

Tim's "We are here" sheet

31Dec04

To my Partners:

To be polite, in 2004, I was performance challenged. You may wish to use a different expression. You may recall I stated in early 2004 that our performance was likely to be similar to "Driving Miss Daisy". You probably thought I was just being modest. Sadly, I was not.

As we enter 2005, I find most securities to be uninteresting. This does not mean we will not find things to do as we only need a handful of good ideas. We are looking for mis-priced labels on the day old bread shelf. Most of the stuff we open is just moldy but don't worry, we keep looking.

The McElvaine Investment Trust:

The 31Dec04 price for the Trust was \$20.71. This represents a gain for 2004, net of all fees and expenses, of 8.6%. During this period, the TSX Total Return index rose by 14.5%. There was no taxable distribution at 31Dec04.

The McElvaine Limited Partnership:

The 31Dec04 price for the LP was \$39.20. This represents a gain for 2004, net of all fees and expenses, of 13.2%. By comparison, the Morgan Stanley World Index (in Canadian dollars) rose by 7.3% over the same period while the TSX Total Return Index rose by 14.5%.

Conclusion:

As with prior years, we are in the process of preparing our annual report and expect to mail it in early March. It will discuss both our performance and our portfolios. We have had modest redemptions in the Trust over the last couple of months and I feel comfortable that this will allow us to accept a limited number of new investors. In other words, while I view the Trust as generally closed, I am going to accept a small number of new investors to manage our cashflows.

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

All the best,

Tim McElvaine
31Jan05

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Performance Summaries as of 31Dec04

The McElvaine Investment Trust⁸

Year to	S&P/TSX Composite Index Return ¹	Trust Pre-fee Return ³	Trust Net Return ⁴	Average Canadian Fund Return ⁵	T-bill Rate ⁶	Average Cash Balance ⁷
Dec04	14.5%	11.3%	8.6%	12.1%	2.2%	
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%
8 Year compound	7.5%	23.4%	18.2%	7.0%		
\$100 invested Jan97 is now	\$178		\$380	\$172		

The McElvaine Limited Partnership⁹

Year to	Morgan Stanley World Index Return ²	LP Pre-fee Return ³	LP Net Return ⁴	Median Global Fund Return ⁵	Deposit Rate ⁶	Average Cash Balance ⁷
Dec04	7.3%	16.8%	13.2%	6.0%	1.1%	
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	\$74		\$183	\$76		

Notes:

1. 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.
2. 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.**
3. “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.
4. “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.
5. 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 Bell Globemedia. Copyright 2003 Bell Globemedia Interactive Inc., its affiliates and/or licensors.
6. “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.
7. “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.
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%.

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.