

PRESENT

PERSPECTIVES

No Shortcuts

*I took a course in speed reading
and was able to read
War and Peace in 20 minutes.
It's about Russia.*

Woody Allen

Even in the best of times it is not easy to apply oneself in the stock market. Stock picking, you see, is not a perfect science since there are many pitfalls and exceptions to the rules. Ultimately, it has always been my belief that investment success is largely a function of hard work, deep-digging research, discipline, a profound courage of one's convictions, but above all, the patience of Job. Clearly, this is not an easy row to hoe nor a leisurely profession. There are no shortcuts to success.

There are times, in fact, when we, as contrarians, must zig when the market zags. In the short run, we may appear to be on the wrong course. Unfortunately, once an investment manager shifts a multi-million dollar portfolio in a certain direction, he must live with the strategy. He cannot swerve to a 180 degree turn since the sheer size of his investment holdings and the fickleness of the market make it extremely difficult. In effect, once a manager aims a portfolio on a certain path, he must generally live with that decision until the strategy comes to fruition. Regrettably, nothing ever goes exactly as one plans, nonetheless, the manager must stick with his earlier analyses. He is being tested. He must abide by the courage of his deep convictions. This event, in all candour, is the guts or true grit of successful portfolio management.

In relation to our ABC Funds 2006 investment strategy we made a decision to focus the five portfolios toward natural resources, particularly, oil and gas and

base metals. After considerable research and analysis, we cobbled together a portfolio of deeply undervalued equities which we were prepared to hold for a minimum of 6 to 12 months. Today, nine months into this strategy, our views remain unchanged despite volatile resource share prices. Along the way, we have been severely tested by weakening North American economic activity, fluctuating currencies and commodity prices, uncertain central bank policies and the sudden meltdown of the hedge fund, Amaranth Advisors. These series of events have brought on further extreme market volatility and increased investor inquiry/scrutiny. As professionals, we offer the following commentary:

Over the past 20-25 years, we have experienced similar periods of volatility on at least a dozen occasions. During those difficulties we have always stuck to our disciplines and mastered the storms. At all times we remained vigilant, opportunistic, extremely patient and looked beyond the valley. With regard to today's investment environment and our future direction, I would like to state, nothing has changed.



ECONOMIC PERSPECTIVES**The Economy: Still Growing**

We remain optimistic in spite of many economic and investment commentators' negative forecasts with regard to the North American economies and stock markets. We do not foresee an impending recession. Granted, the present economic cycle is probably a little long in the tooth. We believe, however, that both the U.S. Federal Reserve and the Bank of Canada, presently, have enough wiggle room to keep interest rates unchanged or, better still, to initiate lower rates sometime over the next six months. This continuing monetary

policy should maintain or even stimulate economic growth.

In a nutshell, our economic outlook for the next 6-12 months includes: stable interest rates, moderating North American economic growth of 1½ % - 2½ %, contained inflation, steady unemployment and an improving, albeit, volatile stock market to at least early 2007.

INVESTMENT PERSPECTIVES**Opportunity in Tough Times**

With the extended stock market weakness over the past several months and the accompanying negative investment psychology, many frightened investors have walked away from the market. Gone is the aggressive bravado, particularly in the hard-hit natural resource sectors. Presently, with lower share volumes and greater price volatility this growing market negativity has spawned an omnipresent fear. The \$6 billion of losses at the Amaranth Advisors hedge fund has further enervated investor resolve.

Notwithstanding the perceived risks, as contrarian investors, we believe this is an excellent environment for stock selection. More to the point, in spite of the poor market psychology and increasing investor anxiety, we remain optimistic. The present period, in our opinion, is an excellent time to selectively add to existing equity positions and to search out new undervalued shares. We believe that fundamentally cheap stock selections of today should provide for excellent investment returns in the context of a 612 month holding period.

PORTFOLIO PERSPECTIVES**Striving to be Fully-Invested**

In spite of all the economic and investment negativity we continue to strive for fully invested ABC Funds portfolios. To that end, we have been scouting for new equity holdings while at the same time upgrading our portfolios. Specifically, we have been selectively selling overvalued positions and have been liquidating certain tax-loss sale candidates. In addition, we have added new undervalued securities. While we acknowledge that the past few months have been quite challenging for investment management, we are quite

comfortable with our present portfolio strategy. We remain relatively optimistic looking six months ahead.

Over the past three months, we have liquidated a number of holdings including Cascades Inc., Catalyst Paper, Harvest Natural Resources, Renasant Financial and Shermag Inc. With the proceeds we have added new stocks such as Addax Petroleum, Aecon Group, Constellation Copper, Norbord Inc., Terravest Income Fund and West Energy.

ABC Funds Value Favourites

NORBORD INCORPORATED

Times of market volatility, uncertainty and even fear typically offer the greatest opportunity to value investors. The US housing slowdown has allowed us to purchase perhaps the highest-quality, best-managed, lowest-cost oriented strand board (OSB) producer in North America, Norbord Incorporated.

The US housing sector has taken a turn for the worse over the course of the summer. According to the US Commerce Department, housing starts declined 2.5% in July to 1.795 million units. Building permits declined 6.5% in July to an annual rate of 1.747 million units. The National Association of Home Builders said rising interest rates, falling affordability and a pullout by speculators who “were a major factor behind the unsustainable pace of new home sales last year” caused the correction.

The weakness in the housing market has obviously impacted the selling price of Norbord’s primary product, OSB. Currently, North Central 7/16-inch OSB changes hands at US\$170 per thousand square feet compared to US\$365 per thousand square feet last year. After touching US\$155 per thousand square feet just a few weeks ago, we believe that the commodity has likely bottomed.

With approximately two thirds of its assets in the United States, Norbord reported huge financial results over the past two years. The Company generated a return on equity of 47% in 2004 and 46% in 2005. This exceptional performance allowed the Company to maintain a solid balance sheet, pay a special dividend of CDN\$1.00 per share on three separate occasions and pay a regular annual dividend of CDN\$0.40 per share.

Given the slowdown in the US housing market and the decline in OSB prices it would be unrealistic to expect these results to be repeated in the near term. However, we calculate that the replacement value of the Company’s assets could range between \$300 and \$350 per thousand square feet of capacity. With approximately 6 billion square feet of OSB, MDF and particle board capacity, Norbord’s assets could be worth \$11.50 to \$13.50 per share.

Although we never bank on a takeover offer, macroeconomic factors have pushed Norbord below replacement cost. The Company’s largest minority owner, Brookfield Asset Management is focused on real estate, power and infrastructure assets. It would be reasonable to expect that, at the right price, Brookfield would look to monetize their stake. Importantly, several potential buyers with the financial wherewithal and strategic interest exist. Downside is likely limited and the 4.7% dividend is an attractive reason to hold the stock through the trough of the cycle.

SEASPAN CORP

Seaspan is a Hong-Kong based company which owns 17 containerships and has contracted to add another 24 over the next three years. Its current fleet consists of 15 vessels with the capacity to carry 4250 TEU (twenty foot equivalent) containers and two which can accommodate 8500 TEUs.

In July 2005 Seaspan announced plans to go public via an IPO. In August, the company made a stop in Toronto to tell its story to potential investors. Although we were not familiar with the company, or its business model, we decided to attend the presentation with an open mind. After listening to Seaspan’s CEO Gerry Wang and CFO Kevin Kennedy, it became apparent that Seaspan’s business strategy was not only very simple, but stood to benefit from the explosive growth taking place in global trade between China and the rest of the world. Upon further research we determined that the shares looked very undervalued at \$21. Ultimately, we purchased Seaspan for our ABC funds.

In a nutshell, Seaspan acquires or contracts to have built some of the largest containerships in the world. These ships are capable of carrying between 4250 and 8500 TEU containers. To put this into perspective, an 8500 TEU vessel costs over \$100 million to build and is over 1000 feet long. This is the equivalent of three and a half football fields. Seaspan then leases these ships out to well-established liner operators under long-term fixed-rate charters.

Given the fixed rate, long term nature of its charters, Seaspan enjoys a highly predictable, steady stream of cash flow. This year, it will pay out approximately 85% or \$1.70 per share to shareholders as dividends. Based on its current share price of around \$22, this represents an attractive yield of 7.7%. Further, as Seaspan acquires or contracts to build more ships in the coming years, we expect this dividend to grow. In fact, with 24 vessels coming on line over the next 3 years, we believe Seaspan will have the capacity to pay a dividend of \$2.25 per share by 2008.

It should also be noted that as net asset value buyers, we calculate that Seaspan is currently trading below the replacement value of its fleet. The current cost to build a containership runs at approximately \$17,000 per TEU. At this level, Seaspan’s fleet would be valued at close to \$1.5 billion. This results in an NAV per share of approximately \$32, a 45% premium to its current price. Given the growth in Seaspan’s fleet and the successful execution of its business strategy, we feel the announcement of a dividend increase and recognition of its discount to NAV could eventually result in meaningful share price appreciation.

Irwin A. Michael, CFA

Sticking To Our Disciplines

Throughout our many years of investment management we have always attempted to adhere to our time-proven investment disciplines and stock selection process. Our ABC Funds' Ten Commandments of Deep-Value Investing continue to be a primary focus in our day-to-day investment analysis and stock picking. They remain an important reference point and represent a vital beacon of reason during difficult market conditions.

1. Low P/E Multiples

2. Low Cash Flow Multiples

3. Discount to Book/Net Asset Value

- buy a toonie for a loonie

4. Hidden Assets

e.g. Tax loss carry forwards, real estate, potential spin-offs, IPO's, favourable litigation, etc.

5. Management

- a) Solid, aggressive management with a credible plan of action
- b) Poor, directionless management, ripe for proactive acquisition, reorganization or merger

6. Products/Services in tune with 2006 and beyond

- Expandable, growing markets, good margins
- dominant market position

7. Value Catalyst

Significant value creator i.e. new management with a fresh approach; important sale or purchase of a meaningful asset; unsolicited takeover bid; disgruntled and impatient proactive shareholders, etc.

8. Discounted Valuations Compared to its Peers

i.e. P/E, cash-flow, net asset value, etc. Could be an accretive acquisition for a relatively expensive Canadian or foreign competitor wanting to establish/expand market presence.

9. Contrary Opinion and Under-followed by Investment Analysts

- out of favour by analysts and investors
- With little investor exposure, undervalued stocks are 'pregnant with possibilities' providing very little buying competition when attempting to accumulate the security.

10. Discipline

Stay on track and adhere to strict value discipline of low P/E's and cash flow multiples, credible price targets etc. Do not get sucked into buying the flavour of the day. Combine patience and persistence to attain superior performance. Patience! Patience! Patience!

I wrote this piece almost seven years ago. While some of the references might be dated, the conclusions, I believe, are quite relevant to today's marketplace.

The following is an excerpt from the ABC Perspective – January 2000 – Pg. 12

Snakes and Ladders

I just bought a game for my six-year-old son which I incidentally played as a child. Snakes and Ladders is a very simple game encompassing one of man's greatest failings and that is coping with life's "ups and downs".

For those not familiar with Snakes and Ladders, it is a straight-forward children's board game where the object is to advance from square number one to square one hundred. Players toss dice and move their markers according to the numbers rolled on their dice. Along the way to reach the final square 100 and to win the game players are confronted by a number of obstacles (as in life) or snakes and ladders.

If a player lands on a square with the bottom rung of a ladder, the player moves up the ladder to the square bearing the top rung of that ladder. The player has fortuitously picked up a free ride to advance up the board. If, however, a player lands on a square bearing the tail-end of a snake, the player moves right down the snake to the snake's head. The player is penalized and will have to retrace his previous upward movement. This sudden turn of events can be extremely frustrating. A player can be well ahead early in the game with only ten or fifteen squares from winning when he suddenly lands on a snake and tumbles downward to almost square one. Snakes and Ladders like everyday life, is not exactly a "bowl of cherries". One must contend with both good and bad surprises.

Snakes and Ladders is also similar to the stock market. After all, as investors we are constantly confronted by a series of ups and downs. Our innumerable choices will ultimately determine our future course. How we cope with our temporary investment setbacks is key. Persevering and trudging on to attain our goal of performance excellence is all-important. Let me explain.

Presently the stock market is hitting new all-time highs with high technology, Internet and telecommunication stocks running wild. Many investors have taken a lucky ladder up to new heights. The value players concentrating on traditional book and net asset values, price earnings and cash flow multiples have been severely penalized as they have repeatedly slid down the innumerable precarious snakes or roadblocks along the way. It has been extremely frustrating. In fact, many impatient value investors have given up. They have thrown in the towel, changed their style and have chased the recent high tech winners.

Perseverance, however, is key to those remaining value investors since the stock market like the Snakes and Ladders game can be extremely fickle. A sudden roll to a snake or ladder can change the game's whole complexion. Investors' conviction, too, is constantly challenged. While testing of our mettle can be very excruciating to value investors, the market can turn very quickly. Today's big laggards can turn into tomorrow's big winners.

Irwin A. Michael, CFA

ABC Fully-Managed Fund (ABC FMF)

September 30, 2006

NAVPS	10.1477
C.G. Dist.	\$0.000000
Inc. Dist.	\$0.000000

Objective

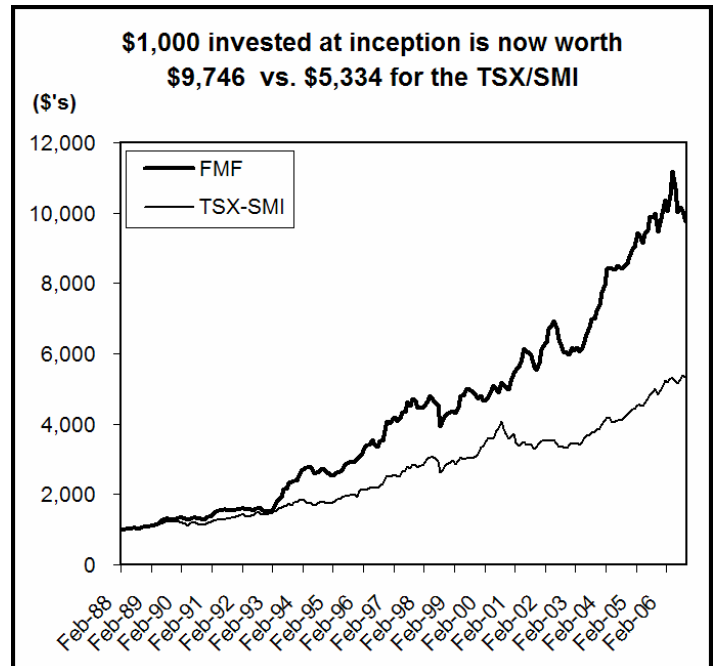
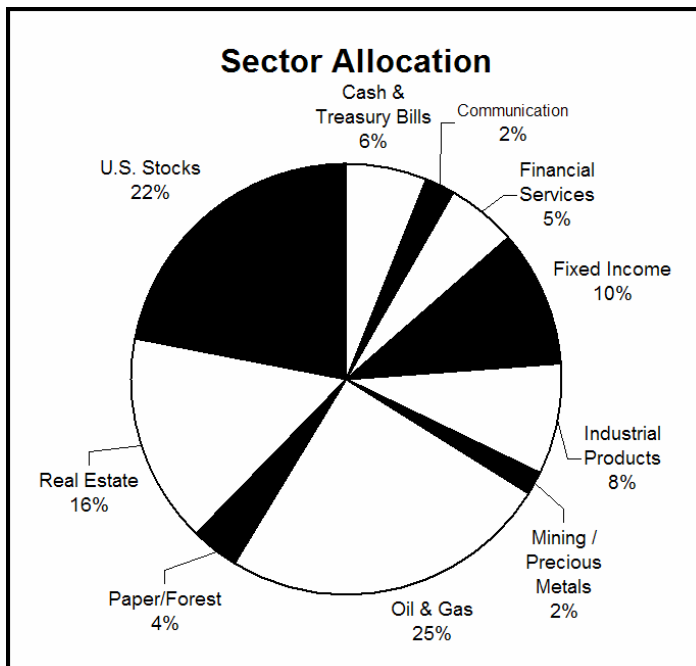
ABC Fully-Managed Fund is a diversified Canadian balanced fund. While our long-term asset mix target is 50% fixed income and 50% Canadian equities, in practice, our portfolio mix of stocks versus bonds is quite flexible to take advantage of periodic investment opportunities.

Performance of the Fund vs. the Benchmark

Annualized Compounded Rates of Return			Annual Returns		
	ABC FMF (%)	Benchmark**		ABC FMF (%)	Benchmark**
1 Month	-3.02	-0.77	1989	23.68	17.20
Q3 2006	-2.62	3.27	1990	2.17	-4.32
YTD	-3.46	4.83	1991	14.69	17.35
1 Year	-2.40	6.74	1992	-1.48	4.75
2 Year	6.87	12.58	1993	64.35	24.36
3 Year	11.78	12.08	1994	2.82	-2.64
5 Year	11.65	10.15	1995	17.25	17.97
10 Year	10.69	8.75	1996	31.99	19.5
15 Year	13.11	9.71	1997	10.56	12.22
Since Inception*	13.03	9.43	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
			2004	15.89	10.42
			2005	12.47	15.25

*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, 2006

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.13290

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 6.57 %			
(390,296)	C\$ Cash	(390)	(390)
806,614	U\$ Cash	914	914
105,250	RT CAP Cash In Action Fund	10,525	10,525
0	RT CAP Cash In Action Fund US \$	-	-
<u>TOTAL CASH</u>		11,048	11,048

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
FIXED INCOME -- 10.24%			
1,500,000	Aecon Group Inc. conv., 8 1/4%, 03/17/10	1,444	1,500
2,500,000	Aecon Group Inc. conv., 8 1/4%, 11/02/09	2,494	2,500
2,000,000	Nexen Inc., 6.85%, 11/15/2006	1,960	2,006
2,500,000	First Nickel Inc, 11%, 06/01/2007	2,500	2,500
4,000,000	Frontera Copper, 10%, 06/15/2010	3,324	4,115
2,500,000	Magellan Aero., conv. 8.5%, 01/31/2008	2,478	2,481
2,000,000	Nova Chemical ., 7.85%, 08/30/2010	1,984	2,105
<u>TOTAL</u>		16,184	17,207

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
COMMON STOCKS -- 83.19%			
FINANCIAL SERVICES -- 5.44%			
13,038	E-L Financial Corp.	3,469	7,850
44,600	Laurentian Bank	1,275	1,300
<u>TOTAL</u>		4,744	9,149

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
REAL ESTATE -- 15.62%			
2,000,000	Huntingdon Real Estate Inv. Trust	5,230	4,200
750,000	Lanesborough Real Estate Inv. Trust	4,568	4,425
600,000	Legacy Hotels Real Estate Inv. Trust	4,272	5,694
175,000	Morguard Corp. , common shares	3,595	7,000
800,000	Royal Host Real Estate Inv. Trust	4,394	4,944
<u>TOTAL</u>		22,058	26,263

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
INDUSTRIAL PRODUCTS -- 8.30%			
600,000	Atlas Cold Storage Income Trust Units	3,677	4,470
500,000	Canam Manac Group Inc.	3,290	4,600
500,000	Terravest Income Fund, units	4,303	3,835
75,000	Wescast Industries Inc., "A"	2,741	1,039
<u>TOTAL</u>		14,011	13,944

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
COMMUNICATION -- 2.15%			
400,000	CanWest Global Communications	4,120	3,616
<u>TOTAL</u>		4,120	3,616

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
PAPER/FOREST PRODUCTS -- 3.60%			
250,000	Fraser Papers Inc.	3,973	1,713
550,000	Norbord Inc.	4,893	4,340
<u>TOTAL</u>		8,865	6,052

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
OIL & GAS -- 24.62%			
350,000	Avenir Diversified Income Trust	2,126	2,993
1,500,000	Caribou Resources Corp., common	3,299	2,265
250,000	Caribou Resources Corp., warrants	0	1
232,470	Daylight Energy Trust, units	3,162	2,687
2,750,000	Endev Energy Inc.	4,067	3,713
175,000	Essential Energy Services Trust Units	1,677	1,425
1,200,000	Grey Wolf Exploration	3,351	4,068
150,000	Nexen Inc.	2,381	9,005
1,388,000	Pulse Data Inc., common	3,423	3,567
750,000	Saxon Energy Services Inc, units	3,675	3,030
375,000	Saxon Energy Services Inc, warrants	0	19
150,000	Talisman Energy Inc.	2,691	8,204
14,595	Trafalgar Energy	62	51
4,228	Trafalgar Energy, warrants	1	0
<u>TOTAL</u>		29,914	41,026

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
MINING / PRECIOUS METALS -- 1.62%			
1,500,000	Amerigo Resources Ltd.	3,697	2,670
133,432	First Nickel Inc.	136	53
<u>TOTAL</u>		3,833	2,723

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
U.S. STOCKS -- 21.84%			
30,000	Amer. National Ins. Co.	3,244	4,038
150,000	Bassett Furniture Industries Inc.	3,388	2,710
200,000	Covenant Transport Inc.	3,094	2,746
150,000	Dominion Homes Inc.	3,611	1,021
65,000	General Motors Corp.	3,702	2,349
175,000	Handleman Co., common	2,918	1,535
75,000	Kansas City Life Insurance Co., common	4,439	4,138
200,000	Phoenix Companies Inc.	3,583	3,299
75,000	Pioneer Natural Resources Co.	3,445	3,256
155,087	Presidential Life Corp.	3,313	4,173
175,000	Sea Containers Ltd., "A"	3,221	214
175,000	Seaspan Corp., common	4,443	4,405
150,000	Superior Industries Intl.	3,760	2,829
<u>TOTAL</u>		46,159	36,714

TOTAL COMMON STOCK **133,705** **139,487**

TOTAL PORTFOLIO **160,938** **167,742**

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, 2006

NAVPS	\$20.3714
C.G. Dist.	\$ 0.000000
Inc. Dist.	\$ 0.000000

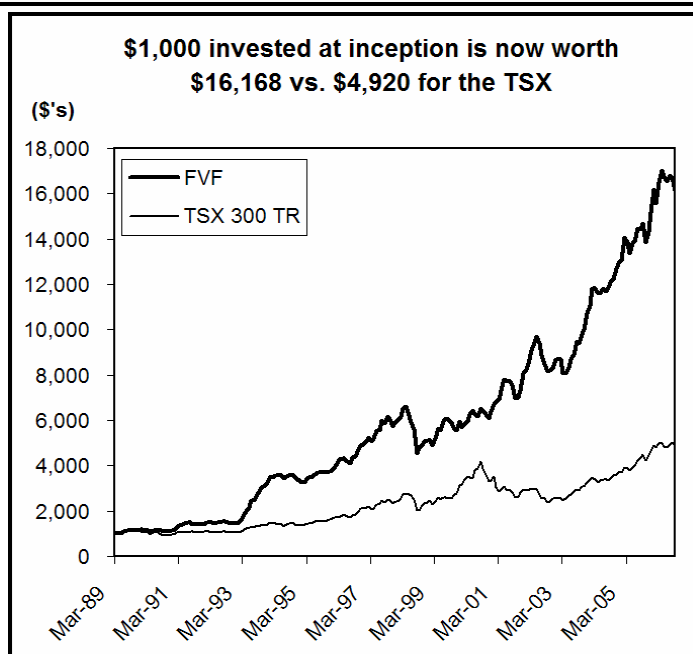
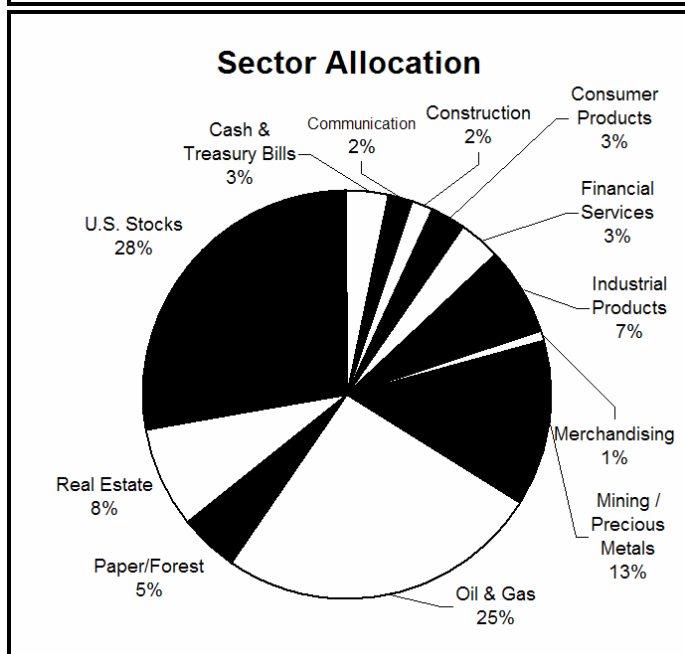
ABC Fundamental-Value Fund seeks out fundamentally undervalued Canadian equities. Our extensive "value research" style attempts to ferret out overlooked and out of favour Canadian equities. With these discerning selections we cobble a diversified portfolio of small, medium and large capitalization Canadian 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	-3.26	-2.32	1990	-1.98
Q3 2006	-2.16	1.92	1991	22.92
YTD	6.54	6.19	1992	4.26
1 Year	10.08	9.23	1993	121.75
2 Year	15.16	18.86	1994	3.03
3 Year	19.86	18.86	1995	11.08
5 Year	18.28	13.58	1996	31.75
10 Year	13.85	10.19	1997	20.35
15 Year	17.68	10.87	1998	-13.81
Since Inception*	17.24	9.50	1999	16.25
			2000	7.51
			2001	26.06
			2002	7.62
			2003	23.55
			2004	21.42
			2005	16.62

*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, 2006

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 3.00%			
1,171,092	C\$ Cash	1,171	1,171
147	U\$ Cash	167	167
103,327	RT CAP Cash In Action Fund	10,333	10,333
113,230	RT CAP U\$ Cash Mgmt Fund	12,828	12,828
TOTAL CASH		24,499	24,499
COMMON STOCKS -- 96.67%			
PAPER & FOREST PRODUCTS -- 5.00%			
1,250,000	Fraser Papers Inc.	18,956	8,450
3,400,800	Norbord Inc.	30,655	27,410
TOTAL		49,611	35,860
CONSUMER PRODUCTS -- 2.90%			
365,000	Andres Wines Ltd. "A"	4,497	11,760
400,000	Arbor Memorial Services "B"	5,339	9,464
TOTAL		9,836	21,224
INDUSTRIAL PRODUCTS -- 6.90%			
2,000,000	Atlas Cold Storage Income Trust	11,991	14,900
2,500,000	Canam Manac Group Inc.	15,108	22,500
4,000,000	Magellan Aerospace Corp.	11,930	9,000
300,000	Wescast Industries Inc., A	10,808	3,738
TOTAL		49,836	50,138
COMMUNICATION -- 2.30%			
2,000,000	CanWest Global Communications	21,061	16,600
TOTAL		21,061	16,600
MINERALS/PRECIOUS METALS -- 13.00%			
10,000,000	African Copper, sub. Recpts.	16,000	14,000
1,670,100	Anvil Mining Ltd., common	12,286	14,864
2,750,000	Hudbay Minerals Inc.	7,619	38,335
8,000,000	Ivernia Inc.	12,853	9,280
2,345,000	Lionore Mining Ltd.	13,934	15,993
2,000,000	Polaris Minerals Corp.	9,600	9,810
1,925,000	Richmont Mines	9,433	5,294
TOTAL		81,725	107,576
REAL ESTATE -- 8.10%			
2,950,000	Huntingdon Real Estate Inv. Trust	7,858	6,490
3,000,000	Legacy Hotels Real Estate Trust	20,761	28,830
600,000	Morguard Corp., common	12,351	23,400
TOTAL		40,969	58,720
CONSTRUCTION -- 1.70%			
2,148,400	Aecon Group Inc.	11,743	12,568
TOTAL		11,743	12,568

exchange rate used is 1.1329000

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
OIL & GAS -- 25.60%			
450,000	Addax Petroleum Corp.	12,263	12,033
2,860,300	Anderson Energy Ltd., common	18,698	12,299
1,750,000	Avenir Diversified Income Trust	11,855	14,700
2,500,000	Bow Valley Energy	3,725	13,125
451,589	Daylight Energy Trust Units	6,142	5,947
875,000	Essential Energy Services Trust	8,444	7,236
5,250,000	Geocan Energy Inc.	9,713	8,453
3,000,000	Midnight Oil Exploration	11,878	10,200
500,000	Nexen Inc.	8,028	29,875
4,500,000	Saxon Energy Services Inc.	17,317	17,775
1,125,000	Sound Energy Trust units	11,073	7,526
375,075	Sure Energy Inc., common	0	394
1,350,000	Talisman Energy	8,136	24,624
28,351	Trafalgar Energy, common	120	120
8,213	Trafalgar Energy, warrants	1	2
509,000	Vault Energy Trust	4,150	3,426
3,000,000	West Energy	16,353	17,130
TOTAL		147,894	184,865
MERCHANDISING -- 0.40%			
500,000	Danier Leather Inc.	5,018	2,885
TOTAL		5,018	2,885
FINANCIAL SERVICES -- 3.20%			
39,250	E-L Financial Corp.	10,590	23,197
TOTAL		10,590	23,197
U.S. STOCKS -- 27.90%			
125,000	Amer. Nat. Ins. Co.	14,057	16,163
250,000	General Motors Corp.	14,238	9,277
575,000	Handleman Co., common	9,505	4,869
800,000	Jo-Ann Stores Inc.	14,459	14,923
385,000	Kansas City Life Insurance Co.	21,852	19,561
2,000,000	Meridian Resources Corp.	7,431	6,828
650,000	Pioneer Natural Resources Co.	29,878	28,369
414,458	Presidential Life Corp.	8,508	10,344
825,000	Sea Containers Ltd., A	15,832	1,077
800,000	Seaspan Corporation	20,355	20,064
750,000	Superior Industries International	17,743	14,049
1,000,000	The Phoenix Companies	17,648	15,619
1,250,000	Unum Provident Corp., common	25,081	27,041
TOTAL		216,586	188,181
TOTAL COMMON STOCK		644,870	701,815
TOTAL PORTFOLIO		669,368	726,313

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

ABC FUNDS

ABC American-Value Fund (ABC AVF)

September 30, 2006

NAVPS	\$7.3380
C.G. Dist.	\$0.000000
Inc. Dist.	\$0.000000

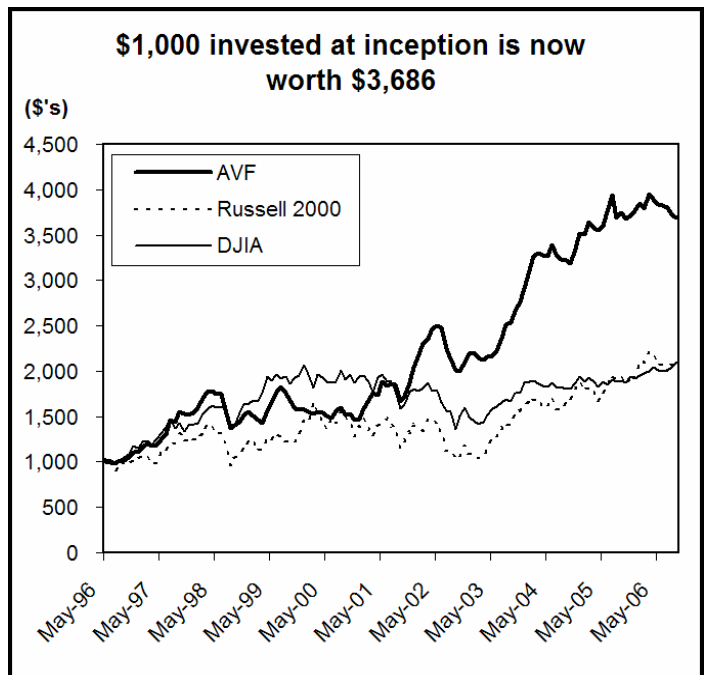
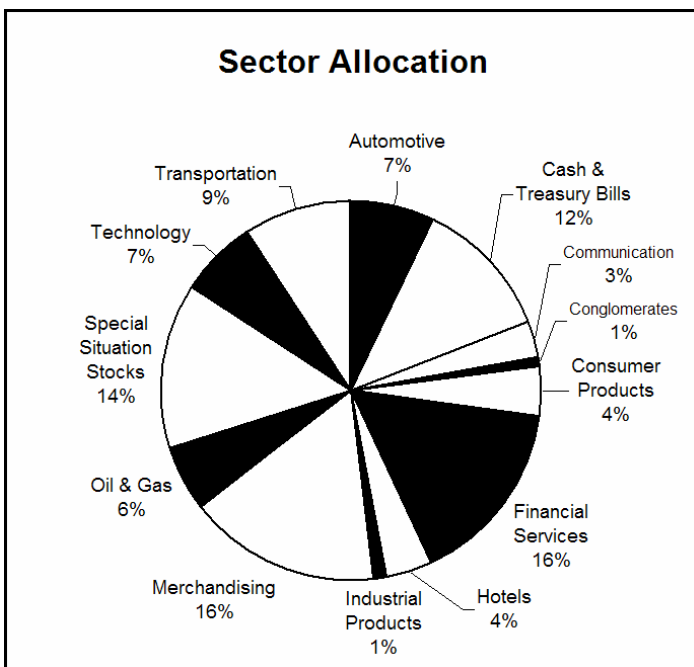
Objective

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 (%)	Dow Jones (%)	ABC AVF (%)	Russell 2000 (%)	Dow Jones (%)	
1 Month	-0.91	0.70	2.62	1997	38.76	20.52	22.64
Q3 2006	-3.69	0.13	4.74	1998	0.75	-3.45	16.10
YTD	-2.09	7.78	8.97	1999	1.47	19.62	25.22
1 Year	-1.59	8.65	10.51	2000	-6.66	-4.20	-6.18
2 Year	7.02	12.54	7.64	2001	39.52	1.03	-7.10
3 Year	13.29	14.16	7.99	2002	6.91	-21.58	-16.76
5 Year	17.16	12.38	5.71	2003	32.74	45.37	25.32
10 Year	13.70	7.67	7.10	2004	20.85	17.00	3.15
Since Inception*	13.46	7.30	7.37	2005	7.16	3.32	-0.61

*Inception date for the Fund was May 2, 1996



ABC FUNDS

ABC American-Value Fund, Statement of Investment Portfolio

September 30th, 2006

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.1329000

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 -- 12.70%

MERCHANDISING -- 16.50%

1,031,162	Cash	1,031	1,031
15,670	RT CAP Cash In Action Fund	1,567	1,567
2,152	US\$ Cash	2,399	2,401
63,643	RT CAP US\$ Cash Fund	7,135	7,100
<u>TOTAL CASH</u>		12,132	12,100

100,000	Bassett Furniture Industries Inc.	2,469	1,812
250,000	Buca Inc.	2,187	1,470
175,000	Handleman Co., common	2,930	1,482
175,000	Jo-Ann Stores Inc.	3,192	3,264
200,000	John B. Sanfilippo & Sons	3,203	2,276
150,000	Tandy Brands Accessories Inc.	2,669	1,779
60,000	Village Super Markets Inc.	2,422	4,478
<u>TOTAL</u>		19,071	16,561

COMMON STOCKS -- 85.60%

INDUSTRIAL PRODUCTS -- 0.10%

TRANSPORTATION -- 9.20%

82,337	Quaker Fabric Corp., common	721	103
<u>TOTAL</u>		721	103

200,000	Covenant Transport Inc.	3,422	2,724
200,000	Int'l Shipholding Corp., common	3,458	2,794
150,000	Seaspan Corp., common	3,815	3,762
<u>TOTAL</u>		10,695	9,280

FINANCIAL SERVICES -- 15.80%

TECHNOLOGY -- 6.70%

20,000	Amer. Natl. Ins. Co.	2,191	2,586
62,500	Kansas City Life Insurance Co.	3,577	3,175
250,000	National Atlantic Holdings Corp.	3,265	3,194
175,000	Phoenix Companies Inc.	3,070	2,733
150,000	Presidential Life	3,189	3,744
<u>TOTAL</u>		15,292	15,432

350,000	GTSI Corp. common	3,447	3,288
300,000	Keynote Systems Inc., common	3,747	3,524
<u>TOTAL</u>		7,194	6,812

CONSUMER PRODUCTS -- 4.20%

CONGLOMERATES -- 0.20%

150,000	Dominion Homes	3,338	1,016
225,000	Flexsteel Industries, common	3,842	3,263
<u>TOTAL</u>		7,181	4,279

150,000	Sea Containers Ltd., common A	3,036	196
<u>TOTAL</u>		3,036	196

OIL & GAS -- 6.00%

HOTELS -- 4.00%

750,000	Meridian Resources Corp.	3,416	2,560
75,000	Pioneer Natural Resources	3,449	3,273
<u>TOTAL</u>		6,865	5,834

300,000	Great Wolf Resorts Inc.	3,549	4,003
<u>TOTAL</u>		3,549	4,003

AUTOMOTIVE -- 7.40%

SPECIAL SITUATION STOCKS -- 14.30%

250,000	Coachmen Industries Inc.,	3,057	3,015
45,000	General Motors Corp., common	2,563	1,670
150,000	Superior Industries Intl.	3,783	2,810
<u>TOTAL</u>		9,403	7,495

350,000	CanWest Global Comm.	3,622	2,905
950,000	Grey Wolf Exploration	2,658	3,230
100,000	Morguard Corp., common	2,074	3,900
450,000	Norbord Inc.	3,949	3,627
<u>TOTAL</u>		12,302	13,662

COMMUNICATION -- 2.90%

TOTAL COMMON STOCK

700,000	Regent Communications Inc.	3,277	2,960
<u>TOTAL</u>		3,277	2,960

<u>TOTAL COMMON STOCK</u>		98,587	86,616
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TOTAL PORTFOLIO

<u>TOTAL PORTFOLIO</u>		110,719	98,716
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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.

ABC North American Deep-Value Fund (ABC NADVF)

NAVPS	\$10.1206
C.G. Dist.	\$0.000000
Inc. Dist.	\$0.000000

September 30, 2006

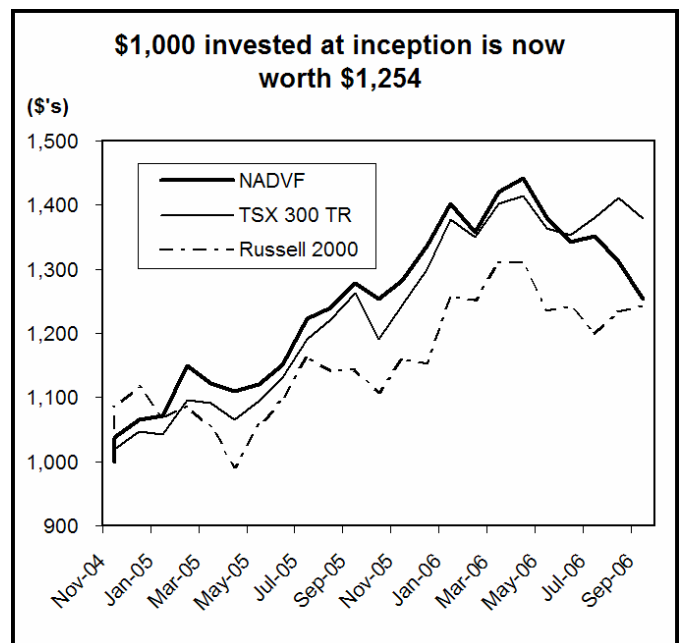
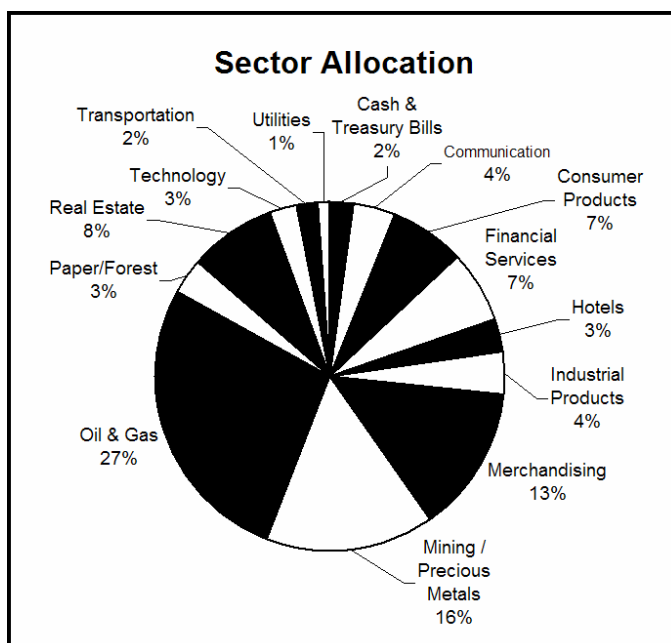
Objective

ABC North American Deep-Value Fund searches out fundamentally undervalued Canadian and American stock exchange-listed common shares. This closed-end fund has maximum flexibility to invest in a diversified mix of deep value securities. There is, however, a particular emphasis on micro-caps. The country and asset mix, as well as currency exposure, can vary and has no set limits. The portfolio, ordinarily, will have a mix of 40 to 50 holdings. This fund closed to new money on November 1, 2005.

Performance of the Fund vs. U.S. and Canadian Benchmarks

Rates of Return				
	ABC NADVF	Russell 2000	Dow Jones	TSX 300
	(%)	(%)	(%)	(%)
1 Month	-4.41	0.70	2.62	-2.32
Q3 2006	-6.60	0.13	4.74	1.92
YTD	-6.16	7.78	8.97	6.19
1 Year	-1.86	8.65	10.51	9.23
Since Inception*	13.15	12.01	8.28	18.26

*Inception date for the Fund was November 1, 2004



ABC North American Deep-Value Fund, Statement of Investment Portfolio September 30th, 2006

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 2.32%			
854,703	Cash	855	855
10	RT CAP Cash In Action Fund	1	1
2,269,340	Cash - US \$	2,522	2,532
3	RT CAP US\$ Cash Fund	0	0
TOTAL CASH		3,378	3,388

COMMON STOCKS -- 97.68%

CANADIAN STOCKS -- 54.77 %

OIL & GAS/ ENERGY -- 22.60%

650,000	Accrete Energy Inc., common	5,119	4,693
540,000	Anderson Energy Ltd., common	4,114	2,322
2,500,000	Arapahoe Energy Corp.	1,625	913
1,250,000	Caribou Resources Corp.	2,474	2,125
4,000,000	Choice Resources	3,987	2,560
2,000,000	Endev Energy Inc.	3,204	2,660
850,000	Grey Wolf Exploration	2,378	2,890
1,000,000	Pulse Data Inc.	2,574	2,570
2,000,000	Rally Energy Corp.	2,730	6,000
700,000	Rockyview Energy Inc.	4,029	2,450
500,000	Saxon Energy Services , warr.	0	25
1,000,000	Saxon Energy Services , units	4,900	3,950
TOTAL		37,135	33,158

COMMUNICATION -- 2.83%

500,000	CanWest Global Comm. Corp	5,341	4,150
TOTAL		5,341	4,150

PAPER & FOREST PRODUCTS -- 3.30%

93,300	Fraser Papers Inc.	1,787	813
500,000	Norbord Inc.	4,390	4,030
TOTAL		6,177	4,843

MINERALS/PRECIOUS METALS -- 14.13%

2,000,000	Amerigo Resources Ltd.	4,522	3,700
1,500,000	Avnel Gold Mining Ltd. units	1,500	1,575
12,500,000	Blue Note Metals Inc.	3,750	3,688
2,188,000	Canadian Zinc Corp.	1,575	1,313
1,250,000	Canadian Zinc Corp., warrants	0	34
1,662,000	Goldhawk Resources Inc. warrs	0	98
3,324,000	Goldhawk Resources Inc. units	831	1,064
2,525,000	Ivernia Inc.	3,506	2,929
925,000	Polaris Minerals	4,440	4,537
1,500,000	Scorpio Mining Corp.	1,725	1,665
750,000	Scorpio Mining Corp., warr.	0	104
TOTAL		21,849	20,706

INDUSTRIAL PRODUCTS -- 3.92%

500,000	Atlas Cold Storage Inc. Trust	2,986	3,725
350,000	Terravest Income Fund, units	2,883	2,023
TOTAL		5,869	5,748

REAL ESTATE -- 7.99%

1,750,000	Huntingdon Real Estate Trust	4,576	3,850
650,000	Legacy Hotels Real Estate Trus	3,583	4,805
500,000	Royal Host Real Estate Trust	2,698	3,050
TOTAL		10,857	11,705

exchange rate used is 1.1329000

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
U.S. STOCKS -- 42.91 %			
MINERALS / PRECIOUS METALS -- 1.52%			
2,500,000	U.S. Silver Corporation units	2,215	2,231
TOTAL		2,215	2,231

HOTELS -- 3.19%

350,000	Great Wolf Resorts Inc.	4,137	4,670
TOTAL		4,137	4,670

UTILITIES -- 0.64%

50,000	Maine & Maritimes Corp.	1,551	934
TOTAL		1,551	934

OIL & GAS -- 4.73%

750,000	Meridian Resource Corp.	3,388	2,560
100,000	Pioneer Natural Resources	4,605	4,364
TOTAL		7,993	6,925

MERCHANDISING -- 13.46%

200,000	Bassett Furniture Industries Inc.	4,426	3,624
125,000	Frisch Restaurants Inc.	3,505	3,353
125,000	Handleman Co.	2,066	1,058
275,431	J. Alexander's Corp., common	2,557	2,673
150,000	Jo-Ann Stores Inc.	2,736	2,798
195,000	John B. Sanfilippo & Sons	3,123	2,219
160,994	Redhook Ale Brewery Inc.	693	717
120,000	S&K Famous Brands	2,383	1,817
125,000	Tandy Brands Accessories Inc.	2,218	1,482
TOTAL		23,706	19,741

CONSUMER PRODUCTS -- 6.90%

250,000	Chromcraft Revington Inc.	3,552	2,756
275,000	Coachmen Industries Inc.	3,594	3,317
315,000	Cobra Electronics Corp.	3,006	2,987
100,000	Dominion Homes	2,468	677
300,000	Quaker Fabric Corp.	2,065	375
TOTAL		14,684	10,111

TRANSPORTATION -- 2.25%

125,000	Sea Containers Ltd., "A"	2,291	163
125,000	Seaspan Corporation	3,190	3,135
TOTAL		5,481	3,298

FINANCIAL SERVICES -- 6.55%

102,700	Merchants Group Inc.	3,085	3,436
300,000	National Atlantic Holdings Corp.	3,447	3,832
150,000	The Phoenix Companies Inc.	2,055	2,343
TOTAL		8,587	9,611

TECHNOLOGY -- 2.60%

325,000	Keynote Systems Inc., common	3,919	3,818
TOTAL		3,919	3,818

COMMUNICATIONS -- 1.07%

371,976	Regent Communications Inc.	1,617	1,573
TOTAL		1,617	1,573

TOTAL COMMON STOCK 161,119 143,222

TOTAL PORTFOLIO 164,497 146,610

ABC FUNDS

ABC Dirt-Cheap Stock Fund (ABC DCSF)

September 30, 2006

NAVPS	\$9.3946
C.G. Dist.	\$0.000000
Inc. Dist.	\$0.000000

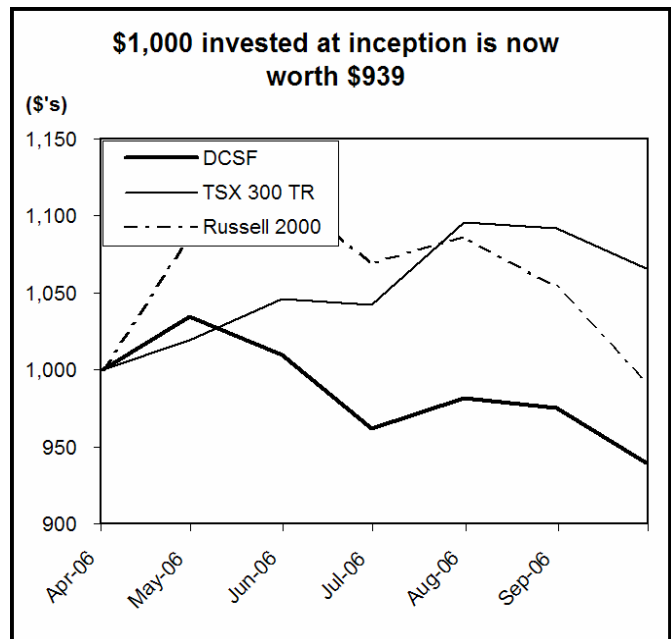
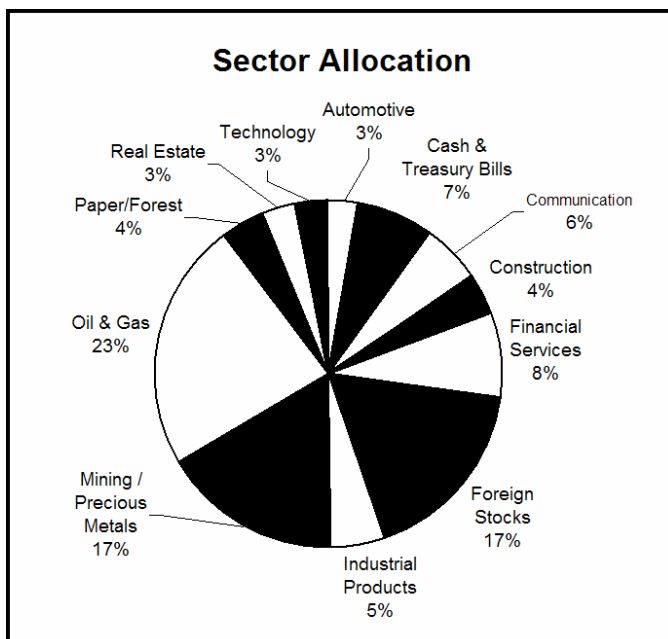
Objective

ABC Dirt-Cheap Stock Fund is a "go-anywhere in the world" equity fund with unlimited investment flexibility. This deep-value fund has no company-size investment restrictions, and, as a result, can opportunistically purchase overlooked, undervalued and less liquid micro-capitalization stocks. We expect this fund to have a mix of 40-60 holdings comprised of Canadian, U.S. as well as Far East, Australian and European equities. The fund closed to new money on September 1, 2006.

Performance of the Fund vs. U.S. and Canadian Benchmarks

Rates of Return				
	ABC DCSF	Russell 2000	Dow Jones	TSX 300
	(%)	(%)	(%)	(%)
1 Month	-3.64	0.70	2.62	-2.32
Q3 2006	-2.33	0.13	4.74	1.92
YTD (from April 1, 2006)	-6.05	-5.17	5.13	-1.65
Since Inception*	-6.05	-5.17	5.13	-1.65

*Inception date for the Fund was April 1, 2006



ABC FUNDS

ABC Dirt-Cheap Stock Fund, Statement of Investment Portfolio September 30, 2006

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 8.10%			
6,522,936	Cash	6,523	6,523
0	RT CAP Cash In Action Fund	-	-
1,259,954	Cash - US \$	1,400	1,406
0	RT CAP US\$ Cash Fund	-	-
TOTAL CASH		7,923	7,929

COMMON STOCKS -- 95.90%

CANADIAN STOCKS -- 48.80%

OIL & GAS/ ENERGY -- 16.10%

500,000	Accrete Energy Inc., common	3,815	3,610
500,000	Anderson Energy Ltd., common	3,317	2,150
700,000	Caribou Resources Corp.	1,794	1,190
2,000,000	Choice Resources Corp	1,866	1,280
690,000	Choice Resources Corp, warr	0	0
850,000	Pacific Stratus Energy Ltd.	2,550	2,797
500,000	Rockyview Energy Inc.	3,026	1,750
650,000	Saxon Energy Services, commc	3,419	2,963
TOTAL		19,787	15,739

COMMUNICATION -- 3.00%

350,000	CanWest Global Comm. Corp	3,385	2,905
TOTAL		3,385	2,905

REAL ESTATE -- 3.00%

500,000	Lanesborough Real Estate Trst	3,015	2,945
TOTAL		3,015	2,945

MINERALS/PRECIOUS METALS -- 14.50%

2,500,000	African Copper, sub. Receipts	4,000	3,400
1,500,000	Amerigo Resources Ltd.	3,669	2,775
12,500,000	Blue Note Metals Inc.	3,750	3,688
500,000	Constellation Copper Corp.	1,125	800
1,500,000	First Nickel Inc., common	1,709	593
2,765,000	First Nickel Inc., units	1,106	1,092
2,765,000	First Nickel Inc., warrants	0	55
1,500,000	Scorpio Minig Corp.	1,725	1,665
750,000	Scorpio Minig Corp., warrants	0	104
TOTAL		17,085	14,171

INDUSTRIAL PRODUCTS -- 4.90%

750,000	Migao Corp., common	2,138	2,325
375,000	Migao Corp., sub. Receipts	0	38
300,000	Terravest Income Fund units	2,570	2,427
TOTAL		4,707	4,790

exchange rate used is 1.1329000

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CONSTRUCTION -- 3.90%			
650,000	Aecon Group Inc., common	3,494	3,803
TOTAL		3,494	3,803

PAPER/FOREST PRODUCTS -- 4.10%

500,000	Norbord Inc.	4,369	4,030
TOTAL		4,369	4,030

U.S. STOCKS -- 25.70%

TECHNOLOGY -- 3.15%

250,000	Keynote Sysytems Inc.	3,153	2,937
TOTAL		3,153	2,937

COMMUNICATIONS -- 2.70%

625,000	Regent Communications	3,017	2,643
TOTAL		3,017	2,643

OIL & GAS -- 7.10%

750,000	Meridian Resource Corp.	3,258	2,560
100,000	Pioneer Natural Resources	4,645	4,364
TOTAL		7,903	6,925

AUTOMOTIVE -- 2.90%

150,000	Superior Industries Inc.	3,054	2,810
TOTAL		3,054	2,810

MINERALS/PRECIOUS METALS -- 2.30%

2,500,000	US Silver Corporation units	2,215	2,231
TOTAL		2,215	2,231

FINANCIAL SERVICES -- 7.70%

62,500	Kansas City Life Insurance Co.	3,514	3,175
200,000	Unum Provident Corp.	4,033	4,326
TOTAL		7,548	7,502

FOREIGN STOCKS -- 17.40%

1,560,420	Challenger Wine Trust	1,011	1,020
1,412,000	Fortune Real Estate Inv. Trust	1,254	1,193
3,220,000	Fountain Set Holdings Ltd.	1,412	968
4,855,000	FuYu Corp. Ltd., common	1,619	1,195
17,278,000	Playmate Holdings	2,187	2,053
650,000	Standard Life PLC	3,174	3,668
5,000,000	Thakral Holdings Group.	3,079	3,518
TOTAL		13,736	13,614

TOTAL COMMON STOCK 92,098 83,014

TOTAL PORTFOLIO 100,021 90,943

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

Expect the Unexpected

*History never repeats itself...
but sometimes it rhymes.*

Mark Twain

It is my view that each stock market and economic cycle is different from the ones which preceded it. No matter the sense of déjà vu which might occur to the observer there are always distinct differences which set apart one cycle from the next. In fact, if each cycle repeated itself exactly as in the past we wouldn't need investment analysts or economists...just historians.

The stock market, in my view, is a complex institution. It is a madhouse of conflicting economic and investment opinions all revolving around the objective of making money. In short, it is a cornucopia of divergent investment views culminating in a spirited tug of war between the forces of fear and greed. Each investment situation is different and one must expect that nothing goes according to plan. One cannot program investing like setting an alarm clock or brushing one's teeth. The intense psychological emotions in the heat of a lively and volatile trading environment necessitate a rock-solid philosophy and nerves of steel. The volatility of the market place with its innumerable

peaks and valleys infatuates and, at the same time, enervates many investors' resolve. For instance, over the years I have observed perfectly rational, well-educated and emotionally stable individuals make ill-advised, illogical and foolhardy investment decisions. These decisions were largely driven by the omnipresent twin factors of fear and greed.

In summation, investment success is a function of many inter-related factors. The key to success, I continue to believe, includes serious fundamental analysis, discipline, focus, stamina, patience and courage of one's convictions. Admittedly, these attributes are easy to list, and yet, difficult to follow. Nonetheless, they are all-important ingredients to investment success. However, in closing, I would add another significant factor: expect the unexpected. It is my view that investor flexibility, thinking outside the box and willingness to accept change are factors which are just as important to the ultimate goal of investment success.

Irwin A. Michael, CFA

This newsletter is published by

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