

**THE McELVAINE INVESTMENT
TRUST**

FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999



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AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust (the "Trust")

We have audited the statements of net assets of the Trust as at December 31, 2000 and 1999, and the statement of investments as at December 31, 2000. We have also audited the statements of net investment loss, net gain on investments and changes in net assets of the Trust for the years ended December 31, 2000 and 1999, and the statements of financial highlights for each of the years in the five year period ended December 31, 2000. These financial statements are the responsibility of the Trust's Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the investments of the Trust as at December 31, 2000, its financial position as at December 31, 2000 and 1999 and the results of its operations and the changes in its net assets for the years then ended, and its financial highlights for each of the years in the five year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

January 26, 2001



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THE McELVAINE INVESTMENT TRUST

Statements of Net Assets

As at December 31

Assets	2000	1999
Investment portfolio, at market value	\$10,167,216	\$5,990,383
Currency hedging, unrealized gains	18,377	27,352
Cash, deposits and margin deposits (note 3)	492,122	1,850,747
Accounts receivable and other assets	25,886	24,357
Income taxes recoverable	17,858	-
	<hr/>	<hr/>
	10,721,459	7,892,839
 Liabilities		
Contributions received in advance	6,000	859,848
Accounts payable and accrued liabilities	463,058	434,302
Redemptions payable	1,015	-
Income and other taxes payable	35,999	40,584
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	506,072	1,334,734
Net assets represented by Unitholders' equity	<u>\$10,215,387</u>	<u>\$ 6,558,105</u>
Units outstanding (note 4(a))	829,735	601,478
Net asset value per unit	<u>\$ 12.31</u>	<u>\$ 10.90</u>

Approved by the Director of the Manager,

McELVAINE INVESTMENT MANAGEMENT LTD.

"Tim McElvaine"

Tim McElvaine

Director

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statements of Net Investment Loss

For the years ended December 31

	2000	1999
Investment income		
Dividends	\$ 124,439	\$ 237,784
Interest	113,530	58,386
Withholding tax	<u>(3,283)</u>	<u>(3,192)</u>
	234,686	292,978
Expenses		
Audit fees	11,259	7,951
Bank charges and interest	1,580	1,316
Investment counsel fees (note 7)	386,221	428,021
Management fees (note 6)	35,080	24,118
Trustee, custodial and legal fees	<u>5,920</u>	<u>2,442</u>
	440,060	463,848
Net investment loss before taxes	(205,374)	(170,870)
Income and other taxes (note 8)	<u>40,109</u>	<u>43,402</u>
Net investment loss	<u>\$ (245,483)</u>	<u>\$ (214,272)</u>
Net investment loss per unit	<u>\$ (.33)</u>	<u>\$ (.49)</u>

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statements of Net Gain on Investments

For the years ended December 31

	2000	1999
Realized gains and losses		
Proceeds from sale of investments	\$ 3,283,343	\$ 5,319,446
Cost of investments sold	<u>2,708,661</u>	<u>3,563,615</u>
	574,682	1,755,831
Currency hedging	(37,369)	(41,891)
Foreign exchange	<u>(3,850)</u>	<u>(8,434)</u>
	<u>533,463</u>	<u>1,705,506</u>
Change in net unrealized gains & losses		
Investments	1,300,956	(82,435)
Currency hedging	<u>(8,975)</u>	<u>45,146</u>
	<u>1,291,981</u>	<u>(37,289)</u>
Net gain on investments	<u>\$ 1,825,444</u>	<u>\$ 1,668,217</u>
Net gain on investments per unit	<u>\$ 2.42</u>	<u>\$ 3.84</u>

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets

For the years ended December 31

	2000	1999
Net assets at beginning of year	\$ 6,558,105	\$ 4,174,164
Increase in net assets from operations:		
Net investment loss	(245,483)	(214,272)
Net gain on investments	<u>1,825,444</u>	<u>1,668,217</u>
	1,579,961	1,453,945
Distributions paid from:		
Realized gains	(297,695)	(1,502,055)
Return of capital	<u>(235,769)</u>	<u>(203,450)</u>
	(533,464)	(1,705,505)
Unit trust transactions:		
Issue of units for cash	2,426,646	1,457,146
Reinvestment of distribution	533,464	1,705,505
Redemption of units	<u>(349,325)</u>	<u>(527,150)</u>
	2,610,785	2,635,501
Increase in net assets	<u>3,657,282</u>	<u>2,383,941</u>
Net assets at end of year	<u>\$ 10,215,387</u>	<u>\$ 6,558,105</u>

See accompanying notes to financial statements

THE MCELVAINE INVESTMENT TRUST

Statements of Financial Highlights
For the Years Ended December 31

Data per unit

	2000	1999	1998	1997	* 1996
Net asset value – beginning of period	\$ 10.90	\$ 11.38	\$ 11.38	\$ 10.29	\$ 10.00
Income from operations					
Net investment income (loss)	(0.33)	(0.49)	0.34	(0.23)	(0.07)
Net gain on investments	<u>2.42</u>	<u>3.84</u>	<u>1.55</u>	<u>1.55</u>	<u>0.36</u>
Total income from operations	<u>2.09</u>	<u>3.35</u>	<u>1.89</u>	<u>1.32</u>	<u>0.29</u>
Distribution to investors					
From net investment income	-	-	(0.32)	-	-
From net realized gains on investments	(0.38)	(3.37)	(1.57)	(0.23)	-
Return of capital	<u>(0.30)</u>	<u>(0.46)</u>	-	-	-
Total distributions	<u>(0.68)</u>	<u>(3.83)</u>	<u>(1.89)</u>	<u>(0.23)</u>	-
Net asset value – end of period	<u>\$12.31</u>	<u>\$ 10.90</u>	<u>\$ 11.38</u>	<u>\$ 11.38</u>	<u>\$ 10.29</u>

* September 27, 1996 (inception) to December 31, 1996

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statement of Investments

As at December 31, 2000

Investment portfolio

	Number of Shares	Average Cost \$	Market Value \$
CANADA			
Equities (79.5% of net assets)			
Bovar Inc. Class "A"	1,687,600	464,181	295,330
Concord Pacific Group Inc.	420,700	374,017	357,595
Denison Mines Ltd.	3,000,000	345,990	255,000
Fairfax Financial Holdings Ltd.	5,300	814,956	1,211,050
Glacier Ventures International	669,110	440,917	595,508
Highwood Resources Ltd.	506,000	316,130	197,340
Humpty Dumpty Snack Foods	324,000	672,516	648,000
Lindsey Morden Group Inc.	23,100	200,874	167,475
Oceanex Income Fund Trust	75,000	557,218	682,500
Rainmaker Entertainment Group Ltd.	580,000	687,107	986,000
Softkey Software Products	25,000	454,500	650,000
Sun-Rype Products Ltd.	225,000	610,765	933,750
Tri-White Corporation	200,000	408,877	384,000
West Fraser Timber Co., Ltd.	13,400	282,070	358,450
Westshore Terminals ITU	100,000	283,290	405,000
Total Canadian Securities		6,913,408	8,126,998
UNITED STATES			
Bonds (6.8%)			
Loewen Group	(Face Value)		
8.25 % 2003/04/15	US\$ 1,000,000	750,172	690,069
Equities (10.0%)			
Mattel Inc.	35,000	653,672	758,176
Merchants Group Inc.	10,000	238,760	262,526
Total U.S. Securities		1,642,604	1,710,771

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statement of Investments

As at December 31, 2000

Investment portfolio	Number Of Shares	Average Cost \$	Market Value \$
MISCELLANEOUS			
Equities (3.0%)	1,248,605	235,247	302,726
Put Options (.2%)	800	77,365	26,721
Total Miscellaneous securities		312,612	329,447
Total Securities		8,868,624	10,167,216
Derivative Instruments (0.2%) (see schedule of Derivative Instruments)			18,377
Total Investments at Market Value (99.7%)			\$ 10,185,593

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Statement of Investments

As at December 31, 2000

SCHEDULE OF DERIVATIVE INSTRUMENTS

Forward Currency Contracts *

Amounts Bought (Sold) in U.S. Dollars	Amounts Bought (Sold) in Canadian \$	Maturity Date	Current Market Value \$	Unrealized Gain (Loss) \$
(1,255,783)	1,900,000	Mar. 13, 2001	1,881,623	18,377
Total Derivative Instruments (Market Value)				<u>\$ 18,377</u>

* The credit rating of the counterparty for the above contract, Bank of Montreal, is AA (low) - Dominion Bond Rating Service Ltd.

See accompanying notes to financial statements

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

For the Years Ended December 31, 2000 and 1999

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

a. General

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

b. 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.

c. 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.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

For the Years Ended December 31, 2000 and 1999

d. Forward foreign 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.

e. 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.

f. 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.

g. 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.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

For the Years Ended December 31, 2000 and 1999

h. 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

i. Use of estimates

The preparation of financial statements in conformity with Canadian 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

	2000	1999
Cash in bank		
Canadian	\$ 485,182	\$ 1,359,184
Foreign	6,940	473
Treasury bills and term deposits maturing within 91 days, at amortized cost which approximates market value	<u>-</u>	<u>491,090</u>
	<u>\$ 492,122</u>	<u>\$ 1,850,747</u>

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

For the Years Ended December 31, 2000 and 1999

4. 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.

	2000	1999
Issued units are summarized as follows:		
Balance, beginning of year	601,478	366,811
Issued for cash	216,782	114,042
Issued on reinvestment of distribution	43,330	156,421
Redemptions	<u>(31,855)</u>	<u>(35,796)</u>
Balance, end of year	<u>829,735</u>	<u>601,478</u>

b. Unrealized gains and losses

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

	2000	1999
Investment portfolio, at market value	\$ 10,167,216	\$ 5,990,383
Investment portfolio, at cost	<u>8,868,624</u>	<u>5,992,747</u>
	1,298,592	(2,364)
Currency hedging	<u>18,377</u>	<u>27,352</u>
	<u>\$ 1,316,969</u>	<u>\$ 24,988</u>

5. Cost of investments sold

The principal components of the cost of investments sold by the Trust are as follows:

	2000	1999
Investments at average cost, beginning of year	\$ 5,992,747	\$ 3,353,884
Cost of investments purchased	<u>5,584,538</u>	<u>6,202,478</u>
	11,577,285	9,556,362
Investments at average cost, end of year	<u>8,868,624</u>	<u>5,992,747</u>
Cost of investments sold	<u>\$ 2,708,661</u>	<u>\$ 3,563,615</u>

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

For the Years Ended December 31, 2000 and 1999

6. Management fee

The Trust has agreed to pay the Manager, as compensation for management and administration services rendered, a monthly fee of 1/12 of 0.4% of the net asset value of the Trust, determined prior to the calculation of any fee payable to the Investment Counsel.

7. 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 and accrued 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.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

For the Years Ended December 31, 2000 and 1999

8. Income and other taxes	2000	1999
Goods and Services Tax	\$ 30,394	\$ 32,580
Federal income taxes	<u>9,715</u>	<u>10,822</u>
	<u>\$ 40,109</u>	<u>\$ 43,402</u>

The Federal income taxes are in respect of a 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 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

Canadian 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 Canadian 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.