are more pronounced (same format, slower process). We do not need any further approval from the Trust investors;
 - ii. An additional 200 or so investors in the LP. To achieve this end, we will lower the LP minimum to \$1,000 effective 31Dec07. It would be very much appreciated if you would consider investing \$1,000 in the LP if you are not already a LP investor. As soon as we have the required number of investors, I intend to move forward with the merger.

Please rest assured that when we get this done, if I have any money left, we will have another "fête"!

The McElvaine Investment Trust:

The 30Sept07 price for the Trust was \$28.60. This represents a gain for the first 9 months of 2007, net of all fees and expenses, of 5.3%. During this period, the TSX Total Return index rose by 11.2%.

The McElvaine Limited Partnership:

The 30Sept07 price for the LP was \$49.49. This represents a gain for the first 9 months of 2007, net of all fees and expenses, of 4.8%. By comparison, the Morgan Stanley World Index (in Canadian dollars) fell by 4.1% over the same period while the TSX Total Return Index rose by 11.2%.

Conclusion:

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

All the best,

Tim McElvaine
10Oct07

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Performance Summaries as of 31Dec06

The McElvaine Investment Trust⁸

Year to	S&P/TSX Composite Index ¹	Trust Pre-fee Return ³	Trust Net Return ⁴	Avg Canadian Fund Return ⁵	T-bill Rate ⁶	Avg Cash Balance ⁷
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 Partnership⁹

Year to	Morgan Stanley World Index ²	LP Pre-fee Return ³	LP Net Return ⁴	Median Global Fund Return ⁵	Deposit Rate ⁶	Avg Cash Balance ⁷
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.**