

Determination

- Firmness of purpose

Oxford American Dictionary

I have always been of the opinion that investment success entails more than good stock analysis. I believe that investor conviction or determination to stick with an evolving story is a necessary ingredient to financial prosperity.

As we explain to prospective ABC clients we are value seekers. We hunt for undervalued, out-of-favour investment securities, which might be held in complete disdain by investment analysts, portfolio managers and the popular media. While we may march to the tune of our own drummer it is never an easy task. There are times when we might zig while the overall markets may be zagging to temporary, extraordinary success.

It is at this time that our value investment focus must be maintained through sheer determination and in spite of any short-term underperformance. This was exactly our experience during the September 1998 to March 2000 period when the high technology mania, led by Nortel et al, produced a massive speculative bubble. Throughout this year and a half long span we were second-guessed and criticized by impatient clients who had been watching many third-rate technology start-ups, with no profits and revenues, double and triple in price. Nonetheless, although painful, we remained determined and faithful to our deep value investment style.

In time, the securities market returned to sanity with the re-emergence of fundamental value analysis and the downfall of the over-extended high technology sector. In retrospect our determination was severely tested. In all candour, it is my view

that this was neither our first time to be “put to the test” nor would it definitely be the last. This is the essence of the cyclicity of the securities market...which brings me to the current investment environment.

I believe the present period of tumultuous financial markets is testing us all over again. The global geopolitical uncertainty involving Iraq and North Korea, the worldwide precarious economic situation, murky corporate profit outlook, growing incidence of under-funded pension funds, etc. is creating incredible share price volatility. It is pushing investors' patience to their limits. In consequence we have witnessed significant mutual fund redemptions and stock market liquidation.

From our ABC Funds' point of view our 1998-2000 experience and our success of weathering that storm have strengthened our backbone. By extension it will only serve to increase our deep value investment conviction, which has served us so well over the years. In addition it will enhance our determination to abide by our value promise, which we offered investors in our original offering memorandum. But more importantly, it will force us as portfolio managers not to deviate from our investment style nor compromise our working principles and disciplines.

ECONOMIC PERSPECTIVES**Iraq On The Mind**

With the onset of the Iraqi war people, worldwide, have become glued to their television sets. This passive activity which has engrossed many has spawned significant fear: fear to travel, fear by consumers to spend and fear by corporations to expand. In short, Iraq is on everyone's mind.

This present circumstance will, no doubt, temper first quarter economic growth and probably beyond. We foresee, however, considerable pent

up demand for goods and services, which, due to the Iraq situation, may simply be delayed e.g. autos, household furniture, etc. Furthermore, the substantial infrastructure rebuild of Iraq, once the present hostilities are resolved, could become a significant economic growth catalyst. Although we detect increasing fears of a double dip recession, we do not anticipate this. Rather we expect a steady pick up in economic growth during the second half of 2003 leading into 2004.

INVESTMENT PERSPECTIVES**Burrowing For Bargains**

With the increasing stock market volatility caused by the Iraqi hostilities, economic and corporate profit uncertainty and general investor indecision, we are starting to uncover a number of potential common stock bargains. In many cases, however, the company is good but the share price is not. As a result, we are patiently awaiting any propitious price weakness.

Although our intended purchase list includes about a dozen or so names we remain very selective and calculating. With regard to our outlook, we expect a continuation of the present inordinate market volatility for at least another six months. In sum, these erratic price patterns will provide excellent buying opportunities for those investors who remain alert to fluctuating share valuations, which may under or overshoot their true worth.

PORTFOLIO PERSPECTIVES**Devoted To Our Disciplines**

The securities markets remain extremely fickle and they are testing every investor's patience. In spite of the concomitant frustration we remain devoted to our deep value style and our Ten Commandments of Value Investing. We regard this extreme market volatility as a positive factor providing investors with periodic investment opportunities.

switching our holdings to more advantageous and fundamentally-undervalued securities. Accordingly, we have recently taken profits by liquidating our positions in National Bank, Handleman Company and TBC Corp. In return, we have added new attractively-priced shares of CanWest Global Communications, Prudential Financial Inc., Garden Fresh Restaurant Corp. and Quaker Fabric Corp.

We continue to upgrade our portfolios by

Trusting Our Instincts

Years ago, I remember asking a former co-worker of mine how he survived the terrible bear market of 1973-74. That period included the Mid-East oil embargo, the Yom Kippur War, looming economic recession and rising interest rates.

In fact, this portfolio manager did exceedingly well. He managed to not only survive this wretched stretch but, more importantly, he put up some incredibly spectacular numbers. As a result, this powerful performance enabled this co-worker to attract substantial pools of money in the late 1970s. Ultimately, it helped forge an astonishing and very successful money management career for this individual.

As I recall, this manager had tremendous self-confidence and sharp instincts. He also had the courage of his convictions. He was a superb common stock analyst, however, he astutely recognized that often the crucial timing-element was beyond his control. Accordingly he remained flexible in approach and realistic in action. I often marveled at his ability to ferret out deep value and potentially growthy stock selections. His patience appeared boundless. In simple terms he did good analytical work and then trusted his instincts.

In explaining his 1973-74 success he related that he was carrying a 25% cash reserve at the onset of the bear market. Near the market bottom he came to the conclusion that the

market was fundamentally cheap. While he felt that it might get a little cheaper, he was convinced that the Dow Jones Average was within 5-10% of its cycle lows. Accordingly he divided his cash war chest into three equal parts and committed each third at successive market declines. After spending his last third in August 1974, at the then Dow Jones low of about 575, I asked him what he did next.....after all, he was out of cash. With a big Cheshire cat grin he replied, "I prayed". While the market recovered briefly, it did retest the 575 low, four months later in December 1974. Although his patience was severely challenged and he faced the wrath of his many anxious investor-clients he stuck with his instincts and firm conviction. This trust in himself finally paid off since the Dow Jones soon after recoiled and embarked on a remarkable mid 1970's to late 1990's run. This secular bull market surge eventually peaked at over 11,000 in 1999.

Now some 29 years later, my former co-worker has long since retired after an extraordinary, successful investment career and personal financial prosperity. Looking back, the secret to his achievement appears rather simplistic: tried and true investment principles; trusting one's instincts; and adhering to one's disciplines and focus. These factors are well worth remembering.

Irwin A. Michael, CFA



A Tale of Two Investors

I originally wrote this investment piece in the October 1995 ABC Perspective. Then about 2 1/2 years later, I updated the data and ran it again in the April 1998 Perspective. The point I tried to emphasize in both issues was that investor patience and a long-term outlook were key to successful investing.

In all candour I have always been quite inspired by this investment vignette and so I recently decided again to update the market values. I was astonished at the results. An original \$150,000 investment in the ABC Fundamental-Value Fund on July 1, 1990 had grown to almost \$1,040,000 by March 31, 2003 - a period of 13 years and 9 months. Of further interest is that we are measuring the present ending value at a market low point and not at a market top. Moreover, this performance was accomplished through a simplistic, patient buy and hold strategy with an assist from the power of compounding. No investment market timing, aggressive trading or shenanigans were employed. Rather this was all accomplished with a simple, fundamental deep-value investment style. Upon further reflection, I decided to republish this article for a third time.

I am proud to say that I am the largest individual unitholder of the ABC Funds. I have often related to fellow unitholders and prospective clients that I must sample my own pudding. I have a vested interest in the ABC Funds' success. I have continuously bought and held onto my ABC Fund units; I don't trade the Funds. As a unitholder, I have always been less concerned about short-term fluctuations. Instead I have concentrated on the long-term investment. I believe that A Tale of Two Investors and the July 1, 1990 to March 31, 2003 market values clearly prove my original point.

I have a story to tell. And while I've changed a few of the actual circumstances to protect client confidentiality, the thrust of the story is factual.

The tale is about two married couples who invested in the ABC Fundamental-Value Fund. I met them both in mid 1990. Each couple invested the \$150,000 minimum in the ABC Fundamental-Value Fund on July 1, 1990.

The first couple were rather reserved people. Let's call them Mr. and Mrs. Tortoise. They were very polite, mild mannered and listened quite intently to my every word. I described the ABC investment philosophy, what we were attempting to achieve and my personal and professional commitment to the ABC Funds. At the end of my explanation they simply proclaimed: "We have faith in you and we are in for the long haul. Here is our cheque for \$150,000".

I met the second couple a few days later. Let's call the second family Mr. and Mrs. Hare. The Hares were charming, self-made, well-educated, extremely demanding and later, to my chagrin, very impatient. I went through the same description of the ABC Funds. The only difference was that the Hares asked a multitude of questions. I answered them to the best of my ability. Toward the end of our meeting I sensed

that the Hares, due to their very probing manner, had decided against an ABC Funds investment. But to my utter surprise Mr. and Mrs. Hare concluded the discussion with, "we are interested and we will courier a cheque for July 1".

And so both the Tortoises and the Hares became ABC Fundamental-Value unitholders on July 1, 1990. A chart outlining their \$150,000 investment over the ensuing 13 3/4 years follows:

Date	Market Value
July 1, 1990	\$150,000
December 1, 1990	\$139,500
July 1, 1991	\$190,660
July 1, 1992	\$192,475
July 1, 1993	\$320,535
July 1, 1994	\$442,965
July 1, 1995	\$463,960
July 1, 1996	\$539,110
July 1, 1997	\$714,075
July 1, 1998	\$760,980
July 1, 1999	\$765,145
July 1, 2000	\$808,675
July 1, 2001	\$993,465
July 1, 2002	\$1,211,985
December 31, 2002	\$1,116,420
March 31, 2003	\$1,038,210

But the second half of 1990 was not an easy time for investing. The TSE 300 Index declined from a mid year peak of 3,600 to a late 1990 low of 3,000. Unfortunately by December 1, the Tortoises and Hares' \$150,000, some five months later, was worth only \$139,500. I received a phone call from each family. I explained to the Tortoises and Hares that the ABC Funds were value-oriented and that the previous five months had been a brutal period. I stated we were confident that over the longer term the ABC Funds would perform better. The Tortoises seemed satisfied. They reiterated that they understood our fundamental investment style and reminded me that they had invested for the "long haul". I respected the Tortoises' valued patience.

On the other hand the Hares' conversation did not go too well. The Hares were very upset. They did not want to hear about the ABC fundamental style of book values, dividend yields or price earnings ratios. All they repeated was, "we are down over \$10,000... and we could have made more money in Canada Treasury Bills". They abruptly terminated our conversation saying that they wished to withdraw all their money rather than lose any more. And so on December 1, 1990, the Hares angrily withdrew the remaining \$139,500 of their original \$150,000 investment.

To make a very long story short, the ABC Fundamental-Value Fund started to make a nice comeback in 1991. By July 1991 the original \$150,000 had recouped all its losses and, in fact, appreciated to \$190,660. A brief conversation with the Tortoises indicated that they were pleased. Over the next 12 months the Fund grew to a flattish \$192,475. I called the Tortoises and described the difficult economic and investment environment. Apparently they were satisfied and reminded me once more about originally "investing for the long haul". Over the following 24 months, the Tortoises' patience was well rewarded. The original \$150,000 grew to \$442,965 on July 1, 1994 and \$463,960 on July 1, 1995. Since then, their original investment grew

to \$539,110 on July 1, 1996, \$714,075 on July 1, 1997 and after ten years \$808,665. The latest value of their holdings at March 31, 2003 was almost \$1,040,000. I recently spoke to the Tortoises and they were obviously pleased. Once again they reminded me that they were invested for the long haul.

After reflecting on the Tortoises' comments, I believe that there are a number of notable investing observations from this "Tale of Two Investors". I will leave out the obvious ones. I do, however, want to make two major points, which are very relevant to our present 2003 investment scene:

1. Forget about the short-term. Timing is everything, Grit your teeth and be patient. Trading an investment is usually futile to the average investor since one rarely gets back into the investment. Investors with patience tend to make superior returns if they take a longer time horizon.
2. After undertaking considerable investigation to pick a competent investment manager, give him a chance. Five or six months is not enough time to enable an investment manager to prove him or herself. If after three or four years the manager doesn't perform then consider moving on.

Irwin A. Michael, CFA

ABC Fully-Managed Fund (ABC FMF)

NAVPS	7.7591
Inc. Dist.	0.0049

March 31, 2003

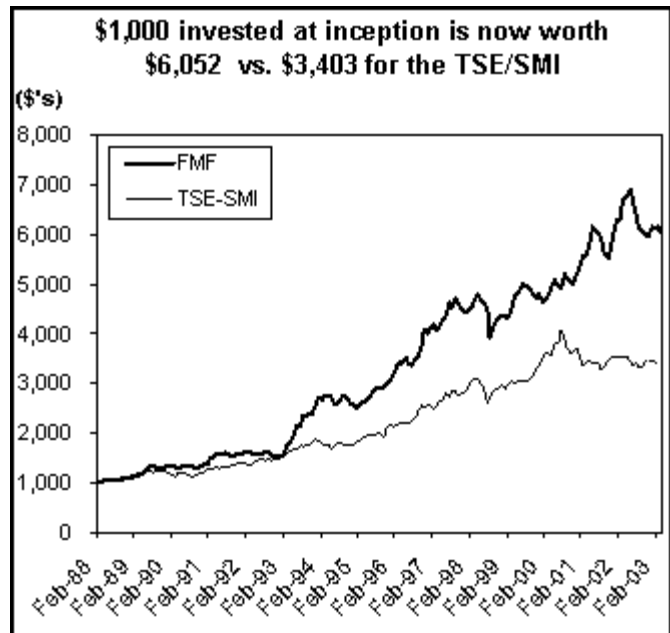
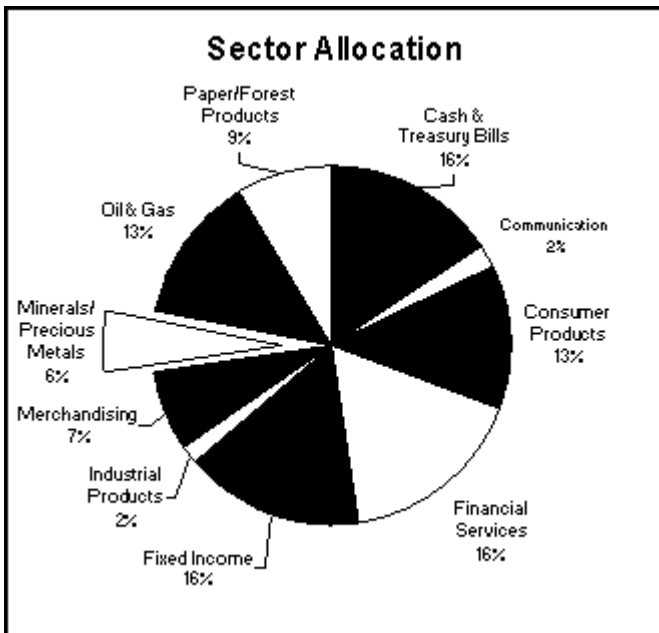
Objective

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	-2.07	-1.58	1989	23.68	17.20
Q1 2003	-1.91	-1.89	1990	2.17	-4.32
1 Year	-9.51	-3.98	1991	14.69	17.35
2 Year	3.83	0.4	1992	-1.48	4.75
3 Year	8.15	-2.02	1993	64.35	24.36
5 Year	5.39	2.31	1994	2.82	-2.64
10 Year	13.12	8.16	1995	17.25	17.97
Since Inception*	12.68	8.46	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

March 31st, 2003

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.47096

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 15.95%			
50,995	C\$ Cash	51	51
435	U\$ Cash	1	1
42,988	RT CAP Cash In Action Fund	4,299	4,299
0	RT CAP Cash In Action Fund US \$	0	0
2,500,000	TD Bank Accept. 3.20%, 06/26/03	2,480	2,480
2,500,000	Royal Bank Accept. 3.18%, 06/19/03	2,482	2,482
	<u>TOTAL CASH</u>	9,313	9,313

FIXED INCOME -- 16.01%

2,500,000	Hudson's Bay Co. conv., 7.50%, 12/16/08	2,130	2,147
2,000,000	Nexen Inc., 6.85%, 11/15/06	1,960	2,091
2,000,000	Gerdau Ameristeel, conv. 6.50%, 4/30/07	1,780	1,550
2,000,000	Magellan Aerospace, conv. 8.50%, 01/31/08	2,000	1,670
2,000,000	Nova Chemical ., 7.85%, 08/30/10	1,984	1,890
	<u>TOTAL</u>	9,854	9,348

COMMON STOCKS -- 68.04%

FINANCIAL SERVICES -- 16.59%

10,000	E-L Financial Corp.	2,625	2,200
200,000	Kingsway Financial Services	2,308	3,100
100,000	Laurentian Bank	2,554	2,588
250,000	MFP Financial	2,321	1,801
	<u>TOTAL</u>	9,808	9,689

MERCHANDISING --7.07%

200,000	Hudson's Bay Company	2,356	1,650
250,000	La Senza Corp.	2,381	2,475
	<u>TOTAL</u>	4,737	4,125

INDUSTRIAL PRODUCTS -- 1.88%

275,000	Agricore - United	2,305	1,100
	<u>TOTAL</u>	2,305	1,100

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MINERALS/PRECIOUS METALS-- 5.72%			
300,000	Teck Corporation	2,571	3,342
	<u>TOTAL</u>	2,571	3,342

COMMUNICATION -- 1.76%

250,000	Persona Inc.	2,331	1,025
	<u>TOTAL</u>	2,331	1,025

OIL & GAS -- 13.14%

50,000	Canadian Natural Resources	2,441	2,508
75,000	Nexen Inc.	2,381	2,246
50,000	Talisman Energy Inc.	2,691	2,920
	<u>TOTAL</u>	7,514	7,674

CONSUMER PRODUCTS -- 13.18%

225,000	Canada Bread Company	2,259	5,063
155,000	Lassonde Industries	2,689	2,635
	<u>TOTAL</u>	4,948	7,698

PAPER/FOREST PRODUCTS -- 8.71%

275,000	Canfor Corp.	2,765	2,387
350,000	Nexfor Inc.	2,758	2,695
	<u>TOTAL</u>	5,523	5,082

TOTAL COMMON STOCK **39,737** **39,735**

TOTAL PORTFOLIO **58,904** **58,396**

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	13.5946
Inc. Dist.	

March 31, 2003

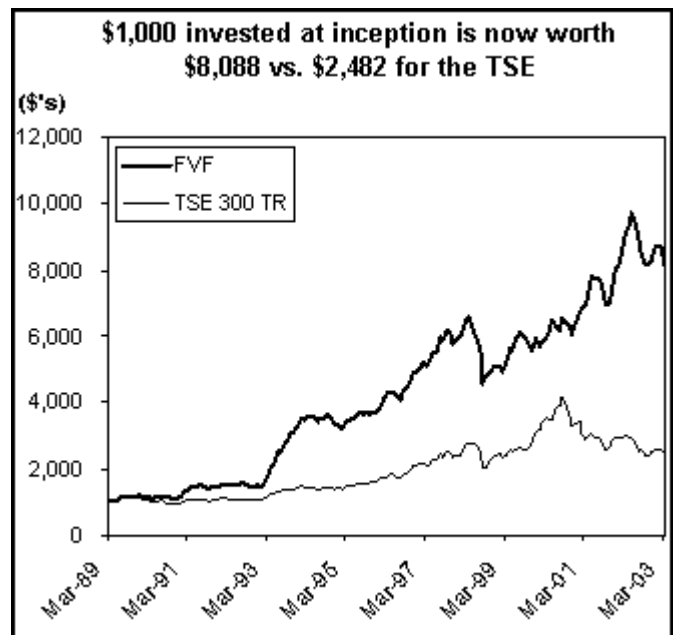
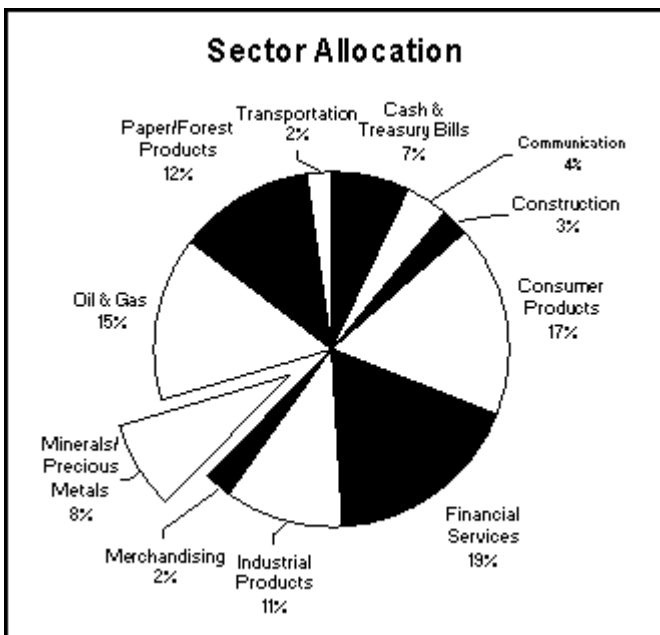
Objective

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	-6.77	-2.97	1990	-1.98
Q1 2003	-6.77	-3.52	1991	22.92
1 Year	-11.18	-17.60	1992	4.26
2 Year	7.90	-7.04	1993	121.75
3 Year	10.77	-11.07	1994	3.03
5 Year	4.37	-1.91	1995	11.08
10 Year	16.36	7.82	1996	31.75
Since Inception*	16.10	6.67	1997	20.35
			1998	-13.81
			1999	16.25
			2000	7.51
			2001	26.06
			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
March 31st, 2003

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.47096

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 7.27%			
2,577,632	C\$ Cash	2,578	2,578
4,780	U\$ Cash	8	8
130,641	RT CAP Cash In Action Fund	13,064	13,064
0	RT CAP U\$ Cash Mgmt Fund	-	-
<u>TOTAL CASH</u>		15,649	15,649

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 2.42%			
525,000	La Senza Corp.	4,970	5,198
<u>TOTAL</u>		4,970	5,198

COMMON STOCKS -- 92.73%

PAPER & FOREST PRODUCTS -- 12.48%

825,000	Canfor Corp., common	8,187	7,161
1,100,000	Nexfor Inc.	8,658	8,470
600,000	Riverside Forest Products	5,501	6,525
700,000	Taiga Forest Corp.	3,380	4,690
<u>TOTAL</u>		25,726	26,846

FINANCIAL SERVICES -- 17.67%

30,000	E-L Financial Corp.	8,091	6,600
250,000	Laurentian Bank	6,477	6,470
575,000	Kingsway Financial Services	6,635	8,913
650,000	MFP Financial	5,940	4,683
350,000	National Bank	5,071	11,330
<u>TOTAL</u>		32,214	37,995

INDUSTRIAL PRODUCTS -- 10.93%

600,000	Agricore - United	5,020	2,400
500,000	Groupe Laperriere & Verreault	3,793	8,350
1,000,000	Magellan Aerospace	4,007	1,600
550,000	Masonite International Inc.	6,068	11,154
<u>TOTAL</u>		18,888	23,504

TRANSPORTATION -- 2.22%

975,000	Transat AT Inc., common	6,714	4,778
<u>TOTAL</u>		6,714	4,778

OIL & GAS -- 14.91%

2,500,000	Bow Valley Energy	3,725	7,000
1,000,000	Devlan Exploration	2,839	1,780
1,250,000	Gauntlet Energy	4,671	1,725
250,000	Nexen Inc.	8,028	7,488
1,200,000	Real Resources	4,818	5,328
150,000	Talisman Energy	8,136	8,760
<u>TOTAL</u>		32,217	32,081

CONSUMER PRODUCTS -- 17.49%

365,000	Andres Wines Ltd. "A"	4,497	6,023
327,500	Arbor Memorial Services "B"	4,367	4,341
475,000	Canada Bread Company	4,755	10,688
850,000	FPI Limited	5,055	7,480
825,000	Shermag Inc.	6,154	9,075
<u>TOTAL</u>		24,827	37,606

COMMUNICATION -- 3.78%

1,000,000	CanWest Global Comm.	6,417	6,090
500,000	Persona Inc	5,457	2,050
<u>TOTAL</u>		11,874	8,140

MINERALS/PRECIOUS METALS -- 8.29%

325,000	Inco Limited	8,667	8,938
800,000	Teck Corporation	7,106	8,912
<u>TOTAL</u>		15,773	17,850

CONSTRUCTION -- 2.54%

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

<u>TOTAL COMMON STOCK</u>		179,378	199,459
<u>TOTAL PORTFOLIO</u>		195,028	215,108

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ABC American-Value Fund (ABC AVF)

NAVPS	6.3275
Inc. Dist.	

March 31, 2003

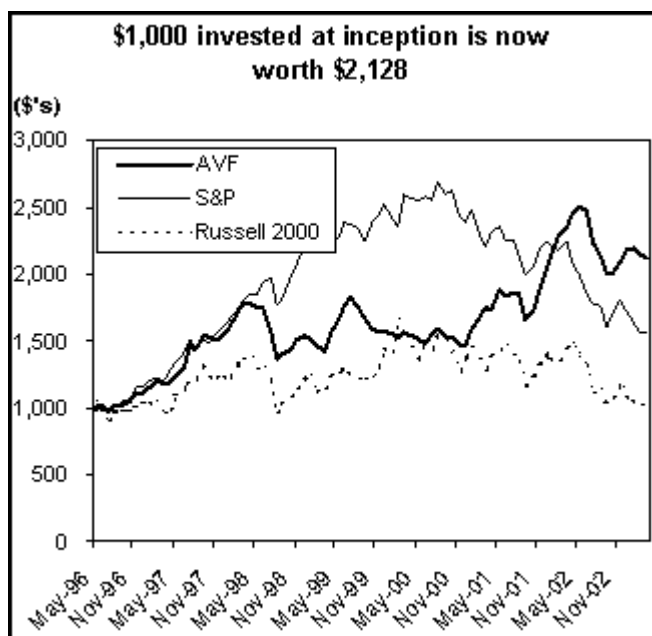
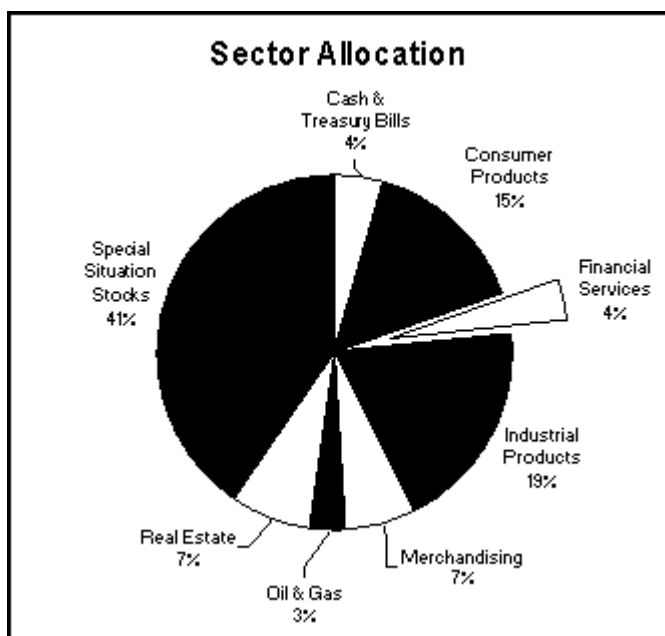
Objective

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	-1.13	1.12	-0.25	1997	38.76	20.52	39.16
Q1 2003	-2.85	-4.84	-9.91	1998	0.75	-3.45	37.69
1 Year	-9.55	-28.02	-30.63	1999	1.47	19.62	14.14
2 Year	10.15	-10.05	-16.18	2000	-6.66	-4.20	-5.52
3 Year	10.95	-12.23	-15.79	2001	39.52	1.03	-6.45
5 Year	3.70	-5.38	-3.06	2002	6.91	-21.58	-22.74
Since Inception*	11.68	0.66	6.52				

*Inception date for the Fund was May 2, 1996



ABC American-Value Fund, Statement of Investment Portfolio

March 31st, 2003

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 4.34%			
0	Cash	-	-
0	RT CAP Cash In Action Fund	-	-
828,033	US \$ Cash	1,218	1,218
0	RT CAP US\$ Cash Fund	-	-
	<u>TOTAL CASH</u>	1,218	1,218

COMMON STOCKS -- 95.66%

INDUSTRIAL PRODUCTS -- 18.95%

15,000	Ameron Int'l Corp.	1,120	1,319
65,000	Ampco-Pittsburgh Corp.	1,148	1,241
50,000	Building Material Holding Corp	894	979
25,000	Dura Automotive Systems Inc.	1,051	206
82,500	Griffon Corp.	821	1,565
	<u>TOTAL</u>	5,033	5,311

OIL & GAS-- 3.21%

82,700	Tesoro Petroleum	1,317	900
	<u>TOTAL</u>	1,317	900

CONSUMER PRODUCTS -- 15.28%

60,000	Haggar Corp.	1,145	937
85,000	Garden Fresh Restaurant Corp.	1,247	1,170
40,000	Lone Star Steakhouse & Saloon	1,174	1,247
115,000	Quaker Fabric Corp.	1,110	930
	<u>TOTAL</u>	4,676	4,285

exchange rate used is 1.47096

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 6.55%			
200,000	Bon - Ton Stores Inc.	1,371	1,221
32,500	Dillard's Inc.	1,164	618
	<u>TOTAL</u>	2,535	1,839

REAL ESTATE -- 7.27%

100,000	Amrep Corp.	1,334	1,278
100,000	Prime Hospitality	1,350	759
	<u>TOTAL</u>	2,684	2,037

FINANCIAL SERVICES -- 3.84%

25,000	Prudential Financial Inc.	1,097	1,076
	<u>TOTAL</u>	1,097	1,076

SPECIAL SITUATION STOCKS -- 40.56%

250,000	Aecon Group Inc.	1,313	1,188
25,000	Canadian Natural Resources	1,214	1,254
130,000	Canfor Corp. Inc.	1,288	1,128
77,000	Lassonde Industries Inc. "A"	1,377	1,309
100,000	Kingsway Financial Services	1,154	1,550
75,000	MFP Financial	698	540
150,000	Nexfor Inc.	1,206	1,155
125,000	Persona Inc.	1,143	513
125,000	Riverside Forest Products	1,167	1,359
125,000	Shermag Inc.	1,293	1,375
	<u>TOTAL</u>	11,851	11,371

TOTAL COMMON STOCK **29,194** **26,818**

TOTAL PORTFOLIO **30,412** **28,036**

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

Being Opportunistic

*I cannot change the direction of the wind.
But I can adjust my sails*

- Anonymous

We are presently in one of the most difficult stock market environments in years. The crosscurrents of political, economic and psychological factors are innumerable. They include: the Iraq War, the state of the North American and world-wide economies, interest rates, currencies, corporate profits, trade wars, etc. As investors we must pay attention.

The key to successful investing, I believe is flexibility. But the ability to alter a course of action to take advantage of a temporary profitable market anomaly is never easy. It is, in fact one of the most difficult investment decisions a manager must make since it involves sticking out one's neck. Not surprising, few are willing and able to undertake this task.

An interesting characteristic of the current securities scene is the inordinate price volatility. While stocks normally trade within an acceptable value price band, during recent months we have witnessed stocks over and undershooting their intrinsic values. Therein lies the opportunity. While stock trading is not necessarily germane to good long-term investment performance (rather it is successful and patient stock picking), there are increasing opportunities to tack on an extra 2 – 3% or more of incremental returns due to the present excessive volatility. This can be accomplished by paying particular attention and acting

on short-term financial abnormalities. No doubt there are risks to this investment activity. They include:

- 1) spending too much time on short term trading and less focus on invaluable fundamental analysis.

and

- 2) trading out of a temporarily overvalued security when in fact the stock might be poised for a significant price advance (i.e. a breakout on a technical chart) which could result in a lost opportunity of 50 – 75 % appreciation.

Regardless of the risks there are numerous potential trading opportunities, which may present themselves due to the present market volatility. Granted not all opportunities may be practical nor simple to execute. Nonetheless, as portfolio managers, we must pay attention for even if we undertake one out of every four or five viable opportunities, a significant incremental return may be earned for our portfolios.

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