

Capital Preservation

*“The first rule is not to lose your capital and
the second rule is not to forget the first rule”*

-Warren Buffet

To say that the year 2000 was an investment roller coaster ride is probably the understatement of the year. We ended 1999 in the midst of high tech investment euphoria as media and Internet reports all had lofty expectations for the new millennium. As we entered 2000, who could fault investors for painting an extremely rosy picture for the New Year? We had just successfully weathered the Y2K meltdown paranoia and the burst of incredible stock market strength of late 1999 was carrying into 2000.

Unfortunately, the old school of hard core investment analysis had been cast aside as inexperienced and greedy investors felt that they had discovered the motherlode. By the first quarter of 2000, substantial paper profits were scored by individuals truly believing that “trees could grow to the sky”. Moreover, the new paper wealth of unsophisticated investors was used to pyramid further into more new economy and dot.com assets, as well as a multitude of discretionary purchases such as new homes, cars and vacations.

But there was nothing inherently different with this apparently glittering investment cycle that investors hadn't seen over the past 500 years. This included the tulip-mania in 17th century Holland, pre-1929 stock market speculation or even \$800 ounce gold in 1979-1980. However, widespread fear and greed leading to vastly over-valued common share valuations by late 2000 eventually culminated in tremendous investor disappointment and financial loss.

In the investment world, capital preservation or protecting one's basic cash pool is paramount. The loss of this sum is tantamount to being knocked out of a boxing match or fouling out of a basketball game. The fact is that capital preservation was all-important for 2000, in a year of trillions of dollars of North American investment losses.

As an observation, I find it very peculiar that we hear very little about the extensive 2000 losses in comparison to investors' cocktail party braggadocio of their previous winnings. Perhaps investors have been suffering in silence, are too embarrassed to discuss their extensive losses or are in denial. This point brings me back to capital preservation or “saving your backside” during a time of incredible investor duress. On this subject I offer several inferences:

1. Always expect the unexpected, especially in light of the early year 2000 “can't miss investment environment”. Unanimous investor euphoria often leads to certain unexpected disappointment.
2. Above all, investors must protect their investment capital. It is far more important to forgo an investment opportunity than to gamble one's capital in the midst of an illogical investment feeding frenzy. Such manias often result in major financial losses.
3. While year 2000 could have made investors considerable profit if they were very, very nimble, most investors are not so agile. Clearly, a defensive, low risk, Y2K value portfolio, to preserve one's capital, was probably the best investment strategy during this extraordinary, tumultuous period.

ECONOMIC PERSPECTIVES**The Dreaded R-Word**

With the U.S. economy showing definite signs of a slowdown, many analysts have proffered the view that a dreaded recession is not looming, but rather, a soft landing or subdued business growth lies ahead.

While a soft landing may, in fact, be in place, our concern relates to a number of other factors, which might precipitate a deeper slowdown or recession. Some of these factors include: a regressing consumer wealth effect caused by declining stock prices; the negative publicity or psychology of recessionary talk influencing

consumers, investors and financiers to retrench; the adverse effects of higher energy prices and the fact that the longest period of economic prosperity since WWII is a little long in the tooth. A natural conclusion to a lower growth environment is that both businesses and consumers will be downsizing their demands for goods and services. During the course of this downscaling, overly extended businesses and consumers could be casualties, resulting in corporate reorganizations, debt rescheduling and even bankruptcies.

INVESTMENT PERSPECTIVES**Tumultuous Trading**

One distinct characteristic of the North American equity market over the past year has been the incredible price volatility of common stocks. While shares had been trending upward during the latter part of 1999 and early 2000, the ensuing period has seen increasing price variation. This price dispersion may be attributable to the cyclical stock market top, blow-off from the peak of day trading and the resultant indecisiveness of investors.

The net effect of this tumultuous trading has been a gradual loss of investor confidence in those high-flying stocks such as high technology and dot coms, which had previously driven the market skyward. Absent from the present market place is the boundless bravado and excessive optimism which neophyte investors had displayed less than six months ago. This occurrence, we believe, is a necessary prerequisite toward a market bottom and future stock market opportunity.

PORTFOLIO PERSPECTIVES**Open For Opportunities**

During the final quarter of 2000 we continued our policy of upgrading our ABC portfolios, culling disappointing stocks, improving the funds' tax effectiveness and raising portfolio liquidity.

We sold out our positions in Aur Resources, Guilford Mills, Harrowston Inc, Maxx Petroleum, Noranda, Rothmans and Royal Aviation and added shares of Ketch Energy, Cominco Ltd,

Gulf Canada Resources and Search Energy. We reduced our ownership in a number of other stocks as well. In early December our shares of Startech Energy were the object of a takeover by Arc Energy; we expect to sell these shares in the New Year.

With the extremely uncertain market outlook ahead we have raised portfolio liquidity so as to be open to future opportunities.

The ABC Client

Since we started our first ABC Fund in February 1988, our focus has been to service high net worth individuals. We have encouraged client contact and as long as requests are within reason we attempt to satisfy all inquiries.

We installed a toll-free 1-888-OPEN-ABC line, a monthly investment commentary message line, 1-877-ABC-VALU and have tried to diligently update our two Internet sites, www.abcfunds.com and www.valueinvestigator.com whenever possible. We will continue to improve our client communications in 2001.

About five years ago due to our distinct value style, discipline and reputation we were selected by two pension funds to manage their assets. A third fund joined us two years later. We were flattered when selected, as it was highly unusual for pension funds to invest in pooled funds such as ABC. However, in all candour, this institutional business was not really part of our marketing plan. Since we continued to focus on individual asset management, it was hard to satisfy and fulfill the particular demands of institutional pension funds, which included investment committees, fiduciary, corporate and pension guidelines, as well as a set rate of investment return parameters. It was difficult to please all.

A nagging concern was that with the three pension funds comprising over a third of the ABC Fundamental-Value Fund, we were vulnerable. The pension funds could leave on one month's notice and ultimately have a substantial impact on the fund's management style and performance. It was as if the Sword of Damocles was overhanging us.

In fact, in late fall 2000 we were notified by all three pension funds of their intention to

leave the ABC Fundamental-Value Fund. There were three distinct reasons for their leaving: 1) a takeover of one company; 2) a shift in investment policy in another and 3) a change in the pension fund committee of the third. The redemptions were to be orderly and completed by the end of February 2001. Fortunately, with the Fund's significant cash position due to our defensive investment outlook, we have been able to handle all outflows with a minimum of fund impact. Actually, the ABC Fundamental-Value Fund, in spite of these events, completed the month of December 2000 with a positive 5% return and a total 2000 net return of 7.5%, which bettered the TSE 300.

As portfolio manager, while I appreciate the confidence and patronage of the three pension funds, it is with a sense of relief that they depart. I mention "relief" in that we can now invest in common stocks without the nagging concern that a third of the Fund could leave at anytime. Furthermore, while the ABC Funds might now be a little smaller in size, I honestly believe that the funds will be easier to manage. Moreover, as a substantial investor in the ABC Funds, I would like to reaffirm that it is the performance or investment returns that motivate me rather than the absolute size of the ABC Funds.

Our goal for 2001 is to continue to manage the three ABC Funds with the best of our ability. No one client totals over 5% of the funds. We now have a diversified client base and intend to focus strictly on high net worth clientele and our disciplined value investment style.

Irwin A. Michael, CFA

Looking Back... Looking Ahead

In looking back at the year 2000, one could probably describe it best with the Charles Dickens quote: "it was the best of times, it was the worst of times..."

As we entered 2000, everyone was preoccupied with the Y2K bug and whether light switches would work at 12:01 AM on January 1, 2000. At the same time, investors were full of giddiness as the late 1999 high tech and dot.com mania swept through the financial market place. When the Y2K bug, in fact, turned out to be a non-event, the stock market started a spectacular advance, peaking at 11,423 on September 5. However, in between this great bull-run, there were bouts of extreme market weakness, particularly in the spring of 2000. This weakness and the growing crescendo of investor hallucinations of extreme optimism began to foreshadow the ensuing market and high tech decline of late 2000.

As a value investor, I could not believe the extraordinary valuations that investors were placing on Initial Public Offerings or IPOs. Nor could I explain it to clients who quizzed me. IPOs, with no earnings and little revenue, went public at astronomical pricing; not only were these shares outrageously valued but in many cases their valuations soared further as they subsequently doubled, tripled and even quadrupled in price. No analysis or research was needed. Never had so much paper money been made with so little analytical effort. This dreamy environment made no rational sense nor could it last. At the peak of this period, coincident with the woes of the value management style, two well-respected stock market gurus either shutdown their operations or substantially curtailed their investment management business. These individuals were namely George Soros and Julian Robertson. The absolute shock and retrenchment of these two prominent investors probably represented the capitulation bottom of value management.

Close to the peak of the market euphoria, I had a chance meeting with a well-meaning friend. While he appreciated our disciplined, value style of the ABC Funds, he offered to set up a meeting with his 15 year-old nephew who "could really pick high tech stocks". He might, as my friend suggested,

offer some hot investment picks. I never did meet the nephew but the conversation caused me to profoundly question the state of the stock market and the worth, at that particular time, of an Ivy League business degree, CFA and 27 years of investment experience. Nonetheless, our staunch investment disciplines carried us on.

Of particular note, I recently came across a quotation of renowned economist John Kenneth Galbraith. The following excerpt is from his book The Great Crash, which described the pre-1929 speculative investment environment. Galbraith's description was remarkably similar to the heady days of the 1999-2000 period:

"Men sought not to be persuaded of the reality of things but to find excuses for escaping into the new world of fantasy in which stock prices, increasing by vaulted leaps, bore no relationship to corporate earnings."

My overall conclusion in looking back over 2000 is that history constantly repeats itself and investors will invariably duplicate the same mistakes that they made generations earlier.

In looking ahead, I foresee 2001 to be an extremely volatile, challenging investment environment. Investors will have to be on their toes with hardcore, fundamental analysis, good market sense and great patience. I sense that we will see a bona fide movement back to "value investing" and this event will create many opportunities. As a result, I expect 2001 to be a stock picker's market with wide swings in stock price valuations. The price variations will largely be a result of investors' indecisive market opinions. This price volatility, I believe, will create many profitable situations. We intend to remain disciplined, to adhere to our value style and to be proactive.

All the best for 2001.

Irwin Michael, CFA



A Message From ABC

We would like to take this opportunity to thank you, our clients, for your ongoing support and patience throughout 2000. The Canadian stock market was extremely volatile during the year. At one point after showing a gain of over 30% the TSE dropped precipitously from its September 2000 high during the final three months of the year. For the entire year 2000, the TSE 300 Index recorded a modest total return of 7.4% and while the ABC Fundamental-Value Fund lagged the TSE Index for most of the year, it did come back to beat the TSE with a 7.51% return. Overall, we are very optimistic that the markets will return to value performance. As a result, we expect a very promising year for value portfolios. We appreciate your confidence and would like to state that we intend to stick with our value investment style throughout 2001. We wish you a very healthy and prosperous 2001 and hope that you will keep in touch with us throughout the year with any comments or questions.

2001 Quarterly Client Meeting Schedule

January 26, 2001

July 20, 2001

April 20, 2001

October 26, 2001

REMINDER: All clients turning 69 this year must roll their RRSPs into RRIFs before December 31, 2001.

Keeping you informed in 2001

Needless to say, after reading this latest Perspective, you can tell we are optimistic on value stocks for 2001. The current market is far from a textbook case and is confounding and frustrating many investors. We will try to take advantage of all potential opportunities. This makes it extremely important for us to maintain channels of communication with you. We would like to remind you again to take advantage of the many mediums of communication we offer.

Our newest addition to our offerings is our Value Investigator web site. Launched in April 2000, valueinvestigator.com has grown substantially to include over 15 common share holding descriptions which are periodically updated. The site is updated weekly and it includes a monthly audio commentary as well. This site has been well received by clients, prospects and the media alike. Value Investigator allows us to communicate, in detail, recent purchases and sales and to specifically point out the rationale for our actions. If you haven't already, please visit the site.

Of course we cannot forget our main site abcfunds.com, which serves to inform you of all the traditional fund information - prices, performance, distributions, portfolio and online versions of the ABC Perspective and Monthly Commentaries. This year we will be redesigning this site to better serve its visitors.

Last but not least we have our Value Line at 416-365-9442 or 877-ABC-VALU. Every month, Irwin Michael records a brief message to inform listeners of the events of the last month and offers a preview of the month to come. As with our web sites, this service is available 24 hours a day, 7 days a week.

For those of you with email access, we would like to inform you of our web site update notification service. Whenever certain parts of our web sites are updated, we send out an email notifying subscribers. We don't like to clutter your inbox so we try to restrict our emails to once or twice a week. For more information on this service and to subscribe, please visit www.valueinvestigator.com/update/ when you get a chance.

Thank you,

Gabriel Rulli & Ian D'Souza

ABC Fully-Managed Fund (ABC FMF)

NAVPS	6.7992
Inc. Dist.	0.0522114

December 31, 2000

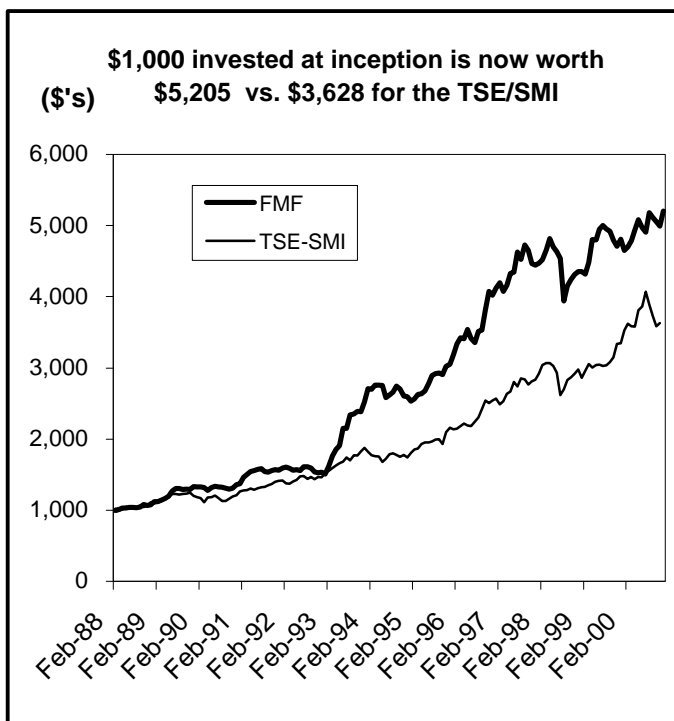
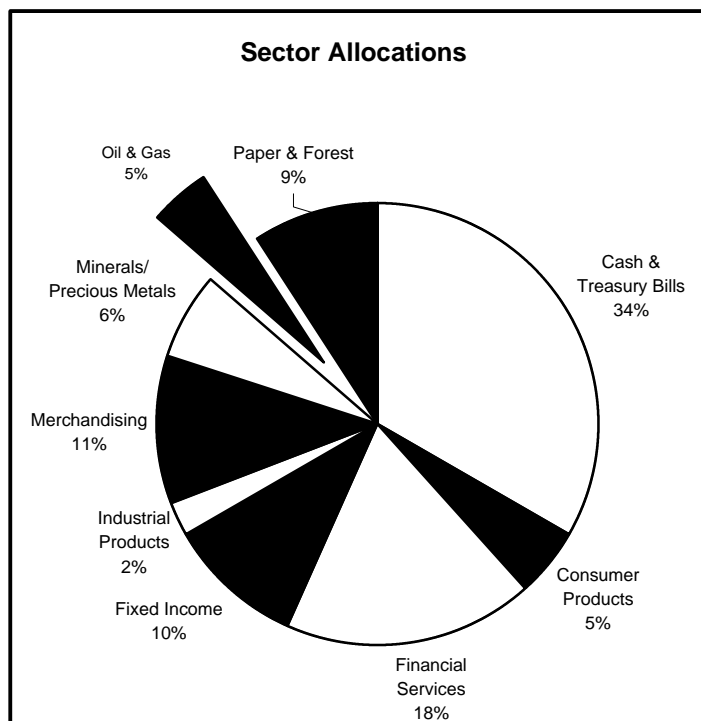
Objective

ABC Fully-Managed Fund is a diversified Canadian balanced fund. While our long-term asset mix target is 50% fixed income and 50% Canadian equities, in practice, our portfolio mix of stocks versus bonds is quite flexible to take advantage of periodic investment opportunities.

Performance of the Fund vs. the Benchmark

Annualized Compounded Rates of Return			Annual Returns		
	ABC FMF (%)	Benchmark**		ABC FMF (%)	Benchmark**
1 Year	8.31	8.71	1989	23.68	17.10
2 Year	9.34	11.47	1990	2.17	-4.08
3 Year	5.41	8.86	1991	14.69	17.08
5 Year	11.32	11.59	1992	-1.48	4.11
10 Year	14.36	11.75	1993	64.35	25.27
Since Inception*	13.72	10.56	1994	2.82	-2.15
			1995	17.25	18.27
			1996	31.99	20.18
			1997	10.56	12.47
			1998	-2.03	4.51
			1999	10.38	15.29
			2000	8.31	8.71

*Inception date for the Fund was February 22nd, 1988
 **Benchmark consists of 50% of the TSE300 Total Return Index and 50% of the Scotia Capital Markets Universal Bond Index



ABC Fully-Managed Fund, Statement of Investment Portfolio

December 31st, 2000

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.5020

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)	No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 33.24%				PAPER & FOREST PRODUCTS -- 9.27%			
2,298,413	C\$ Cash	2,298	2,298	150,000	Norske Skog Canada Ltd.	2,300	2,513
0	U\$ Cash	-	-	300,000	Nexfor Inc.	2,888	2,130
10,177	RT CAP Cash In Action Fund	1,018	1,018	<u>TOTAL</u>			
0	RT CAP Cash In Action Fund US \$	-	-	5,188 4,643			
3,500,000	Ontario T-Bills, 5.69%, 01/15/01	3,467	3,467	MINERALS/PRECIOUS METALS-- 6.2%			
2,000,000	Canada T-Bills, 5.62%, 01/18/01	1,973	1,973	100,000	Cominco Ltd.	1,805	2,505
1,500,000	Canada T-Bills, 5.62%, 02/01/01	1,478	1,478	1,875,000	Eastmain Resources Inc.	1,031	600
1,500,000	Ontario T-Bills, 5.76%, 02/14/01	1,482	1,482	<u>TOTAL</u>			
2,000,000	Ontario T-Bills, 5.66%, 02/08/01	1,981	1,981	2,836 3,105			
1,500,000	Canada T-Bills, 5.62%, 03/01/01	1,479	1,479	INDUSTRIAL PRODUCTS -- 2.39%			
1,500,000	Canada T-Bills, 5.52%, 03/15/01	1,480	1,480	200,000	AT Plastics	2,280	420
<u>TOTAL CASH</u>				125,000	Co-Steel Inc.	2,485	775
16,655 16,655				<u>TOTAL</u>			
				4,765 1,195			
FIXED INCOME -- 9.87%				OIL & GAS -- 4.58%			
2,000,000	Cdn Occidental - 6.85% 11/15/06	1,960	1,998				
2,000,000	Co-Steel Conv. Deb. - 6.50% 4/30/	1,780	1,281	300,000	Gulf Canada Resources	2,199	2,295
2,000,000	Stelco Unsec. Deb. - 8% 2/15/06	1,998	1,664	<u>TOTAL</u>			
<u>TOTAL</u>				2,199 2,295			
5,738 4,942							
COMMON STOCKS -- 56.89%				CONSUMER PRODUCTS -- 5.00%			
FINANCIAL SERVICES -- 18.23%							
100,000	Laurentian Bank	2,554	2,785	250,000	Canada Bread Company	2,510	2,612
150,000	National Bank	2,322	3,990	<u>TOTAL</u>			
175,000	Surrey Metro Savings Credit	2,253	2,354	2,510 2,612			
<u>TOTAL</u>							
7,129 9,129							
MERCHANDISING -- 11.01%							
150,000	Hudson's Bay Company	2,513	2,205				
250,000	North West Co. Inc.	2,166	2,310	<u>TOTAL COMMON STOCK</u>			
250,000	Suzy Shier Ltd.	2,381	1,000	31,687 28,493			
<u>TOTAL</u>				<u>TOTAL PORTFOLIO</u>			
7,060 5,515				54,079 50,089			

ANY RATES OF RETURN PRINTED IN THIS PUBLICATION ARE FOR HISTORICAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS FUTURE PERFORMANCE.

ABC FUNDS

ABC Fundamental-Value Fund (ABC FVF)

NAVPS	10.7482
Inc. Dist.	0.1546401

December 31, 2000

Objective

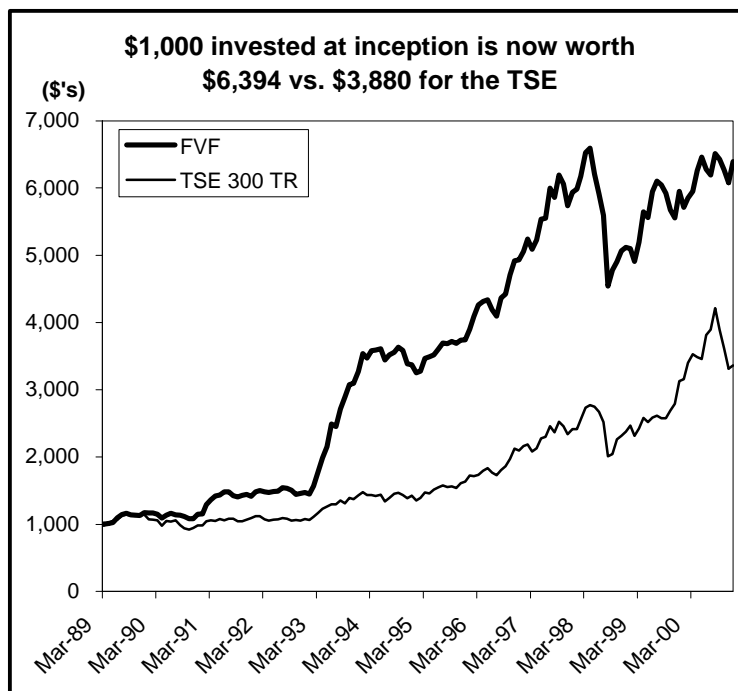
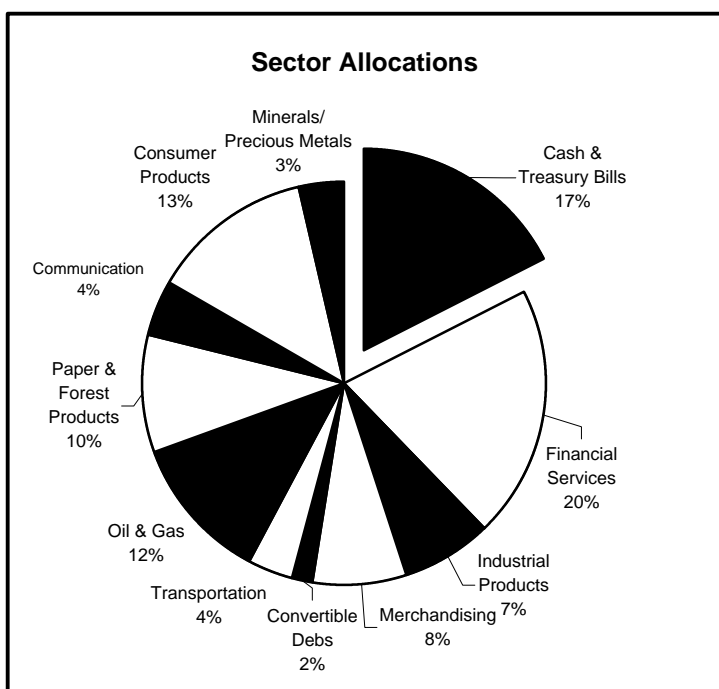
ABC Fundamental-Value Fund seeks out fundamentally undervalued Canadian equities. Our extensive "value research" style attempts to ferret out overlooked and out of favour Canadian equities. With these discerning selections we cobble a diversified portfolio of small, medium and large capitalization Canadian value stocks. When fully invested and having discovered new, fundamentally attractive securities, our sell discipline forces us to cull our portfolios to liquidate the most expensive holdings.

Performance of the Fund vs. the Benchmark

Annualized Compounded Rates of Return			Annual Returns		
	ABC FVF (%)	Benchmark**		ABC FVF (%)	Benchmark**
1 Year	7.51	7.41	1990	-1.98	-14.80
2 Year	11.80	18.94	1991	22.92	12.02
3 Year	2.51	11.66	1992	4.05	-1.43
5 Year	11.30	15.49	1993	122.19	32.55
10 Year	18.70	13.14	1994	3.03	-0.18
Since Inception*	17.08	11.14	1995	11.08	14.53
			1996	31.75	28.35
			1997	20.35	14.98
			1998	-13.81	-1.58
			1999	16.25	31.71
			2000	7.51	7.41

*Inception date for the Fund was March 20, 1989

**Benchmark consists of the TSE300 Total Return Index



ABC Fundamental-Value Fund, Statement of Investment Portfolio
December 31st, 2000

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.5020

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 17.50%			
2,844,883	C\$ Cash	2,845	2,845
63,756	RT CAP Cash In Action Fund	6,376	6,376
14	RT CAP U\$ Cash Mgmt Fund	2	2
7,500,000	Ontario T-Bill, 5.67%, 01/15/0	7,471	7,471
7,500,000	Cda T-Bill, 5.52%, 03/15/01	7,398	7,398
7,500,000	Ontario T-Bill, 5.66% , 02/08/0	7,427	7,427
<u>TOTAL CASH</u>		31,519	31,519
CONVERTIBLE DEBENTURES -- 1.72%			
4,852,000	Co-Steel Inc. 6.50%, 04/30/07	4,197	3,106
<u>TOTAL CONVERTIBLE</u>		4,197	3,106
COMMON STOCKS -- 80.78%			
PAPER & FOREST PRODUCTS -- 9.58%			
1,000,000	International Forest Products	4,281	3,900
750,000	Nexfor Inc.	7,078	5,325
350,000	Norske Skog Canada Ltd.	5,424	5,863
265,000	Taiga Forest Corp.	2,556	2,173
<u>TOTAL</u>		19,339	17,261
FINANCIAL SERVICES -- 20.32%			
315,000	Dundee Bancorp	4,998	5,749
200,000	Laurentian Bank	5,179	5,570
600,000	MFP Financial	5,475	5,940
525,000	National Bank	7,606	13,965
400,000	Surrey Metro Savings Credit	5,267	5,380
<u>TOTAL</u>		28,525	36,604
INDUSTRIAL PRODUCTS -- 7.09%			
494,700	Co-Steel Inc.	8,945	3,067
550,000	Premdor Inc.	6,068	4,043
1,250,000	Stelco Inc.	9,991	4,562
800,000	Strongco Inc.	4,000	1,120
<u>TOTAL</u>		29,004	12,792

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 7.57%			
500,000	Hudson's Bay Company	7,721	7,350
375,000	North West Co. Inc.	3,870	4,331
490,000	Suzy Shier Ltd.	4,729	1,960
<u>TOTAL</u>		16,320	13,641
OIL & GAS -- 11.53%			
1,435,688	Gulf Canada Resources	9,653	10,983
700,000	Ketch Energy Ltd.	2,551	2,660
720,400	Search Energy	1,458	1,657
500,000	Startech Energy	3,807	5,450
<u>TOTAL</u>		17,469	20,750
CONSUMER PRODUCTS -- 13.12%			
365,000	Andres Wines Ltd. "A"	4,497	4,015
326,600	Arbor Memorial Services "B"	4,354	2,531
925,000	Canada Bread Company	9,262	9,666
825,000	FPI Limited	4,639	7,425
<u>TOTAL</u>		22,752	23,637
MINERALS/PRECIOUS METALS -- 3.48%			
250,000	Cominco Ltd.	4,624	6,263
<u>TOTAL</u>		4,624	6,263
COMMUNICATION -- 4.40%			
675,000	Regional Cable Inc.	7,465	7,931
<u>TOTAL</u>		7,465	7,931
TRANSPORTATION -- 3.69%			
150,000	Canadian National Railway	5,520	6,653
<u>TOTAL</u>		5,520	6,653
<u>TOTAL COMMON STOCK</u>		151,019	145,532
<u>TOTAL PORTFOLIO</u>		186,735	180,157

ANY RATES OF RETURN PRINTED IN THIS PUBLICATION ARE FOR HISTORICAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS FUTURE PERFORMANCE.

ABC American-Value Fund (ABC AVF)

NAVPS	4.3665
Inc. Dist.	0.0006753

December 31, 2000

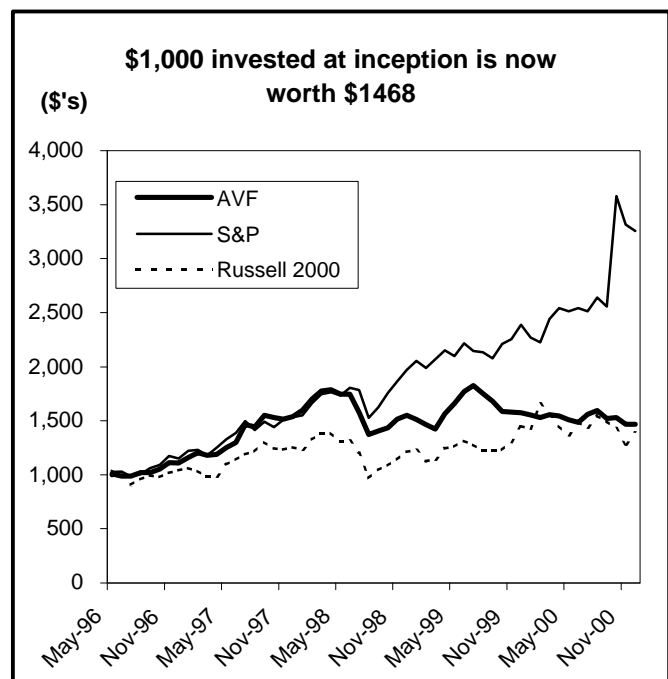
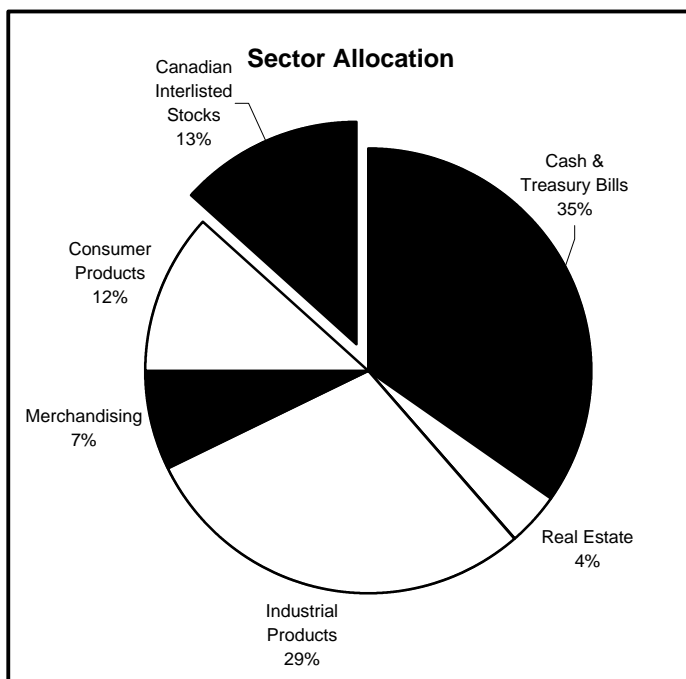
Objective

ABC American-Value Fund searches out fundamentally undervalued American and foreign U.S. stock exchange listed common shares. While using the same investment techniques as our two Canadian ABC Funds, the American market due to its sheer size provides us with extensive value opportunities. The American Value Fund is unrestrained by the Canadian 20% RSP limits; therefore, it offers maximum portfolio flexibility.

Performance of the Fund vs. U.S. Benchmarks

	ABC AVF (%)	RUSSELL 2000 (%)	S&P 500 (%)
1 Month	0.07	8.43	-1.83
4th Qtr 2000	-3.54	-7.26	27.33
1 Year	-6.66	-4.20	36.36
2 Year	-2.68	7.05	21.04
3 Year	-1.55	3.43	25.73
4 Year	7.27	7.46	29.70
Compounded Since Inception	8.74	7.28	28.77

Note: Inception date is May 2nd, 1996



ABC American-Value Fund, Statement of Investment Portfolio

December 31st, 2000

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 34.69%			
501,443	Cash	501	501
1,721	RT CAP Cash In Action Fun	170	172
960,124	US \$ Cash	1,450	1,442
11,368	RT CAP US\$ Cash Fund	1,723	1,707
500,000	Canada T-Bill,5.60%,02/01/01	493	493
1,000,000	Ontario T-Bill,5.66%,02/08/00	990	990
<u>TOTAL CASH</u>		5,328	5,306

COMMON STOCKS -- 65.31%

INDUSTRIAL PRODUCTS -- 29.24%

40,000	Arcast Industrial Corp.	1,234	597
20,000	Ameron International Corp.	1,124	1,119
65,000	Ampco-Pittsburgh Corp.	1,147	1,172
30,000	Atchison Casting Corp.	687	127
25,000	Dura Automotive Systems Ir	1,051	197
100,000	Griffon Corp.	1,095	1,183
44,100	National Steel Corporation	644	79
<u>TOTAL</u>		6,982	4,473

CONSUMER PRODUCTS -- 11.71%

60,000	Haggar Corp.	1,145	1,036
110,000	TBC Corp.	1,163	754
<u>TOTAL</u>		2,308	1,790

exchange rate used is 1.5020

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 7.14%			
32,500	Dillard's Inc.	1,164	577
75,000	Syms Corp.	1,364	514
<u>TOTAL</u>		2,528	1,091

REAL ESTATE -- 3.99%

100,000	Amrep Corp.	1,334	610
<u>TOTAL</u>		1,334	610

CANADIAN INTERLISTED STOCKS -- 13.25%

73,200	Canada Bread Company	735	765
100,000	Gulf Canada Resources Ltd	733	765
67,500	Premdor Inc.	738	496
<u>TOTAL</u>		2,206	2,026

TOTAL COMMON STOCK

15,358 9,990

TOTAL PORTFOLIO

20,687 15,296

ANY RATES OF RETURN PRINTED IN THIS PUBLICATION ARE FOR HISTORICAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS FUTURE PERFORMANCE.

Opportunity Knocks

*- a favourable situation presents itself
-Oxford American Dictionary*

Opportunities often present themselves unexpectedly and without great fanfare. The window of opportunity is often quite limited and is not considered an obvious opportunity by investors at that time. Opportunity, in reality, is not viewed as advantageous or profitable until well after the fact; investors will frequently lament not taking an opportunity after it has become very obvious to all. By then the price of the security has bounced up to its true value and it is far too late to do anything.

In consequence, when opportunity knocks, an investor must anticipate and be assertive. One must react without hesitation. But to act quickly, an investor must have the utmost of conviction. This confidence becomes a question of significant research and security analysis. The more fact finding and investigative scrutiny one performs, the greater one's conviction. Obviously with greater conviction, the more inclined an investor will be to propitiously take advantage when opportunity does knock.

With the relatively poor stock market performance in 2000, many investors were severely disappointed and have tossed out of their portfolios perfectly sound companies which have simply not performed in a flashy momentum/growth market. Many of these stocks are out-of-favour, value shares which are fundamentally attractive but possessing little market appeal. Resource stocks

including oil and gas, forest products, retailers and many small capitalization companies immediately come to our mind.

While we have been negative on the stock market since September 2000, we believe that with a slowing American economy, weaker U.S. dollar and potentially lower interest and tax rates, change is afoot. We believe that while the stock market will remain incredibly volatile, we do see a shift toward value stocks and selectively higher share prices.

It is our view that value stocks remain cheap and are primed to move higher in price. Moreover, it is our intention to do considerable investigative research over the next several months to ferret out grossly underpriced value securities. The selected stocks would be those which should benefit from the present changing economic conditions as well as mergers, acquisitions and takeovers. Although our current research and purchase strategy may be vulnerable to continued share price volatility, we believe that investor patience will be amply rewarded over the next 12 months. We profoundly believe that opportunity knocks and we intend to be proactive.

Irwin A. Michael, CFA

This newsletter is published by
I.A. Michael Investment Counsel Ltd. and the ABC Funds
8 King Street East, Suite 500 Toronto, Ontario M5C 1B5
Phone: (416)365-9696 Toll Free: 1-888-OPEN ABC Fax: (416)365-9705
Web sites: www.abcfunds.com www.valueinvestigator.com Email: info@abcfunds.com
Update Line: 1-877-ABC-VALU or (416) 365-9442

The information contained in this investment letter is not and under no circumstances is to be construed as a solicitation or recommendation to buy or sell securities, including, without limitation, any units of any of the ABC Funds. While the information contained in this newsletter has been drawn from sources believed to be reliable, its accuracy or completeness cannot be guaranteed, nor in providing it does I.A. Michael Investment Counsel Ltd. assume any responsibility or liability. I.A. Michael Investment Counsel Ltd., its directors, officers, and other employees may, from time to time, have positions in securities mentioned in this letter. I.A. Michael Investment Counsel Ltd. is the manager and investment advisor of the ABC Funds, and as such, receives from the Funds certain management and investment advisory fees based on the net asset value of the Funds from time to time. Irwin Michael is the sole shareholder of I.A. Michael Investment Counsel Ltd.