

## PRESENT

## PERSPECTIVES

## The Big Picture: Low interest rates and excessive liquidity

Although the stock market remains extremely volatile, common share prices have been quietly trending upward over the past 12 months. Surprisingly, market indices have continued to climb a formidable wall of worry including weakening North American economic activity, fluctuating currencies and commodity prices, festering Iraq/Iran/Mid-East turmoil, etc. and have ascended to new cycle highs. At the same time equity markets have welcomed numerous share buybacks, mergers, acquisitions and leveraged buyouts. Overall, these events lead to the inevitable question: how does one explain this dichotomy?

In our view the explanation to this elongated economic cycle, rising stock prices and growing number of corporate takeovers relates primarily to one factor: interest rates. The present low cost of capital at 4% to 6% largely explains, in our opinion, the stock market's enduring vitality and the penchant for investors, corporations, private equity and hedge funds to aggressively finance equity purchases, privatizations and corporate takeovers. In actuality, interest rates are a vital ingredient to a healthy economy and a vigorous stock market; they remain an important cost of doing business.

In simple terms, interest rates, today, are relatively low and there is excessive liquidity in the economic system. This financial environment largely explains the ongoing market resilience and the constant flow of corporate takeovers such as Inco, Falconbridge, Sleemans, etc. Furthermore, the resulting reduced supply of Canadian investment-grade securities has also

provided a natural buffer to any price weakness. It is a simple question of demand and supply: increasing demand for Canadian common stocks combined with a decreasing supply of available equities. In fact, with the freshly proposed Xstrata takeover of LionOre Mining of over \$4.6 billion Canadian and a rumoured buyout of BCE, these two financial developments could further heighten the surging demand for Canadian equities as these funds are recycled. Interestingly, with the fourth quarter 2006 U.S. GNP growth rate running at a non-threatening +2.5% this should ease the considerable concern of an economic recession and, at the same time, U.S. Federal Reserve tightening.

Overall, it is our view that as long as corporate earnings remain respectable, interest rates continue stable at the 4%-6% level and there are no unforeseen major negatives relating to currency, politics or an international economic event, we expect to retain our positive investment outlook to at least the end of 2007.



**ECONOMIC PERSPECTIVES****Slow But Steady Growth**

Up until recently there had been increasing uneasiness about slowing North American economic growth. This concern was further heightened by the negative impact of a deteriorating U.S. housing market and the expanding sub-prime mortgage loan problems of American lending institutions. However, with the recently announced fourth quarter 2006 U.S. GNP growth rate of +2.5% it appears that the U.S. economy is weathering the various obstacles of a long-in-the-tooth business cycle.

It is our belief that our North American central banks have done an excellent job in cooling an earlier overheated economy and, at the same time, have successfully dodged a much-feared economic recession. Overall, we expect the North American economies to grow slowly but steadily at 1½% - 2½% for the balance of 2007 ensuring, at least, another six to twelve months of positive equity market returns.

**INVESTMENT PERSPECTIVES****Digging Deeper For Value**

As the equity market continues to edge higher in price and with the increasing wave of corporate mergers, acquisitions and takeovers, we are being forced to dig deeper and deeper in our hunt for value.

From our ABC Funds point of view we are utilizing the same Canadian investment selection techniques and are applying them in our search for

dirt-cheap values in the U.S., European, and Asian markets. While this is neither an easy nor a quickly-accomplished task, we are beginning to uncover a growing number of attractively-priced non-North American equities. In consequence, we have added Standard Life PLC, Thakral Holdings Group and Western Areas NL to our portfolio. We expect to make additional purchases during the rest of 2007.

**PORTFOLIO PERSPECTIVES****Rearranging Our Portfolios**

With the increasing worldwide demand for undervalued equities combined with relatively low interest rates and a financial system awash in liquidity, we are diligently searching globally for dirt-cheap stocks.

Our present investment plan is two-pronged: we are attempting to upgrade our common

share holdings and at the same time we are trying to remain fully invested. In practice, we have taken profits in a number of top performing shares, have bitten the bullet to take the odd loss in a few poorly-performing equities and are seeking to increase portfolio interest and dividend yields via new security selections.

**ABC Funds Value Favourites****THAKRAL HOLDINGS**

Thakral Holdings (ASX:THG) is an Australian-based property group operating in three main areas: hotels, retail/commercial, and property development. On the hotel side, Thakral's portfolio consists of over 2,500 rooms, making it one of Australia's largest hotel owners. The portfolio includes several landmark hotels located in Sydney, Melbourne, and Brisbane. Thakral's commercial and residential assets, which receive over 30 million visitors annually, provide a steady stream of cash flow. At the end of 2006, the hotel group had a fair value of AU\$622 million and the commercial properties were valued at AU\$256 million.

Like many parts of the world, low interest rates and a strong economy have fueled Australia's real estate sector. The S&P ASX 300 Property Index is up 70% since 2004. Despite this broad-based strength, Thakral Holdings continues to trade well below its net asset value. Using a sum-of-the-parts valuation, we derive a net asset value of \$1.15. This NAV includes the value of the Company's real estate assets plus the present value of its various development projects.

While many of the Company's development projects and real estate assets are well known in Australia, Thakral itself maintains a relatively low profile. In addition, 40% of its float is held by Thakral Investments, the Thakral family's investment vehicle. In 2001, the Thakral family considered selling its interest because it felt its large ownership position and lack of public liquidity unfairly punished the Company's market valuation. The situation is mostly the same today, and it is interesting to note that in March 2006, Standard & Poor's removed Thakral from the S&P/ASX 300 property index.

Another reason behind the current discount to net asset value is the impact that the adoption of AIFRS (Australian equivalent to International Financial Reporting Standards) will have on the financial reporting of its property development division. Before AIFRS, profits from project development were recorded on a "profit emerging basis." Going forward after 2005, a project's profit will only be recognized upon completion. The value of large projects such as Alchemy, Trilogy, and Ultra will not be recognized for several years.

Considering that most of Thakral's peers trade at an average premium of 30% over net tangible assets, the Company may elect to commence a strategic review process to unlock the value of its portfolio. Even without such an initiative, we believe that it is only a matter of time before the market recognizes Thakral's undervaluation.

**POLARIS MINERALS CORPORATION**

Polaris Minerals Corporation (TSX:PLS) came to our attention late in the 2005 calendar year. Management, led by Marco Romero, was raising equity to build an aggregates quarry in B.C. The term "aggregates" refers to the crushed stone, sand and gravel found in naturally occurring deposits and used in construction. We were immediately drawn to the extraordinary economics of the business and the tremendous forecasted free cash flow. We purchased just less than 10% of the IPO, making us one of the largest institutional shareholders.

Polaris owns 88% of the Orca Sand and Gravel Quarry, located on Vancouver Island. The quarry includes a ship loading facility capable of handling 70,000 tonne vessels and is permitted to produce 6 million tonnes per year. The Company also owns 70% of the fully-permitted Eagle Rock Quarry, located near Port Alberni. Production will be shipped to coastal urban markets, particularly northern California. To guarantee access to the target market, Polaris owns a 70% stake in an aggregates storage and distribution terminal in the Port of Richmond, San Francisco.

The huge California market is currently facing a supply deficit, caused by steady growth of housing and infrastructure and environmental opposition to new quarries. The California Department of Conservation has estimated that approximately 13.5 billion tons of aggregates will be needed over the next 50 years but just 4.3 billion tons of supply has been permitted. Amazingly, the cost to ship from Orca to San Francisco Bay, a distance of about 1,200 miles, approximates \$5 per ton and is comparable to trucking the material 25 miles. According to the Company's prospectus, operating cash flow is expected to stabilize at \$46.6 million by 2013, based on flat pricing for the balance of the 25 year mine life. However, sand and gravel prices have increased steadily over the past 15 years. In consequence, we believe that cash flow growth should actually outpace inflation over the life of the quarry.

Although the initial public offering wasn't a "hot issue", shares of Polaris have almost doubled since October of last year. The Orca Quarry was completed on time and under budget and the first shipment was loaded onto a Panamax-class bulk freighter on March 31, 2007. Upside to the Polaris story comes from stone, sand and gravel price increases, production from the Eagle Rock Quarry, further quarry acquisitions and the potential for a takeover due to the strategic importance of the Company's assets.

**Irwin A. Michael, CFA**

## Our ABC Funds Mission

“Value investing is literally a treasure hunt for value. Regardless of the economic, investment and political environment, we must be unshaken in our conviction. We must abide by our fundamental value disciplines to sniff out undiscovered opportunities.

We must possess deep patience and have considerable stamina to withstand share price volatility and client criticism. We must be prepared to be temporarily wrong in the short-run and to withstand the “heat”. We must stick to our value philosophy and remain committed no matter how tough the investment climate may become.

From our clients’ point of view, we want them to fully understand our value philosophy, investment style and deep commitment. We ask them to be patient in both good and difficult times. In return we will endeavour to give 100% of our abilities toward our common goal of investment excellence.”

## ABC Funds: Frequently Asked Questions

**Q: How often do you price your funds?**

**A:** We price our funds once a month, on the last business day.

**Q: I would like to make a contribution/an additional contribution, how do I do it?**

**A:** As with all transactions, they take place on the last business day of the month. Please make your cheque payable to RBC Dexia. Minimum additional contribution is \$1000.

**Q: How do I invest using my RRSP?**

**A:** RRSP’s with ABC Funds are serviced by RBC Dexia, our fund custodian. To open an RRSP account, unitholders must: a) complete a SCHEDULE A Subscription Agreement, which is contained in the Confidential Offering Memorandum; b) complete Area I of the T2033 transfer form; c) complete an Application for Membership in the Retirement Savings Plan d) send all the completed material to I.A. Michael Investment Counsel Limited. Keep in mind that RRSP transfers can take up to a few weeks, and can be rejected if incomplete or incorrect information is submitted. Be sure to check with the relinquishing institution that you have included all the information their transfer department requires and send your material in early to allow time for processing. If your pension funds are locked-in, contact our office and we will provide you with the necessary forms to have your funds transferred.

**Q: Can I invest using my RRIF and/or LIF?**

**A:** Yes. To arrange such an account, please contact our office.

**Q: Do the funds distribute dividends?**

**A:** Quarterly dividends are paid only on the Managed-Fund when funds are available. Unitholders will receive a statement during April, July, October, & January showing the details and new holdings if dividends are reinvested. At year end all realized capital gains are distributed and reinvested where requested. Details will be sent to clients for tax purposes by RBC Dexia.

For our remaining funds, there will be no changes to holdings during the year unless the client has made changes through subscriptions or redemptions.

**Q: I would like to redeem, how do I go about it?**

**A:** Redemption requests need to be received in our office, in writing, a minimum of 10 business days before the end of the month. If it is received after the deadline, the redemption will go through for the next month. Please see our offering memorandum for details.

**Q: If I redeem, when can I get my money?**

**A:** All transactions are dated the last business day of the month. RBC Dexia processes all transactions and cheques/direct deposits are sent overnight to clients generally on the fifth business day of the new month.

**Q: RESPs – Do the ABC Funds accept Registered Education Savings Plans?**

**A:** Yes. I.A. Michael Investment Counsel Limited has an agreement with RBC Dominion Securities whereby RBC DS administers the RESP accounts of ABC unitholders at no cost to the client. To find out more information, please contact Shawn Carter of RBC Dominion Securities at (416) 842-2378.

I wrote this piece exactly seven years ago. I often reread this “true confession” whenever I become a little frustrated with an underperforming, deep-value holding. It puts my disappointment in perspective.

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The following is an excerpt from the ABC Perspective – April 2000 – Pg. 3

## **A True Confession**

I have a confession to make. It isn't easy to admit, however, that the greatest individual stock success of my investment career turned out to be an investment which I had grown to have very little patience with. Let me explain.

I purchased Electrohome Ltd., a Kitchener-Waterloo-based conglomerate comprising of electronic and video manufacturing and television stations, in the summer of 1997. I paid \$7.64 for 500,000 shares or \$3,820,000. The company was trading well below book and breakup value of about \$10 and appeared incredibly cheap. But there were some negatives. The shares were non-voting, paid no dividends and the company was an erratic-trading, small capitalization stock.

In the summer of 1998, Electrohome, run by John Pollock was split into two: Electrohome Ltd. comprising video manufacturing and Electrohome Broadcasting which comprised Electrohome's interest in CTV which John Pollock had astutely exchanged for Electrohome's TV stations.

While we subsequently sold off the ABC Fundamental-Value Fund's holding in Electrohome Ltd., we retained our 500,000 shares of Electrohome Broadcasting. These shares had an adjusted cost base of \$6.11 and represented over 7.8% of that class of stock outstanding. Nonetheless, the shares remained illiquid and under-followed by Bay Street.

I must admit the stock started to thoroughly frustrate me. I endured a lot of client criticism for the ABC portfolios' periodic illiquidity, unfamiliar holdings and continued focus on out-of-favour value stocks in a bubbling technology and telecommunications momentum market. Unfortunately even if I was prepared to sell our shares there were absolutely no buyers for the stock. Some days, in fact, they did not even trade. Electrohome Broadcasting, which closed out December 31, 1999 at \$14.75, remained incredibly cheap and frustrating.

To make a very long story short, in March, Bell Canada Enterprises (BCE) made an unsolicited takeover offer for CTV and Electrohome Broadcasting, the largest shareholder of CTV. The outcome is that on April 7, ABC Fundamental-Value will receive \$32.17 per share or \$16,085,000 for our Electrohome Broadcasting stock. Considering our adjusted cost of \$6.11 or \$3,056,086, this is, admittedly, our most successful ABC Value investment ever. As frustrating as it has been for the past two years and nine months of ownership, the end result has been most gratifying and encouraging to us as value investors.

In retrospect, I believe there are several notable conclusions worthy of consideration:

- 1. Successful long-term value investing involves considerable courage of one's convictions. If you believe in something, stick to your guns.*
- 2. Value investing literally involves the patience of Job. We endured two years and eight months of utter frustration and suddenly in the space of one month, our out-of-favour, illiquid holding of Electrohome Broadcasting evolved from an ugly duckling into a beautiful swan.*
- 3. In the long run, value investing, I believe, pays off. The rewards, while not immediately obvious, do make a painfully long waiting period truly worth it.*

**Irwin A. Michael, CFA**

## ABC Fully-Managed Fund (ABC FMF)

March 31, 2007

|                   |                    |
|-------------------|--------------------|
| <b>NAVPS</b>      | <b>\$10.2499</b>   |
| <b>C.G. Dist.</b> | <b>\$ 0.000000</b> |
| <b>Inc. Dist.</b> | <b>\$ 0.065583</b> |

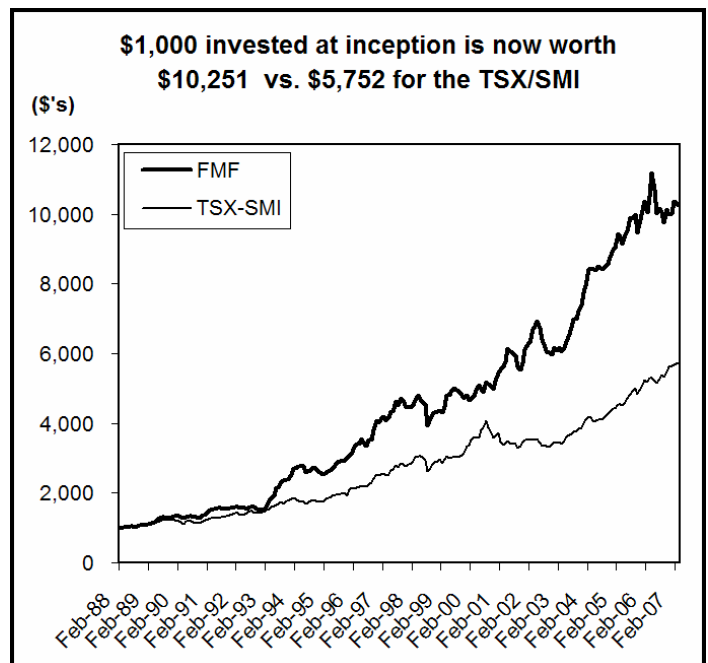
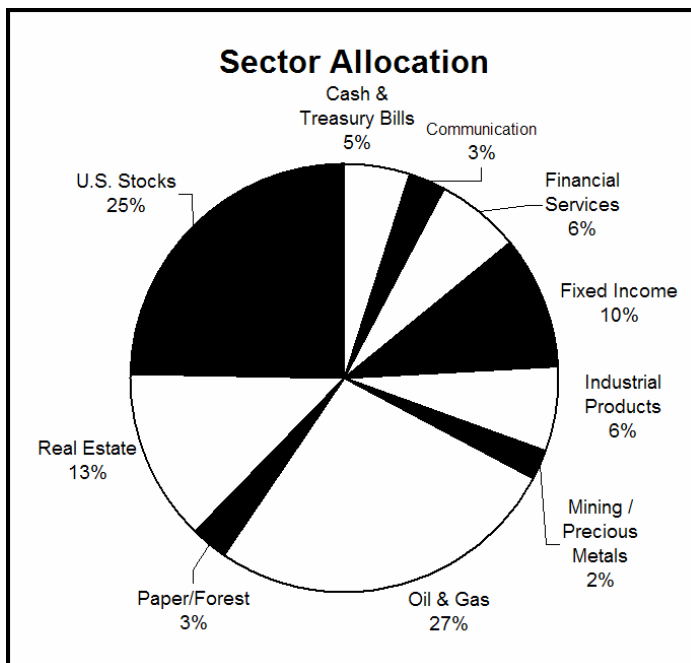
### Objective

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                               | <b>-0.94</b> | 0.54        | 1989           | <b>23.68</b> | 17.20       |
| Q1 2007                               | <b>2.20</b>  | 1.85        | 1990           | <b>2.17</b>  | -4.32       |
| YTD                                   | <b>2.20</b>  | 1.85        | 1991           | <b>14.69</b> | 17.35       |
| 1 Year                                | <b>-2.41</b> | 1.85        | 1992           | <b>-1.48</b> | 4.75        |
| 2 Year                                | <b>4.72</b>  | 8.72        | 1993           | <b>64.35</b> | 24.36       |
| 3 Year                                | <b>6.66</b>  | 12.56       | 1994           | <b>2.82</b>  | -2.64       |
| 5 Year                                | <b>8.92</b>  | 11.44       | 1995           | <b>17.25</b> | 17.97       |
| 10 Year                               | <b>9.67</b>  | 10.17       | 1996           | <b>31.99</b> | 19.5        |
| 15 Year                               | <b>13.24</b> | 8.73        | 1997           | <b>10.56</b> | 12.22       |
| Since Inception*                      | <b>12.97</b> | 10.00       | 1998           | <b>-2.02</b> | 3.84        |
|                                       |              |             | 1999           | <b>10.37</b> | 14.29       |
|                                       |              |             | 2000           | <b>8.31</b>  | 8.71        |
|                                       |              |             | 2001           | <b>17.62</b> | -2.96       |
|                                       |              |             | 2002           | <b>0.77</b>  | -1.47       |
|                                       |              |             | 2003           | <b>25.52</b> | 15.27       |
|                                       |              |             | 2004           | <b>15.89</b> | 10.42       |
|                                       |              |             | 2005           | <b>12.47</b> | 15.25       |
|                                       |              |             | 2006           | <b>-0.64</b> | 11.00       |

\*Inception date for the Fund was February 22nd, 1988  
 \*\*Benchmark consists of 50% of the TSX300 Total Return Index and 50% of the Scotia Capital Markets Universal Bond Index



## ABC Fully-Managed Fund, Statement of Investment Portfolio

**March 31st, 2007**

*all dollar amounts in thousands (cdn\$)*

*exchange rate used is 1.1536553*

| No. Of Shares            | Description                      | Total Cost (\$) | Market Value (\$) |
|--------------------------|----------------------------------|-----------------|-------------------|
| <b>CASH -- 4.97%</b>     |                                  |                 |                   |
| 126,737                  | C\$ Cash                         | 127             | 127               |
| 141,235                  | U\$ Cash                         | 165             | 163               |
| 77,525                   | RT CAP Cash In Action Fund       | 7,752           | 7,752             |
| 24                       | RT CAP Cash In Action Fund US \$ | 3               | 3                 |
| <b><u>TOTAL CASH</u></b> |                                  | <b>8,047</b>    | <b>8,045</b>      |

|                              |  |               |               |
|------------------------------|--|---------------|---------------|
| <b>FIXED INCOME -- 9.97%</b> |  |               |               |
| 1,525,000                    | Aecon Group Inc. conv., 8 1/4%, 03/17/10 | 1,468         | 1,861         |
| 2,500,000                    | Aecon Group Inc. conv., 8 1/4%, 11/02/09 | 2,494         | 3,050         |
| 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         | 4,105         |
| 2,500,000                    | Magellan Aero., conv. 8.5%, 01/31/2008   | 2,478         | 2,519         |
| 2,000,000                    | Nova Chemical ., 7.85%, 08/30/2010       | 1,984         | 2,106         |
| <b><u>TOTAL</u></b>          |  | <b>14,248</b> | <b>16,140</b> |

|                                    |                             |              |               |
|------------------------------------|-----------------------------|--------------|---------------|
| <b>COMMON STOCKS -- 85.06%</b>     |                             |              |               |
| <b>FINANCIAL SERVICES -- 6.51%</b> |                             |              |               |
| 9,483                              | E-L Financial Corp.         | 2,514        | 6,448         |
| 125,000                            | Northbridge Financial Corp. | 3,817        | 4,093         |
| <b><u>TOTAL</u></b>                |                             | <b>6,331</b> | <b>10,541</b> |

|                              |                                       |               |               |
|------------------------------|---------------------------------------|---------------|---------------|
| <b>REAL ESTATE -- 12.99%</b> |                                       |               |               |
| 2,000,000                    | Huntingdon Real Estate Inv. Trust     | 5,230         | 4,900         |
| 750,000                      | Lanesborough Real Estate Inv. Trust   | 4,568         | 4,163         |
| 850,000                      | Lakeview Hotel Real Estate Inv. Trust | 3,400         | 3,570         |
| 175,000                      | Morguard Corp., common shares         | 3,595         | 8,400         |
| <b><u>TOTAL</u></b>          |                                       | <b>16,792</b> | <b>21,033</b> |

|                                     |                              |               |               |
|-------------------------------------|------------------------------|---------------|---------------|
| <b>INDUSTRIAL PRODUCTS -- 6.37%</b> |                              |               |               |
| 500,000                             | Canam Manac Group Inc.       | 3,290         | 5,080         |
| 750,000                             | Terravest Income Fund, units | 5,894         | 4,575         |
| 54,000                              | Wescast Industries Inc., "A" | 1,974         | 662           |
| <b><u>TOTAL</u></b>                 |                              | <b>11,158</b> | <b>10,317</b> |

|                               |                               |              |              |
|-------------------------------|-------------------------------|--------------|--------------|
| <b>COMMUNICATION -- 2.73%</b> |                               |              |              |
| 400,000                       | CanWest Global Communications | 4,120        | 4,424        |
| <b><u>TOTAL</u></b>           |                               | <b>4,120</b> | <b>4,424</b> |

| No. Of Shares                         | Description  | Total Cost (\$) | Market Value (\$) |
|---------------------------------------|--------------|-----------------|-------------------|
| <b>PAPER/FOREST PRODUCTS -- 2.80%</b> |              |                 |                   |
| 550,000                               | Norbord Inc. | 4,893           | 4,532             |
| <b><u>TOTAL</u></b>                   |              | <b>4,893</b>    | <b>4,532</b>      |

|                                |                                       |               |               |
|--------------------------------|---------------------------------------|---------------|---------------|
| <b>OIL &amp; GAS -- 26.58%</b> |                                       |               |               |
| 350,000                        | Avenir Diversified Income Trust       | 2,126         | 2,576         |
| 1,500,000                      | Caribou Resources Corp., common       | 3,299         | 248           |
| 232,470                        | Daylight Energy Trust, units          | 3,266         | 2,241         |
| 2,750,000                      | Endev Energy Inc.                     | 4,067         | 3,025         |
| 175,000                        | Essential Energy Services Trust Units | 1,677         | 1,050         |
| 1,200,000                      | Grey Wolf Exploration                 | 3,351         | 3,408         |
| 150,000                        | Nexen Inc.                            | 2,381         | 10,608        |
| 1,060,667                      | Pearl Exploration & Prod., common     | 4,773         | 4,402         |
| 1,500,000                      | Pulse Data Inc., common               | 3,713         | 3,300         |
| 750,000                        | Saxon Energy Services Inc, units      | 3,675         | 2,993         |
| 375,000                        | Saxon Energy Services Inc, warrants   | 0             | 4             |
| 450,000                        | Talisman Energy Inc.                  | 2,691         | 9,117         |
| 14,595                         | Trafalgar Energy                      | 0             | 59            |
| <b><u>TOTAL</u></b>            |                                       | <b>35,019</b> | <b>43,030</b> |

|  |                        |              |              |
|--|------------------------|--------------|--------------|
| <b>MINING / PRECIOUS METALS -- 2.27%</b> |                        |              |              |
| 1,500,000                                | Amerigo Resources Ltd. | 3,697        | 3,675        |
| <b><u>TOTAL</u></b>                      |                        | <b>3,697</b> | <b>3,675</b> |

|                              |  |               |               |
|------------------------------|--|---------------|---------------|
| <b>U.S. STOCKS -- 24.80%</b> |  |               |               |
| 30,000                       | Amer. National Ins. Co.                | 3,244         | 4,428         |
| 150,000                      | Bassett Furniture Industries Inc.      | 3,390         | 2,547         |
| 200,000                      | Covenant Transport Inc.                | 3,094         | 2,543         |
| 65,000                       | General Motors Corp.                   | 3,702         | 2,298         |
| 125,000                      | Genesis Lease Ltd., common             | 3,321         | 3,771         |
| 75,000                       | Kansas City Life Insurance Co., common | 4,439         | 3,894         |
| 200,000                      | Phoenix Companies Inc.                 | 3,583         | 3,203         |
| 75,000                       | Pioneer Natural Resources Co.          | 3,454         | 3,703         |
| 175,000                      | Presidential Life Corp.                | 4,416         | 3,981         |
| 200,000                      | Seaspan Corp., common                  | 4,980         | 6,181         |
| 150,000                      | Superior Industries Intl.              | 3,760         | 3,605         |
| <b><u>TOTAL</u></b>          |  | <b>41,382</b> | <b>40,153</b> |

**TOTAL COMMON STOCK** **123,392** **137,703**

**TOTAL PORTFOLIO** **145,687** **161,889**

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)

March 31, 2007

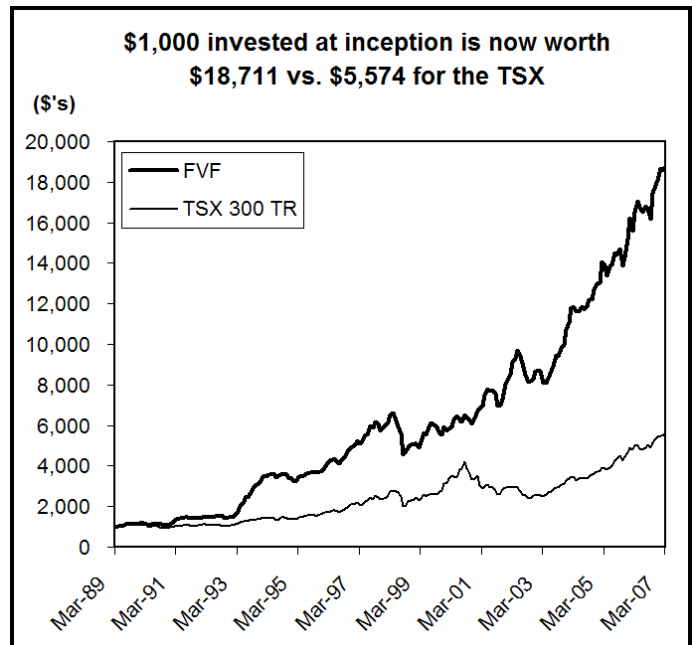
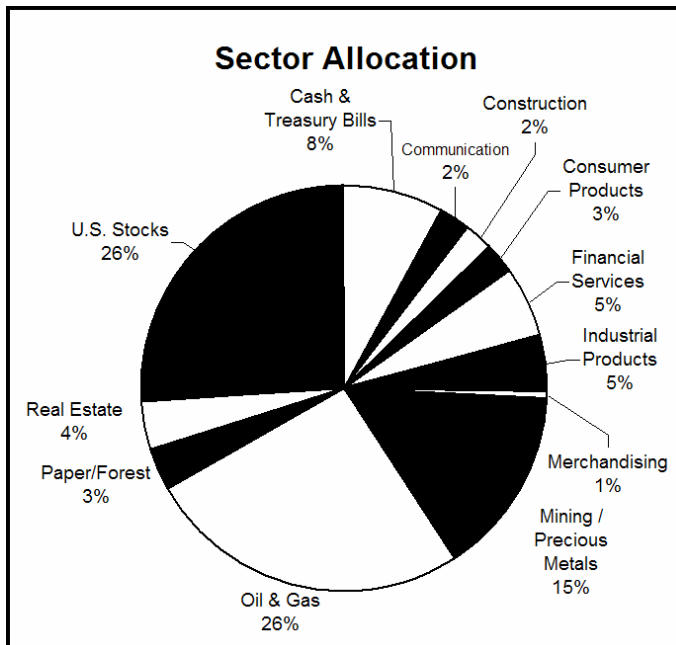
|                   |                    |
|-------------------|--------------------|
| <b>NAVPS</b>      | <b>\$22.0792</b>   |
| <b>C.G. Dist.</b> | <b>\$ 0.000000</b> |
| <b>Inc. Dist.</b> | <b>\$ 0.000000</b> |

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          | <b>0.68</b>                           | 1.17        | 1990           | <b>-1.98</b>  | -14.80 |
| Q1 2007          | <b>3.49</b>                           | 2.60        | 1991           | <b>22.92</b>  | 12.02  |
| YTD              | <b>3.49</b>                           | 2.60        | 1992           | <b>4.26</b>   | -1.43  |
| 1 Year           | <b>13.37</b>                          | 11.42       | 1993           | <b>121.75</b> | 32.80  |
| 2 Year           | <b>16.20</b>                          | 19.63       | 1994           | <b>3.03</b>   | -0.63  |
| 3 Year           | <b>16.54</b>                          | 17.70       | 1995           | <b>11.08</b>  | 14.83  |
| 5 Year           | <b>15.49</b>                          | 13.10       | 1996           | <b>31.75</b>  | 28.35  |
| 10 Year          | <b>13.91</b>                          | 10.35       | 1997           | <b>20.35</b>  | 14.98  |
| 15 Year          | <b>18.41</b>                          | 11.61       | 1998           | <b>-13.81</b> | -1.58  |
| Since Inception* | <b>17.67</b>                          | 9.98        | 1999           | <b>16.25</b>  | 31.71  |
|                  |                                       |             | 2000           | <b>7.51</b>   | 7.41   |
|                  |                                       |             | 2001           | <b>26.06</b>  | -12.57 |
|                  |                                       |             | 2002           | <b>7.62</b>   | -12.44 |
|                  |                                       |             | 2003           | <b>23.55</b>  | 26.72  |
|                  |                                       |             | 2004           | <b>21.42</b>  | 14.48  |
|                  |                                       |             | 2005           | <b>16.62</b>  | 24.13  |
|                  |                                       |             | 2006           | <b>19.13</b>  | 17.26  |

\*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**

**March 31st, 2007**

*all dollar amounts in thousands (cdn\$)*

| No. Of Shares                       | Description                       | Total Cost (\$) | Market Value (\$) |
|-------------------------------------|-----------------------------------|-----------------|-------------------|
| <b>CASH -- 8.09%</b>                |                                   |                 |                   |
| 1,127,742                           | C\$ Cash                          | 1,128           | 1,128             |
| 43,346                              | U\$ Cash                          | 51              | 50                |
| 682,766                             | RT CAP Cash In Action Fund        | 68,277          | 68,277            |
| 21,035                              | RT CAP U\$ Cash Mgmt Fund         | 2,399           | 2,427             |
| <b>TOTAL CASH</b>                   |                                   | <b>71,855</b>   | <b>71,881</b>     |
| <b>COMMON STOCKS -- 91.91%</b>      |                                   |                 |                   |
| <b>REAL ESTATE -- 4.05%</b>         |                                   |                 |                   |
| 2,950,000                           | Huntingdon Real Estate Inv. Trust | 7,858           | 7,228             |
| 600,000                             | Morguard Corp., common            | 12,351          | 28,800            |
| <b>TOTAL</b>                        |                                   | <b>20,208</b>   | <b>36,028</b>     |
| <b>INDUSTRIAL PRODUCTS -- 4.63%</b> |                                   |                 |                   |
| 2,500,000                           | Canam Manac Group Inc.            | 15,108          | 25,400            |
| 3,995,000                           | Magellan Aerospace Corp.          | 11,915          | 12,105            |
| 300,000                             | Wescast Industries Inc., A        | 10,808          | 3,675             |
| <b>TOTAL</b>                        |                                   | <b>37,831</b>   | <b>41,180</b>     |
| <b>CONSUMER PRODUCTS -- 2.64%</b>   |                                   |                 |                   |
| 1,095,000                           | Andres Wines Ltd. "A"             | 4,497           | 12,319            |
| 400,000                             | Arbor Memorial Services "B"       | 5,339           | 11,140            |
| <b>TOTAL</b>                        |                                   | <b>9,836</b>    | <b>23,459</b>     |
| <b>OIL &amp; GAS -- 25.82%</b>      |                                   |                 |                   |
| 775,000                             | Addax Petroleum Corp.             | 20,385          | 28,288            |
| 3,000,000                           | Anderson Energy Ltd., common      | 19,268          | 13,050            |
| 1,750,000                           | Avenir Diversified Income Trust   | 11,855          | 12,880            |
| 2,500,000                           | Bow Valley Energy                 | 3,725           | 15,000            |
| 451,589                             | Daylight Energy Trust Units       | 6,345           | 4,353             |
| 875,000                             | Essential Energy Services Trust   | 8,444           | 5,250             |
| 5,250,000                           | Geocan Energy Inc.                | 9,713           | 6,458             |
| 5,003,000                           | Grove Energy Ltd.                 | 3,759           | 3,702             |
| 2,240,400                           | Ithaca Energy Inc.                | 5,070           | 5,377             |
| 4,500,000                           | Midnight Oil Exploration          | 16,398          | 7,875             |
| 500,000                             | Nexen Inc.                        | 8,028           | 35,360            |
| 3,280,000                           | Pearl Exploration                 | 15,835          | 13,612            |
| 4,500,000                           | Saxon Energy Services Inc.        | 17,317          | 17,955            |
| 1,125,000                           | Sound Energy Trust units          | 9,450           | 4,365             |
| 10,000,000                          | Stratic Energy Corp.              | 13,500          | 12,400            |
| 375,075                             | Sure Energy Inc., common          | 443             | 341               |
| 1,350,000                           | Talisman Energy                   | 8,136           | 27,351            |
| 28,351                              | Trafalgar Energy, common          | 120             | 115               |
| 4,000,000                           | West Energy                       | 21,175          | 15,760            |
| <b>TOTAL</b>                        |                                   | <b>198,964</b>  | <b>229,492</b>    |

*exchange rate used is 1.1536553*

| No. Of Shares                               | Description                       | Total Cost (\$) | Market Value (\$) |
|---|-----------------------------------|-----------------|-------------------|
| <b>COMMUNICATION -- 2.49%</b>               |                                   |                 |                   |
| 2,000,000                                   | CanWest Global Communicati        | 21,061          | 22,120            |
| <b>TOTAL</b>                                |                                   | <b>21,061</b>   | <b>22,120</b>     |
| <b>MINERALS/PRECIOUS METALS -- 14.99%</b>   |                                   |                 |                   |
| 10,000,000                                  | African Copper                    | 16,000          | 16,000            |
| 2,250,000                                   | Hudbay Minerals Inc.              | 6,234           | 45,765            |
| 8,000,000                                   | Ivernia Inc.                      | 12,853          | 11,280            |
| 1,350,000                                   | Lionore Mining Ltd.               | 8,022           | 25,947            |
| 2,000,000                                   | Polaris Minerals Corp.            | 9,600           | 18,980            |
| 1,925,000                                   | Richmont Mines                    | 9,433           | 5,794             |
| 1,184,000                                   | Whitemud Resources                | 9,472           | 9,472             |
| <b>TOTAL</b>                                |                                   | <b>71,613</b>   | <b>133,238</b>    |
| <b>CONSTRUCTION -- 2.18%</b>                |                                   |                 |                   |
| 2,275,000                                   | Aecon Group Inc.                  | 12,481          | 19,338            |
| <b>TOTAL</b>                                |                                   | <b>12,481</b>   | <b>19,338</b>     |
| <b>PAPER &amp; FOREST PRODUCTS -- 3.24%</b> |                                   |                 |                   |
| 3,500,000                                   | Norbord Inc.                      | 31,432          | 28,840            |
| <b>TOTAL</b>                                |                                   | <b>31,432</b>   | <b>28,840</b>     |
| <b>MERCHANDISING -- 0.45%</b>               |                                   |                 |                   |
| 500,000                                     | Danier Leather Inc.               | 5,018           | 4,015             |
| <b>TOTAL</b>                                |                                   | <b>5,018</b>    | <b>4,015</b>      |
| <b>FINANCIAL SERVICES -- 5.36%</b>          |                                   |                 |                   |
| 39,250                                      | E-L Financial Corp.               | 10,590          | 26,690            |
| 641,175                                     | Northbridge Financial Corp.       | 19,573          | 20,992            |
| <b>TOTAL</b>                                |                                   | <b>30,163</b>   | <b>47,682</b>     |
| <b>U.S. STOCKS -- 26.06%</b>                |                                   |                 |                   |
| 125,000                                     | Amer. Nat. Ins. Co.               | 14,057          | 18,448            |
| 250,000                                     | General Motors Corp.              | 14,238          | 8,837             |
| 800,000                                     | Jo-Ann Stores Inc.                | 14,459          | 25,150            |
| 385,000                                     | Kansas City Life Insurance Co.    | 21,852          | 19,987            |
| 2,000,000                                   | Meridian Resources Corp.          | 7,438           | 5,561             |
| 750,000                                     | Pioneer Natural Resources Co.     | 34,379          | 37,301            |
| 800,000                                     | Presidential Life Corp.           | 19,067          | 18,200            |
| 1,000,000                                   | Seaspan Corporation               | 25,212          | 30,906            |
| 750,000                                     | Superior Industries International | 17,700          | 18,023            |
| 1,000,000                                   | The Phoenix Companies             | 17,648          | 16,013            |
| 1,250,000                                   | Unum Provident Corp., common      | 25,148          | 33,211            |
| <b>TOTAL</b>                                |                                   | <b>211,197</b>  | <b>231,636</b>    |
| <b>TOTAL COMMON STOCK</b>                   |                                   | <b>649,804</b>  | <b>817,027</b>    |
| <b>TOTAL PORTFOLIO</b>                      |                                   | <b>721,659</b>  | <b>888,908</b>    |

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)

March 31, 2007

|                   |                    |
|-------------------|--------------------|
| <b>NAVPS</b>      | <b>\$ 8.1543</b>   |
| <b>C.G. Dist.</b> | <b>\$ 0.000000</b> |
| <b>Inc. Dist.</b> | <b>\$ 0.000000</b> |

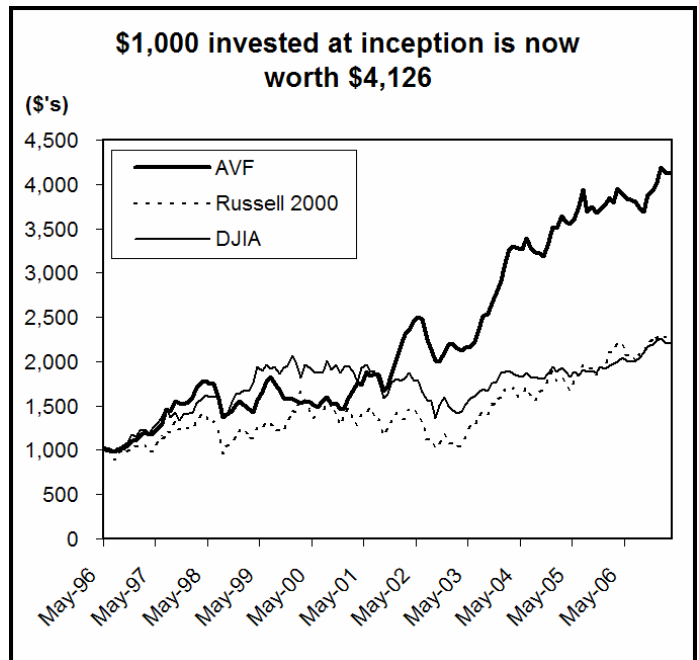
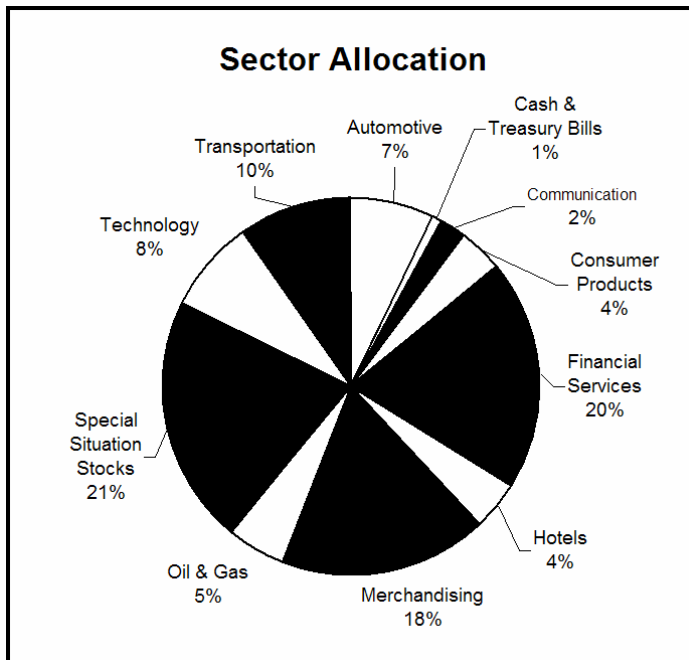
### Objective

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          | 0.20                                  | 0.93             | 0.70          | 1997           | 38.76            | 20.52         | 22.64  |
| Q1 2007          | 2.76                                  | 1.66             | -0.87         | 1998           | 0.75             | -3.45         | 16.10  |
| YTD              | 2.76                                  | 1.66             | -0.87         | 1999           | 1.47             | 19.62         | 25.22  |
| 1 Year           | 4.32                                  | 4.65             | 11.21         | 2000           | -6.66            | -4.20         | -6.18  |
| 2 Year           | 7.45                                  | 14.10            | 8.45          | 2001           | 39.52            | 1.03          | -7.10  |
| 3 Year           | 7.77                                  | 10.70            | 6.05          | 2002           | 6.91             | -21.58        | -16.76 |
| 5 Year           | 11.89                                 | 9.59             | 3.50          | 2003           | 32.74            | 45.37         | 25.32  |
| 10 Year          | 13.32                                 | 8.86             | 6.50          | 2004           | 20.85            | 17.00         | 3.15   |
| Since Inception* | 13.98                                 | 7.92             | 7.57          | 2005           | 7.16             | 3.32          | -0.61  |
|                  |                                       |                  |               | 2006           | 6.65             | 17.00         | 16.29  |

\*Inception date for the Fund was May 2, 1996



# ABC FUNDS

## ABC American-Value Fund, Statement of Investment Portfolio

*March 31st, 2007*

*all dollar amounts in thousands (cdn\$)*

*exchange rate used is 1.1536553*

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|---------------|-------------|-----------------|-------------------|
|---------------|-------------|-----------------|-------------------|

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|---------------|-------------|-----------------|-------------------|
|---------------|-------------|-----------------|-------------------|

**CASH -- 1.04%**

|                          |                            |              |              |
|--------------------------|----------------------------|--------------|--------------|
| 108,416                  | Cash                       | 108          | 108          |
| 10,527                   | RT CAP Cash In Action Fund | 1,053        | 1,053        |
| 34,218                   | US\$ Cash                  | 39           | 39           |
| 0                        | RT CAP US\$ Cash Fund      | -            | -            |
| <b><u>TOTAL CASH</u></b> |                            | <b>1,201</b> | <b>1,201</b> |

**MERCHANDISING -- 17.91%**

|                     |                                   |               |               |
|---------------------|-----------------------------------|---------------|---------------|
| 100,000             | Bassett Furniture Industries Inc. | 2,469         | 1,698         |
| 250,000             | Buca Inc.                         | 2,187         | 1,586         |
| 175,000             | Jo-Ann Stores Inc.                | 3,192         | 5,501         |
| 200,000             | John B. Sanfilippo & Sons         | 3,203         | 3,076         |
| 150,000             | Tandy Brands Accessories Inc.     | 2,669         | 2,272         |
| 60,000              | Village Super Markets Inc.        | 2,422         | 6,610         |
| <b><u>TOTAL</u></b> |                                   | <b>16,141</b> | <b>20,743</b> |

**COMMON STOCKS -- 98.96%**

**FINANCIAL SERVICES -- 19.92%**

|                     |                                  |               |               |
|---------------------|----------------------------------|---------------|---------------|
| 20,000              | Amer. Natl. Ins. Co.             | 2,191         | 2,952         |
| 125,000             | Genesis Lease Ltd, common        | 3,329         | 3,771         |
| 62,500              | Kansas City Life Insurance Co.   | 3,577         | 3,245         |
| 250,000             | National Atlantic Holdings Corp. | 3,265         | 3,729         |
| 175,000             | Phoenix Companies Inc.           | 3,215         | 2,802         |
| 291,200             | PMA Capital Corp.                | 3,086         | 3,155         |
| 150,000             | Presidential Life                | 3,189         | 3,413         |
| <b><u>TOTAL</u></b> |                                  | <b>21,852</b> | <b>23,066</b> |

**TRANSPORTATION -- 9.86%**

|                     |                                 |               |               |
|---------------------|---------------------------------|---------------|---------------|
| 200,000             | Covenant Transport Inc.         | 3,422         | 2,543         |
| 200,000             | Int'l Shipholding Corp., common | 3,558         | 4,236         |
| 150,000             | Seaspan Corp., common           | 3,815         | 4,636         |
| <b><u>TOTAL</u></b> |                                 | <b>10,795</b> | <b>11,415</b> |

**CONSUMER PRODUCTS -- 3.66%**

|                     |                               |              |              |
|---------------------|-------------------------------|--------------|--------------|
| 9,970               | Farmer Bros.Co.               | 237          | 261          |
| 225,000             | Flexsteel Industries , common | 3,842        | 3,982        |
| <b><u>TOTAL</u></b> |                               | <b>4,079</b> | <b>4,243</b> |

**TECHNOLOGY -- 7.98%**

|                     |                              |              |              |
|---------------------|------------------------------|--------------|--------------|
| 300,000             | Keynote Systems Inc., common | 3,747        | 4,645        |
| 75,545              | Printronix Inc.Co.           | 1,121        | 1,207        |
| 300,000             | Startek Inc.                 | 3,548        | 3,388        |
| <b><u>TOTAL</u></b> |                              | <b>8,416</b> | <b>9,240</b> |

**OIL & GAS -- 5.02%**

|                     |                           |              |              |
|---------------------|---------------------------|--------------|--------------|
| 750,000             | Meridian Resources Corp.  | 3,416        | 2,085        |
| 75,000              | Pioneer Natural Resources | 3,441        | 3,730        |
| <b><u>TOTAL</u></b> |                           | <b>6,857</b> | <b>5,815</b> |

**HOTELS -- 3.95%**

|                     |                         |              |              |
|---------------------|-------------------------|--------------|--------------|
| 300,000             | Great Wolf Resorts Inc. | 3,545        | 4,579        |
| <b><u>TOTAL</u></b> |                         | <b>3,545</b> | <b>4,579</b> |

**AUTOMOTIVE -- 7.11%**

|                     |                              |              |              |
|---------------------|------------------------------|--------------|--------------|
| 250,000             | Coachmen Industries Inc.,    | 3,069        | 3,037        |
| 45,000              | General Motors Corp., common | 2,563        | 1,591        |
| 150,000             | Superior Industries Intl.    | 3,787        | 3,605        |
| <b><u>TOTAL</u></b> |                              | <b>9,419</b> | <b>8,232</b> |

**SPECIAL SITUATION STOCKS -- 21.30%**

|                     |                              |               |               |
|---------------------|------------------------------|---------------|---------------|
| 450,000             | Accrete Energy Inc.,common   | 3,072         | 2,403         |
| 350,000             | CanWest Global Comm.         | 3,622         | 3,871         |
| 950,000             | Grey Wolf Exploration        | 2,658         | 2,698         |
| 100,000             | Morguard Corp., common       | 2,074         | 4,800         |
| 450,000             | Norbord Inc.                 | 3,949         | 3,708         |
| 922,500             | Pearl Exploration            | 4,146         | 3,828         |
| 550,000             | Terravest Income Fund, units | 3,775         | 3,355         |
| <b><u>TOTAL</u></b> |                              | <b>23,296</b> | <b>24,663</b> |

**COMMUNICATION -- 2.25%**

|                     |                            |              |              |
|---------------------|----------------------------|--------------|--------------|
| 700,000             | Regent Communications Inc. | 3,277        | 2,600        |
| <b><u>TOTAL</u></b> |                            | <b>3,277</b> | <b>2,600</b> |

**TOTAL COMMON STOCK** **107,677** **114,597**

**TOTAL PORTFOLIO** **108,877** **115,798**

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)

|                   |                    |
|-------------------|--------------------|
| <b>NAVPS</b>      | <b>\$11.1790</b>   |
| <b>C.G. Dist.</b> | <b>\$ 0.000000</b> |
| <b>Inc. Dist.</b> | <b>\$ 0.000000</b> |

*March 31, 2007*

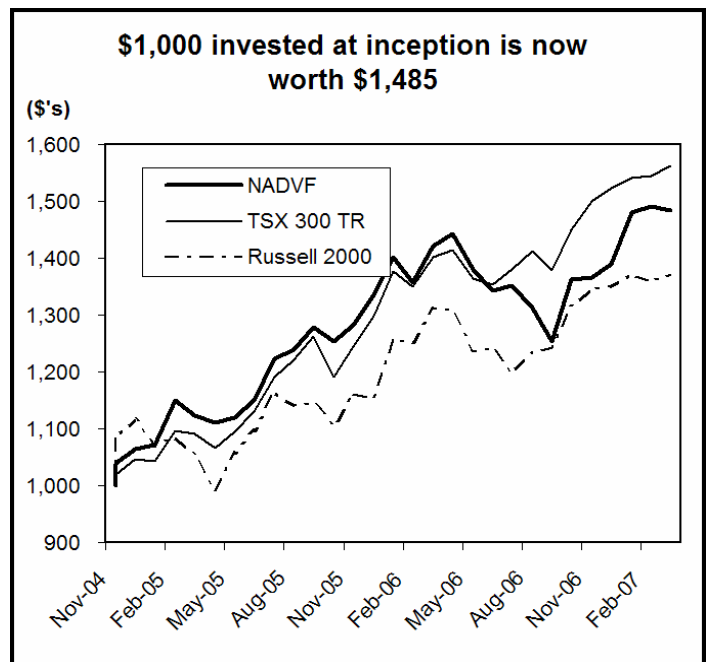
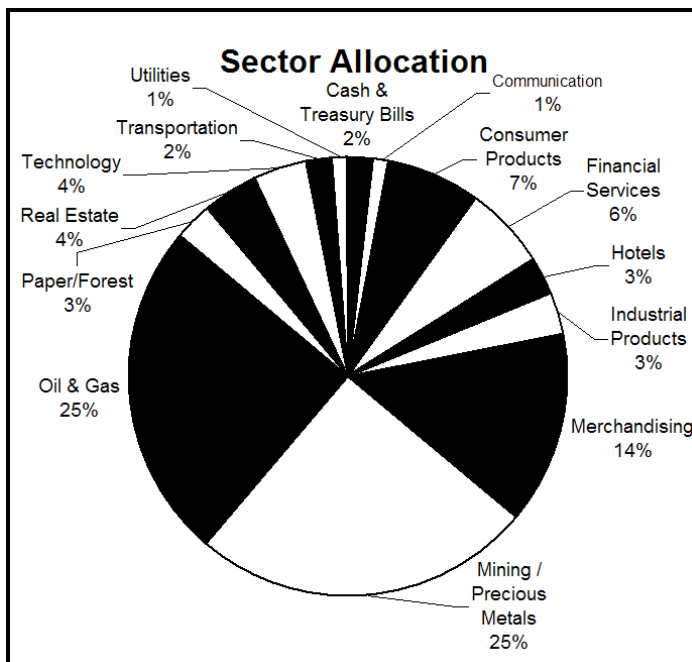
### Objective

*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*

| <b>Rates of Return</b> |                  |                     |                  |                |
|------------------------|------------------|---------------------|------------------|----------------|
|                        | <b>ABC NADVF</b> | <b>Russell 2000</b> | <b>Dow Jones</b> | <b>TSX 300</b> |
|                        | <b>(%)</b>       | <b>(%)</b>          | <b>(%)</b>       | <b>(%)</b>     |
| 1 Month                | <b>-0.40</b>     | 0.93                | 0.70             | 1.17           |
| Q1 2007                | <b>6.90</b>      | 1.66                | -0.87            | 2.60           |
| YTD                    | <b>6.90</b>      | 1.66                | -0.87            | 2.60           |
| 1 Year                 | <b>4.49</b>      | 4.65                | 11.21            | 11.42          |
| 2 Year                 | <b>15.00</b>     | 14.10               | 8.45             | 19.63          |
| Since Inception*       | <b>18.46</b>     | 13.97               | 9.02             | 20.29          |

**\*Inception date for the Fund was November 1, 2004**



# ABC FUNDS

## ABC North American Deep-Value Fund, Statement of Investment Portfolio

March 31st, 2007

all dollar amounts in thousands (cdn\$)

| No. Of Shares        | Description                | Total Cost (\$) | Market Value (\$) |
|----------------------|----------------------------|-----------------|-------------------|
| <b>CASH -- 1.62%</b> |                            |                 |                   |
| 2,720,929            | Cash                       | 2,721           | 2,721             |
| 0                    | RT CAP Cash In Action Fund | -               | -                 |
| 0                    | Cash - US \$               | -               | -                 |
| 4                    | RT CAP US\$ Cash Fund      | -               | -                 |
| <b>TOTAL CASH</b>    |                            | <b>2,721</b>    | <b>2,721</b>      |

**COMMON STOCKS -- 98.38%**

**CANADIAN STOCKS -- 51.81%**

**OIL & GAS / ENERGY -- 20.54%**

|              |                               |               |               |
|--------------|-------------------------------|---------------|---------------|
| 650,000      | Accrete Energy Inc., common   | 5,119         | 3,471         |
| 550,000      | Anderson Energy Ltd., common  | 4,155         | 2,393         |
| 2,500,000    | Arapahoe Energy Corp.         | 1,625         | 200           |
| 1,250,000    | Caribou Resources Corp.       | 2,474         | 206           |
| 4,000,000    | Choice Resources              | 3,987         | 2,480         |
| 2,000,000    | Endev Energy Inc.             | 3,204         | 2,200         |
| 850,000      | Grey Wolf Exploration         | 2,378         | 2,414         |
| 1,000,000    | Pearl Exploration & Prod.     | 4,500         | 4,150         |
| 1,500,000    | Pulse Data Inc.               | 3,830         | 3,300         |
| 1,450,000    | Rockyview Energy Inc.         | 6,279         | 4,524         |
| 500,000      | Saxon Energy Services , warr. | 0             | 5             |
| 1,000,000    | Saxon Energy Services , com.  | 4,900         | 3,990         |
| 350,000      | Universal Energy              | 4,380         | 5,180         |
| <b>TOTAL</b> |                               | <b>46,831</b> | <b>34,513</b> |

**PAPER & FOREST PRODUCTS -- 2.45%**

|              |              |              |              |
|--------------|--------------|--------------|--------------|
| 500,000      | Norbord Inc. | 4,390        | 4,120        |
| <b>TOTAL</b> |              | <b>4,390</b> | <b>4,120</b> |

**MINERALS/PRECIOUS METALS -- 20.96%**

|              |                               |               |               |
|--------------|-------------------------------|---------------|---------------|
| 2,000,000    | Amerigo Resources Ltd.        | 4,522         | 4,900         |
| 1,687,500    | Avnel Gold Mining Ltd. units  | 1,594         | 945           |
| 10,392,000   | Blue Note Metals Inc.         | 3,118         | 4,676         |
| 1,531,000    | Canadian Zinc Corp.           | 1,102         | 1,072         |
| 1,250,000    | Canadian Zinc Corp., warrants | 0             | 38            |
| 2,000,000    | Constellation Copper Corp.    | 3,052         | 2,840         |
| 4,162,000    | Goldhawk Resources Inc. units | 1,207         | 2,580         |
| 2,525,000    | Ivernia Inc.                  | 3,506         | 3,560         |
| 925,000      | Polaris Minerals              | 4,440         | 8,778         |
| 1,500,000    | Scorpio Mining Corp.          | 1,725         | 3,030         |
| 350,000      | Whitemud Resources            | 2,800         | 2,800         |
| <b>TOTAL</b> |                               | <b>27,065</b> | <b>35,220</b> |

**INDUSTRIAL PRODUCTS -- 2.63%**

|              |                              |              |              |
|--------------|------------------------------|--------------|--------------|
| 725,000      | Terravest Income Fund, units | 5,098        | 4,423        |
| <b>TOTAL</b> |                              | <b>5,098</b> | <b>4,423</b> |

**CONSUMER PRODUCTS -- 0.68%**

|              |                 |              |              |
|--------------|-----------------|--------------|--------------|
| 1,275,000    | Jig-A-Loo World | 1,148        | 1,148        |
| <b>TOTAL</b> |                 | <b>1,148</b> | <b>1,148</b> |

**REAL ESTATE -- 4.39%**

|              |                               |              |              |
|--------------|-------------------------------|--------------|--------------|
| 1,750,000    | Huntingdon Real Estate Trust  | 4,576        | 4,288        |
| 710,000      | Lakeview Hotel Real Est.Trust | 2,840        | 2,982        |
| 95,200       | Northampton Group             | 98           | 112          |
| <b>TOTAL</b> |                               | <b>7,514</b> | <b>7,381</b> |

**FINANCIAL SERVICES -- 0.81%**

|              |                              |              |              |
|--------------|------------------------------|--------------|--------------|
| 1,310,000    | GC Global Capital            | 1,507        | 1,362        |
| 655,000      | GC Global Capital , warrants | 0            | 0            |
| <b>TOTAL</b> |                              | <b>1,507</b> | <b>1,362</b> |

exchange rate used is 1.1536553

| No. Of Shares                              | Description                   | Total Cost (\$) | Market Value (\$) |
|--|-------------------------------|-----------------|-------------------|
| <b>U.S. STOCKS -- 46.67%</b>               |                               |                 |                   |
| <b>MINERALS / PRECIOUS METALS -- 4.24%</b> |                               |                 |                   |
| 7,750,000                                  | U.S. Silver Corporation units | 2,215           | 5,735             |
| 3,875,000                                  | U.S. Silver Corporation warr. | 0               | 1,395             |
| <b>TOTAL</b>                               |                               | <b>2,215</b>    | <b>7,130</b>      |

**HOTELS -- 3.18%**

|              |                         |              |              |
|--------------|-------------------------|--------------|--------------|
| 350,000      | Great Wolf Resorts Inc. | 4,137        | 5,342        |
| <b>TOTAL</b> |                         | <b>4,137</b> | <b>5,342</b> |

**UTILITIES -- 0.65%**

|              |                         |              |              |
|--------------|-------------------------|--------------|--------------|
| 50,000       | Maine & Maritimes Corp. | 1,551        | 1,096        |
| <b>TOTAL</b> |                         | <b>1,551</b> | <b>1,096</b> |

**OIL & GAS -- 4.20%**

|              |                           |              |              |
|--------------|---------------------------|--------------|--------------|
| 750,000      | Meridian Resource Corp.   | 3,382        | 2,085        |
| 100,000      | Pioneer Natural Resources | 4,605        | 4,973        |
| <b>TOTAL</b> |                           | <b>7,987</b> | <b>7,059</b> |

**MERCHANDISING -- 14.40%**

|              |                                   |               |               |
|--------------|-----------------------------------|---------------|---------------|
| 200,000      | Bassett Furniture Industries Inc. | 4,426         | 3,396         |
| 125,000      | Frisch Restaurants Inc.           | 3,505         | 5,408         |
| 325,000      | J. Alexander's Corp., common      | 3,040         | 4,143         |
| 150,000      | Jo-Ann Stores Inc.                | 2,936         | 4,716         |
| 195,000      | John B. Sanfilippo & Sons         | 3,123         | 2,999         |
| 120,000      | S&K Famous Brands                 | 2,383         | 1,645         |
| 125,000      | Tandy Brands Accessories Inc.     | 2,218         | 1,893         |
| <b>TOTAL</b> |                                   | <b>21,631</b> | <b>24,200</b> |

**CONSUMER PRODUCTS -- 6.21%**

|              |                           |               |               |
|--------------|---------------------------|---------------|---------------|
| 300,000      | Chromcraft Revington Inc. | 4,029         | 3,329         |
| 275,000      | Coachmen Industries Inc.  | 3,594         | 3,341         |
| 315,000      | Cobra Electronics Corp.   | 3,006         | 3,765         |
| <b>TOTAL</b> |                           | <b>10,629</b> | <b>10,435</b> |

**TRANSPORTATION -- 2.30%**

|              |                     |              |              |
|--------------|---------------------|--------------|--------------|
| 125,000      | Seaspan Corporation | 3,190        | 3,863        |
| <b>TOTAL</b> |                     | <b>3,190</b> | <b>3,863</b> |

**FINANCIAL SERVICES -- 5.37%**

|              |                                  |              |              |
|--------------|----------------------------------|--------------|--------------|
| 300,000      | National Atlantic Holdings Corp. | 3,447        | 4,475        |
| 200,000      | Presidential Life Corp.          | 4,882        | 4,550        |
| <b>TOTAL</b> |                                  | <b>8,329</b> | <b>9,025</b> |

**TECHNOLOGY -- 3.86%**

|              |                              |              |              |
|--------------|------------------------------|--------------|--------------|
| 325,000      | Keynote Systems Inc., common | 3,915        | 5,032        |
| 128,989      | Startek Inc.                 | 1,490        | 1,457        |
| <b>TOTAL</b> |                              | <b>5,405</b> | <b>6,489</b> |

**COMMUNICATIONS -- 1.49%**

|              |                            |              |              |
|--------------|----------------------------|--------------|--------------|
| 675,000      | Regent Communications Inc. | 2,901        | 2,507        |
| <b>TOTAL</b> |                            | <b>2,901</b> | <b>2,507</b> |

**TOTAL COMMON STOCK** 161,527 165,312

**TOTAL PORTFOLIO** 164,248 168,032

# ABC FUNDS

## ABC Dirt-Cheap Stock Fund (ABC DCSF)

March 31, 2007

|                   |                    |
|-------------------|--------------------|
| <b>NAVPS</b>      | <b>\$12.0803</b>   |
| <b>C.G. Dist.</b> | <b>\$ 0.000000</b> |
| <b>Inc. Dist.</b> | <b>\$ 0.000000</b> |

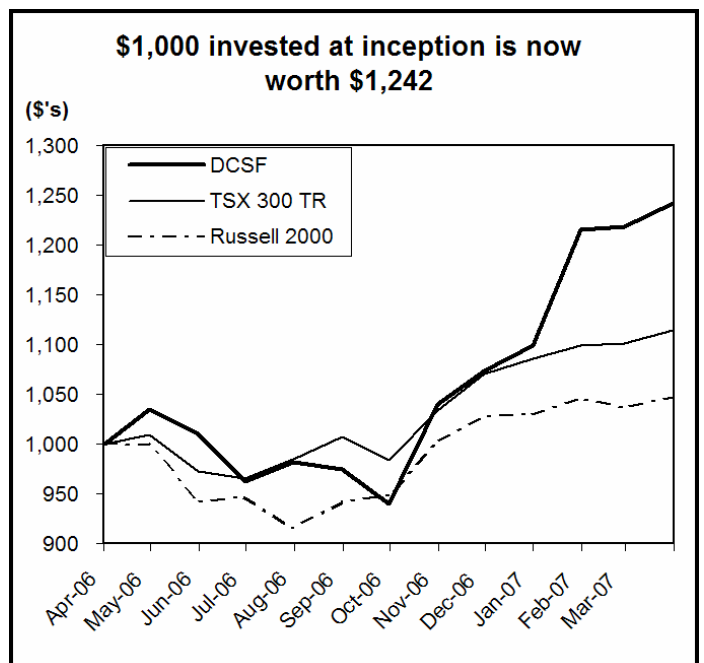
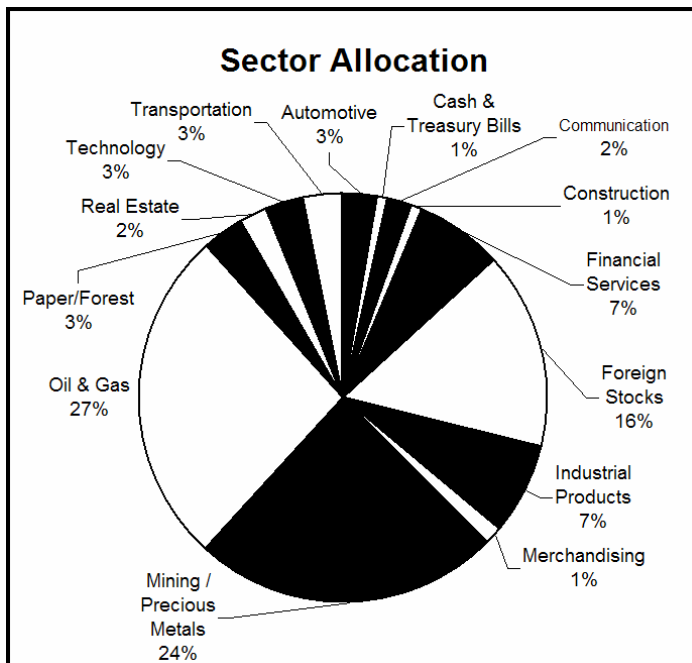
### Objective

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                  | <b>1.93</b>  | 0.93         | 0.70      | 1.17    |
| Q1 2007                  | <b>13.00</b> | 1.66         | -0.87     | 2.60    |
| 6 Month                  | <b>32.17</b> | 10.35        | 5.78      | 13.30   |
| YTD (from April 1, 2006) | <b>13.00</b> | 1.66         | -0.87     | 2.60    |
| 1 Year                   | <b>24.17</b> | 4.65         | 11.21     | 11.42   |
| Since Inception*         | <b>24.17</b> | 4.65         | 11.21     | 11.42   |

\*Inception date for the Fund was April 1, 2006



# ABC FUNDS

## ABC Dirt-Cheap Stock Fund, Statement of Investment Portfolio

March 31, 2007

*all dollar amounts in thousands (cdn\$)*

*exchange rate used is 1.1536553*

| No. Of Shares        | Description                | Total Cost (\$) | Market Value (\$) |
|----------------------|----------------------------|-----------------|-------------------|
| <b>CASH -- 0.86%</b> |                            |                 |                   |
| 1,059,352            | Cash                       | 1,059           | 1,059             |
| 0                    | RT CAP Cash In Action Fund | -               | -                 |
| 25,325               | Cash - AUD \$              | 23              | 23                |
| 0                    | Cash - US \$               | -               | -                 |
| 0                    | RT CAP US\$ Cash Fund      | -               | -                 |
| <b>TOTAL CASH</b>    |                            | <b>1,083</b>    | <b>1,083</b>      |

**COMMON STOCKS -- 99.14%**

**CANADIAN STOCKS -- 54.89%**

**OIL & GAS / ENERGY -- 20.91%**

|              |                               |               |               |
|--------------|-------------------------------|---------------|---------------|
| 500,000      | Accrete Energy Inc., common   | 3,815         | 2,670         |
| 500,000      | Anderson Energy Ltd., common  | 3,317         | 2,175         |
| 700,000      | Caribou Resources Corp.       | 1,794         | 116           |
| 2,000,000    | Choice Resources Corp         | 1,866         | 1,240         |
| 690,000      | Choice Resources Corp, warr   | 0             | 0             |
| 850,000      | Pacific Stratus Energy Ltd.   | 2,550         | 8,245         |
| 800,000      | Pearl Exploration & Prod.     | 3,600         | 3,320         |
| 850,000      | Rockyview Energy Inc.         | 4,076         | 2,652         |
| 750,000      | Saxon Energy Services , comm. | 3,419         | 2,993         |
| 2,250,000    | Stratic Energy Corp.          | 2,989         | 2,790         |
| <b>TOTAL</b> |                               | <b>27,424</b> | <b>26,200</b> |

**REAL ESTATE -- 2.21%**

|              |                               |              |              |
|--------------|-------------------------------|--------------|--------------|
| 500,000      | Lanesborough Real Estate Trst | 3,015        | 2,775        |
| <b>TOTAL</b> |                               | <b>3,015</b> | <b>2,775</b> |

**MINERALS / PRECIOUS METALS -- 18.65%**

|              |                              |               |               |
|--------------|------------------------------|---------------|---------------|
| 2,500,000    | African Copper               | 4,000         | 4,000         |
| 1,500,000    | Amerigo Resources Ltd.       | 3,669         | 3,675         |
| 6,959,500    | Blue Note Metals Inc.        | 2,088         | 3,132         |
| 2,250,000    | Constellation Copper Corp.   | 3,879         | 3,195         |
| 1,053,700    | First Nickel Inc., common    | 527           | 1,222         |
| 1,189,000    | Liberty Mines Inc., units    | 1,011         | 3,805         |
| 594,500      | Liberty Mines Inc., warrants | 0             | 1,308         |
| 1,500,000    | Scorpio Mining Corp.         | 1,725         | 3,030         |
| <b>TOTAL</b> |                              | <b>16,899</b> | <b>23,367</b> |

**INDUSTRIAL PRODUCTS -- 7.13%**

|              |                             |              |              |
|--------------|-----------------------------|--------------|--------------|
| 750,000      | Migao Corp., common         | 2,138        | 4,350        |
| 375,000      | Migao Corp., sub. Receipts  | 0            | 923          |
| 600,000      | Terravest Income Fund units | 4,337        | 3,660        |
| <b>TOTAL</b> |                             | <b>6,474</b> | <b>8,933</b> |

**CONSTRUCTION -- 0.79%**

|              |                          |            |            |
|--------------|--------------------------|------------|------------|
| 117,200      | Aecon Group Inc., common | 630        | 996        |
| <b>TOTAL</b> |                          | <b>630</b> | <b>996</b> |

**MERCHANDISING -- 1.44%**

|              |                                 |              |              |
|--------------|---------------------------------|--------------|--------------|
| 1,599,999    | CY Oriental Holdings            | 2,000        | 1,760        |
| 799,998      | CY Oriental Holdings , warrants | 0            | 48           |
| <b>TOTAL</b> |                                 | <b>2,000</b> | <b>1,808</b> |

| No. Of Shares                           | Description  | Total Cost (\$) | Market Value (\$) |
|---|--------------|-----------------|-------------------|
| <b>PAPER / FOREST PRODUCTS -- 3.29%</b> |              |                 |                   |
| 500,000                                 | Norbord Inc. | 4,369           | 4,120             |
| <b>TOTAL</b>                            |              | <b>4,369</b>    | <b>4,120</b>      |

**U.S. STOCKS -- 45.11%**

**TRANSPORTATION -- 3.08%**

|              |                       |              |              |
|--------------|-----------------------|--------------|--------------|
| 125,000      | Seaspan Corp., common | 3,036        | 3,863        |
| <b>TOTAL</b> |                       | <b>3,036</b> | <b>3,863</b> |

**TECHNOLOGY -- 3.09%**

|              |                       |              |              |
|--------------|-----------------------|--------------|--------------|
| 250,000      | Keynote Sysytems Inc. | 3,156        | 3,871        |
| <b>TOTAL</b> |                       | <b>3,156</b> | <b>3,871</b> |

**COMMUNICATION -- 1.85%**

|              |                       |              |              |
|--------------|-----------------------|--------------|--------------|
| 625,000      | Regent Communications | 3,017        | 2,322        |
| <b>TOTAL</b> |                       | <b>3,017</b> | <b>2,322</b> |

**OIL & GAS -- 5.63%**

|              |                           |              |              |
|--------------|---------------------------|--------------|--------------|
| 750,000      | Meridian Resource Corp.   | 3,256        | 2,085        |
| 100,000      | Pioneer Natural Resources | 4,645        | 4,973        |
| <b>TOTAL</b> |                           | <b>7,901</b> | <b>7,059</b> |

**AUTOMOTIVE -- 2.88%**

|              |                          |              |              |
|--------------|--------------------------|--------------|--------------|
| 150,000      | Superior Industries Inc. | 3,048        | 3,605        |
| <b>TOTAL</b> |                          | <b>3,048</b> | <b>3,605</b> |

**MINERALS / PRECIOUS METALS -- 5.69%**

|              |                             |              |              |
|--------------|-----------------------------|--------------|--------------|
| 7,750,000    | US Silver Corporation units | 2,215        | 5,735        |
| 3,875,000    | US Silver Corporation warr. | 0            | 1,395        |
| <b>TOTAL</b> |                             | <b>2,215</b> | <b>7,130</b> |

**FINANCIAL SERVICES -- 6.83%**

|              |                                |              |              |
|--------------|--------------------------------|--------------|--------------|
| 62,500       | Kansas City Life Insurance Co. | 3,570        | 3,245        |
| 200,000      | Unum Provident Corp.           | 4,038        | 5,314        |
| <b>TOTAL</b> |                                | <b>7,608</b> | <b>8,558</b> |

**FOREIGN STOCKS -- 15.67%**

|              |                                |               |               |
|--------------|--------------------------------|---------------|---------------|
| 1,560,420    | Challenger Wine Trust          | 1,011         | 1,251         |
| 1,412,000    | Fortune Real Estate Inv. Trust | 1,254         | 1,219         |
| 3,220,000    | Fountain Set Holdings Ltd.     | 1,412         | 1,293         |
| 4,855,000    | FuYu Corp. Ltd., common        | 1,619         | 1,033         |
| 145,898      | Natuzzi Spa                    | 1,218         | 1,375         |
| 650,000      | Standard Life PLC              | 3,165         | 4,648         |
| 5,000,000    | Thakral Holdings Group.        | 3,079         | 4,264         |
| 1,000,000    | Western Areas NL units         | 3,000         | 4,550         |
| <b>TOTAL</b> |                                | <b>15,757</b> | <b>19,633</b> |

**TOTAL COMMON STOCK** **103,513** **124,239**

**TOTAL PORTFOLIO** **104,596** **125,321**

## Hunting For Bargains

*When I talk to a company  
that tells me the last analyst  
showed up three years ago,  
I can hardly contain my enthusiasm.*

### **Peter Lynch**

My fishing friends always tell me that the best place to go fishing is where the fish are and “not where they are not.” This statement has always made infinite sense to me...just as one should go apple picking where apple trees grow or go golfing where people play golf, namely, a golf course. Once again, this is all quite logical and shouldn't be open to debate. However, with regard to successful investing quite the opposite is true. Let me explain.

In hunting for investment bargains we attempt to uncover dirt-cheap stocks which many investors overlook. We search for companies that have low price-earnings and cash flow multiples, trade at a discount to book or net asset value and are generally not in investors' sights. Many of these common shares are small capitalization companies that attract little analytical and stock broker attention. These stocks lacking investment recognition tend to trade at significant discounts to their intrinsic valuations and may languish for years. In consequence, once discovered by an enterprising analyst the shares can often be accumulated at bargain basement prices. Hopefully this happens before the stock rockets upward upon general market recognition. Strange as it may seem, unlike the fishing or golf analogy, astute investment analysts will often hunt for stocks where no other investors have tread. Upon discovery these analysts will salivate when they unearth an orphaned

public security that hasn't had its tires kicked for many years...and therein lies the opportunity.

Buying stocks that other investors have not noticed, however, is not a foolproof formula to investment success. Firstly, it involves a lot of tedious primary research which may not be readily available. Secondly, moving against a herd of investors involves considerable investment conviction, patience but, more importantly, a strong stomach. Being an early investor does have its negatives, too, since these investment decisions are frequently undertaken without full investment analysis or with imperfect information. Furthermore, these undervalued security selections may continue to languish for months before they are commonly recognized by the marketplace.

In summation, the aggressive analyst must undertake considerable initial research to fully understand an obscure, “fallen between the cracks little gem.” Overall, it should be noted that the risk/rewards of such selections often provide for remarkable investment returns for the patient investor who happens to go fishing where others have not ventured.

**Irwin A. Michael, CFA**

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