

Milking The Market

My father asserted that there was no better place to bring up a family than in a rural environment...there's something about getting up at 5 A.M., feeding the stock and chickens and milking a couple of cows before breakfast that gives you a lifelong respect for the price of butter and eggs.

Bill Vaughan

There is an old saying in the investment business: "if you buy a security well, it is half sold." The point of this statement is: if a stock is well-researched and analyzed combined with an astute investor focus, discipline and sense of timing, it is highly likely that the investment will be very rewarding.

It is no secret that we spend a great deal of time researching our stocks. This process can be tedious and time consuming. We are guided by our disciplined investment principles which we have labeled our Ten Commandments of Value Investing. Analytically, we are free-thinking, contrarian, very picky, deep-value hunters. We may review ten stocks and through a rigorous process of investigation we may only select two or three.

Like Bill Vaughan's quotation, we do wake up before sunrise to complete our early morning investment chores. Through our fundamental analyses, we hunt for deeply-undervalued, oversold securities. Often, they trade at low price earnings and cash flow multiples and are out of favour. In many cases, these companies are priced well below book and net asset value. Also, they may have a number of valuable hidden assets such as surplus real estate, tax-loss carryforwards or other understated balance sheet assets. More often than not, these diamond in the rough securities are not followed by any investment analysts and therein lies the opportunity. Recent ABC Funds examples of these stocks include

Riverside Forest Products, Prime Hospitality, Edelbrock Corp., Lufkin Industries and Russel Metals. All were liquidated this past quarter with significant realized profits.

In a nutshell, to successfully "milk the market" one must have market respect, humility and sensitivity. One should remain focused, diligent, patient and persevere regardless of short-term, faddish diversionary trends. In the end, I believe, that if one adheres to a prudent and self-disciplined strategy, the long-term rewards are remarkable.

Looking ahead, we are quite enthusiastic about our new closed-end ABC North American Deep-Value Fund. We intend to apply the same investment principles which we have successfully employed with our three existing ABC Funds. While this new closed-end fund will present our investment team with an exciting challenge we believe that we are sufficiently motivated and can continue to provide for superior long-term investment performance.



Still On Track

The North American economies continue to weather many economic, political and investment dilemmas. They include: a still too close to call November 2nd U.S presidential election, Middle East turmoil, Iraq, international terrorism, anemic U.S. domestic auto sales, rising interest rates, \$50 a barrel of oil, growing U.S. government spending deficit and a weak U.S. dollar. In spite of these negatives the North American economies and stock markets have not fallen out of bed and appear to be still on track.

Once again it is our view that 2004 –2005 North American economic activity should cluster around a 3% or better growth rate. We believe that both the Canadian and U.S. economies have been building a solid economic base to elongate the present business cycle to at least 2006-2008. Although we fully expect to experience continued security price volatility accompanied with intermittent economic and political uncertainty we remain fundamentally optimistic on the North American investment horizon over the next 12-18 months.

Hunting for Value

Amidst all the economic, political and investment uncertainty we are starting to uncover an increasing number of undervalued Canadian and American common stocks. With the background of rising interest rates, a firmer Canadian dollar negatively impacting Canadian manufacturers and exporters and erratic corporate earnings guidance we have taken the view that the present price weakness in a number of Canadian and U.S. stocks is temporary.

Our diligent hunt for value has turned up a number of relatively cheap small/mid capitalization equities,

which we believe will weather the current financial storm and are presently appealing in the context of a 12-18 month investment horizon. While we must retain considerable investment patience we believe that these securities carry a very favorable risk/reward profile. As a result, while we continue our hunt for value we have been utilizing our ABC Funds' positive cash flow and ongoing security liquidations to fund a number of these new attractive stock selections.

Fully Invested

While we fully expect the current financial volatility to persist into 2005 we remain fundamentally optimistic on the investment outlook. Our investment approach has been to remain fully invested with regards to equities and yet opportunistic enough to take advantage of periodic sales. Accordingly we have been able to freshen up our three ABC portfolios and at the same time we have steered our cash reserve to under 5%.

During the past three months we have taken profits in several corporate takeovers and fully valued common shares. They include: Prime Hospitality Corp., Riverside Forest Products, Russell Metals, Edelbrock Corp., Lufkin Industries and Prudential Financial. With the proceeds we have purchased new positions in General Motors Corp., Sea Containers Ltd., Fresh Brands Inc., Enesco Group, Decoma International and Petro-Canada.

A New Closed-End Fund

For years I have wanted to start up a closed-end investment fund. For those not familiar, a closed-end investment fund raises investment capital from an initial group of investors and (unlike open-end funds) does not continuously offer units to new investors. Once formed, a closed-end fund does not accept new money on a continuous basis nor does it allow for regular redemptions at net asset value. Instead, liquidity is provided by an active secondary market between buyers and sellers, usually on a stock exchange.

The attraction of a closed-end fund from a portfolio manager's perspective is that it is easy to manage and can provide greater stability to unitholders, since this new fund is not faced with major fund redemptions or huge cash inflows that could distort the portfolio and force security rebalancing. Conceptually, a closed-end fund is a portfolio manager's dream in that he can focus solely on discipline, investment style and long term valuations.

ABC North American Deep-Value Fund will concentrate on deep-value investing by purchasing the best value stocks held in our three ABC Funds. But more importantly, we will also designate as much as 25% of the portfolio to micro capitalization stocks (but this fund will only invest in securities of public companies). These shares have market capitalizations of \$50-100 million and are smaller than our usual small capitalization company purchases. In many cases, they attract little or no investment attention; this fact, I believe, represents an enormous opportunity. Up to this point, when we have come across attractively priced micro caps, we have generally passed over them due to liquidity concerns for our three open-ended funds.

It is noteworthy that there is little incremental analytical work involved since, in most instances, our investigative methodology has already selected

these stocks as undervalued. We regard this new fund as quite exciting and adding a new dimension to our present work. Common to our three existing funds, Royal Trust will act as trustee/custodian and PriceWaterhouseCoopers will perform the fund's annual audit.

While somewhat limited, liquidity will be provided through a "virtual exchange" whereby I.A. Michael Investment Counsel Ltd. will set up a book of interested buyers and sellers. At the end of each month, on a best efforts basis, we will match up these buyers and sellers at net asset value. In addition, this new fund will offer unitholders further liquidity through limited annual redemption of units at net asset value.

In all honesty, the new ABC North American Deep-Value Fund is not for everyone. Compared to our existing ABC Funds, this new fund will have a \$250,000 minimum rather than \$150,000 and will be less liquid. This new fund will have a longer term investment horizon. The management fee, while lower at 1%, will also include a performance fee of 20% on any returns above 10%.

On the positive side, this new fund will have maximum flexibility to invest in a diversified mix of deep-value Canadian and American common shares, convertible debentures and fallen-angel unit trusts. The country and asset mix as well as the currency exposure will have no set limits. As investment manager, we will have maximum flexibility and opportunity.

As a measure of my deep personal and professional commitment, I will be the first investor. I will commit \$1 million to the start-up of the ABC North American Deep-Value Fund.

Irwin A. Michael, CFA

Four ABC Funds Value Favourites

BON-TON STORES INCORPORATED

Bon-Ton Stores is a York, Pennsylvania based corporation, which operates 139 department stores and two furniture stores under the Bon-Ton and Elder-Beerman names. The stores are situated throughout 16 states from the Northeast to the Midwest and are positioned in smaller rural cities and towns where competition is sparse. The stores carry a broad assortment of brand-name fashion apparel and accessories for women, men and children as well as cosmetics, furnishings and other miscellaneous goods.

In October 2003, Bon-Ton purchased Elder-Beerman Stores, which operates 68 department stores in the Midwestern United States including Ohio, West Virginia, Indiana and Michigan. Bon-Ton purchased the company for \$8 a share which was at a significant discount to its book value of \$14 a share. The purchase made sense strategically as both companies focused on small to mid-size markets and offered similar fashion-oriented merchandise and brand name products. Also, there was virtually no geographic overlap between them. The acquisition served to provide a much-needed catalyst to Bon-Ton shares, having received very little attention from Wall Street. Bon-Ton shares rallied in the months following the announcement and have settled into a trading range of between \$11 and \$14 since July of this year.

For the 2nd quarter of 2004, Bon-Ton recorded net sales of \$284.2 million, an 85.6% increase from last year's level. Comparable store sales, which exclude the Elder-Beerman stores, decreased 0.5% while home, accessories, cosmetics and women's clothing recorded positive sale increases. Bon-Ton's back to school season was softer than expected however, a robust holiday season could provide a lift to Bon-Ton's stock price, which we feel is attractively priced. The shares are trading 22% below their book value of \$14.72 and under nine times management's earnings guidance of between \$1.20 and \$1.40 per share.

DECOMA INTERNATIONAL INCORPORATED

Decoma International Inc. is a major international auto parts supplier of exterior vehicle appearance components and systems. The Company designs, engineers and manufactures fascias (bumpers), front and rear end modules, plastic body panels, roof modules, exterior trim components, sealing and greenhouse systems and lighting components. Magna International maintains effective control over Decoma with an approximately 74% ownership stake in the Company.

Decoma was spun out from Magna on March 2, 1998 and began trading on the TSX under the symbol DEC.a and on the NASDAQ under the symbol DECA. The auto parts industry is notoriously cyclical and is driven primarily by

interest rates, consumer confidence and employment levels. Looking at the historic trading pattern, the shares have moved from an issue price of \$9.50 CDN to a high of \$21.10 CDN on June 4, 2002, and back to roughly \$10 CDN today.

Decoma, and most stocks in the auto parts sector, have come under selling pressure related to several major issues. As we mentioned, auto parts are cyclical stocks that typically under perform in a rising rate environment. Further, volatile economic data, including key consumer confidence and employment growth figures, have added to the uncertainty. Skyrocketing oil prices have also negatively impacted the outlook for auto sales, especially sales of SUVs and light trucks. Tier 1 auto parts manufacturers, such as Decoma, are also facing demands from the OEMs for price concessions, as they try to maintain market share and boost their own profitability. On the manufacturing side, raw material costs have spiked upward with steel and resin prices rising dramatically. Finally, Decoma has several facilities and programs ramping up, which hinders profitability until the product launch is well underway. With all of these influencing factors, investors have been frightened off; it is no wonder that Decoma has declined to near six-year lows.

We believe that Decoma is cheap, on an absolute basis, on an historical basis and relative to its peers. The Company pays a dividend of \$0.28 per share in US dollars, which yields approximately 3.5% in Canadian dollar terms. Book value is approximately \$7.58 US and it trades roughly at book value. Consensus earnings estimates are \$0.93 US for 2004 and \$1.11 US in 2005 with the stock trading well below 10 times this year's and next year's earnings. Auto parts stocks typically bottom at these valuation levels. On a relative basis, Decoma trades well below its peers based on yield, P/BV and P/E metrics. While the Company may experience a weak quarter or two, we are comfortable that downside risk is limited at current price levels.

Given the reasonable margin of safety, we would like to point to several factors that could drive the performance of the stock over the next 12 to 18 months. First, we believe that the US Federal Reserve will raise rates at a measured and cautious pace that will not damage the economy or consumer spending. Next, Decoma has several major product launches through 2005, as the OEMs revamp and refresh their model lines. Look for new or restyled cars from Ford (Cross Trainer, Five Hundred and Montego), Daimler-Chrysler (Cherokee), GM (Canyon/Colorado) and Mercedes (A Class). So far this year, Decoma has been a beneficiary of strong sales of Chrysler's new 300C sedan, available with the ferocious Hemi engine. The earnings improvement at Decoma coupled with less negative sentiment toward the auto parts sector should reward investors over the next 12 to 18 months.

GENERAL MOTORS

General Motors Corp. (GM) is the world's largest automobile manufacturer. Some of its brands include, Cadillac, Chevrolet, GMC, Hummer, Oldsmobile, Pontiac, Saab and Saturn. GM has operations in 32 countries and has 326,000 employees worldwide. In 2003, GM sold nearly 8.6 million cars and trucks, which represented close to 15% of the global vehicle market with sales of over \$185 billion. To complement its automotive division, GM also operates GMAC Financial Services, which provides a broad range of financial services, including consumer vehicle financing, automotive dealership and other commercial financing, residential and commercial mortgage services, and personal automobile insurance coverage.

We feel GM shares represent an attractive investment opportunity based on the company's relatively high dividend yield, low price to earnings and low price to book multiples. GM pays an annual dividend to shareholders of \$2 per share, which works out to a yield of about 4.6%. We feel this dividend is safe given the company's payout history and high operating cash flow. GM is one of the 30 stocks that make up the Dow Jones Industrial Average, and as a result, many Wall Street investment firms closely follow it. Earnings estimates for 2004 range from \$6.35 per share to \$7.60 per share, which implies 6 times forward PE ratio. In addition, GM shares are trading at a 13% discount to its book value of \$49.18 per share.

GM is a cyclical company that appears to be getting back on track after three tough years. After reaching an all time high of \$93.62 in May 2000, the company was hit by a global economic slowdown, intense competition from foreign car manufacturers, and a growing pension deficit. Earnings per share fell from a record \$9.18 in 1999 to just \$1.78 in 2001. Consequently, GM's share price fell as low as \$29.92 in March 2003. Today, with its share price currently in the low \$40s, we are optimistic that better times lie ahead for the company. A robust global economy, particularly in China, where GM has shown early success, should lead to an increase in demand for its vehicles. As for GM's pension: it is now fully funded and could return to a surplus as interest rates begin to increase. Finally, GM is slated to introduce 11 all new and significantly redesigned models in the second half of this year. These cars have been well received by GM's dealers and could be just the spark the company needs to rejuvenate sales and take back market share.

GM's financial results for its most recent quarter are encouraging. On July 21st 2004, the company reported earnings from continuing operations of \$1.3 billion, or \$2.36 per share compared with earnings of \$879 million, or \$1.57 per share, in the second quarter of 2003. Revenue rose 7.1 percent to \$49.1 billion. GM Chairman and CEO Rick Wagoner had overall praise for the quarter but cautioned that competition remained intense and that the company had a lot of work ahead of it. We feel that if GM can make good on its initiatives, the stock has the potential for decent capital appreciation in addition to its excellent yield.

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 centers, office properties and apartment buildings.

Morguard's financial performance has been impressive, especially over the past five years. Revenue has grown to \$369 million from \$101 million and funds from operations (FFO), a standard metric in the real estate industry, have grown to \$94 million, or \$6.60 per share, from \$21 million, or \$1.32 per share. On a proportionately consolidated basis, Morguard reported FFO of \$4.69 per share in 2003, after adjusting for the minority interest of Morguard REIT and Revenue Properties Company compared to \$3.13 in 2002, an increase of 50%. Book value at December 31, 2003 totaled \$31.07. At current price levels, Morguard trades at 3.6 times FFO, 5.1 times consolidated FFO, 0.8x book value and pays a \$0.56 dividend, which yields 2.3%.

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 in the mid \$30 per share range, implying a discount of approximately 30%. Like many of our Value Favourites, management seems to agree that the shares are undervalued and have filed for a normal course issuer bid for 774,508 common shares or about 10% of the public float outstanding.

Like many of the REITs, Morguard Corporation declined almost 15% in the first half of 2004. The sell-off was triggered by the threat of rising interest rates and the potential fallout on the real estate market. However, we believe that because Morguard trades at a discount to both its book value and net asset value, further downside is limited. Even though the shares have since recovered almost 10%, we still believe that the stock is cheap. In 2004, we expect management to continue to buy back stock, look for accretive acquisitions, develop and renovate existing assets and divest non-core properties. Management is building wealth within the Company, which should eventually be reflected in Morguard's share price.

Irwin A. Michael, CFA

ABC Fully-Managed Fund (ABC FMF)

September 30, 2004

NAVPS	10.1382
Inc. Dist.	\$0.000000
C.G. Dist.	\$0.000000

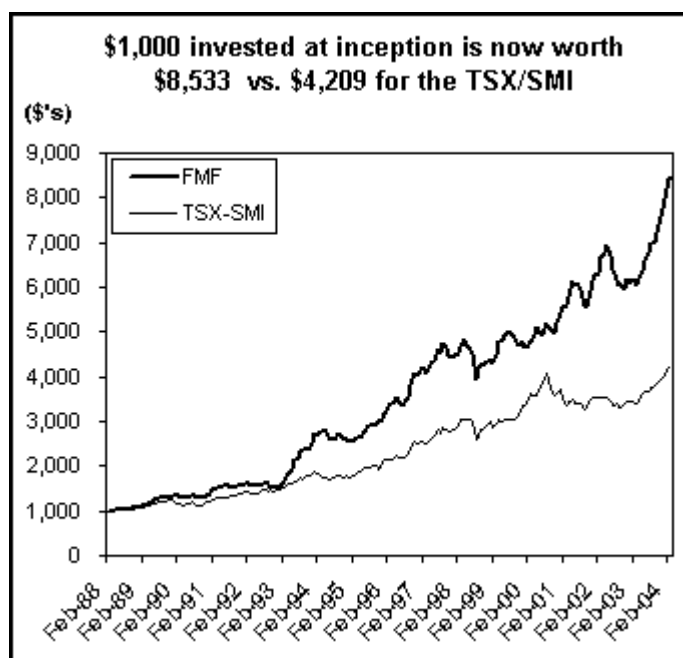
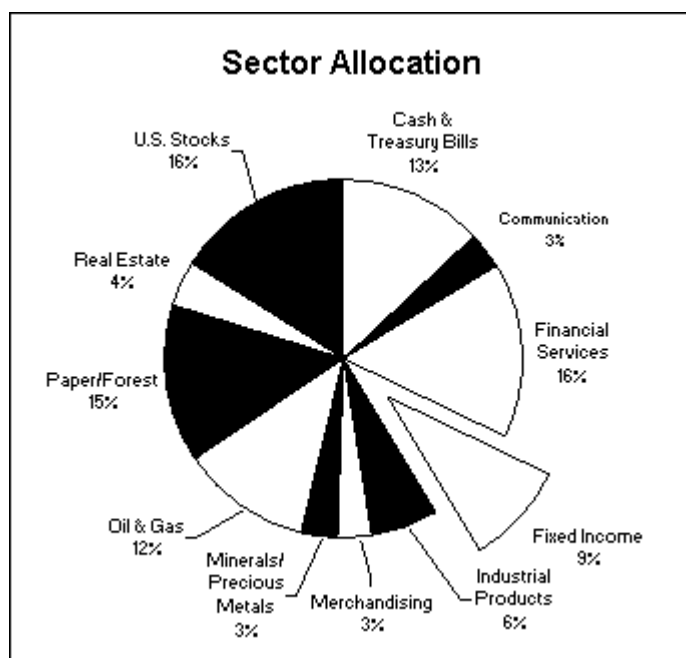
Objective

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	1.27	1.88	1989	23.68	17.20
Q3 2004	0.34	2.37	1990	2.17	-4.32
1 Year	22.30	11.09	1991	14.69	17.35
2 Year	19.01	12.58	1992	-1.48	4.75
3 Year	14.96	8.56	1993	64.35	24.36
5 Year	11.64	6.77	1994	2.82	-2.64
10 Year	12.01	8.86	1995	17.25	17.97
15 Year	13.41	8.61	1996	31.99	19.5
Since Inception*	13.80	9.05	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, 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, 2004

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.26555

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)	No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 13.44%				PAPER/FOREST PRODUCTS -- 14.60%			
388,618	C\$ Cash	389	389	300,000	Canfor Corp.	3,451	4,785
20,695	U\$ Cash	26	26	200,000	Fraser Papers Inc.	3,234	3,202
12,671,245	RT CAP Cash In Action Fund	12,671	12,671	250,000	Norbord Inc.	1,478	3,073
753,980	RT CAP Cash In Action Fund US \$	1,009	954	300,000	Timberwest Forest Corp. - Units	3,732	4,200
<u>TOTAL CASH</u>		14,095	14,040	<u>TOTAL</u>		11,894	15,260
FIXED INCOME -- 8.96%				OIL & GAS -- 11.65%			
2,000,000	Nexen Inc., 6.85%, 11/15/06	1,960	2,131	75,000	Nexen Inc.	2,381	3,956
2,500,000	Gerdau Ameristeel, conv. 6.50%, 4/30/07	2,216	2,486	50,000	Petro-Canada Inc., common	3,225	3,287
2,500,000	Magellan Aero., conv. 8.50%, 01/31/08	2,478	2,625	150,000	Talisman Energy Inc.	2,691	4,919
2,000,000	Nova Chemical., 7.85%, 08/30/10	1,984	2,120	<u>TOTAL</u>		8,298	12,162
<u>TOTAL</u>		8,638	9,362	COMMUNICATION -- 3.28%			
COMMON STOCKS -- 77.60%				MINING / PRECIOUS METALS -- 3.36%			
FINANCIAL SERVICES -- 15.58%				MERCHANDISING -- 3.12%			
13,038	E-L Financial Corp.	3,269	4,743	200,000	Sears Canada Inc. common	3,254	3,256
175,000	Laurentian Bank	4,588	4,568	<u>TOTAL</u>		3,254	3,256
250,000	MFP Financial	2,321	2,313	U.S. STOCKS -- 16.09%			
200,000	Northbridge Financial Corp.	3,149	4,664	30,000	Amer. National Ins. Co.	3,244	3,675
<u>TOTAL</u>		13,327	16,287	65,000	General Motors Corp.	3,702	3,494
REAL ESTATE -- 4.06%				50,000	Loews Corp.	2,803	3,702
175,000	Morguard Corp., common shares	3,595	4,244	200,000	Phoenix Companies Inc.	3,583	2,637
<u>TOTAL</u>		3,595	4,244	150,000	Shopko Stores Inc.	2,867	3,305
INDUSTRIAL PRODUCTS -- 5.86%				<u>TOTAL</u>		16,198	16,813
350,000	Decoma Int'l, common A	3,602	3,588	<u>TOTAL COMMON STOCK</u>			
75,000	Wescast Industries Inc., "A"	2,741	2,543	69,826			
<u>TOTAL</u>		6,343	6,130	<u>TOTAL PORTFOLIO</u>			
				92,560			
				104,492			

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

ABC FUNDS

ABC Fundamental-Value Fund (ABC FVF)

September 30, 2004

NAVPS	\$19.1694
C.G. Dist.	\$ 0.000000
Inc. Dist.	\$ 0.000000

Objective

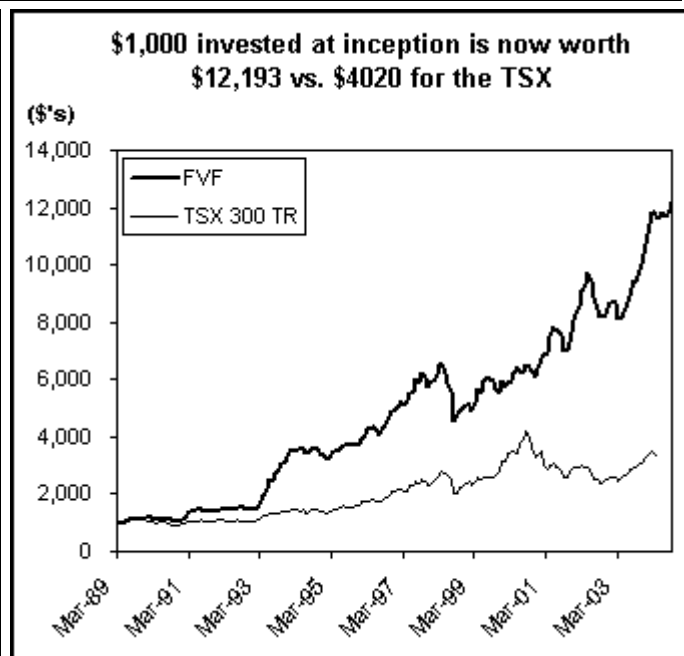
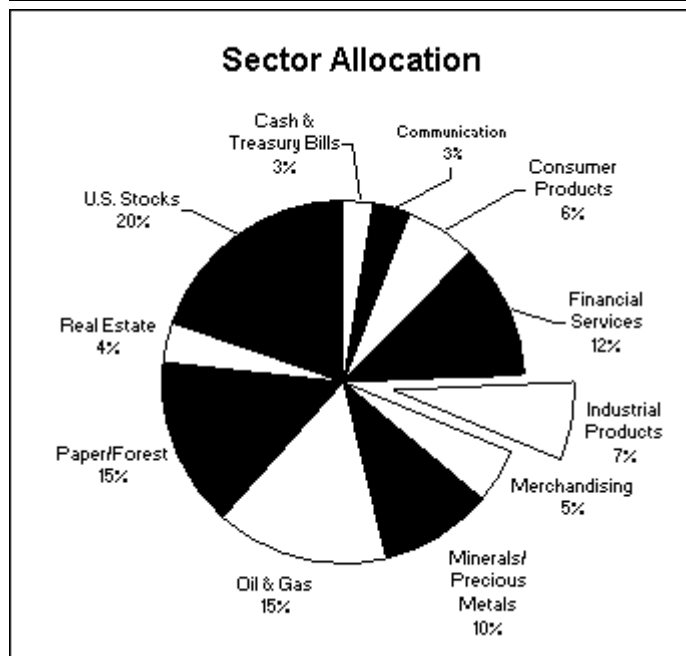
ABC Fundamental-Value Fund seeks out fundamentally undervalued Canadian equities. Our extensive "value research" style attempts to ferret out overlooked and out of favour Canadian equities. With these discerning selections we cobble a diversified portfolio of small, medium and large capitalization Canadian 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	2.68	3.67	1990	-1.98
Q3 2004	2.98	1.88	1991	22.92
1 Year	29.84	18.85	1992	4.26
2 Year	22.24	20.64	1993	121.75
3 Year	20.42	10.19	1994	3.03
5 Year	15.55	6.20	1995	11.08
10 Year	12.87	9.01	1996	31.75
15 Year	17.10	7.79	1997	20.35
Since Inception*	17.51	8.35	1998	-13.81
			1999	16.25
			2000	7.51
			2001	26.06
			2002	7.62
			2003	23.55

*Inception date for the Fund was March 20, 1989

**Benchmark consists of the TSX300 Total Return Index



ABC Fundamental-Value Fund, Statement of Investment Portfolio

September 30th, 2004

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.26555

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
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No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
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CASH -- 2.72%

1,109,910	C\$ Cash	1,110	1,110
25,177	U\$ Cash	26	32
73,673	RT CAP Cash In Action Fund	7,367	7,367
19,053	RT CAP U\$ Cash Mgmt Fund	2,411	2,411
<u>TOTAL CASH</u>		10,915	10,920

OIL & GAS -- 15.16%

2,500,000	Bow Valley Energy	3,725	3,950
1,100,000	Devlan Exploration	3,091	3,322
400,000	Devlan Exploration, warrants	1,120	1,120
250,000	Nexen Inc.	8,028	13,188
550,000	Opti Canada Inc.	12,564	10,450
215,000	Petro-Canada Inc., common	13,868	14,134
150,000	Talisman Energy	8,136	14,756
<u>TOTAL</u>		50,532	60,919

COMMON STOCKS -- 97.28%

PAPER & FOREST PRODUCTS -- 15.30%

1,000,000	Canfor Corp., common	10,681	15,950
750,000	Fraser Papers Inc.	12,352	12,008
900,000	Norbord Inc.	5,313	11,061
700,000	Taiga Forest Corp.	3,380	8,505
1,000,000	Timberwest Forest Corp., Units	12,440	14,000
<u>TOTAL</u>		44,166	61,524

CONSUMER PRODUCTS -- 6.49%

365,000	Andres Wines Ltd. "A"	4,497	8,304
400,000	Arbor Memorial Services "B"	5,339	6,400
1,126,700	Shermag Inc.	10,268	11,380
<u>TOTAL</u>		20,104	26,083

FINANCIAL SERVICES -- 11.76%

39,250	E-L Financial Corp.	10,590	14,228
500,000	Laurentian Bank	13,143	13,050
650,000	MFP Financial	5,940	6,013
600,000	Northbridge Financial Corp.	9,060	13,992
<u>TOTAL</u>		38,733	47,283

MINERALS/PRECIOUS METALS -- 10.02%

12,500,000	EuroZinc Mining Corp.	7,500	9,625
2,225,000	Lionore Mining Ltd.	14,004	14,355
600,000	Teck Corporation	5,329	16,326
<u>TOTAL</u>		26,833	40,306

INDUSTRIAL PRODUCTS -- 7.06%

1,250,000	Decoma Int'l., common A	12,855	12,813
1,857,142	Magellan Aerospace	6,116	5,386
300,000	Wescast Industries Inc., A	10,808	10,170
<u>TOTAL</u>		29,779	28,368

REAL ESTATE -- 3.62%

600,000	Morguard Corp., common	12,351	14,550
<u>TOTAL</u>		12,351	14,550

COMMUNICATION -- 3.41%

1,400,000	CanWest Global Communications	14,629	13,720
<u>TOTAL</u>		14,629	13,720

U.S. STOCKS -- 19.69%

100,000	Amer. Nat. Ins. Co.	10,941	12,249
250,000	General Motors Corp.	14,238	13,440
150,000	Loews Corp., common	8,545	11,105
850,000	Prime Hospitality	11,472	13,091
350,000	Sea Containers Ltd., A	6,787	6,746
575,000	Shopko Stores Inc	11,120	12,669
700,000	The Phoenix Companies	13,745	9,890
<u>TOTAL</u>		76,848	79,191

MERCHANDISING -- 4.77%

550,000	Danier Leather Inc.	5,520	6,160
800,000	Sears Canada Inc.	12,960	13,024
<u>TOTAL</u>		18,480	19,184

<u>TOTAL COMMON STOCK</u>	332,455	391,128
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<u>TOTAL PORTFOLIO</u>	343,369	402,049
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ABC FUNDS

ABC American-Value Fund (ABC AVF)

September 30, 2004

NAVPS	\$8.8764
C.G. Dist.	\$0.000000
Inc. Dist.	\$0.000000

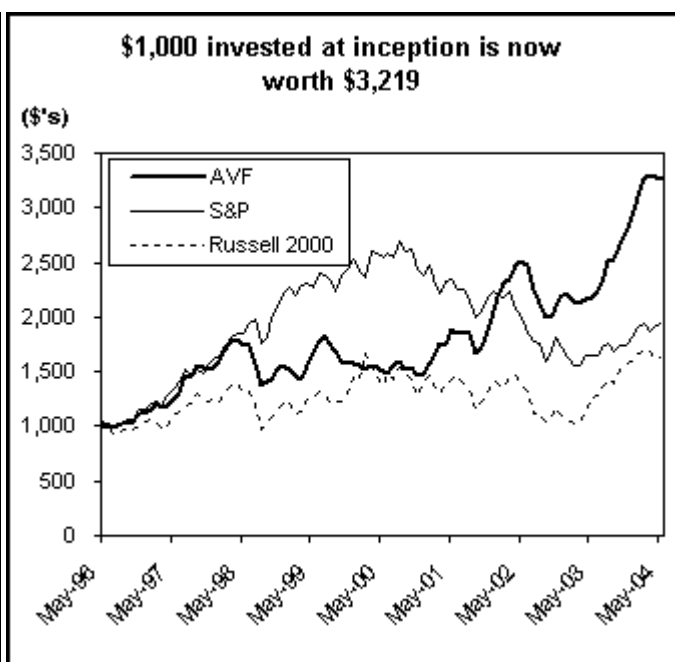
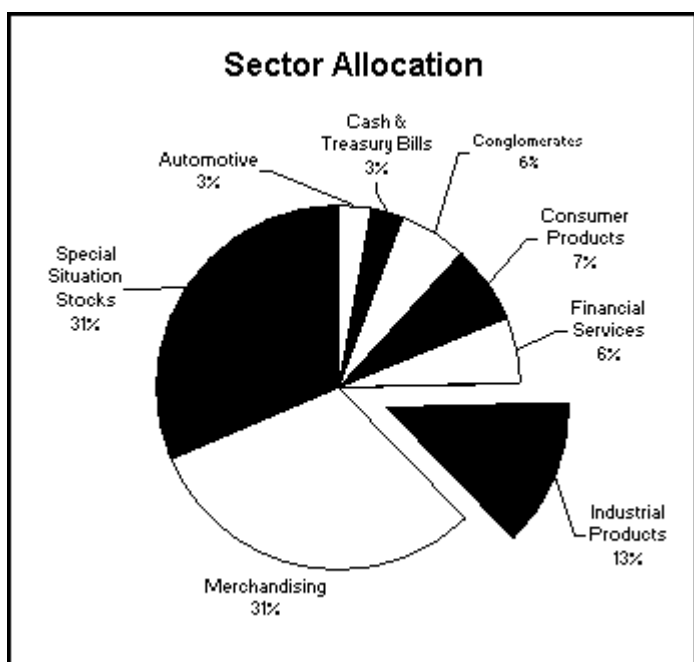
Objective

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	-0.56	4.56	-2.97	1997	38.76	20.52	39.16
Q3 2004	-5.25	-3.14	-7.47	1998	0.75	-3.45	37.69
1 Year	26.96	17.48	6.58	1999	1.47	19.62	14.14
2 Year	26.70	25.76	6.25	2000	-6.66	-4.20	-5.52
3 Year	24.45	12.27	-3.40	2001	39.52	1.03	-6.45
5 Year	13.86	6.04	-4.24	2002	6.91	-21.58	-22.74
8 Year	15.44	6.49	6.86	2003	32.74	45.37	5.29
Since Inception*	15.06	6.09	7.21				

*Inception date for the Fund was May 2, 1996



ABC American-Value Fund, Statement of Investment Portfolio

September 30th, 2004

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
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CASH -- 3.20%

2,080,357	Cash	2,080	2,080
0	RT CAP Cash In Action Fund	-	-
121,262	Cash - US \$	153	153
5	RT CAP US\$ Cash Fund	1	1
<u>TOTAL CASH</u>		2,234	2,234

COMMON STOCKS -- 96.80%

INDUSTRIAL PRODUCTS -- 11.50%

125,000	Building Material Holding Corp	2,605	4,353
47,657	Noland Company, common	2,572	2,590
132,500	Quaker Fabric Corp., common	1,311	1,090
<u>TOTAL</u>		6,488	8,034

FINANCIAL SERVICES -- 5.88%

20,000	Amer. Natl. Ins. Co.	2,191	2,450
125,000	Phoenix Companies Inc.	2,296	1,648
<u>TOTAL</u>		4,487	4,098

CONSUMER PRODUCTS -- 7.27%

225,000	CPAC Inc., common	1,784	1,452
61,000	Haggar Corp.	1,160	1,323
150,000	Todhunter International Inc.	2,258	2,308
<u>TOTAL</u>		5,202	5,084

AUTOMOTIVE -- 3.46%

45,000	General Motors Corp., common	2,563	2,419
<u>TOTAL</u>		2,563	2,419

exchange rate used is 1.26555

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
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MERCHANDISING -- 31.12%

100,000	Bassett Furniture Industries Inc.	2,461	2,389
225,000	Bon - Ton Stores Inc.	2,327	3,471
250,000	Buca Inc.	2,187	1,341
75,000	Dillard's Inc.	2,128	1,874
225,000	Enesco Group Inc.	2,401	1,951
209,950	Fresh Brands Inc.	2,065	2,059
125,000	Shopko Stores Inc.	2,389	2,754
147,889	Tandy Brands Accessories Inc.	2,631	2,667
250,000	Ultimate Electronics Inc.	2,301	962
56,116	Village Super Markets Inc.	2,254	2,273
<u>TOTAL</u>		23,144	21,741

CONGLOMERATES -- 6.10%

25,000	Loews Corp.	1,425	1,851
125,000	Sea Containers Ltd., common A	2,586	2,409
<u>TOTAL</u>		4,012	4,260

SPECIAL SITUATION STOCKS -- 31.47%

150,000	Canfor Corp. Inc.	2,189	2,393
250,000	CanWest Global Comm.	2,600	2,450
250,000	Decoma Int.'l, common A	2,573	2,563
3,500,000	EuroZinc Mining Corp.	2,100	2,695
450,000	Lionore Mining Ltd.	2,631	2,871
75,000	MFP Financial	698	694
100,000	Morguard Corp., common	2,074	2,425
25,000	OpitCanada Inc.	550	475
500,000	Reko Int'l. Group. Inc.	1,677	1,333
100,000	Sears Canada Inc.	1,644	1,628
175,000	Timberwest Forest Corp., Inc.	2,176	2,450
<u>TOTAL</u>		20,910	21,975

<u>TOTAL COMMON STOCK</u>	66,805	67,611
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<u>TOTAL PORTFOLIO</u>	69,040	69,846
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ANY RATES OF RETURN PRINTED IN THIS PUBLICATION ARE FOR HISTORICAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS FUTURE PERFORMANCE.

Constantly Analyzing

Iron rusts from disuse, stagnant water loses its purity and in cold weather becomes frozen; even so does inaction sap the vigors of the human mind.

Leonardo Da Vinci

The investment business is truly dynamic. As portfolio managers, we are confronted by a never-ending flow of information, some useful and some irrelevant. Given the limited time in a day to complete our work, our unremitting challenge is to constantly analyze securities and at the same time wisely separate the important decision making information from that which may be totally useless.

Investment analysis is a 24-7 job. There is little time to rest. Our responsibility is to handle the incessant flow of information so as to successfully select common shares and at the same time not be intrusive to our personal lives. A prime difference between champion athletes such as Mario Lemieux, Barry Bonds or Shaquille O'Neal and investment analysts is that these athletes, at least, can take a three or four month break between their playing seasons. We cannot. Our season is never over. If we stop analyzing to take a necessary sabbatical, we miss out on the valuable information flow; this flow is extremely vital to the buying and selling process of stock selection. For instance, suppose we decide to take a two week South Pacific island vacation with the intention of relaxing on a sun-soaked, sandy white beach. On our return, we are inevitably confronted with a good 10-15 days of catch-up on all the newspaper reading, emails, analytical reports and stock trading action which we missed during

our absence. And this catch up does not include the further information flow which will arrive at our desk upon our return. In effect, there is little respite for the weary investment warrior.

Having experienced over 30 years of never-ending investment seasons I believe the key to personal and professional success is balance and disciplined time management. This is a trial and error process which must be flexible and is perfected over time. It involves one's priorities, extreme discipline and life passions. True, the investment profession requires constant dedication and one's inaction can dull a manager's effectiveness and a portfolio's performance. The success of juggling one's personal and professional commitment, however, can offer many tremendously gratifying spiritual and monetary rewards. In a nutshell, some investment analysts consider our burden of "constantly analyzing" as a Herculean task. On the contrary, I believe it is a significant positive driver to those professionals who can, in fact, handle the pressures of our profession to attain boundless success.

Irwin A. Michael, CFA

This newsletter is published by

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