

PRESENT

PERSPECTIVES

Sticking One's Neck Out

*Behold the turtle. He makes progress
only when he sticks his neck out.*

- James Bryant Conant

Successful investing, I believe, involves a number of key factors such as serious investigation, unemotional steadfast discipline, consistency and courage of one's convictions. Put together, profitable investment management encompasses all these important qualities plus one other: sticking one's neck out.

The truth of the matter is that one can be the greatest investment analyst, however, if one doesn't actually make the investment there is no net benefit for all the effort. In effect, the whole analytical experience becomes theoretical and, metaphorically speaking, a hotshot stock picker is reduced to a toothless tiger.

In my opinion, sticking one's neck out is a natural follow-through to a strongly held investment opinion. Admittedly, it is a tough decision with certain consequences. For instance, a portfolio manager will often find his feet put to the fire as the strength of his conviction will be tested and challenged by doubting clients. However, when the investment eventually prospers, the manager not only achieves financial success for his clients but he also reaps significant spiritual rewards for himself.

On the other hand, the investment highway is, unfortunately, littered by many unsuccessful managers who couldn't carry through a well-thought-out financial plan. Simply put, sticking one's neck out separates the men from the boys. Unfortunately, this quality can neither be bought nor taught. It cannot be acquired from a top-notch MBA program, PHD study or by reading a "how to book". Quite frankly, a portfolio manager either has it or he does not. While he might hone this trait through battle-hardened work experience, sticking one's neck out is quite stressful, challenging and mentally exhausting. But at the end of the day, it remains a vital ingredient toward successful investment performance.

ECONOMIC PERSPECTIVES**Enhancing The Economy**

Like the equities market, the North American economies have been climbing a wall of worry over the past year. During this period economic activity has weathered many storms such as the Iraq War, plummeting U.S. dollar, deflation fears, concern of overextended housing and new car markets, etc. In spite of these factors, the U.S. economy has produced a recent quarterly growth rate of 8.2% and has precipitated a consensus 2004 U.S. economic growth rate of 4%.

So much for the consumer and business anxiety of the past year. Moreover, the stellar stock

market performance of 2003, in itself, a relatively reliable leading economic indicator, is signaling that better economic times lie ahead. The fact is that the North American economies possess strong underpinnings and should foreshadow improving business activity, stronger corporate profits and ultimately, higher common stock prices. The point is whatever the U.S. Federal Reserve has done over the past two years, the net result is that it has "enhanced the economy." This circumstance should provide for increasing economic prosperity over the next 12-18 months.

INVESTMENT PERSPECTIVES**Improving Investment Ingredients**

With continued low interest rates and loose monetary policy, strengthening economic activity and recuperating corporate profits, the ingredients appear to be in place for a continuing appreciation of North American stock markets.

While we expect securities markets to exhibit rather volatile price movements the fact is we do like what we see. We sense that there is

significant investment cash on the sidelines waiting very impatiently to be invested. With a relatively light corporate finance calendar and few undervalued investment pickings we expect North American stock markets to trend upward. In a nutshell we believe that with the improving investment ingredients we are quite optimistic for individual stock selections for the year 2004.

PORTFOLIO PERSPECTIVES**Preening the Portfolios**

We had been running our three ABC portfolios at a 5% cash reserve position until early December 2003. At that time we prudently decided to increase reserves slightly to 7 1/2 % as the stock market surged to 12-month highs. Over the past three months our investment policy has been to preen our portfolios in preparation for expected 2004 opportunities.

We have utilized new investor cash flow, sales of Noranda Inc., Dura Automotive, as well as

partial profit-taking in Sino-Forest, Bon-Ton Stores and Teck Cominco to purchase shares in American National Insurance Co. and Ampco-Pittsburgh Corporation. In addition, on price weakness, we added to existing holdings of Canfor Corp., Magellan Aerospace, Norske Skog Canada, Russel Metals, Lufkin Industries, CPAC Inc., and Northbridge Financial.



Fear, Greed and Fundamental Value

October 19, 2003

Dear Mr. Michael,

We look forward to once again being accepted into ABC Funds.

The past few years have been a revealing journey through the morass of greed with countless occasions to ponder and appreciate both the clarity of the words “fundamental value” and the inherent wisdom in your approach to managing money.

There is no substitute for patience and value is the best friend an investor can have.

Sincerely,

K.H.

Occasionally a client will leave the ABC Funds and decide to return several years later. While some of our redeeming clients may go on to bigger and better things, most do not and subsequently lose a good portion of their hard-earned capital. This, I believe, was the case during the 1998-2000 period.

The mid 1998 to mid 2000 interval represented a most difficult time for value managers and the ABC Funds. The high technology sector was the rage as stocks like Nortel, JDS, 724 and 360 Networks soared in value. Initial public offerings with little more than a “tech” suffix literally doubled on the first day of trading. Investors became greedy. Many felt little need for professional money managers and rationalized that they could do far better on their own.

At the beginning, some did quite well as the tech mania gathered momentum. But alas, as with most “feeding frenzies” good things eventually come to an end. In retrospect, the technology craze was no different from the 17th century Dutch tulip bulb mania, previous boom and bust real estate cycles and the 1979-1980 run up of gold to \$800. Unfortunately for many, history had repeated as trillions of dollars were erased from portfolios.

When I received the above letter I was truly moved on several counts. I would like to share my thoughts:

- 1) I was particularly touched by the sincerity and erudite commentary of this individual. Many people would be too embarrassed and full of ego to return to ABC Funds, let alone to submit a straight from the heart letter of this sort.
- 2) The writer’s description of this period as “a revealing journey through the morass of greed” quite eloquently described the investment scenario of the time. Moreover, “with countless occasions to ponder and appreciate both the clarity of the words fundamental value and the inherent wisdom in your approach to managing money” the writer offered a real world reflection on the subsequent decline of high technology and the huge financial losses that befell many investors.

and lastly

- 3) “There is no substitute for patience and value is the best friend an investor can have” perfectly sums up our ABC Funds investment philosophy.

Irwin A. Michael, CFA



Four ABC Funds Favourites For 2004

AMERICAN NATIONAL INSURANCE

American National Insurance Company, based in Galveston, Texas, is one of the largest life insurers in the United States with over 3.4 million policyholders and \$12 billion in assets. The company's products and services include life insurance, annuities, health insurance, personal lines, property and casualty insurance, credit insurance, pension plan services, mutual funds and real estate management.

We believe American National is undervalued at its current price of around \$82 a share. At this level the shares trade at a 28 % discount to its September 30, 2003 tangible book value of \$113.85 a share. As a measure of comparison, the average life insurance company trades at a 20 % premium to book value. Also, American National pays an annual dividend of \$2.96 per share, which represents a yield of 3.6%. This is a relatively good yield considering most money market funds in the U.S. pay only 1% or less. Furthermore, investors can take comfort in the fact that American National has not missed a dividend payment since it first began paying dividends in 1911.

One reason for American National's discounted stock price could be the low return on equity it has earned over the last few years. American National had earnings of \$2.45 and \$0.64 per share in 2002 and 2001. This represents a return on equity of just 2.2% and 0.6% respectively. Another reason could be the controlling ownership by the Moody family. The family refuses to repurchase shares and has publicly stated that the company is not for sale. Finally, American National is not officially followed by any Wall Street analysts and, moreover, the company does very little to promote itself to investors. In effect, American National Insurance Company has yet to be discovered by Wall Street. This is a very positive contrary indicator.

Most recently, American National posted a strong third quarter performance for the period ending September 30 2003. Earnings were \$1.66 per share compared to \$1.19 per share in the same period last year, an increase of 39 %. If the company can continue to improve earnings, we believe the discount between its share price and book value could begin to narrow. In addition, given that the company is largely under-followed by the investment community, interest in the company from new investors could provide a positive catalyst for the stock. Finally, although the Moody family states that the company is not for sale, investors should not rule out "a change of heart" due to a premium price, family issues, etc. If the company was put up for sale we believe that the sum of the component parts would be worth considerably more than the current stock price.

CANFOR CORPORATION

Based in British Columbia, Canfor Corporation is an integrated forest products company that produces lumber, bleached kraft pulp, specialty kraft pulp and plywood. The Company has woodlands operations and production facilities in B.C., Alberta and Quebec. Canfor also has a lumber remanufacturing plant in Washington State. The Company distributes its products in Canada, the United States, the Far East and Europe from marketing offices worldwide.

On November 25, 2003 Canfor announced an agreement to purchase all of the shares of Slocan Forest Products. Slocan is also based in British Columbia and owns several sawmills, a plywood plant, an OSB plant and a lumber remanufacturing and laminated beam facility. Canfor offered 1.3147 shares in exchange for each Slocan share in a transaction valued at approximately \$630 million. Although the offer represented a 41% premium based on the previous day's closing prices, the deal was transacted at an attractive price relative to Canfor's market valuation.

The strategic benefits of the purchase are quite clear; the combined Company will be the second largest lumber producer in North America, next to Weyerhaeuser. According to the press release, capacity will increase to over 5.2 billion board feet of lumber, 1.2 million tonnes of pulp, 950 million square feet of plywood and OSB and 150,000 tonnes of kraft paper. It is expected that annual sales will be in excess of \$3 billion and total assets will be greater than \$3 billion. Management expects to benefit not only from economies of scale, but also annual synergies in the order of \$60 million. We believe that this transaction could just be the start of a round of consolidation in the forestry industry in Canada.

The takeout offer highlights our investment thesis on the sector. It is an out of favour and significantly undervalued industry in need of a catalyst. In this case, an astute acquisition surfaced value for shareholders. If and when a resolution of the softwood lumber dispute with the U.S. is reached, a significant negative overhang would be removed and valuations should improve further. Canfor has publicly stated that it will not support the proposed settlement as it stands, since it believes that the quota allocation unfairly penalizes the Company. Further, the fact that Canfor, like other Canadian producers, would be entitled to only 52% of the duties paid is probably more than a little galling to those involved. However, we believe that Canfor would support a negotiated settlement if the terms were more favourable. Because the industry is still cheap, we are optimistic that patient investors will be rewarded.

CPAC INCORPORATED

CPAC Inc. is a diversified operating company that manages holdings in two industries: Cleaning and Personal Care which operates under the Fuller Brands segment, and Imaging which operates under the CPAC Imaging Markets segment. The Fuller Brands segment develops, manufactures, and markets over 2,700 branded and private label products for commercial cleaning, household cleaning, and personal care. CPAC Imaging manufactures, packages, and distributes branded and private label chemicals for the colour photographic, health care, and graphic arts markets.

CPAC is under-followed by Wall Street analysts and has failed to capture the attention of investors. In fact, there is not one American brokerage firm that officially covers the company. Probably the main concern that investors have is that they feel CPAC's products and marketing efforts are outdated. For example, over thirty percent of sales from CPAC's Fuller Brands Consumer division are conducted via door-to-door sales and CPAC's Imaging division, which sells chemicals and equipment to photo finishing centers, are now competing with new digital photography.

However, while many perceive CPAC to be a "buggy whip" type company, management believes there are growth opportunities that exist outside of traditional channels. For example, The Fuller Brands division has experienced early success with selling its home care products via QVC, a home shopping channel that has over 82 million viewers in the U.S. In addition, Internet sales have experienced double-digit increases, with sales breaking \$1 million for the first time in 2003. On the photo imaging side, the company sees big potential in China, a nation where only 20% of the population owns a camera. Also, CPAC has gained exposure in the growing disposable camera market via its 40% stake in German manufacturer Tura AG.

CPAC shares have fallen from a peak of \$15.25 in September 1995 to just \$6 today. At this level, we believe CPAC represents an attractive opportunity. Consider the fundamentals. CPAC trades at a 26% discount to its 2003-year end book value of \$9.35 per share and the balance sheet is solid. It has only \$7.2 million in long-term debt, of which \$6 million is comprised of an Industrial Revenue Bond. The bond matures in 2009 and carries an interest rate of only 2%. In addition, CPAC owns both the land and buildings on many of its properties. The company consistently generates free cash flow and its \$0.28 annual dividend provides shareholders with a yield of over 4%.

Finally, another point to consider is that since 1995 the company has repurchased 2.4 million or over 32% of its outstanding shares. Given that the share price has been languishing below book value for some time now, we would not be surprised if at some point, management decides to take the company private.

NORSKE SKOG CANADA LIMITED

Norske Skog Canada Limited, known as NorskeCanada, produces groundwood specialty papers, including newsprint, containerboard and pulp. Originally known as Fletcher Challenge Canada, the predecessor company was acquired in July 2000 by Norske Skogindustrier of Norway who then renamed the subsidiary Norske Skog Canada. In August 2001, NorskeCanada acquired Pacifica Papers and created the corporate entity that we see today.

NorskeCanada, a deep cyclical, came under pressure as printers and publishers faced an extremely difficult environment in 2002 and 2003. A slowdown in advertising spending created excess capacity across the industry, depressed prices and forced the Company to take downtime. NorskeCanada reported a net loss of \$0.64 per share in 2002 and a net loss of \$0.35 per share in the first nine months of 2003. However, the Company is generating cash and recorded \$47.5 million of EBITDA in the first nine months of the year. With the economic recovery well underway, we believe that it is only a matter of time before commodity prices improve and NorskeCanada returns to profitability.

Several key factors gave us the confidence to invest in NorskeCanada despite the difficulties of the past few years. First, NorskeCanada traded at, and still trades at, a discount to its book value of \$5.12. At \$4.00, the Company was priced at only 0.8 times book value. The stock eventually bottomed at 0.6 times book value in mid November 2003, a level that has traditionally provided strong price support.

Next, we looked at historic levels of EBITDA to gauge the Company's upside given an economic recovery. When the stock bottomed in mid November, NorskeCanada traded at an enterprise value of less than 5 times 2000 EBITDA of \$304.4 million, which has typically been the low for the stock. Looking forward, EBITDA could improve significantly from the level last seen in 2000. Management has stated that of the \$115 million in synergies achieved from the Pacifica Papers acquisition in 2001, \$110 million was related to EBITDA improvements. Using an enterprise value to projected EBITDA multiple of only 5 times, the stock offered an attractive potential return.

Finally, we checked the Company's financial flexibility in case the recovery is delayed. As at September 30, 2003 NorskeCanada's net debt to capitalization was 45%. The Company had \$10.2 million of cash on hand and could access almost all of a \$350 million operating loan. Because the first senior debt repayment is not due until March 2009, we were satisfied that the Company could meet its obligations comfortably. Putting all of these pieces together, we believed that the stock had bottomed for the cycle and it was time to purchase shares for our funds.

Irwin A. Michael, CFA

ABC Fully-Managed Fund (ABC FMF)

December 31, 2003

NAVPS	\$9.2827
Inc. Dist.	\$0.000414
C.G. Dist.	\$0.624423

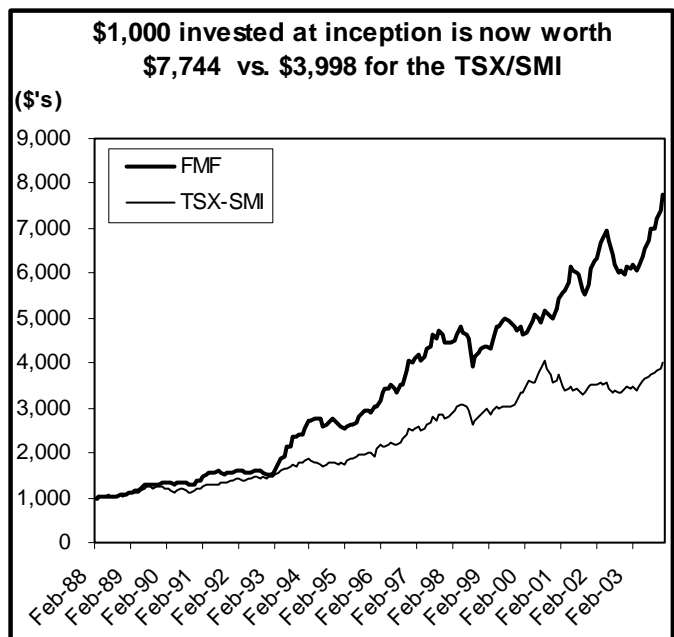
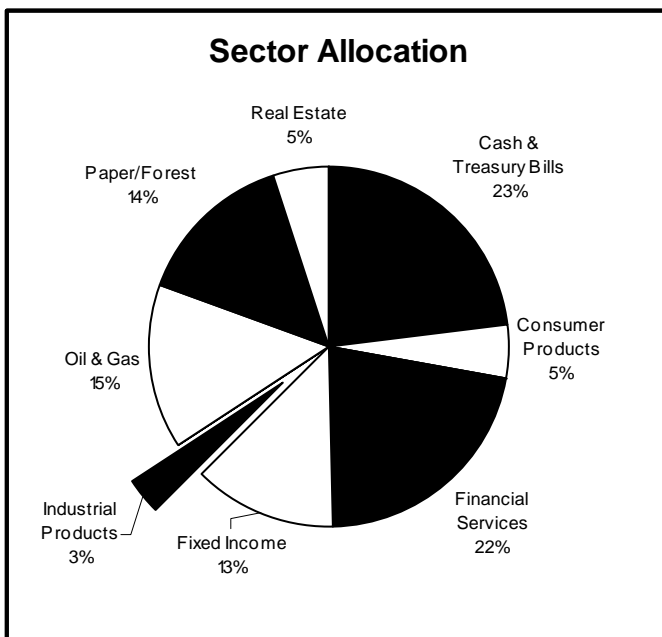
Objective

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	4.87	3.08	1989	23.68	17.20
Q4 2003	10.99	5.53	1990	2.17	-4.32
1 Year	25.52	15.27	1991	14.69	17.35
2 Year	12.47	6.57	1992	-1.48	4.75
3 Year	14.16	3.29	1993	64.35	24.36
5 Year	12.21	6.49	1994	2.82	-2.64
10 Year	11.86	8.15	1995	17.25	17.97
15 Year	14.06	9.22	1996	31.99	19.5
Since Inception*	13.80	9.15	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
			2003	25.52	15.27

*Inception date for the Fund was February 22nd, 1989
 **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, 2003

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.29226

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 20.03%			
527,508	C\$ Cash	528	528
435	U\$ Cash	1	1
159,716	RT CAP Cash In Action Fund	15,972	15,972
0	RT CAP Cash In Action Fund US \$	0	0
	<u>TOTAL CASH</u>	16,500	16,500

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
FIXED INCOME -- 11.09%			
2,000,000	Nexen Inc., 6.85%, 11/15/06	1,960	2,148
2,500,000	Gerdau Ameristeel, conv. 6.50%, 4/30/07	2,216	2,322
2,500,000	Magellan Aero., conv. 8.50%, 01/31/08	2,478	2,575
2,000,000	Nova Chemical., 7.85%, 08/30/10	1,984	2,090
	<u>TOTAL</u>	8,638	9,135

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
COMMON STOCKS -- 68.88%			
FINANCIAL SERVICES -- 19.03%			
12,500	E-L Financial Corp.	3,259	3,781
200,000	Kingsway Financial Services	2,308	2,920
100,000	Laurentian Bank	2,563	2,785
250,000	MFP Financial	2,321	2,000
200,000	Northbridge Financial Corp.	3,149	4,180
	<u>TOTAL</u>	13,600	15,666

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
REAL ESTATE -- 4.48%			
150,000	Morguard Corp., common shares	3,044	3,687
	<u>TOTAL</u>	3,044	3,687

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
PAPER/FOREST PRODUCTS -- 12.52%			
300,000	Canfor Corp.	2,965	3,381
350,000	Nexfor Inc.	2,758	3,798
750,000	Norske Skog Canada Ltd.	2,824	3,128
	<u>TOTAL</u>	8,547	10,306

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
OIL & GAS -- 12.70%			
50,000	Canadian Natural Resources	2,441	3,269
75,000	Nexen Inc.	2,381	3,519
50,000	Talisman Energy Inc.	2,691	3,676
	<u>TOTAL</u>	7,514	10,464

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CONSUMER PRODUCTS -- 4.31%			
155,000	Lassonde Industries	2,689	3,550
	<u>TOTAL</u>	2,689	3,550

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
INDUSTRIAL PRODUCTS -- 3.04%			
275,000	Agricore - United	2,305	2,503
	<u>TOTAL</u>	2,305	2,503

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
U.S. STOCKS -- 12.81%			
27,500	Amer. National Ins. Co.	2,942	2,998
54,900	Ampco-Pittsburgh Corp.	774	970
100,000	J.C. Penney Co. Inc.	2,461	3,396
50,000	Loews Corp.	2,803	3,183
	<u>TOTAL</u>	8,979	10,548

<u>TOTAL COMMON STOCK</u>	46,679	56,722
----------------------------------	---------------	---------------

<u>TOTAL PORTFOLIO</u>	71,817	82,357
-------------------------------	---------------	---------------

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	\$16.8502
C.G. Dist.	\$ 1.165058

December 31, 2003

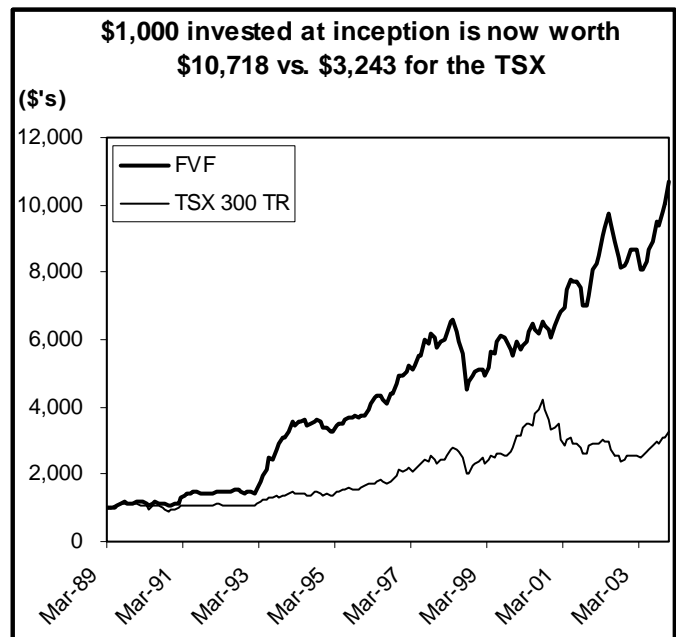
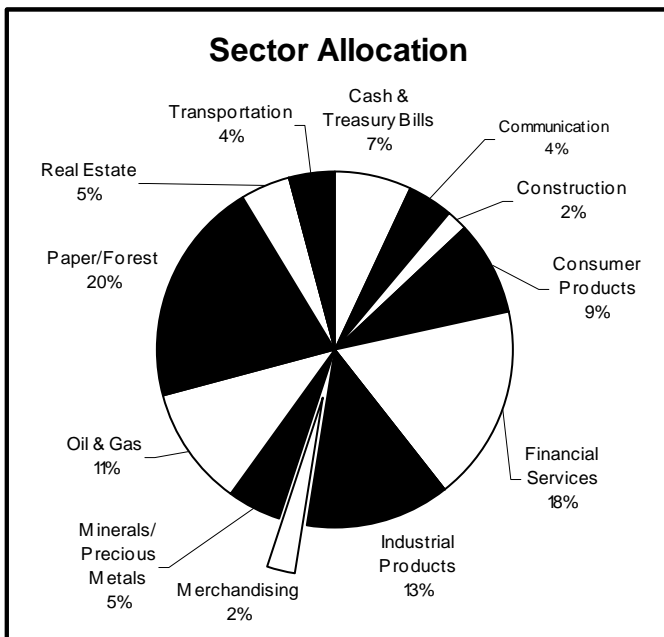
Objective

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	7.06	4.83	1990	-1.98	-14.80
Q4 2003	14.13	11.28	1991	22.92	12.02
1 Year	23.55	26.72	1992	4.26	-1.43
2 Year	15.31	5.34	1993	121.75	32.80
3 Year	18.79	-1.01	1994	3.03	-0.63
5 Year	15.94	6.54	1995	11.08	14.83
10 Year	12.60	8.56	1996	31.75	28.35
Since Inception*	17.45	8.30	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
			2003	23.55	26.72

*Inception date for the Fund was March 20, 1990
 **Benchmark consists of the TSE300 Total Return Index



ABC Fundamental-Value Fund, Statement of Investment Portfolio
December 31st, 2003

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.29226

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 6.36%			
327,157	C\$ Cash	327	327
4,780	U\$ Cash	8	8
184,652	RT CAP Cash In Action Fund	18,465	18,465
0	RT CAP U\$ Cash Mgmt Fund	-	-
<u>TOTAL CASH</u>		18,800	18,800

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 2.20%			
550,000	Danier Leather Inc.	5,520	5,880
38,900	Sears Canada Inc.	605	622
<u>TOTAL</u>		6,124	6,502

COMMON STOCKS -- 93.64%

OIL & GAS -- 9.85%			
2,500,000	Bow Valley Energy	3,725	4,000
1,000,000	Devlan Exploration	2,839	2,350
250,000	Nexen Inc.	8,028	11,730
150,000	Talisman Energy	8,136	11,028
<u>TOTAL</u>		22,728	29,108

PAPER & FOREST PRODUCTS -- 18.45%

CONSUMER PRODUCTS -- 7.84%			
365,000	Andres Wines Ltd. "A"	4,497	7,665
400,000	Arbor Memorial Services "B"	5,339	5,730
700,000	Shermag Inc.	5,222	9,772
<u>TOTAL</u>		15,058	23,167

1,000,000	Canfor Corp., common	9,667	11,270
1,100,000	Nexfor Inc.	8,658	11,935
2,750,000	Norske Skog Canada Ltd.	10,802	11,468
600,000	Riverside Forest Products	5,501	9,300
1,000,000	Sino-Forest Corp., A	2,400	5,160
700,000	Taiga Forest Corp.	3,356	5,358
<u>TOTAL</u>		40,384	54,491

FINANCIAL SERVICES -- 16.00%

COMMUNICATION -- 3.66%			
780,000	CanWest Global Comm.	5,005	10,803
<u>TOTAL</u>		5,005	10,803

37,500	E-L Financial Corp.	9,960	11,344
350,000	Laurentian Bank	9,055	9,748
575,000	Kingsway Financial Services	6,635	8,395
650,000	MFP Financial	5,940	5,200
600,000	Northbridge Financial Corp.	9,060	12,540
<u>TOTAL</u>		40,650	47,226

MINERALS/PRECIOUS METALS -- 4.45%			
600,000	Teck Corporation	5,329	13,158
<u>TOTAL</u>		5,329	13,158

INDUSTRIAL PRODUCTS -- 11.83%

CONSTRUCTION -- 1.77%			
1,150,000	Aecon Group Inc.	6,174	5,233
<u>TOTAL</u>		6,174	5,233

600,000	Agricore - United	5,020	5,460
500,000	Groupe Laperriere & Verreault	3,793	8,200
1,775,000	Magellan Aerospace	5,983	4,881
1,000,000	Russell Metals Inc., common	5,989	8,790
200,000	Westcast Industries Inc., A	7,156	7,600
<u>TOTAL</u>		27,941	34,931

REAL ESTATE -- 4.16%			
500,000	Morguard Corp., common	10,147	12,290
<u>TOTAL</u>		10,147	12,290

TRANSPORTATION -- 3.66%

U.S. STOCKS -- 9.77%			
91,500	Amer. Nat. Ins. Co.	9,913	9,976
275,000	J.C. Penney Co. Inc.	6,671	9,339
150,000	Loews Corp., common	8,545	9,550
<u>TOTAL</u>		25,129	28,866

975,000	Transat AT Inc., common	6,714	10,823
<u>TOTAL</u>		6,714	10,823

<u>TOTAL COMMON STOCK</u>	211,383	276,596
----------------------------------	----------------	----------------

<u>TOTAL PORTFOLIO</u>	230,183	295,396
-------------------------------	----------------	----------------

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	\$8.0176
C.G. Dist.	\$0.627497

December 31, 2003

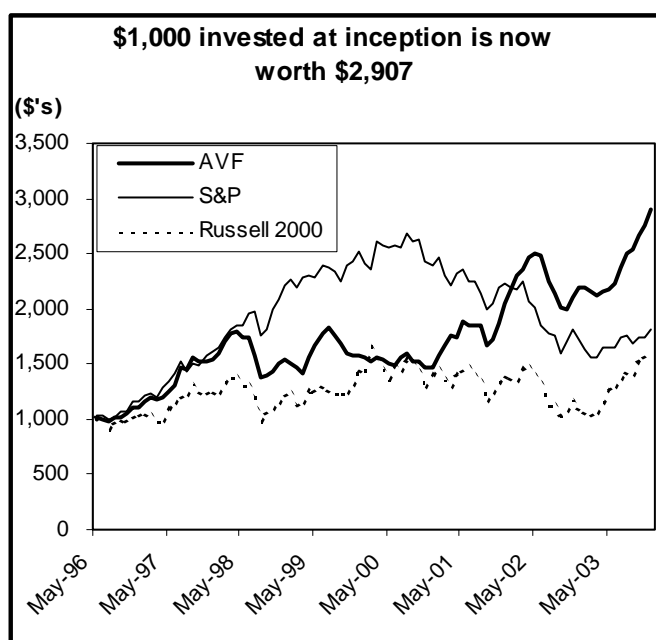
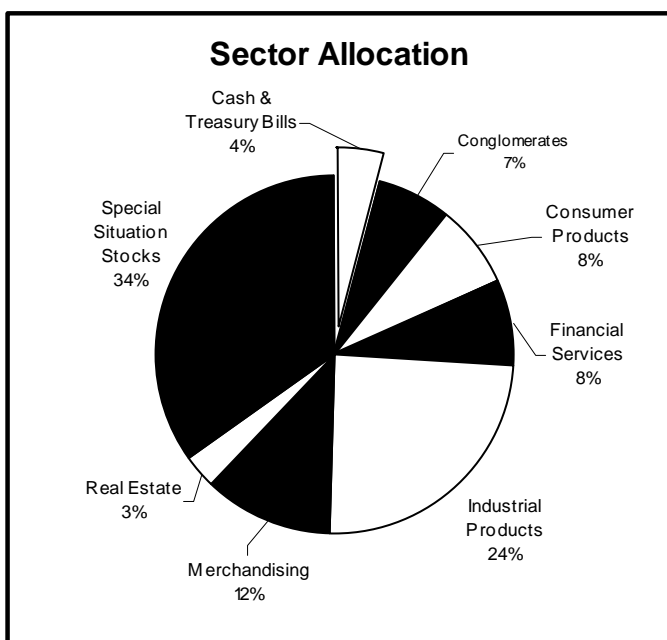
Objective

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	5.24	1.98	4.84	1997	38.76	20.52	39.16
Q4 2003	14.68	14.20	7.35	1998	0.75	-3.45	37.69
1 Year	32.74	45.37	5.29	1999	1.47	19.62	14.14
2 Year	19.13	6.77	-9.81	2000	-6.66	-4.20	-5.52
3 Year	25.57	4.82	-8.70	2001	39.52	1.03	-6.45
5 Year	13.40	5.71	-3.88	2002	6.91	-21.58	-22.74
Since Inception*	15.11	6.31	8.04	2003	32.74	45.37	5.29

*Inception date for the Fund was May 2, 1996





ABC American-Value Fund, Statement of Investment Portfolio

December 31st, 2003

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 4.23%			
107	Cash	107	107
16,016	RT CAP Cash In Action Fund	1,602	1,602
31,902	US \$ Cash	41	41
0	RT CAP US\$ Cash Fund	-	-
<u>TOTAL CASH</u>		1,750	1,750

COMMON STOCKS -- 90.31%

INDUSTRIAL PRODUCTS -- 24.21%

110,000	Ampco-Pittsburgh Corp.	1,538	1,943
73,800	Building Material Holding Corp	1,348	1,481
85,300	Edelbrock Corp.	1,262	1,386
85,000	Gehl Company	1,158	1,560
50,000	Lufkin Industries	1,602	1,860
3,067	Noland Company, common	152	164
132,500	Quaker Fabric Corp., common	1,311	1,627
<u>TOTAL</u>		8,370	10,021

FINANCIAL SERVICES -- 7.54%

15,000	Amer. Natl. Ins. Co.	1,584	1,635
27,500	Prudential Financial Inc.	1,216	1,484
<u>TOTAL</u>		2,800	3,120

CONSUMER PRODUCTS -- 7.54%

200,000	CPAC Inc., common	1,590	1,561
61,000	Haggar Corp.	1,160	1,538
200	Hanover Foods Corp.	21	21
<u>TOTAL</u>		2,772	3,120

exchange rate used is 1.29226

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MERCHANDISING -- 11.74%			
150,000	Bon - Ton Stores Inc.	1,028	2,152
32,500	Dillard's Inc.	1,164	691
50,000	J.C. Penney Co. Inc.	1,216	1,698
8,020	Village Super Markets Inc.	282	319
<u>TOTAL</u>		3,690	4,860

REAL ESTATE -- 3.18%

100,000	Prime Hospitality	1,356	1,318
<u>TOTAL</u>		1,356	1,318

CONGLOMERATES -- 6.70%

71,600	Kaman Corp.	1,047	1,178
25,000	Loews Corp.	1,425	1,592
<u>TOTAL</u>		2,472	2,770

SPECIAL SITUATION STOCKS -- 34.88%

250,000	Aecon Group Inc.	1,313	1,138
130,000	Canfor Corp. Inc.	1,288	1,465
78,200	Kingsway Financial Services	902	1,142
75,000	MFP Financial	698	600
75,000	Morguard Corp., common	1,523	1,844
150,000	Nexfor Inc., common	1,206	1,628
425,000	Norske Skog Canada Ltd.	1,454	1,772
80,000	Northbridge Financial Corp.	1,595	1,672
400,000	Reko Int'l. Group. Inc.	1,350	1,240
125,000	Riverside Forest Products	1,167	1,938
<u>TOTAL</u>		12,494	14,437

TOTAL COMMON STOCK 33,953 39,645

TOTAL PORTFOLIO 35,703 41,395

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

Comfortable With One's Surroundings

The one thing I dread is affluence. I have a lovely office now with pictures on the wall and a swivel chair...and I can't do anything.

Sir Frederick G. Banting

Canadian physician and principal discoverer of insulin

I am a student of history. I love to read about historical personalities and their achievements. Moreover, I believe much can be learned from their accomplishments and their erudite commentaries. More specifically, ever since I was in public school and studied Canadian history, I was always taken aback by Dr. Frederick Banting, the principal discoverer of insulin. His modest upbringing, serious study of medicine, dedication, Canadian patriotism and down-to-earth candour always impressed me.

Frederick Grant Banting was born on a farm near Alliston, Ontario in 1891. He attended the University of Toronto and graduated in medicine. He entered the Canadian army in WWI as a physician and was subsequently wounded in action in the hand. As a direct result, Dr. Banting earned a military medal for conspicuous bravery. After the war, Frederick Banting returned to Toronto and continued his medical research. Three years later at the age of 30 in conjunction with James Rickard McLeod and several others, he discovered insulin which revolutionized the treatment of diabetes. In 1923, Dr. Banting and Dr. McLeod jointly won the

Nobel prize in medicine for their discovery of insulin. Eighteen years later in 1941, after joining the Canadian army as a major in WWII, Dr. Frederick G. Banting was killed in a plane crash over Newfoundland while on his way to England. Canada truly lost a great citizen and humanitarian.

But my interest in Dr. Banting goes further than his accomplishments. I was particularly impressed by his statements, especially the above quotation. It has always been my interpretation that Dr. Banting's dread of affluence related to his respect for simplicity. Moreover, it seemed to me that Frederick Banting felt the subsequent affluence of his surroundings brought on by his success became intrusive to his medical genius. Like many other personalities, his intellect and pursuit of excellence was not a function of a mahogany desk, leather swivel chair or a group of seven painting. Instead, it was his love and passion for his work which drove him to his extraordinary achievements. As investment professionals, this conclusion is well-worth remembering.

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.