THE McELVAINE INVESTMENT TRUST

REPORT AND FINANCIAL STATEMENTS

For the years ended December 31, 1999 and 1998

THE McELVAINE INVESTMENT TRUST

Statements of Net Assets
As at December 31

	1999	1998
Assets		
Investment portfolio, at market value	$ 5,990,383	$ 3,433,955
Currency hedging, unrealized gains	27,352	-
Cash and cash equivalents (note 3)	1,850,747	914,636
Accounts receivable and other assets	24,357	4,259
	7,892,839	4,352,850
Liabilities		
Currency hedging, unrealized losses	-	17,794
Contributions received in advance	859,848	42,063
Accounts payable (note 4)	434,302	101,513
Income and other taxes payable	40,584	17,316
	1,334,734	178,686
Net assets represented by unitholders= equity	$ 6,558,105	$ 4,174,164
Units outstanding (note 5(a))	601,478	366,811
Net asset value per unit	$ 10.90	$ 11.38

Approved by the Director of the Manager,

McELVAINE INVESTMENT MANAGMENT LTD.

"Tim McElvaine"
Tim McElvaine

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statements of Net Investment Income (Loss)
For the Years Ended December 31

	1999	1998
Investment income		
Dividends	$ 237,784	$ 195,834
Interest	58,386	38,277
Foreign withholding tax	(3,192)	(1,056)
	292,978	233,055
Expenses		
Audit fees	7,951	4,800
Bank charges and interest	1,316	975
Investment counsel fees (note 6)	428,021	98,136
Management fees (note 7)	24,118	14,610
Trustee, custodial and legal fees	2,442	1,555
	463,848	120,076
Investment income (loss) before taxes	(170,870)	112,979
Income and other taxes (note 8)	43,402	20,023
Net investment income (loss)	$ (214,272)	$ 92,956

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statements of Net Gain on Investments
For the Years Ended December 31

	1999	1998
Realized gains and losses		
Proceeds from sale of investments	$ 5,319,446	$ 1,975,028
Cost of investments sold	3,563,615	1,347,499
	1,755,831	627,529
Currency hedging	(41,891)	(132,544)
Foreign exchange	(8,434)	28
	1,705,506	495,013
Change in net unrealized gains and losses		
Investments	(82,435)	(126,485)
Currency hedging	45,146	(22,082)
	(37,289)	(148,567)
Net gain on investments	$ 1,668,217	$ 346,446

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statements of Changes in Net Assets
For the Years Ended December 31

	1999	1998
Increase in assets from operations:		
Net investment income (loss)	$ (214,272)	$ 92,956
Net gain from investing activities	1,668,217	346,446
	1,453,945	439,402
Distributions paid from:		
Net investment income	-	(99,620)
Realized gains	(1,502,055)	(495,013)
Return of capital	(203,450)	-
	(1,705,505)	(594,633)
Unit trust transactions:		
Issue of units for cash	1,457,146	1,018,706
Reinvestment of distribution	1,705,505	592,313
Redemption of units	(527,150)	(1,057)
	2,635,501	1,609,962
Increase in net assets	2,383,941	1,454,731
Net assets at beginning of year	4,174,164	2,719,433
Net assets at end of period	$ 6,558,105	$ 4,174,164

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statements of Financial Highlights
For the Years Ended December 31

Per unit outstanding	1999	1998	1997	1996 Sept. 27, 1996 (Inception) to Dec. 31,1996
Net asset value – beginning of period	$11.38	$11.38	$10.29	$10.00
Income from operations				
Net investment income (loss)	(0.49)	0.34	(0.23)	(0.07)
Net gain from investing activities	3.84	1.55	1.55	0.36
Total income from operations	3.35	1.89	1.32	0.29
Distribution to investors				
From net investment income	-	(0.32)	-	-
From net realized gains on investments	(3.37)	(1.57)	(0.23)	-
Return of capital	(0.46)	-	-	-
Total distributions	(3.83)	(1.89)	(0.23)	-
Net asset value - end of period	$ 10.90	$ 11.38	$ 11.38	$ 10.29

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statement of Investments
As at December 31, 1999

Investment portfolio

	Number	Average Cost $	Market Value $
CANADA			
Equities (59.7% of total net assets)			
Bovar Inc. Class "A"	1,067,000	370,967	224,070
Concord Pacific Group Inc.	450,000	400,066	328,500
Denison Mines Ltd.	2,068,000	308,045	237,820
FACS Records Storage Income Fund	42,250	339,705	310,538
Highwood Resources Ltd.	400,000	262,600	276,000
Jascan Resources Inc.	361,500	308,449	325,350
Mikes Restarurants Inc.	80,000	173,904	168,000
Oceanex Income Fund Trust	50,000	401,386	422,500
Rainmaker Entertainment Group Ltd.	466,100	543,303	512,710
Small Fry Snack Foods Ltd.	200,000	455,015	410,000
Sun–Rype Products Ltd.	200,000	521,490	700,000
		4,084,930	3,915,488
Bonds (3.8%)			
Federal Business Development Bank of Canada S&P 500 Bear Note due March 16, 2000 (Face value $255,000)		233,498	252,718
Total Canadian securities		4,318,428	4,168,206
UNITED STATES			
Equities (10.3%)			
Mattel Inc.	35,000	653,672	662,974
TPI Enterprises Inc.	660,000	0	12,383
		653,672	675,357
Bonds (5.6%)			
Loewen Group International 8.25% due April 15, 2003 Series 2 (Face value US$500,000)		401,317	368,018
Total United States securities		1,054,989	1,043,375

Statement of Investments
As at December 31, 1999

Investment portfolio

	Number	Average Cost $	Market Value $
JAPAN			
Equities (7.1%)			
Asahi Broadcasting Corporation	2,000	150,155	254,338
Chubu-Nippon Broadcasting Co., Ltd.	15,000	172,191	211,949
Total Japanese securities		322,346	466,287
MISCELLANEOUS			
Equities (4.0%)	243,100	219,619	260,425
Put Options (.8%)	400	77,365	52,090
Total Miscellaneous securities		296,984	312,515
Total investment portfolio, December 31, 1999 (91.3%)		$5,992,747	$5,990,383
Total investment portfolio, December 31, 1998 (82.3%)		$3,353,884	$3,433,955

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST
Statement of Investments
As at December 31, 1999

	Contract Value at Inception Foreign Currency	Contract Value at Inception	Contract Value at Dec.31,1999	Unrealized Gain (Loss)
Currency hedging, unrealized gains				
Yen, forward date				
March 09, 2000	- 35,283,379	$ 506,000	$ 503,077	$ 2,923
U.S. Dollar, forward date				
March 09, 2000	U$ 392,409	579,000	565,690	13,310
April 26, 2000	U$ 292,934	433,000	421,881	11,119
Total unrealized gains, December 31, 1999				$ 27,352
Total unrealized gains, December 31, 1998				$ Nil
Total unrealized losses, December 31, 1998				$ (17,794)

The credit rating of the counterparty to all of the above contracts is AA
(Dominion Bond Rating Service)

See accompanying notes to financial statements

1. Organization

The McElvaine Investment Trust (the "Trust") is an unincorporated unit trust, governed by the laws of British Columbia, formed under the terms of a Master Declaration of Trust dated September 27, 1996. The Trust is managed by McElvaine Investment Management Ltd. (the "Manager"), which also provides investment counselling services pursuant to the Master Investment Counsel Agreement (the "Investment Counsel"). Effective January 31, 1999, the Master Investment Counsel and Master Management Agreements were assigned from Cundill Funds Inc. to McElvaine Investment Management Ltd.

2. Summary of significant accounting policies

The financial statements of the Trust are prepared in accordance with generally accepted accounting policies followed by the mutual fund industry in Canada. The significant accounting policies are as follows:

a. Investments

Investments are stated at year end market values, which are generally determined at the last sale price or the midpoint between the closing bid and asked quotations reported either by appropriate securities exchanges or in the over-the-counter market. In respect of any securities for which the last sale price or closing bid price is unavailable, such securities will be valued at their fair value as determined by the Manager on the basis of the latest reported information available.

Average cost is used to compute realized and unrealized gains and losses on investments.

b. Foreign exchange

Purchases and sales of foreign securities and the related income and gains and losses are translated into Canadian dollars at the rates of exchange prevailing at the date of the respective transaction. Investments, other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the close of each business day. Realized gains and losses and the change in unrealized gains and losses on foreign exchange transactions, including the purchase and sale of forward contracts, are included in the statement of net gain on investments.

c. Forward currency contracts

The Trust may enter into forward foreign currency contracts, the purpose of which is to hedge against exposure to foreign currency fluctuations. The carrying value of these forward contracts is the gain or loss that would be realized if, on valuation day, the position were closed out. For financial statement purposes this value is recorded as an unrealized gain or loss. When the contracts are closed or expire, gains and losses are recognized and included in realized gains and losses.

Gains and losses arise due to changes in the value of the foreign currency. Losses may also occur if the counterparty does not perform under the contract.

d. **Put options**

The Trust may buy put options, which are contracts entitling the holder of the option to sell the underlying security, at a specified price, on or before the contract's stated expiration date. The risk in buying an option is that the Trust pays a premium whether or not the option is exercised. The premium paid for the purchase of the put option is included in the statement of investments and is marked-to-market to reflect the current market value of the option. When the contracts are disposed of, exercised or expire, gains or losses are recognized and included in realized gains and losses.

e. **Income taxes**

The Trust qualifies as a unit trust for income tax purposes and allocates to its unitholders all net investment income and realized net gains, which would otherwise attract tax in the Trust. The Trust has an accrued tax liability in respect of penalty tax payable on ineligible foreign property holdings during the taxation year.

f. **Income and expenses**

The accrual method of recording income and expenses is followed by the Trust, with dividends recorded as receivable on the ex-dividend date of the related shares.

g. **Per unit values**

Per unit amounts are calculated as follows:

Net asset value	On the number of units outstanding at the year end
Net investment income (loss)	On the weighted average number of units outstanding during the year
Distributions	On the number of units outstanding at the date of record

h. **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reporting period. Actual results could differ from those estimates.

3. Cash and cash equivalents

	1999	1998
Cash in bank		
Canadian	$ 1,359,184	$ 47,618
Foreign	473	49
Treasury bills and term deposits maturing within 91 days, at amortized cost which approximates market value	491,090	866,969
	$ 1,850,747	$ 914,636

4. Accounts payable

	1999	1998
Management and investment counsel fees	$ 430,192	$ 99,513
Other	4,110	2,000
	$ 434,302	$ 101,513

5. Unitholders' equity

a. Authorized and issued capital

The Trust has an unlimited number of units authorized pursuant to the Master Declaration of Trust. Redemptions may only occur on the first day of every month with appropriate notice and may be restricted in certain circumstances as set forth in the Offering Memorandum.

	1999	1998
Issued units are summarized as follows:		
Balance, beginning of year	366,811	239,068
Issued for cash	114,042	75,779
Issued on reinvestment of distribution	156,421	52,050
Redemptions	(35,796)	(86)
Balance, end of year	601,478	366,811

b. Unrealized gains and losses

Included in the unitholders' equity of the Trust are unrealized gains (losses) as follows:

	1999	1998
Investment portfolio, at market value	$ 5,990,383	$ 3,433,955
Investment portfolio, at cost	5,992,747	3,353,884
	(2,364)	80,071
Currency hedging	27,352	(17,794)
	$ 24,988	$ 62,277

6. Investment counsel fee

Pursuant to the Master Investment Counsel Agreement, the Trust will pay to the Investment Counsel an annual incentive fee (the "Performance Incentive Fee") equal to twenty-five percent (25%) of the amount by which:

(a) the increase in Net Asset Value of the Trust for each fiscal year as calculated at the close of business on each fiscal year-end, adjusted for contributions and redemptions made by the investors and for any Shortfall (as defined below) from the previous fiscal year (the "Incentive Return"), exceeds

(b) the return that would be generated annually by the average interest rate (the "Average Rate") applied to the Net Asset Value of the Trust as calculated at the close of business of the previous fiscal year-end of the Trust, adjusted for contributions and redemptions made by the investors (the "Base Return"). The Average Rate is the 12 month simple average of the Hurdle Rate. The "Hurdle Rate" is the average yield indicated by the Bank of Canada on the last 91 day T-bill auction by the Bank of Canada in each month.

If in any fiscal year the Incentive Return is less than the Base Return, no Performance Incentive Fee shall be paid for that fiscal year and the difference between the Base Return and the Incentive Return (the "Shortfall") is carried forward to the succeeding fiscal year and, after adjustment for redemptions as set out below, deducted in the calculation of the Incentive Return for that year. The Shortfall deducted in any year is reduced by an amount such that the proportion that the reduction bears to the Shortfall is equal to the proportion that the number of Units which were outstanding at the end of the previous fiscal year and which are redeemed during the year bears to the total number of Units outstanding at the end of the previous fiscal year.

The Performance Incentive Fee, if any, is determined monthly during a fiscal year for the purpose of calculating the Net Asset Value per Unit at the end of each month, but is paid to the Investment Counsel annually within one (1) month of the fiscal year-end of the Trust from cash held in the Trust.

7. **Management fee**

The Trust has agreed to pay the Manager, as compensation for management and administration services rendered, an annual fee of 0.4% of the average Net Asset Value of the Trust, calculated and paid monthly.

8. **Income and other taxes**

	1999	1998
Goods and Services Tax	$ 32,580	$ 8,582
Federal income taxes	10,822	11,441
	$ 43,402	$ 20,023

The Federal income taxes are in respect of penalty tax on ineligible foreign property holdings in the taxation year.

9. **Distributions**

Distributions by the Trust are generally declared in December in respect of net investment income and net realized gains, net of loss carry forwards applied for the current fiscal year.

The payment or reinvestment of distributions reduces the net asset value per unit by the amount of the distribution per unit, because the distributions paid in cash reduce the net asset value of the Trust while reinvestment results in an increase in the number of units outstanding.

10. **Fair values**

Generally accepted accounting principles require disclosure of the fair value of financial instruments. The Trust's investments and currency hedging contracts are carried at market values in accordance with mutual fund industry standards. The fair values of financial instruments other than investments and currency hedging contracts approximate their carrying values given their short term nature.

11. **Uncertainty due to the Year 2000 issue**

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could effect the Trust's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Trust, including those related to the efforts of investees, suppliers, or other third parties, will be fully resolved.