

# Tim's "We are here" sheet

31Mar05

## To my Partners:

With this mailing you will find our annual report. I will therefore keep this note short. Kind of like following the maxim it is better for people to think you are a fool, then to open your mouth and prove it.

### The McElvaine Investment Trust:

The 31Mar05 price for the Trust was \$22.01. This represents a gain for the first quarter of 2005, net of all fees and expenses, of 6.3%. During this period, the TSX Total Return index rose by 4.4%.

### The McElvaine Limited Partnership:

The 31Mar05 price for the LP was \$40.78. This represents a gain for the first quarter of 2005, net of all fees and expenses, of 4.0%. By comparison, the Morgan Stanley World Index (in Canadian dollars) fell by 0.5% over the same period while the TSX Total Return Index rose by 4.4%.

### Conclusion:

Without a doubt it is bumpy out there. On our potential performance during declining markets, all I can say is clearly it is better to be peeing with the wind than against it. Nevertheless I am comfortable with our holdings although that is perhaps different from saying each day I expect them to go up!

To end on a more optimistic note, we do have cash and a willingness to buy, if the odds are in our favour. For the majority of my career, the future has looked uncertain and I see no reason to think differently today. The bottom line is don't worry about what I am up to, that is my job.

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

All the best,

Tim McElvaine

22Apr05

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## Performance Summaries as of 31Dec04

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

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

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

Year to	Morgan Stanley World Index Return <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>	Average Cash Balance <sup>7</sup>
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%
<b>July to Dec00</b>	<b>-10.9%</b>	<b>15.1%</b>	<b>13.6%</b>	<b>-8.8%</b>	<b>3.2%</b>	<b>8%</b>
<b>\$100 invested Jul00 is now</b>	<b>\$74</b>		<b>\$183</b>	<b>\$76</b>		

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 Bell Globemedia. Copyright 2003 Bell Globemedia Interactive 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.**