

Buying Toonies for Loonies

We try to buy a toonie for a loonie. We hunt for stocks that tend to be dirt cheap, underfollowed and held in a fair amount of disdain by analysts. And ultimately, those stocks purchased with the least amount of analytical recognition usually produce the greatest amount of investment returns.

- Irwin A. Michael, CFA

The ABC Funds' investment management philosophy is rather strikingly simple; we are deep-value investors. We review corporate balance sheets, income statements and news releases. We study company documents as we search for hidden assets. We review investment dealer reports for further understanding. In addition we will frequently interview management with a multitude of questions to acquire greater insight into their corporate operations. We also speak with sell-side analysts who may offer us a different perspective on a company's state of affairs.

With all this analytical input we formulate an investment opinion with disciplined buy and sell price targets. Although we might miss on the odd opportunity, generally our rigorous screening practices lead us to a greater understanding and increased likelihood of investment success. While our analytical procedures usually involve serious and at times tedious investigation it is our view that a stock thoroughly researched and well-purchased will tend to yield superior long-run returns.

There is no secret formula to our "buying toonies for loonies". Specifically we focus on the strict disciplines of value investing such as low price earnings and cash flow multiples, discount to book and net asset values, etc. But of even greater significance is the regimen of sticking to our value style in spite of markets temporarily going against us. During these occasions our patience is seriously

tested. A particular example was the late 1998-early 2000 period when the high technology mania was in full force. Throughout this 20-month period we were pushed to the limits of our investment convictions. Fortunately we adhered to our approach based on our Ten Commandments of Value Investing and withstood the intense short-term pressures to reconsider our policies.

But there is another important factor to buying toonies for loonies. Specifically we need a patient, understanding ABC investor. I do not wish to understate this fact that a knowledgeable investor with a lengthy time horizon is an invaluable asset. Knowing that our investors fully comprehend and are committed to our investment style gives us the stamina to ferret out, purchase and hold onto those dirt-cheap stocks that can augment our portfolios' returns.

Looking forward, rest assured, that we do not intend to deviate from our investment style nor our working disciplines.

ECONOMIC PERSPECTIVES**Slow But Steady Improvement**

Although there exists considerable worldwide political, economic and investment uncertainty we do not foresee an economic recession. We expect continued accommodative U.S. Federal Reserve monetary policies and stimulative U.S. government fiscal actions. Furthermore we believe that the lowest North American interest rates in over 40 years remain a powerful economic stimulant.

While North American consumer spending has largely powered economic activity over the past two years we expect corporate capital expenditures to gradually expand. Economic growth, in short, we believe, will exhibit slow but steady improvement. Moreover if there is any resolution or diminution of the overhanging macro economic uncertainty it is our view that equities could surprise and perform exceedingly well.

INVESTMENT PERSPECTIVES**Investment Consistency**

One of the most important investment qualities is consistency. We believe consistency of style, in particular, is a necessary ingredient toward investment success. But this is easier said than done since investment frenzies tend to last longer than normally expected until they are corrected. During a mania the pressure on a manager to ditch his investment style to join the delirious crowds can be enormous. Clearly this was the case during the late 1998-early 2000 high tech craze.

In retrospect our 2001-2002 first quartile investment performance was a function of the consistency factor. Fortunately we stuck to our deep-value investment style throughout a very difficult financial environment. While we expect 2003 to be an extremely challenging year we fully intend to abide by the investment consistency of our deep-value style.

PORTFOLIO PERSPECTIVES**Focused, Positive and Patient**

As we look ahead to 2003 our ABC portfolio plans include focused objectives, a positive outlook and a patient attitude. For the past 12 months we have been diligently searching for fundamentally undervalued stocks in a treacherous stock picker's market. In all candour it has not been easy as volatile markets and uncertain political and economic circumstances provided for erratic investment performance.

Over the past three months we have significantly reduced our cash reserves and have added new, fundamentally-undervalued holdings such as Kingsway Financial Services, Nexen Inc., Nexfor Inc., Talisman Energy and Ameron International Corp. Overall, while we anticipate continued market volatility in 2003 we are optimistic and expect continued corporate mergers, takeovers, share buybacks, and ultimately, improved stock prices.

Working Hard

If someone says, "I have worked hard and I have not been successful," don't believe him. If someone says, "I have not worked hard and I have been successful," don't believe him. If someone says, "I have worked hard and I have been successful," believe him!!!

- Talmud

Let's face it, the investment business is a fulltime 24 hour – 7 day a week job. Information, which is the heart of investment analysis, is a constant, never-ending flow of economic data, corporate results and analytical commentary. In all candour the analysis of this non-stop information is hard work. As investment analysts we must be always alert and ever-ready to dissect and astutely utilize all information which may bombard us.

Not all information, however, is relevant and meaningful to an investment decision. In fact, it is hard work to distinguish between the red herrings of news and the serious consequential facts which are germane to successful investing.

Research is the cornerstone of successful investing and "working hard" is the key to successful research. Furthermore I am

convinced of the strong relationship between hard work and investment success. Working hard may include waking up early in the morning to study overseas stock reports or to fully prepare for the 9:30 AM market opening. It may also include thoroughly poring over a company annual report or extensively reviewing the technical stock chart patterns of innumerable common shares.

This working hard process does, in fact, bear fruit. The slightest little tidbit of information can tip a stock from a conservative hold to a strong sell. It is the hard work of bird-dogging and hunting for new knowledge that can give a fundamental analyst the necessary edge that he may need to attain superior returns.

Irwin A. Michael, CFA

Administrative Update

ABC Funds would like to thank all unitholders for your continuing patience and support. Best wishes to you and your families for the coming new year. We hope it is healthy and prosperous for us all. The new dates for the Client Seminars are listed below. We hope you can attend.

Friday, January 24, 2003

Friday, April 25, 2003

Friday, July 25, 2003

Friday, October 24, 2003

Five ABC Funds Favourites For 2003

AMERON INTERNATIONAL CORPORATION

Ameron International Corporation is a multinational manufacturer of products and materials for the chemical, industrial, energy, transportation and infrastructure markets. Among the products that Ameron develops and markets are protective coatings and finishes for oil and gas equipment as well as pipelines and fittings for the transmission of water, petroleum and petrochemicals. The company also supplies ready-mix concrete and other aggregates as well as producing concrete and steel traffic lighting poles.

Having declined from a May 2002 peak price of \$78, Ameron shares currently sell at a 12% discount to expected year-end book value of \$59, under 8 times earnings per share of approximately \$7 and less than 5 times cash flow per share of about \$12. Ameron shares pay a dividend of \$1.28 and currently yield over 2%. We believe the dividend is secure given the firm's low debt level and high cash flow generation. In addition, not one U.S. analyst officially covers Ameron and therefore its story is not very well known. We also believe that Ameron could very well be a takeover target given that management owns less than 1% of the shares.

Notably, Ameron's Infrastructure Group had higher year over year sales in the third quarter due to continued strength of housing construction in the U.S. and military and road construction in Hawaii. We believe this trend will continue as housing starts and new home sales in the US remain strong while military spending remains firm given the current geopolitical environment and recent Republican victory in the U.S. mid-term elections. We expect the macroeconomic and political risks currently associated with Ameron will eventually subside and the Company's multiple will return to its historical average of between 10 and 12 times earnings. A multiple expansion combined with earnings growth presents compelling upside potential for Ameron's shares. Downside risk in the stock is mitigated by a well-financed dividend and a current tangible book value of over \$54 a share.

KINGSWAY FINANCIAL SERVICES INC.

Kingsway Financial is a Canadian-based property and casualty insurance underwriter that does approximately 75% of its business in the United States. The Company writes primarily non-standard automobile insurance for drivers who fail to qualify for standard coverage.

Kingsway also writes commercial automobile, trucking, property, motorcycle, taxi and other specialty policies.

In fiscal 2001, Kingsway wrote \$1.065 billion in gross premiums, a 66% increase from fiscal 2000. Earnings per fully diluted share increased 49% to \$1.19 in 2001 compared to \$0.80 the previous year. Kingsway had a combined ratio (expenses and claims divided by net premiums earned) of 99.1% in 2001, implying that the Company was profitable even before investment gains, unlike many of its industry peers.

Since the beginning of 2002, the shares have been under pressure as investors became concerned with two issues. First, Kingsway's available capital was becoming stretched after a period of aggressive growth. However, the Company has recently issued \$78 million of unsecured senior debentures and has completed a private placement of approximately US\$15 million in trust preferred securities to strengthen its balance sheet. Second, the Ontario auto business has been unprofitable due to high levels of fraudulent claims, particularly in the GTA. However, legislative changes and rate increases will have a positive impact on profitability in 2003.

In October of this year, the stock traded below its Q3 book value of \$12.09 and at less than 10 times next years' earnings, which represented a significant discount to the Company's competitors. Given the Company's historical profitability, its pricing discipline and the mitigating factors discussed above, we believed that the shares were undervalued. Even after some recent price appreciation, Kingsway should continue to do well in the coming year.

PRIME HOSPITALITY CORPORATION

Prime Hospitality Corp. is an owner, manager and franchisor of hotels. It currently operates 240 hotels, containing 30,460 rooms located in 33 states. Prime controls two hotel brands, AmeriSuites, which are upscale all-suites hotels, and Wellesley Inns & Suites, which are mid-price limited service hotels. The company also operates a portfolio of upscale, full-service hotels under franchise agreements with national hotel chains.

Prime Hospitality (PDQ) is in the midst of transforming itself from a hotel owner/operator to a franchisor and manager of hotel brands. The strategy is to sell the company's land and hotels to independent owners. The Company will then receive a royalty fee for supplying the

brand names, advertising, and supporting infrastructure. We believe that this strategy is good for a number of reasons. First, by selling its land and hotels, PDQ is unlocking the illiquid real estate value that is not fully reflected in its stock price. Second, the company can use the proceeds to pay down debt and repurchase shares. As a result of smaller interest payments and fewer outstanding shares, earnings and cash flow per share should improve. Finally, this strategy will allow the company to focus entirely on its key strengths: managing and growing the AmeriSuites and Wellesley brands.

PDQ currently trades at a 50% discount to its 2002 expected year-end book value. We anticipate that this discount will narrow as the company continues to raise cash through its franchising strategy while paying down debt and repurchasing shares. We are confident that PDQ's CEO A.F. Petrocelli will make choices that are in the best interest of shareholders since he himself has a meaningful equity stake. We also expect that when business travel improves, occupancy rates and REVPAR will lead to increased room sales and thus higher franchising fees. With these forces at work, we believe that significant upside potential exists for PDQ stock in the next 12-18 months.

RIVERSIDE FOREST PRODUCTS LIMITED

Riverside Forest Products, a B.C. based producer of plywood, veneer and lumber, has faced strong, diametrically opposing forces in 2002. Countervailing and anti-dumping duties resulted in a combined tariff of 27% on Riverside's lumber shipments to the United States. Sadly, the softwood lumber dispute has persisted much longer than we had anticipated. However, the strength of the North American housing market has created exceptional demand for wood products.

Riverside's financial results for fiscal 2002, ended September 30, are a testament to management's efforts in what was an extremely difficult year. Total sales reached \$469 million compared to \$461 in fiscal 2001, an increase of approximately 2%. Sales of plywood and veneer accounted for 33% of total sales or \$161 million. Lumber products accounted for 54% of total sales or \$260 million, before the punitive duties on exports to the United States. Earnings per share totaled \$1.17 in 2002, an increase of 30% from the \$0.90 earned in fiscal 2001. Riverside was able to report improving profits due to cost control, the reversal of a provision for duties on shipments made before May 22, 2002 and lower interest charges due to net debt reduction of almost \$30 million.

At \$10.50, Riverside Forest Products is currently trading at only 0.5 times its book value of \$20.05 and 9 times

fiscal 2002 earnings. Long-term debt to long-term debt plus equity remains at a manageable 35%. As the return on shareholders' equity improves from the 6% achieved in fiscal 2002, we would expect the discount to book value to narrow. Until then, Gordon Steele, President and CEO, is expected to continue to focus on streamlining operations, managing cash and paying down debt in order to position the Company for the future.

SHERMAG INC.

Over the course of the past two years or so, the economy and the housing sector have shown a pronounced disconnect. Economic malaise, especially in the United States, has led to a period of monetary easing and record low interest rates. This in turn has led to a surge in new and existing home sales. Shermag, a Canadian furniture manufacturer, illustrates this dichotomy quite nicely, because although the consumer has been hesitant to spend freely, the strength of the housing sector has created good demand for residential furniture.

For the first half of fiscal 2003, Shermag reported gross revenue of \$90.7 million, an increase of 20% from \$75.3 million last year. Despite a difficult pricing environment, the Company has had good success with the independent furniture store channel and with the new line of imported, traditionally styled furniture. Operationally, management continues to do a great job. Gross margins improved from 27.2% to 27.7% for the first half of the fiscal year. Selling and administrative expenses as a percentage of sales declined from 16.1% to 12.1%. Also, interest costs declined significantly due to a reduction in net debt, which has fallen to just \$4 million from \$13.6 million at the beginning of the year. Revenue growth and margin improvement translated into fully diluted earnings per share of \$0.51 for the first six months of fiscal 2003 compared to \$0.16 last year.

We are extremely impressed with Shermag's progress over the past year and a half. Jeff Casselman and his team have done a great job turning around the Company's operations amid a very difficult macro-environment. However, the stock has declined from a high of \$15 in May as investors became nervous about the resiliency of the consumer and the sustainability of housing demand. This correction seems to have played out and we now expect that investors will focus on Shermag's ability to continue to show good earnings growth.

Irwin A. Michael, CFA

ABC Fully-Managed Fund (ABC FMF)

NAVPS	7.9150
Inc. Dist.	0.0045

December 31, 2002

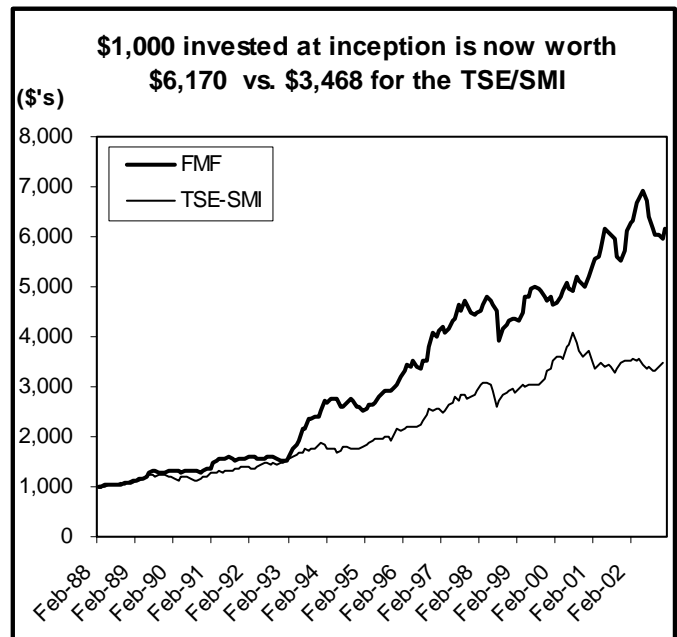
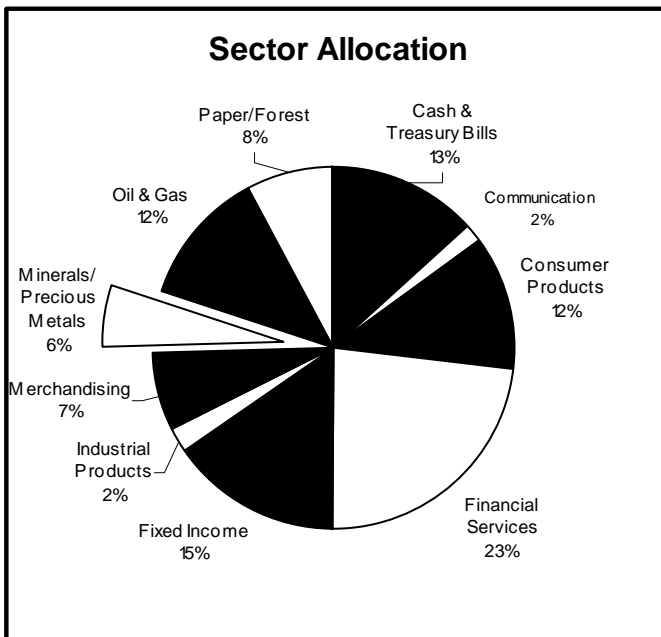
Objective

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 Month	3.39	1.57	1989	23.68	17.20
Q4 2002	2.39	4.45	1990	2.17	-4.32
1 Year	0.77	-1.47	1991	14.69	17.35
2 Year	8.87	-2.22	1992	-1.48	4.75
3 Year	8.68	1.30	1993	64.35	24.36
5 Year	6.78	4.29	1994	2.82	-2.64
10 Year	14.91	8.98	1995	17.25	17.97
Since Inception*	13.05	8.75	1996	31.99	19.5
			1997	10.56	12.22
			1998	-2.02	3.84
			1999	10.37	14.29
			2000	8.31	8.71
			2001	17.62	-2.96
			2002	0.77	-1.47

*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, 2002

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 13.26%			
105,403	C\$ Cash	105	105
435	U\$ Cash	1	1
82,503	RT CAP Cash In Action Fund	8,250	8,250
0	RT CAP Cash In Action Fund US \$	0	0
	<u>TOTAL CASH</u>	8,356	8,356

FIXED INCOME -- 15.24%

2,500,000	Hudson's Bay Co. conv., 7.50%, 12/16/08	2,138	2,193
2,000,000	Nexen Inc., 6.85%, 11/15/06	1,960	2,122
2,000,000	Gerdau Ameristeel, conv. 6.50%, 4/30/07	1,780	1,458
2,000,000	Magellan Aerospace, conv. 8.50%, 01/31/08	2,000	2,000
2,000,000	Nova Chemical ., 7.85%, 08/30/10	1,984	1,830
	<u>TOTAL</u>	9,863	9,603

COMMON STOCKS -- 71.50%

FINANCIAL SERVICES -- 22.89%

10,000	E-L Financial Corp.	2,625	2,300
200,000	Kingsway Financial Services	2,308	2,738
100,000	Laurentian Bank	2,554	2,724
250,000	MFP Financial	2,321	1,813
150,000	National Bank	2,322	4,845
	<u>TOTAL</u>	12,130	14,420

MERCHANDISING -- 6.80%

200,000	Hudson's Bay Company	2,356	1,784
250,000	La Senza Corp.	2,381	2,500
	<u>TOTAL</u>	4,737	4,284

INDUSTRIAL PRODUCTS -- 2.40%

275,000	Agricore - United	2,305	1,513
	<u>TOTAL</u>	2,305	1,513

exchange rate used is 1.5798C

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MINERALS/PRECIOUS METALS-- 5.52%			
300,000	Teck Corporation	2,571	3,480
	<u>TOTAL</u>	2,571	3,480

COMMUNICATION -- 1.73%

250,000	Persona Inc.	2,331	1,088
	<u>TOTAL</u>	2,331	1,088

OIL & GAS -- 12.30%

50,000	Canadian Natural Resources	2,441	2,340
75,000	Nexen Inc.	2,381	2,569
50,000	Talisman Energy Inc.	2,691	2,843
	<u>TOTAL</u>	7,514	7,751

CONSUMER PRODUCTS -- 12.06%

225,000	Canada Bread Company	2,259	5,063
155,000	Lassonde Industries	2,689	2,534
	<u>TOTAL</u>	4,948	7,597

PAPER/FOREST PRODUCTS -- 7.80%

275,000	Canfor Corp.	2,765	2,434
300,000	Nexfor Inc.	2,375	2,475
	<u>TOTAL</u>	5,140	4,909

TOTAL COMMON STOCK 41,676 45,040

TOTAL PORTFOLIO 59,896 62,999

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

ABC Fundamental-Value Fund (ABC FVF)

NAVPS	14.5815
Inc. Dist.	

December 31, 2002

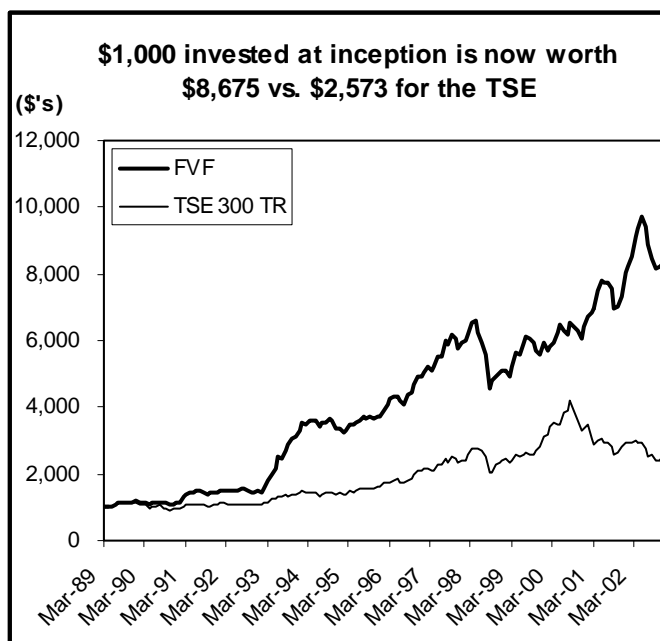
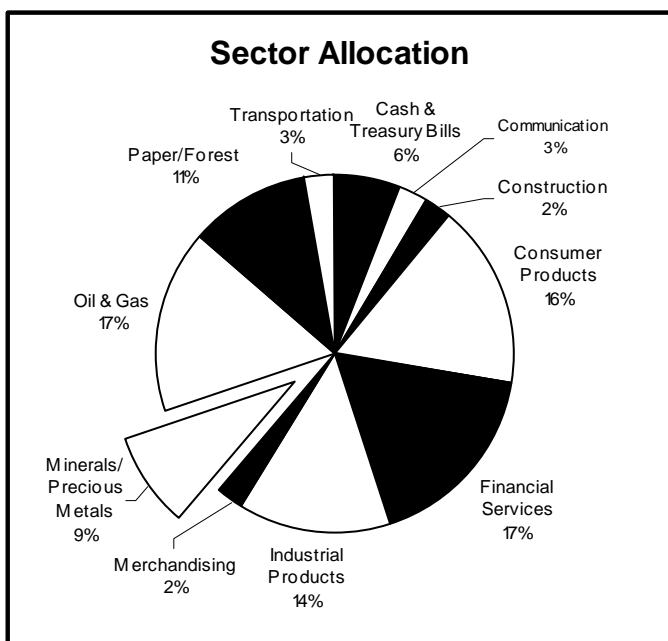
Objective

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 Month	4.67	0.91	1990	-1.98	-14.80
Q4 2002	6.31	7.53	1991	22.92	12.02
1 Year	7.62	-12.44	1992	4.26	-1.43
2 Year	16.48	-12.51	1993	121.75	32.80
3 Year	13.41	-6.32	1994	3.03	-0.63
5 Year	7.88	1.28	1995	11.08	14.83
10 Year	19.38	9.07	1996	31.75	28.35
Since Inception*	17.01	7.07	1997	20.35	14.98
			1998	-13.81	-1.58
			1999	16.25	31.71
			2000	7.51	7.41
			2001	26.06	-12.57
			2002	7.62	-12.44

*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, 2002

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.57980

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 6.08%			
60,331	C\$ Cash	60	60
4,780	U\$ Cash	8	8
132,855	RT CAP Cash In Action Fund	13,286	13,286
0	RT CAP U\$ Cash Mgmt Fund	-	-
<u>TOTAL CASH</u>		13,354	13,354

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 2.40%			
525,000	La Senza Corp.	4,970	5,250
<u>TOTAL</u>		4,970	5,250

COMMON STOCKS -- 93.92%

PAPER & FOREST PRODUCTS -- 11.00%

825,000	Canfor Corp., common	8,187	7,301
762,500	Nexfor Inc.	5,856	6,291
600,000	Riverside Forest Products	5,501	6,450
650,000	Taiga Forest Corp.	3,054	4,154
<u>TOTAL</u>		22,598	24,195

FINANCIAL SERVICES -- 17.22%

30,000	E-L Financial Corp.	8,091	6,900
200,000	Laurentian Bank	5,199	5,448
575,000	Kingsway Financial Services	6,635	7,872
650,000	MFP Financial	5,940	4,713
400,000	National Bank	5,795	12,920
<u>TOTAL</u>		31,660	37,852

INDUSTRIAL PRODUCTS -- 13.56%

600,000	Agricore - United	5,020	3,300
500,000	Groupe Laperriere & Verreault	3,793	8,600
1,000,000	Magellan Aerospace	4,007	3,280
550,000	Masonite International Inc.	6,068	14,641
<u>TOTAL</u>		18,888	29,821

TRANSPORTATION -- 2.66%

975,000	Transat AT Inc., common	6,714	5,850
<u>TOTAL</u>		6,714	5,850

OIL & GAS -- 16.52%

2,500,000	Bow Valley Energy	3,725	4,875
800,000	Devlan Exploration	2,493	1,400
825,000	Gauntlet Energy	4,004	6,806
250,000	Nexen Inc.	8,028	8,563
1,200,000	Real Resources	4,818	6,120
150,000	Talisman Energy	8,136	8,528
<u>TOTAL</u>		31,203	36,291

CONSUMER PRODUCTS -- 16.68%

365,000	Andres Wines Ltd. "A"	4,497	6,096
327,500	Arbor Memorial Services "B"	4,367	4,192
475,000	Canada Bread Company	4,755	10,688
850,000	FPI Limited	5,055	6,928
750,000	Shermag Inc.	5,379	8,775
<u>TOTAL</u>		24,052	36,678

COMMUNICATION -- 2.61%

551,700	CanWest Global Comm.	3,327	3,558
500,000	Persona Inc	5,649	2,175
<u>TOTAL</u>		8,976	5,733

MINERALS/PRECIOUS METALS -- 8.78%

300,000	Inco Limited	7,952	10,014
800,000	Teck Corporation	7,106	9,280
<u>TOTAL</u>		15,057	19,294

CONSTRUCTION -- 2.49%

1,150,000	Aecon Group Inc.	6,174	5,463
<u>TOTAL</u>		6,174	5,463

TOTAL COMMON STOCK 170,292 206,427

TOTAL PORTFOLIO 183,646 219,781

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	6.5128
Inc. Dist.	

December 31, 2002

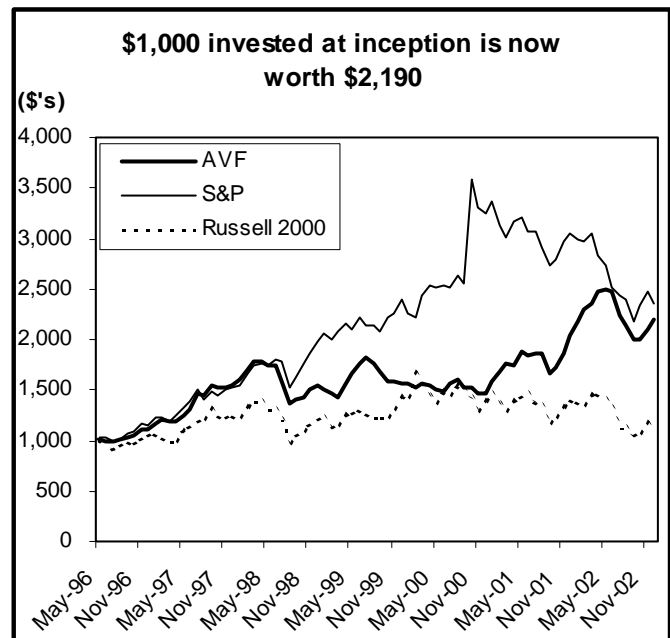
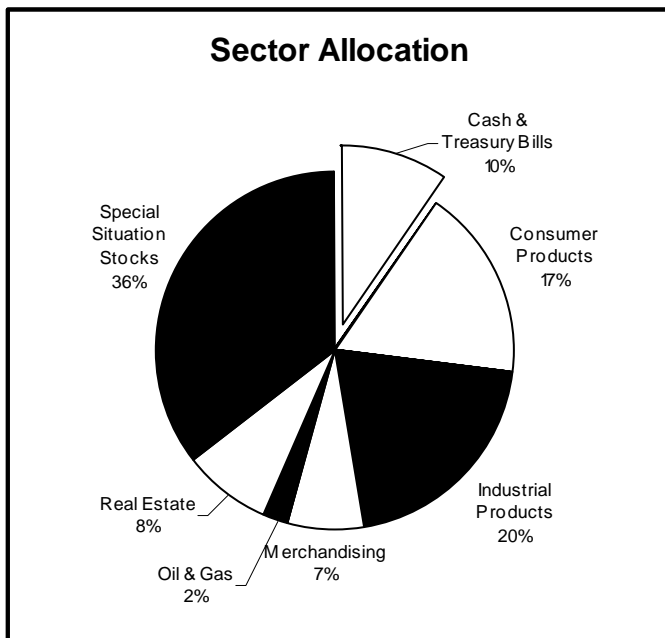
Objective

ABC American-Value Fund searches out fundamentally undervalued American, special situation 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.

Performance of the Fund vs. U.S. Benchmarks

	Annualized Compounded Rates of Return			Annual Returns			
	ABC AVF (%)	Russell 2000 (%)	S&P 500 (C\$) (%)	ABC AVF (%)	Russell 2000 (%)	S&P 500 (%)	
1 Month	4.48	-5.73	-5.03	1997	38.76	20.52	39.16
Q4 2002	9.24	5.75	8.01	1998	0.75	-3.45	37.69
1 Year	6.91	-21.58	-22.74	1999	1.47	19.62	14.14
2 Year	22.13	-10.99	-14.99	2000	-6.66	-4.20	-5.52
3 Year	11.66	-8.78	-11.94	2001	39.52	1.03	-6.45
5 Year	7.31	-2.60	1.42	2002	6.91	-21.58	-22.74
Since Inception*	12.65	1.44	8.46				

*Inception date for the Fund was May 2, 1996





ABC American-Value Fund, Statement of Investment Portfolio

December 31st, 2002

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 9.69%			
11,369	Cash	11	11
16,431	RT CAP Cash In Action Fund	1,643	1,643
36,067	US \$ Cash	57	57
6,905	RT CAP US\$ Cash Fund	1,091	1,091
<u>TOTAL CASH</u>		<u>2,802</u>	<u>2,802</u>

COMMON STOCKS -- 90.31%

INDUSTRIAL PRODUCTS -- 20.26%

15,000	Ameron Int'l Corp.	1,120	1,307
65,000	Ampco-Pittsburgh Corp.	1,147	1,249
50,000	Building Material Holding Corp	894	1,130
25,000	Dura Automotive Systems Inc.	1,051	397
82,500	Griffon Corp.	821	1,775
<u>TOTAL</u>		<u>5,031</u>	<u>5,857</u>

OIL & GAS-- 2.04%

82,700	Tesoro Petroleum	1,317	591
<u>TOTAL</u>		<u>1,317</u>	<u>591</u>

CONSUMER PRODUCTS -- 17.20%

60,000	Haggar Corp.	1,145	1,193
62,500	Handleman Company , common	1,070	1,135
40,000	Lone Star Steakhouse & Saloon	1,171	1,222
75,000	TBC Corp.	793	1,423
<u>TOTAL</u>		<u>4,179</u>	<u>4,974</u>

exchange rate used is 1.57980

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 7.09%			
200,000	Bon - Ton Stores Inc.	1,273	1,235
32,500	Dillard's Inc.	1,164	814
<u>TOTAL</u>		<u>2,437</u>	<u>2,050</u>

REAL ESTATE -- 8.03%

100,000	Amrep Corp.	1,334	1,224
85,500	Prime Hospitality	1,161	1,101
<u>TOTAL</u>		<u>2,495</u>	<u>2,325</u>

SPECIAL SITUATION STOCKS -- 35.69%

250,000	Aecon Group Inc.	1,313	1,188
25,000	Canadian Natural Resources	1,214	1,170
130,000	Canfor Corp. Inc.	1,288	1,151
77,000	Lassonde Industries Inc. "A"	1,377	1,259
100,000	Kingsway Financial Services	1,154	1,369
75,000	MFP Financial	698	544
125,000	Persona Inc.	1,143	544
125,000	Riverside Forest Products	1,167	1,344
150,000	Shermag Inc.	1,187	1,755
<u>TOTAL</u>		<u>10,540</u>	<u>10,322</u>

TOTAL COMMON STOCK 26,000 26,118

TOTAL PORTFOLIO 28,802 28,921

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

Greed

An excessive desire for food or wealth

- Oxford American Dictionary

It is said that the two most important factors affecting the state of investing are fear and greed. With respect to fear, I believe it has a lesser investment impact than greed. For instance, if an investor is fearful he will normally sell his holding and probably swear off common stock investing for a few years until the greed factor reappears. Fear, I contend, is transitory. Greed, in my opinion is an all-powerful and more destructive force. It consumes the starry-eyed investor and, as a result, irrational and highly negative investments are often undertaken. An excellent example was the high tech mania of late 1998 to early 2000.

Over the past few months during the course of my reading I have come across a number of quotations on “greed”. I have selected a few of the most perceptive thoughts:

Greed is a bottomless pit which exhausts the person in an endless effort to satisfy the need without ever reaching satisfaction.

- Erich Fromm

From top to bottom of the ladder, greed is aroused without knowing where to find ultimate foothold. Nothing can calm it, since its goal is far beyond all it can attain. Reality seems valueless by comparison with the dreams of fevered imaginations; reality is therefore abandoned.

- Emile Durkheim

But perhaps the most simplistic quote on greed comes from Donald Trump:

“The point is that you can’t be too greedy”.

Interestingly we have heard this statement countless times but on the other hand how often have we heard the phrase “you can’t be too fearful”. The answer is infrequently.

The most pithy comment on greed, however, comes from the late Malcolm S. Forbes written over 15 years ago. Bear in mind that his comments, made over a decade and a half ago, were very perceptive, erudite and express remarkable relevance to our world in 2003.

The most widespread concern about Wall Street is over its standards, ethics, morality – triggered by the multi - \$billions made from illegal machinations. Many are deeply worried about the consuming eagerness of yuppie young to get rich quick – an eagerness triggered by the number who have. A desire to get rich quick is new? Greed is new? No. They’re as old as Adam’s fondness for Eve’s apples.

- Malcolm S. Forbes (1987)

To conclude, clearly the greed factor is neither novel nor in short supply. Greed can be self-destructive and a huge vapourizer of wealth and happiness. With respect to investments it is a detrimental force that must be dealt intelligently with at all times.

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.