

# Tim's "We are here" sheet

31Mar06

## To my Partners:

I appreciate the feedback on my poetry skills. Given the comments, I have decided to "up the ante" and am considering doing next year's annual report via interpretive dance (certainly the sight of me in tights alone should cause you dread).

Enclosed you will find this year's annual report. Better late than never is my motto with this one. I would like to note two items of some importance:

1. I am investigating merging the Trust and the LP. As I mention in the Annual Report, I am doing this primarily for one reason: focus. All our eggs will be in one basket: no distractions, no conflicts, no excuses.
2. I was on the board of Humpty Dumpty. In March, Humpty Dumpty accepted a takeover bid from Old Dutch Foods Ltd. With the successful conclusion of the takeover bid, I will cease to be a director of Humpty Dumpty and we will receive cash for our shares.

I don't mean to repeat what I say in the Annual Report. Reading it once I am sure is painful enough for you. The bottom line is we continue to be a "resource-challenged" fund. I am positive there are others out there that can invest wisely for you in that area but there "ain't no flies on us" (at least any resource flies)!

## The McElvaine Investment Trust:

The 31Mar06 price for the Trust was \$26.08. This represents a gain for the first quarter of 2006, net of all fees and expenses, of 7.5%. During this period, the TSX Total Return index rose by 8.0%.

## The McElvaine Limited Partnership:

The 31Mar06 price for the LP was \$45.81. This represents a gain for the first quarter of 2006, net of all fees and expenses, of 3.1%. By comparison, the Morgan Stanley World Index (in Canadian dollars) rose by 6.8% over the same period while the TSX Total Return Index rose by 8.0%.

## Conclusion:

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

Tim McElvaine  
26Apr06

McElvaine Investment Management Ltd.  
Suite 463, Three Bentall Centre  
595 Burrard Street  
P.O. Box 49308  
Vancouver, B.C. V7X 1L3

Phone: (604) 601-8345  
Fax: (604) 601-8346  
E-mail: [tim@mcelvaine.com](mailto:tim@mcelvaine.com)  
[kim@mcelvaine.com](mailto:kim@mcelvaine.com)  
[diann@mcelvaine.com](mailto:diann@mcelvaine.com)  
Web: [www.mcelvaine.com](http://www.mcelvaine.com)

## Performance Summaries as of 31Dec05

### 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>
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%
9 Year compound	9.2%	23.4%	18.0%	8.0%		
\$100 invested Jan97 is now	\$220		\$445	\$200		

### 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>
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	\$79		\$208	\$82		

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.**