



## Tim's "We are here" sheet

31Dec06

### To my Partners:

Sorry about the delay in producing this report. There are a number of things "in the hopper" and I wanted to include a couple of them in this note. In other words, no poetry this year, just the facts:

1. Please pardon my English but our returns sucked in 2006. I am a large investor too so I am as disappointed as you. My focus at the moment is concluding the takeover of the LP by the Trust but that is hardly an excuse. I will chat further about investments in the annual report which will be out next month.
2. As mentioned, at long last, we are finally close to resolution on the Trust takeover of the LP. This process was delayed by the government's income trust proposals last fall but after discussion with KPMG, we have decided to forge ahead. We have applied for an advance ruling from Canada Revenue Agency and we hope to get some documentation out to you by early March. Our target date for requesting your approval of the transaction is April.
3. I have joined the Board of Trustees of Rainmaker Income Fund. As you may recall, I have previously been on the boards of Sun-Rype Products Ltd. and Humpty Dumpty Snack Foods Inc. We have a significant investment in Rainmaker although I do not pretend to bring a lot to the table. I look forward to working with Warren Franklin and the Board.

On a lighter note, I had lots of fun at our fête in Victoria; thanks for braving the snow. Everyone's dancing was very impressive although I would have appreciated an encore call after my singing attempt rather than laughter!

### The McElvaine Investment Trust:

The 31Dec06 price for the Trust was \$27.16. This represents a gain for 2006, net of all fees and expenses, of 11.9%. During this period, the TSX Total Return index rose by 17.3%.

### The McElvaine Limited Partnership:

The 31Dec06 price for the LP was \$47.21. This represents a gain for 2006, net of all fees and expenses, of 6.3%. By comparison, the Morgan Stanley World Index (in Canadian dollars) rose by 20.6% over the same period while the TSX Total Return Index rose by 17.3%.

### Conclusion:

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

All the best,

Tim McElvaine  
12Feb07

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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.**