

PRESENT

PERSPECTIVES

Glued To Our Game Plan

“Where there is no vision
the people will perish”

- *Proverbs 29:18*

We are in the midst of one of the most challenging investment markets in many years. While interest rates are at 45-year lows and should provide a significant bullish boost to common stock performance, this has not happened. Corporate profit warnings, bankruptcies, company reorganizations, etc. abound. Confusion is rampant with many fearful investors sitting on the sidelines on low-yielding treasury bills. It is guesstimated that about \$2-3 trillion of short-term investments are earmarked for common stock purchases. The question is: when will these funds be committed to common stocks.

In spite of this investment confusion and apparent market uncertainty, we are clinging to our “deep value” analytical style. We have adhered to our investment vision, focus and disciplines – the very principles that contributed to our past successes. To be perfectly truthful, it has not been easy. Moreover, fundamentally undervalued stocks are tougher and tougher to uncover today. So we must dig deeper.

Nonetheless, we are dealing with these circumstances and, quite frankly, we remain positive. In fact, we have become more optimistic over the past few months. We have attempted to cobble an upgraded deep-value portfolio by liquidating certain overvalued securities to purchase fresh positions. In a number of instances, we were able to acquire high dividend-paying/undervalued shares, which not only yielded more than treasury bills but also offered good capital gains potential. While we feel comfortable with our ABC Funds

equity selections, we are never quite sure when they will work out. When success does occur, it often happens very unexpectedly.

For instance, as I sat down to write this piece, I received a congratulatory phone call from an American stockbroker. Apparently, Garden Fresh, a San Diego-based restaurant chain which we had purchased in February at about \$9.98, is being bought out at \$16.35. To make a long story short we had purchased 85,000 shares for our ABC American-Value Fund because Garden Fresh was simply too cheap relative to our target price of \$15. But this seven-month ride to success was not smooth since we suffered through a couple of quarters of disappointing earnings and a declining share price. Nonetheless, we stuck to our original analysis and our profound conviction. It was worth the wait.

Aside from transforming a mediocre September performance into a pleasant surprise, Garden Fresh has given us added inspiration and renewed patience to persevere with our investment focus. But, more importantly, to our loyal clients, I am pleased to declare that Garden Fresh has re-energized our ABC team. Accordingly, we intend to remain “glued to our game plan.”

ECONOMIC PERSPECTIVES**Revving Up the Economy**

Nine months into 2003 the North American economies finally appear to be revving up their economic engines thanks to continued monetary and fiscal ease, tax cuts, increased money supply and the lowest interest rates in over 45 years. Furthermore with the U.S. presidential cycle quickly approaching we believe the U.S. Federal Reserve and the U.S. government fiscal authorities

will attempt to further stimulate the economy. Clearly, the government will be taking no chances of economic weakness. As a result we expect overly generous attempts to stimulate the North American economy to last a little longer than perhaps necessary. Overall, we expect significant improvement in economic activity over the next 6-12 months resulting in rising common stock prices.

INVESTMENT PERSPECTIVES**Looking Ahead: Looking Good**

Despite the multitude of negatives confronting the market over the past three months the North American stock markets continue to climb a wall of worry. Looking ahead we are quite optimistic with regard to North American economic improvement based upon expansionary global monetary and fiscal policies in the form of tax cuts, money supply growth, extraordinary low interest rates, etc.

Ultimately these improving business conditions and rising corporate profits should precipitate higher common share prices and a shift toward greater equity asset allocation. Overall, we believe common stocks will outperform bonds and as such our ABC Funds portfolios reflect this bullish view.

PORTFOLIO PERSPECTIVES**Fully Invested; Portfolio Fine-Tuning**

We have reduced our cash reserves from 15% at the end of June to our present 5%. We consider this percentage to represent a fully-invested portfolio position and so whatever adjustments we will make to year-end 2003, they will represent portfolio fine-tuning.

During the past quarter we were relatively active having liquidated positions in La Senza Corporation, Masonite International, Persona Inc, Real Resources and Sherritt International. In turn we invested the proceeds in new fundamentally undervalued holdings including Loews Corp, Morguard Corp, Noranda Inc., Norske Skog Canada, Sino-Forest Corp and Wescast Industries.

Opportunism: Always On Guard

*Nothing is more suicidal than
a rational investment policy
in an irrational world.*

- John Maynard Keynes

Lets face it, the stock market can be quite complicated and confusing. “Nothing goes according to Hoyle”. Given a particular set of economic or investment circumstances a rational investor may deduce certain credible conclusions which are most likely to happen. Often, however, the expected end result does not occur. This frequently leaves the rational investor shaking his head.

The investment market is made up of thousands upon thousands of market participants. Each individual has his own investment agenda: for example to maximize income, achieve capital gains, provide for children’s education, cover alimony payments, etc. In addition, every market player will have his own personal opinion on the market outlook and accompanying plan of action. A serious event like September 11, 2001 might cause one investor to panic and liquidate an entire equity portfolio. A second investor might review the same grave situation and conclude: “what a glorious opportunity to purchase stocks at incredibly low valuations”.

But sometimes investment novices and even professionals read too deeply into why, for instance, a company executive may be selling stock. Frequently, investors might rationally presume that this corporate insider is liquidating because he is privy to confidential information. Unfortunately, many overlook the fact that the

seller could have banking problems (living too high off the hog and is pressured by the bank to liquefy), may be separating from a spouse or may be purchasing a new home, vacation property or a new 36 foot cabin cruiser. The fact is investors do not know the real rationale why someone is selling stock. Moreover, in many instances, it is simply NOT relevant to an investment purchase decision.

In my opinion I believe that we should try to worry less about why someone is selling a particular stock and instead focus on analyzing the security thoroughly. Thus, if a stock is dirt cheap (e.g. discount to book value, net asset value, low price earnings and cash flow multiples, etc), who cares why the seller is liquidating. Maybe the individual has a margin call. Perhaps he is fatigued with a security which he has held for a long time, or maybe he is fearful of the market outlook. True, the seller could have a rational negative outlook on the company. However, if we seriously analyze a company and are comfortable with all the negatives and its risk rewards, then we should take advantage of periodic price weakness and undertake an opportunistic purchase. From my experiences, this tact, more often than not, has proven to provide excellent long-term investment results.

Irwin A. Michael, CFA

ABC Value Favourites

In spite of a challenging economic and equity investment environment we are continuing to hunt for significantly undervalued “deep-value” stocks. While it is at times a tedious analytical process we wish to highlight four current ABC Value Favourites. The commonality of each selection is that they all trade below book and net asset values and are generally not closely followed/favoured by security analysts.

LAURENTIAN BANK

Founded in 1846, Laurentian Bank of Canada is the seventh largest Canadian Schedule I Bank, with assets of over \$18 billion. Laurentian offers products and services to meet the banking and financial needs of individuals and small to medium-sized businesses. The Bank’s publicly traded subsidiary, B2B Trust (TSX: BBT), provides wholesale financial products, such as investment loans and related services over the Internet.

Raymond McManus, the recently appointed CEO, has begun to articulate his vision for the future. As he stated in a recent news release, “given the uncertain economic and interest rate environment, the Bank has adopted more conservative growth and profitability objectives”. In keeping with this strategy, Laurentian Bank divested 57 branches in Ontario and Western Canada for a premium of approximately \$112.5 million. Closure of the deal is expected by late-October. Laurentian received almost twice book value for these branches, which seems to be an excellent price for the assets.

Going forward, management is expected to refocus its efforts on its core Quebec market, a region where Laurentian has traditionally had success as a niche player. A reinvigorated marketing campaign should allow the Bank to strengthen its competitive position and connect with the retail customer. Outside of Quebec, Laurentian Bank has several banking arrangements with various third parties, including a potentially rewarding agreement to provide credit to customers of Canadian Tire. Although the strategic

repositioning will not be an overnight success story, we support management’s efforts to “get back to business” in order to improve profitability over the long run.

LOEWS CORPORATION

Loews Corporation is a New York City-based holding company whose subsidiaries engage in a number of different businesses. Loews largest holdings include: majority stakes in CNA Financial Corp, a property, casualty and life insurance company; Lorillard, the largest producer and distributor of menthol cigarettes in the U.S and Diamond Offshore Drilling which is engaged principally in the contract drilling of offshore oil and gas wells. Loews also has a number of wholly owned subsidiaries including Loews Hotels, Texas Gas Transmission, and Bulova, a maker of clocks and watches.

Loews shares trade at a 36% discount to its NAV, which we estimate is around \$67 a share. We have based this figure on the current share prices of its publicly traded subsidiaries and the book value of its remaining businesses. We believe the shares of Loews two largest public subsidiaries, CNA Financial and Lorillard, are also undervalued. Shares of CNA Financial currently trade at roughly half their book value of \$42.72 per share and less than 8 times next year’s earnings of \$2.86 per share. Shares of Carolina Group, the tracking stock for Lorillard have a dividend yield over 9% and trade at 7.5 times 2004 earnings of \$3.17 per share. In other words, if Loews were to be taken private, we feel it would be worth even more than its NAV of \$67

Finally some food for thought. Barron’s, the highly respected weekly financial newspaper featured Loews in its December 30th, 2002 edition.. In the article, author Andrew Bary referred to Loews as a “poor man’s Berkshire Hathaway”. Berkshire Hathaway is of course the holding company of famed value investor Warren Buffett. Incidentally, Barron’s arrived at the same conclusion as us that Loews’ shares trade at a deep discount to their asset value.

MORGUARD CORPORATION

Morguard Corporation (TSX: MRC) is an integrated real estate company comprised of four operating divisions. The Company has a 50% interest in Morguard REIT (TSX: MRT.UN), a publicly traded real estate investment trust that holds retail, office and industrial properties across Canada. Morguard Residential, a wholly owned division, develops, manages and sells multi-unit residential properties primarily in the Greater Toronto Area. Morguard Investments, another wholly owned division, acts as a real estate advisor and manager for Canadian pension funds and institutional investors. Finally, Morguard has an 80% stake in Revenue Properties Company (TSX: RPC), which owns, develops and manages a portfolio of shopping centres, office properties and apartment buildings.

Morguard, formerly known as Acktion Corporation, has completed the consolidation of its divisions under the Morguard banner. This has created an integrated real estate company, involved in the ownership, development and management of both residential and commercial real estate properties. Morguard's portfolio of assets is diversified both geographically and by product in order to mitigate softness in any one particular market. For example, although vacancies in the commercial portfolio increased from 6.5% to 8.3% in the second quarter of 2003, residential vacancies declined from 3.9% to 2.3%. As the rental markets recover, management has positioned the Company to maximize cash flow and grow shareholders' value.

Our investment thesis is based on the Company's significant discount to its net asset value (NAV), in addition to the attractive financial multiples and dividend yield discussed above. Essentially, the NAV is calculated by adding the Company's capitalized net operating income, the value of the properties under development or held for sale and the investment portfolio at market prices less net debt.

Following this methodology, we believe that Morguard's NAV is above \$30 per share, implying a discount of more than 30%. In contrast, most REITs in Canada currently trade at or above their NAV. Management seems to agree that the shares are undervalued and have filed a normal course issuer bid for 700,444 common shares or 5% of the total

outstanding. We expect that if the valuation discount doesn't narrow, the Company will continue to repurchase shares at anti-dilutive price levels, which benefits all existing shareholders.

PRIME HOSPITALITY

Prime Hospitality Corp. (PDQ) is an owner, manager and franchisor of hotels. It currently operates 245 hotels, containing 31,426 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.

One of the most attractive features of our investment in PDQ is that management has what we refer to as "skin in the game". Significant share ownership is the best way to align management and shareholder interests and CEO, A.F. Petrocelli, controls over 3.5 million shares or 7.9% of the outstanding total. Given that such a large amount of Mr. Petrocelli's personal wealth is invested in PDQ, a large incentive exists for him to improve the company's share price from its current level. We believe the easiest way to accomplish this would be for Petrocelli to sell the company outright, preferably at or above its net asset value.

We believe that PDQ shares are undervalued at its current price. With ownership of 16,000 rooms and an enterprise value of \$640 million, investors are currently valuing PDQ shares at only \$40k a room. This compares with a book value of \$60k per room, or \$15.20 a share and a replacement cost of \$65k-\$70k per room. It should also be noted that PDQ has recently sold hotels from its portfolio for between \$80k-\$85k a room. We believe that eventually PDQ's share price will reflect the underlying value of its assets. It is encouraging that an economic recovery in the U.S. appears to be under way. This should result in an increase in business travel, and ultimately higher occupancy rates at PDQ's hotels.

ABC Fully-Managed Fund (ABC FMF)

NAVPS	8.9267
Inc. Dist.	0.0000

September 30, 2003

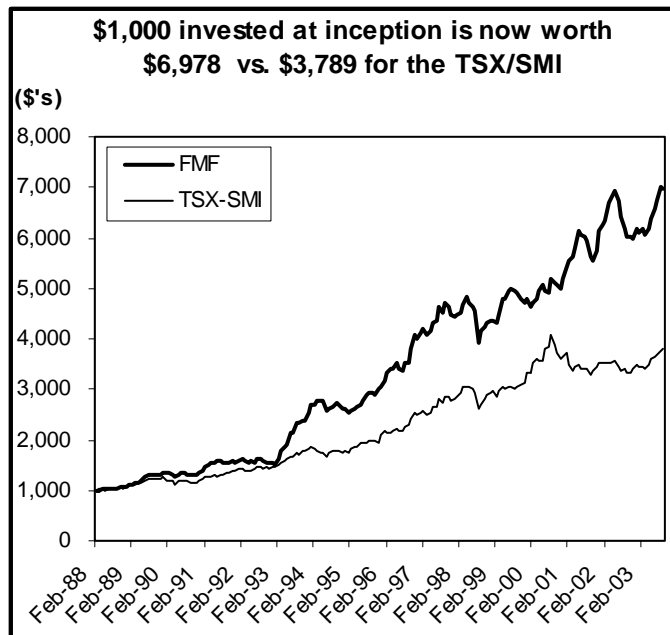
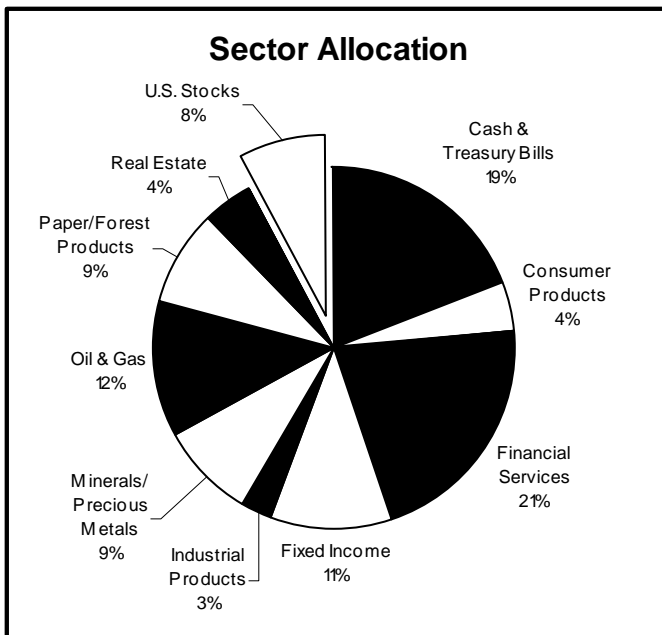
Objective

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	-0.35	0.73	1989	23.68	17.20
Q3 2003	6.30	3.65	1990	2.17	-4.32
1 Year	15.80	14.09	1991	14.69	17.35
2 Year	11.47	7.32	1992	-1.48	4.75
3 Year	10.92	-0.85	1993	64.35	24.36
5 Year	10.96	7.00	1994	2.82	-2.64
10 Year	11.47	8.32	1995	17.25	17.97
Since Inception*	13.28	8.92	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
September 30th, 2003

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 19.27%			
1,649,351	C\$ Cash	1,649	1,649
435	U\$ Cash	1	1
122,185	RT CAP Cash In Action Fund	12,219	12,219
0	RT CAP Cash In Action Fund US \$	0	0
	<u>TOTAL CASH</u>	13,869	13,868

FIXED INCOME -- 10.78%

2,000,000	Nexen Inc., 6.85%, 11/15/06	1,960	2,161
2,000,000	Gerdau Ameristeel, conv. 6.50%, 4/30/07	1,780	1,701
2,000,000	Magellan Aerospace, conv. 8.50%, 01/31/08	2,000	1,879
2,000,000	Nova Chemical, 7.85%, 08/30/10	1,984	2,020
	<u>TOTAL</u>	7,725	7,761

COMMON STOCKS -- 69.95%

FINANCIAL SERVICES -- 21.02%

12,500	E-L Financial Corp.	3,259	3,750
200,000	Kingsway Financial Services	2,308	2,540
125,000	Laurentian Bank	3,204	3,338
250,000	MFP Financial	2,321	2,038
175,000	Northbridge Financial Corp.	2,651	3,456
	<u>TOTAL</u>	13,743	15,121

MINERALS/PRECIOUS METALS-- 8.83%

250,000	Noranda Inc., common	3,198	3,475
200,000	Teck Corporation	1,714	2,882
	<u>TOTAL</u>	4,912	6,357

exchange rate used is 1.34945

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
INDUSTRIAL PRODUCTS -- 2.80%			
275,000	Agricore - United	2,305	2,019
	<u>TOTAL</u>	2,305	2,019

REAL ESTATE -- 4.38%

150,000	Morguard Corp., common	3,044	3,150
	<u>TOTAL</u>	3,044	3,150

OIL & GAS -- 12.14%

50,000	Canadian Natural Resources	2,441	2,780
75,000	Nexen Inc.	2,381	2,756
50,000	Talisman Energy Inc.	2,691	3,205
	<u>TOTAL</u>	7,514	8,741

CONSUMER PRODUCTS -- 4.36%

155,000	Lassonde Industries	2,689	3,139
	<u>TOTAL</u>	2,689	3,139

PAPER/FOREST PRODUCTS -- 8.63%

300,000	Canfor Corp.	2,965	2,835
350,000	Nexfor Inc.	2,758	3,378
	<u>TOTAL</u>	5,723	6,213

U.S. STOCKS -- 7.79%

100,000	J.C. Penney Co. Inc.	2,461	2,884
50,000	Loews Corp., common	2,803	2,724
	<u>TOTAL</u>	5,264	5,608

TOTAL COMMON STOCK 45,194 50,346

TOTAL PORTFOLIO 66,787 71,976

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	15.7847
Inc. Dist.	

September 30, 2003

Objective

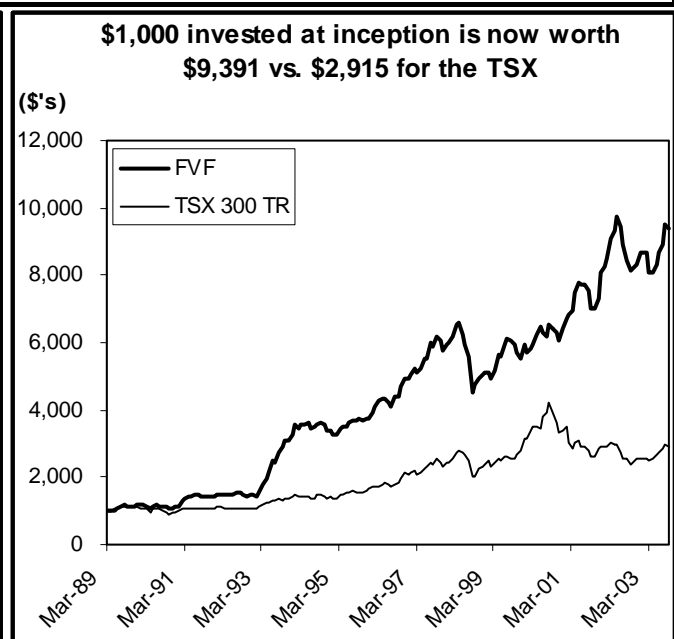
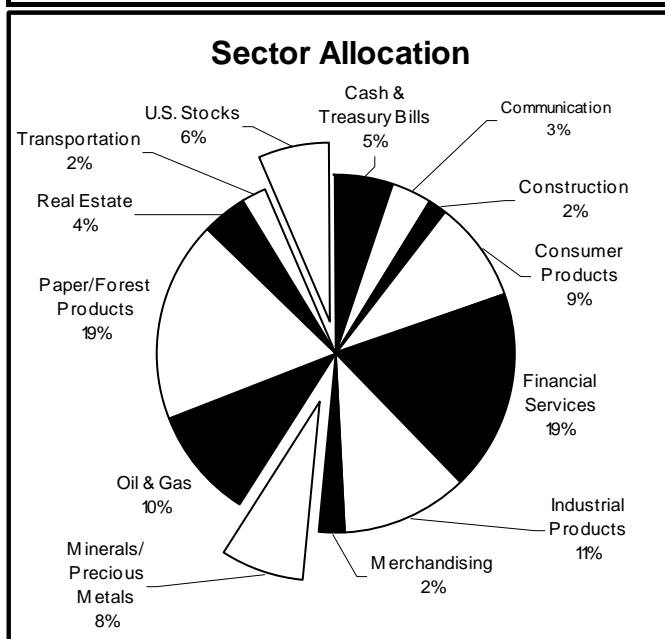
ABC Fundamental-Value Fund seeks out fundamentally undervalued Canadian equities. Our extensive "value research" style attempts to ferret out overlooked and out of favour Canadian equities. With these discerning selections we cobble a diversified portfolio of small, medium and large capitalization Canadian 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	-0.96	-1.00	1990	-1.98	-14.80
Q3 2003	8.01	6.70	1991	22.92	12.02
1 Year	15.09	22.45	1992	4.26	-1.43
2 Year	15.96	6.10	1993	121.75	32.80
3 Year	13.46	-9.03	1994	3.03	-0.63
5 Year	14.47	7.43	1995	11.08	14.83
10 Year	12.51	8.38	1996	31.75	28.35
Since Inception*	16.70	7.66	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
September 30th, 2003

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 5.35%			
2,006,429	C\$ Cash	2,006	2,006
4,780	U\$ Cash	7	6
117,345	RT CAP Cash In Action Fund	11,735	11,735
0	RT CAP U\$ Cash Mgmt Fund	-	-
	<u>TOTAL CASH</u>	13,748	13,747

COMMON STOCKS -- 94.65%

PAPER & FOREST PRODUCTS -- 18.38%

900,000	Canfor Corp., common	8,768	8,505
1,100,000	Nexfor Inc.	8,658	10,615
2,500,000	Norske Skog Canada	9,860	8,550
600,000	Riverside Forest Products	5,501	7,650
2,000,000	Sino-Forest Corp., "A"	4,800	6,700
700,000	Taiga Forest Corp.	3,356	5,215
	<u>TOTAL</u>	40,943	47,235

FINANCIAL SERVICES -- 18.04%

37,500	E-L Financial Corp.	9,960	11,250
400,000	Laurentian Bank	10,348	10,680
575,000	Kingsway Financial Services	6,635	7,303
650,000	MFP Financial	5,940	5,298
600,000	Northbridge Financial Corp.	9,060	11,850
	<u>TOTAL</u>	41,944	46,380

INDUSTRIAL PRODUCTS -- 11.14%

600,000	Agricore - United	5,020	4,404
500,000	Groupe Laperriere & Verreault	3,793	7,925
1,000,000	Magellan Aerospace	4,007	2,450
943,900	Russel Metals Inc., common	5,609	5,937
200,000	Wescast Industries Inc., A	7,156	7,924
	<u>TOTAL</u>	25,584	28,640

TRANSPORTATION -- 2.42%

975,000	Transat AT Inc., common	6,714	6,221
	<u>TOTAL</u>	6,714	6,221

exchange rate used is 1.34945

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 2.26%			
550,000	Danier Leather, common	5,520	5,822
	<u>TOTAL</u>	5,520	5,822

OIL & GAS -- 9.87%

2,500,000	Bow Valley Energy	3,725	4,050
1,000,000	Devlan Exploration	2,839	2,510
250,000	Nexen Inc.	8,028	9,188
150,000	Talisman Energy	8,136	9,615
	<u>TOTAL</u>	22,728	25,363

CONSUMER PRODUCTS -- 9.27%

365,000	Andres Wines Ltd. "A"	4,497	7,537
400,000	Arbor Memorial Services "B"	5,339	5,468
700,000	Shermag Inc.	5,222	10,815
	<u>TOTAL</u>	15,058	23,820

COMMUNICATION -- 3.47%

800,000	CanWest Global Comm.	5,134	8,920
	<u>TOTAL</u>	5,134	8,920

REAL ESTATE -- 4.08%

500,000	Morguard Corp., common	10,147	10,500
	<u>TOTAL</u>	10,147	10,500

MINERALS/PRECIOUS METALS -- 7.69%

800,000	Noranda Inc., common	10,197	11,120
600,000	Teck/ Cominco Ltd., common	5,329	8,646
	<u>TOTAL</u>	15,527	19,766

CONSTRUCTION -- 1.77%

1,150,000	Aecon Group Inc.	6,174	4,543
	<u>TOTAL</u>	6,174	4,543

U.S. STOCKS -- 6.26%

275,000	J.C. Penney Co. Inc., common	6,671	7,930
150,000	Loews Corp.	8,545	8,172
	<u>TOTAL</u>	15,216	16,102

TOTAL COMMON STOCK 210,687 243,311

TOTAL PORTFOLIO 224,435 257,058

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ABC American-Value Fund (ABC AVF)

NAVPS	7.5387
Inc. Dist.	

September 30, 2003

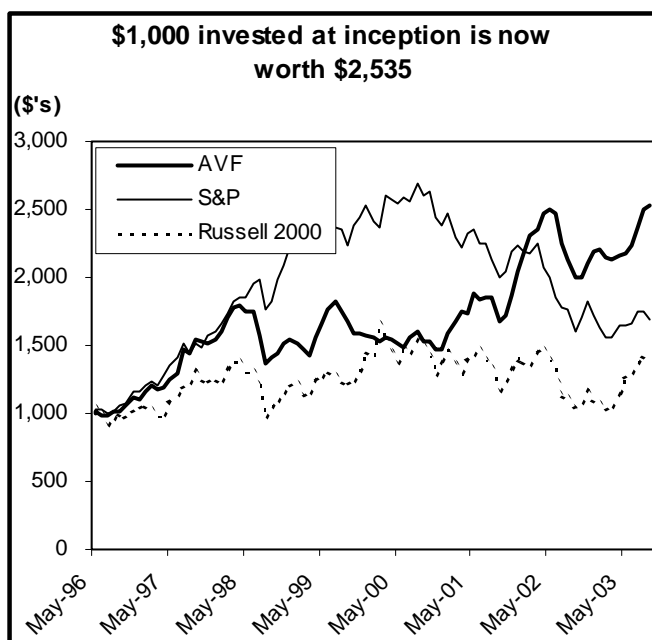
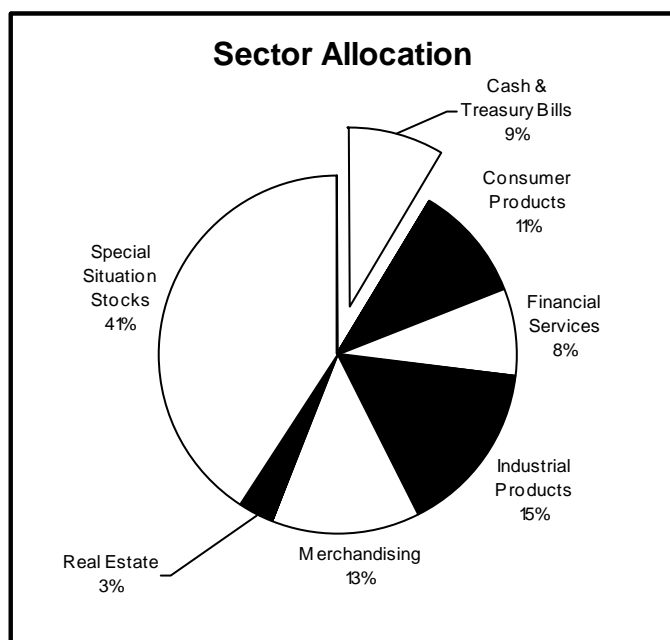
Objective

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	1.12	1.96	-3.53	1997	38.76	20.52	39.16
Q3 2003	13.66	8.77	2.27	1998	0.75	-3.45	37.69
1 Year	26.45	34.62	5.93	1999	1.47	19.62	14.14
2 Year	23.21	9.75	-8.03	2000	-6.66	-4.20	-5.52
3 Year	18.53	-2.20	-13.36	2001	39.52	1.03	-6.45
5 Year	12.53	6.05	-1.44	2002	6.91	-21.58	-22.74
Since Inception*	13.53	4.64	7.29				

*Inception date for the Fund was May 2, 1996





ABC American-Value Fund, Statement of Investment Portfolio
September 30th, 2003

exchange rate used is 1.34945

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 8.85%			
12,048	Cash	12	12
907	RT CAP Cash In Action Fund	91	91
1,569,272	US \$ Cash	2,118	2,118
6,754	RT CAP US\$ Cash Fund	911	911
<u>TOTAL CASH</u>		3,132	3,132

COMMON STOCKS -- 91.15%

INDUSTRIAL PRODUCTS -- 15.44%

73,800	Building Material Holding Corp	1,348	1,305
25,000	Dura Automotive Systems Inc.	1,051	321
85,000	Gehl Company	1,158	1,306
77,500	Kaman Corp., common	1,133	1,355
36,400	Lufkin Industries Inc.	1,172	1,179
<u>TOTAL</u>		5,861	5,467

REAL ESTATE -- 3.31%

100,000	Prime Hospitality	1,356	1,173
<u>TOTAL</u>		1,356	1,173

CONSUMER PRODUCTS -- 10.60%

85,300	Edelbrock Corp.	1,262	1,272
61,000	Haggar Corp.	1,160	1,272
132,500	Quaker Fabric Corp.	1,311	1,212
<u>TOTAL</u>		3,734	3,756

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 13.38%			
200,000	Bon - Ton Stores Inc.	1,371	2,685
32,500	Dillard's Inc.	1,164	613
50,000	J.C. Penney Co. Inc., common	1,216	1,442
<u>TOTAL</u>		3,751	4,740

FINANCIAL SERVICES -- 7.75%

25,000	Loews Corp.	1,425	1,362
27,500	Prudential Financial Inc.	1,216	1,386
<u>TOTAL</u>		2,641	2,748

SPECIAL SITUATION STOCKS -- 40.67%

250,000	Aecon Group Inc.	1,313	988
130,000	Canfor Corp. Inc.	1,288	1,229
100,000	Kingsway Financial Services	1,154	1,270
50,000	Laurentian Bank	1,301	1,335
75,000	MFP Financial	698	611
75,000	Morgaurd Corp.	1,523	1,575
150,000	Nexfor Inc.	1,206	1,448
80,000	Northbridge Financial	1,206	1,580
329,400	Reko International Group	1,111	1,103
125,000	Riverside Forest Products	1,167	1,594
500,000	Sino-Forest Corp.	1,200	1,675
<u>TOTAL</u>		13,166	14,407

TOTAL COMMON STOCK 30,508 32,291

TOTAL PORTFOLIO 33,640 35,423

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Going Against The Pack

The herd instinct seems to be the strongest human emotion, one that the race is constantly breeding off as the mavericks are liquidated. Happiness is running with the crowd.

- John Train

From my experiences the big money to be made in the stock market is when an investor goes against the pack. A specific example of this would be when an investor discovers a stock which is not only undervalued but also is not followed by the mainstream of analysts. Those stocks which are well-followed and over-owned tend to have little appreciation potential especially when everyone already owns them. In fact, if indeed, everyone owns them, who will buy your stock when you want to sell the security?

Going against the pack, in actuality, can lead to excellent profitable opportunities. This is to say that common stocks with little following or publicity of their good value are like “diamonds in the rough”. Sir John Templeton, the legendary founder of Templeton Mutual Funds in a recent interview comments on this subject further:

“Over half of the stocks on the NYSE, NASDAQ and the AMEX do not have a single security analyst following them. Others have just one. Regulators have put such pressure on Wall Street research that it has simply been cut back. Listed companies

with no analyst following them is a wonderful place to look for opportunities. Stock market orphans have to be better values than companies followed by analysts”.

Clearly underfollowed stocks offer superb investment opportunities, albeit, with some incremental risk due to their initial illiquidity. But researching a stock, which is not followed by investment analysts, is not an easy task. Significant investigative research must be undertaken since it is generally not available. But this negative, I believe, presents opportunity especially if a little jewel is unearthed. Moreover, such stocks, I believe, are ripe for capital appreciation potential in that a portfolio manager can accumulate all the shares he may need without any competition and without significantly moving the price. Once the stock becomes known and the first analyst and/or investing institution discover this unpolished gem the share price usually catapults to unprecedented levels. Ultimately the investor’s initiative, patience and proaction are well rewarded.

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