

Tim's "We are here" sheet

30Sept03

To our Partners:

Well, there is not much to buy these days. In fact, I feel like a Mennonite at an auto show. Lots to gawk at, little interest in buying. You may rightly wonder what you are paying me for. Let me take some time to get back to you on that.

Our performance has been okay so far this year. We still have a couple of months left so I dare not make any predictions. Like in a horse race, the final leg can be painful. Let's just say your mount "Flatulating Fool" has stumbled at the finish line in the past!

The McElvaine Investment Trust:

The 30Sept03 price for the Trust was \$17.97. This represents a gain for the first nine months of 2003, net of all fees and expenses, of 20.7%. During this period, the TSX Total Return index rose by 13.8%.

The McElvaine Limited Partnership:

The 30Sept03 price for the LP was \$32.65. This represents a gain for the first nine months of 2003, net of all fees and expenses, of 19.8%. By comparison, the Morgan Stanley World Index (in Canadian dollars) fell by 1.7% over the same period while the TSX Total Return Index rose by 13.8%.

Conclusion:

I am comfortable with what we own but as usual I am a little leery of what lies ahead. Nevertheless our cash is building and I continue to be on the watch for any opportunities regardless of the market level. As always, thanks for your trust and support.

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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:

1. 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.
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 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).
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.**