

Money is Round

Money has been far too easy to come by. When I first came to Wall Street, an old man gave me very wise advice. He said, 'young fellow, do you know what shape money is?' I said, 'Well sure it's rectangular.' He said: 'No, money is round, it can roll away from you just as fast as it rolls toward you.'

Truth be told, I am still optimistic with regard to the outlook for equities. Specifically, interest rates remain relatively low and there is excessive liquidity in the international financial system. Furthermore, with generally respectable quarterly company earnings results, meaningful corporate share buybacks, significant merger and acquisition activity and the growing financial muscle of private equity pools and hedge funds, these factors have continued to drive our financial markets higher and higher. In addition, with many public companies trading materially below replacement cost and/or net asset value there appears to be considerable life left in this middle-aged bull run.

Not surprisingly, as stock pickers, we continue to uncover under-valued situations in Canada, the U.S., Europe and Asia. Granted, we have had to dig a little deeper over the past six months, but nevertheless, we have run fully-invested equity portfolios for the past several years. Our overall investment performance has been decent although we, admittedly, have been singled by a strong Canadian dollar. So, what's the problem?

Quite frankly, I'm not sure there is a problem since North American equity markets have continued to climb a formidable wall of worry and have confounded the bears and skeptics. Nonetheless, as money managers, we have been trained to anticipate trends, to

Wilbur Ross

Billionaire U.S. investor,

on the dangers of the current private equity boom

minimize losses and to earn a fair investment return for our clients. This task is a 24-7 responsibility and we must always be on guard. Without intending to be alarmist we are presently sensitized to the trend of rising interest rates, a weakening bond market, slowing economic activity, creeping inflation, growing investor complacency, greed and speculation. Although we are neither forecasting an economic recession nor an imminent stock market meltdown, we are paying particular attention and, as a result, we are tweaking our five ABC Funds portfolios.

Over the last three months and for the duration of 2007 we have begun a policy of upgrading our investment portfolios. We have been liquidating weak or more aggressive positions by taking gains and the odd loss and replacing them with higher quality, income-paying securities. In summary, while our investment stance remains optimistic and opportunistic, we must be alert to quickly changing economic, political and investment trends.



ECONOMIC PERSPECTIVES**Slow Growth, Rising Interest Rates and Creeping Inflation**

With slowing North American economic growth, rising short and long term interest rates, creeping inflationary pressures, sub-prime mortgage loan problems, etc. investors are becoming increasingly concerned about our long-in-the-tooth economic cycle. True, these ingredients might be a prelude to a period of stagflation (slowing economy, rising inflation and interest rates), however, it is our

belief that responsible central bank policies and continued solid international growth from China, India and Europe should mitigate these risks.

Overall, it is our expectation that North American economic growth should range between 1½% - 2½% for the balance of 2007 ensuring, at least, another six months of positive, albeit, volatile stock market investment returns.

INVESTMENT PERSPECTIVES**Diligently Hunting For Value**

The worldwide corporate merger and acquisition binge by hedge and private equity funds, multinational corporations, etc. continues unabated. Clearly, with a world awash in plentiful liquidity and relatively low interest rates we expect this trend to persist, at least, to the end of 2007. Unfortunately, the positive monetary benefits of corporate mergers, takeovers and privatizations are leading to a serious dilemma for investors; now they must hunt for replacement securities for their depleted investment portfolios. It is a simple question of supply and demand.

Presently, our major research activity has been to scour the public Canadian equity markets for opportunistic common share investments. We have also been applying our disciplined selection process for undervalued equities in the U.S., Europe, and Asian markets. As a result, we have added a number of new selections including: Harmony Asset Limited, Fortress Paper Ltd., McGuigan Simeon Wines, Ocean Freight Inc., Playmates Holdings, Western Goldfields and Whitemud Resources.

PORTFOLIO PERSPECTIVES**Upgrading Our Portfolios**

As worldwide equity markets continue to move higher, there is an increasing propensity for investors to compromise quality to capture greater capital appreciation potential. On the contrary, our present investment plan is to upgrade our portfolios by liquidating fully-valued, stale and junior securities and replacing them with larger

capitalization, deeply-undervalued, dividend-paying equities. Notwithstanding this portfolio upgrading strategy our outlook is generally optimistic and, accordingly, we are striving to remain fully-invested with a portfolio of fundamentally-undervalued common shares.

ABC Funds Value Favourites

PLAYMATES HOLDINGS LTD.

After its founding in 1966, Playmates quickly established itself as a key outsourcing partner for toy doll manufacturers located around the world. Not content to be solely a behind-the-scenes manufacturer, the Company aimed to transform itself into a developer, marketer, and distributor of a diversified portfolio of toy lines. In 1984, Playmates became the first toy company to list on the Hong Kong Stock Exchange. Armed with cash from its successful IPO, and eager to expand its action figure portfolio, Playmates launched its full line of Teenage Mutant Ninja Turtles toys. The Turtles became a global phenomenon, leading Forbes to label Playmates as the most profitable toy company in the world.

As the Turtles phenomenon slowly faded away in the late 1990's, so did investor enthusiasm for Playmates' stock. The 1990's toy industry entered into a rocky transitional period. As young children gravitated towards interactive toys, traditional toy companies such as Playmates found themselves behind the curve. The 9/11 terrorist attacks further compounded the Company's problems and pushed the industry into recession. Playmates stock price, reaching HK\$3.50 in 1995, trades at around HK\$1.00 today.

To reduce the volatility of its toy business, in 2001 the Company decided to gradually deploy its excess cash into Hong Kong real estate. The first purchase was its headquarters, The Toy House, located in Kowloon, Hong Kong for roughly HK\$520 million. This transaction was followed by the purchase of its factory in 2002 and apartment buildings in 2005 and 2006. Since 2002, the portfolio's value has increased by HK\$420 million. At the end of 2006, the Company's real estate had an appraised value of HK\$1.2 billion.

With its current property portfolio, it could be said that Playmates is a real estate company with a toy business thrown in for free (or at least very cheaply). The Company's cash, financial investments, and real estate currently totals HK\$1.7 billion. Considering its total market capitalization of HK\$1.9 billion, one could sell the real estate and effectively pay only HK\$200 million for the toy business. Since 2003, the toy business has averaged HK\$105 million in pre tax operating profit. Valuing the property portfolio and toy businesses separately, we arrive at a sum-of-the-parts value of HK\$1.50.

Playmates management has signaled its intention to unlock the value of both businesses. In an April 27th press release, the Company announced it was considering a separate listing for its real estate assets. A typical scenario could see a Hong Kong REIT purchasing the real estate assets and a US-based toy company buying the toy business. Looking ahead we expect the market to gradually close the gap between the Company's value and depressed stock price.

LAKEVIEW HOTEL REIT

Established in 2004, Lakeview Hotel REIT is among several junior REITs that have launched over the last couple of years. At the end of Q1 2007, Lakeview owned 12 limited service hotels with a total of 862 rooms. Geographically, the REIT's focus is secondary markets in Alberta and British Columbia that have exposure to growing oil and gas exploration and production. Unlike a typical hotel REIT, which may own a portfolio of hotels with various brands, Lakeview immediately re-flags purchased hotels with the Lakeview banner. The REIT has a 49% interest in the names "Lakeview Resorts" and "Lakeview Inns & Suites."

Secondary markets, while certainly not as glamorous as city centres, provide many opportunities for Lakeview. The main advantage is higher cap rates: average rates in these markets hover around 10% compared to 7-8% for urban cities such as Toronto, Calgary, or Vancouver. Additionally, secondary markets fall under the radar screen for larger industry participants. As a consequence, limited service hotel ownership is fragmented with many owned and operated by local entrepreneurs. Sophisticated hotel management systems and practices, such as yield maximization, are for the most part completely absent. With over 20 years' experience in the industry, Lakeview's management can identify and employ strategies that will immediately raise room rates, lower costs, and drive higher occupancy. The REIT's internalized management team opens up avenues for organic growth that are not available to its peers.

While Lakeview's strategy is essentially the same as all new REITs – growth via acquisition – the Company's brand strategy is a competitive advantage and hidden asset. Each hotel is quickly brought up to the standards of the brand (which is usually accompanied by an increase in room rates). Marketing and brand positioning is vital in the hotel industry; once the number of hotels flagged under a brand reaches a critical mass, travelers begin to associate the brand with certain levels of service, comfort and pricing. As the number of Lakeview-flagged hotels grows, the brand's value grows in lock-step. We would not be surprised if the REIT started to license its name to other hotel developers. The revenue from licensing will flow directly to the bottom line.

Based on a conservative forecast of accretive acquisitions and licensing revenues, we arrive at a NAV of \$5.50 per unit. Given the management team's conservative approach and extensive experience in the industry, we have confidence that Lakeview will emerge as one of the leaders of the new generation of REITs.

A Special ABC Funds Commentary on International Stock Investing

Canadian investment opportunities are becoming increasingly scarce as numerous mergers, takeovers and privatizations have shrunk the availability of quality public corporations. Examples of this takeover trend include: Dofasco, Inco, Falconbridge, Hudson Bay Company, LionOre Mining, Placer Dome, Four Seasons and Sleemans.

The shrinking Canadian marketplace and the dwindling supply of Canadian common shares presents a serious dilemma for portfolio managers entrusted to invest vast pools of money in Canada. Unexpectedly, and to its credit, the Government of Canada, a couple of years ago, wisely eliminated the 30% maximum foreign content provisions of Canadian pensions and retirement plans. This event and a recent meteoric Canadian dollar are now providing a huge impetus for Canadian investment managers to look beyond Canada's borders toward the United States, Asia and Europe.

Admittedly, we have been somewhat early with this international equity diversification. Although we have suffered some foreign currency devaluation, particularly in our ABC American-Value Fund, due to a rising Canadian dollar, we have not lost our nerve. In fact, we believe, even more strongly, that now is an opportune time to invest in the U.S. and abroad. Accordingly, we have been accumulating a large number of significantly undervalued American, Hong Kong, Australian and European equities. While we are mentally prepared to give up 5%-10% of currency depreciation due to the surprisingly strong Canadian dollar, we believe that many of our undervalued selections have the potential to provide appreciation in the form of capital gains of 40%-50%.

In summary, our present investment strategy could be described using a chess analogy: "We are prepared to give up a rook to steal a priceless queen." Accordingly, over the balance of 2007 we expect to gradually add a number of dirt-cheap international common shares to all five of our ABC Funds portfolios.



Irwin Michael, CFA

Five Favourite Quotations Relating to Success

I love to read and collect insightful and pithy quotations. I find they make you think. Often through humour and simplistic forthright statements a serious or complicated concept can be readily understood. The following are five favourite quotes that I recently compiled. All five quotations, I believe, bear a particular relevance to investment success and have had considerable impact on the management of our ABC Funds.

1. A person who won't read has no advantage over one who can't read. – Mark Twain
2. Failure isn't in not reaching your goal but in having no goal to reach. – Benjamin Mays
3. Character consists of what you do on the third and fourth tries. – James Michener
4. Success isn't permanent and failure isn't fatal. – Mike Ditka
5. Ambition is the path to success. Persistence is the vehicle you arrive in. – Bill Bradley

Irwin A. Michael, CFA

With the stock market's remarkable performance over the past year there appears to be many parallels with the high tech price boom of 1999-2000. I thought this piece, which I wrote over seven years ago, was particularly relevant, today, given increasing M&A speculation, aggressive hedge and private equity fund activities and growing investor greed (especially in the Shanghai market).

The following is an excerpt from the April 2000 ABC Perspective

Capitulation

The momentum has been building. Television, radio and newspaper advertisements have been plentiful in highlighting the ease of e-trading stocks. Rookie investors experience the thrill of buying and selling stocks for as little as \$8 a trade. It appears that day-trading may have become our national pastime supplanting our beloved ice hockey.

So far, there appears to be little downside to investors' double infatuation with day-trading and high technology and telecommunications stocks. Neophyte financiers experiencing their initial taste of profit have been increasing their investment ante on each trade through record margin debt as their rising bravado fills them with greater confidence. There appears to be no sense of fear, only greed.

Technology stock initial public offerings with little or no revenue or earnings but with extraordinary expectations are snapped up within a heartbeat and triple in price. It appears that no analysis is needed, nor is it necessary. One merely buys stocks which will go up in price. There is no caution, fear or prudence. Cocktail party chatter, similar to the childhood game of broken telephone, magnifies profits to incredible sums. Ordinary individuals with not even the slightest sense of rudimentary investment understanding are rushing into this frenzied market place of the "new economy". High technology is the catch-word for year 2000, comparable to the late 1960's "plastics".

Traditional conservative value investment disciplines are tossed aside for being "old economy" and out of step with the new investment reality. No one is interested in Markowitz, Sharpe, alpha, beta or coefficients of correlation. "Don't complicate investing", some people tell me, "just buy and hold technology stocks to go higher and higher and higher". Experienced value investors such as Warren Buffett are deemed to be yesterday's story.

In spite of the present evidence, I disagree with this new investing. I believe that there is yet another extremely important chapter of value investing to be written. I would neither underestimate the explosive potential of value investing nor Warren Buffett. Unfortunately, patience today is a commodity in short supply. In this go-go environment of day-trading there is no patience. Investors only have an appetite for quick profits.

One respected investment dealer recently related to me that the stock market is going through a period of "capitulation". This dealer further explained that with heavy redemptions taking place at traditional value institutions, many of these portfolio managers are selling off their "old economy" value stocks and have been shifting to the high tech flavours of the day. This capitulation may stem redemptions. In some cases, this shift of style, in the short run, has paid off. But as the crescendo of this capitulation shift continues to build through the conversion of former value investors to born-again momentum investing, it further feeds upon itself.

However, when will this momentum investing return to "value"? While we are confident that value investing will return, I cannot predict when. The decline trigger or catalyst to precipitate the journey back to value could happen anytime, for whatever reason. Perhaps momentum investors' wild expectations could be severely disappointed when a widely anticipated event does not transpire. Momentum investors at that point might rush to the exits and discover that "the emperor (i.e. stocks) is not wearing any clothes". This realization might be the straw that breaks the camel's back. It also could be the ultimate catalyst leading investors back to the value investing world of cash flow, price to earnings ratios, book and net asset values.

Irwin A. Michael, CFA

ABC Fully-Managed Fund (ABC FMF)

June 30, 2007

| | |
|-------------------|--------------------|
| NAVPS | \$10.6253 |
| C.G. Dist. | \$ 0.000000 |
| Inc. Dist. | \$ 0.091656 |

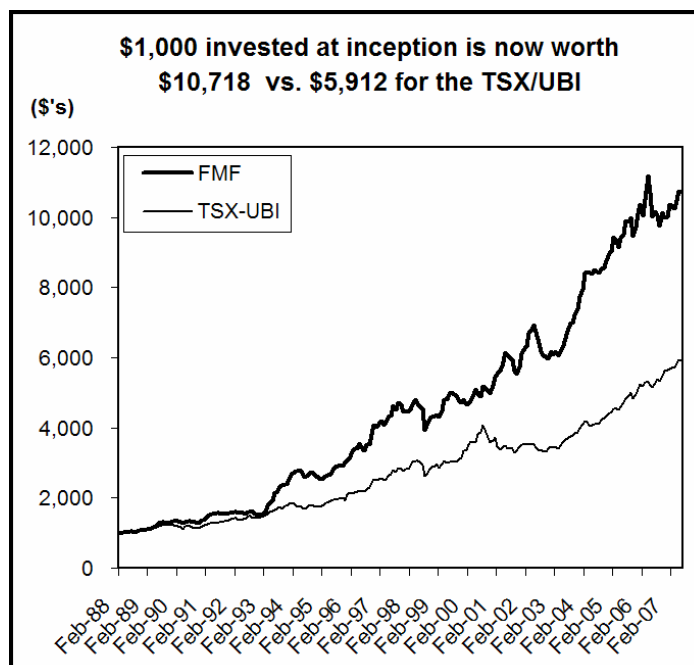
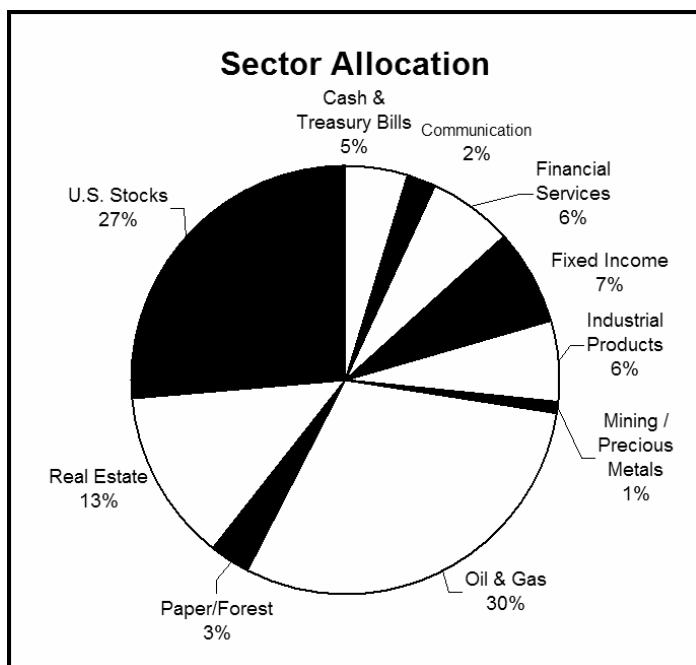
Objective

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

Performance of the Fund vs. the Benchmark

| Annualized Compounded Rates of Return | | | Annual Returns | | |
|---------------------------------------|-------------|-------------|----------------|-------------|-------------|
| | ABC FMF (%) | Benchmark** | | ABC FMF (%) | Benchmark** |
| 1 Month | -0.29 | -0.59 | 1989 | 23.68 | 17.20 |
| Q2 2007 | 4.56 | 2.78 | 1990 | 2.17 | -4.32 |
| YTD | 6.86 | 4.68 | 1991 | 14.69 | 17.35 |
| 1 Year | 7.09 | 14.46 | 1992 | -1.48 | 4.75 |
| 2 Year | 6.05 | 11.88 | 1993 | 64.35 | 24.36 |
| 3 Year | 8.01 | 12.87 | 1994 | 2.82 | -2.64 |
| 5 Year | 9.77 | 11.37 | 1995 | 17.25 | 17.97 |
| 10 Year | 9.45 | 8.29 | 1996 | 31.99 | 19.5 |
| 15 Year | 13.72 | 9.94 | 1997 | 10.56 | 12.22 |
| Since Inception* | 13.05 | 9.63 | 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 |
| | | | 2006 | -0.64 | 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 PC-Bond Universe Bond Index (UBI)



ABC FUNDS

ABC Fully-Managed Fund, Statement of Investment Portfolio

June 30th, 2007

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.0637505

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|--------------------------|----------------------------------|-----------------|-------------------|
| CASH -- 4.75% | | | |
| 233,662 | C\$ Cash | 234 | 234 |
| 3,824,133 | U\$ Cash | 4,068 | 4,068 |
| 35,034 | RT CAP Cash In Action Fund | 3,503 | 3,503 |
| 24 | RT CAP Cash In Action Fund US \$ | 3 | 3 |
| <u>TOTAL CASH</u> | | 7,808 | 7,808 |

| | | | |
|------------------------------|--|---------------|---------------|
| FIXED INCOME -- 7.11% | | | |
| 3,000,000 | Blue Note Mining Inc., 11%, 03/31/2012 | 3,000 | 3,000 |
| 4,000,000 | Frontera Copper, 10%, 06/15/2010 | 3,324 | 4,135 |
| 2,500,000 | Magellan Aero., conv. 8.5%, 01/31/2008 | 2,478 | 2,497 |
| 2,000,000 | Nova Chemical., 7.85%, 08/30/2010 | 1,984 | 2,059 |
| <u>TOTAL</u> | | 10,786 | 11,691 |

| | | | |
|------------------------------------|-----------------------------|--------------|---------------|
| COMMON STOCKS -- 88.14% | | | |
| FINANCIAL SERVICES -- 6.46% | | | |
| 9,483 | E-L Financial Corp. | 2,514 | 6,259 |
| 125,000 | Northbridge Financial Corp. | 3,817 | 4,356 |
| <u>TOTAL</u> | | 6,331 | 10,615 |

| | | | |
|------------------------------|---------------------------------------|---------------|---------------|
| REAL ESTATE -- 13.05% | | | |
| 2,000,000 | Huntingdon Real Estate Inv. Trust | 5,230 | 4,780 |
| 750,000 | Lanesborough Real Estate Inv. Trust | 4,568 | 3,825 |
| 850,000 | Lakeview Hotel Real Estate Inv. Trust | 3,400 | 4,335 |
| 175,000 | Morguard Corp., common shares | 3,595 | 8,505 |
| <u>TOTAL</u> | | 16,792 | 21,445 |

| | | | |
|-------------------------------------|------------------------------|---------------|---------------|
| INDUSTRIAL PRODUCTS -- 6.22% | | | |
| 500,000 | Canam Manac Group Inc. | 3,290 | 5,250 |
| 750,000 | Terravest Income Fund, units | 5,894 | 4,118 |
| 54,000 | Wescast Industries Inc., "A" | 1,974 | 864 |
| <u>TOTAL</u> | | 11,158 | 10,232 |

| | | | |
|-------------------------------|-------------------------------|--------------|--------------|
| COMMUNICATION -- 2.27% | | | |
| 400,000 | CanWest Global Communications | 4,120 | 3,736 |
| <u>TOTAL</u> | | 4,120 | 3,736 |

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|---------------------------------------|--------------|-----------------|-------------------|
| PAPER/FOREST PRODUCTS -- 3.11% | | | |
| 550,000 | Norbord Inc. | 4,893 | 5,115 |
| <u>TOTAL</u> | | 4,893 | 5,115 |

| | | | |
|--------------------------------|---------------------------------------|---------------|---------------|
| OIL & GAS -- 30.14% | | | |
| 350,000 | Avenir Diversified Income Trust | 2,126 | 2,961 |
| 232,470 | Daylight Energy Trust, units | 3,266 | 2,383 |
| 3,500,000 | Endev Energy Inc. | 4,880 | 3,640 |
| 500,000 | Essential Energy Services Trust Units | 3,900 | 3,435 |
| 1,200,000 | Grey Wolf Exploration | 3,351 | 3,780 |
| 150,000 | Nexen Inc. | 2,381 | 9,900 |
| 1,000,000 | Pearl Exploration & Prod., common | 4,500 | 5,070 |
| 1,500,000 | Pulse Data Inc., common | 3,713 | 4,365 |
| 750,000 | Saxon Energy Services Inc, units | 3,675 | 4,613 |
| 375,000 | Saxon Energy Services Inc, warrants | 0 | 131 |
| 450,000 | Talisman Energy Inc. | 2,691 | 9,270 |
| <u>TOTAL</u> | | 34,484 | 49,548 |

| | | | |
|--|-------------------------------|----------|------------|
| PRECIOUS METALS/MINING -- 0.13% | | | |
| 450,000 | Blue Note Mining Inc., common | 0 | 221 |
| <u>TOTAL</u> | | - | 221 |

| | | | |
|------------------------------|--|---------------|---------------|
| U.S. STOCKS -- 26.75% | | | |
| 30,000 | Amer. National Ins. Co. | 3,244 | 4,870 |
| 150,000 | Bassett Furniture Industries Inc. | 3,390 | 2,178 |
| 200,000 | Covenant Transport Inc. | 3,094 | 2,425 |
| 250,000 | Flagstar Bancorp Inc., common | 3,477 | 3,205 |
| 65,000 | General Motors Corp. | 3,702 | 2,614 |
| 75,000 | Kansas City Life Insurance Co., common | 4,439 | 3,711 |
| 162,500 | Ocean Freight Inc., common | 3,448 | 3,336 |
| 200,000 | Phoenix Companies Inc. | 3,583 | 3,193 |
| 75,000 | Pioneer Natural Resources Co. | 3,454 | 3,886 |
| 175,000 | Presidential Life Corp. | 4,416 | 3,660 |
| 200,000 | Seaspan Corp., common | 5,050 | 6,846 |
| 150,000 | Superior Industries Intl. | 3,760 | 3,472 |
| 208,010 | W Holding Inc., common | 1,128 | 584 |
| <u>TOTAL</u> | | 46,183 | 43,981 |

TOTAL COMMON STOCK **123,961** **144,892**

TOTAL PORTFOLIO **142,555** **164,390**

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)

June 30, 2007

| | |
|-------------------|--------------------|
| NAVPS | \$23.4590 |
| C.G. Dist. | \$ 0.000000 |
| Inc. Dist. | \$ 0.000000 |

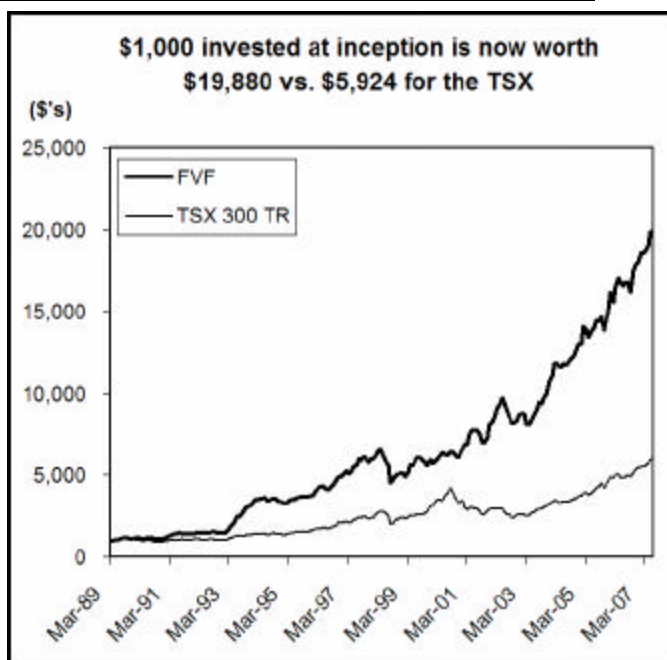
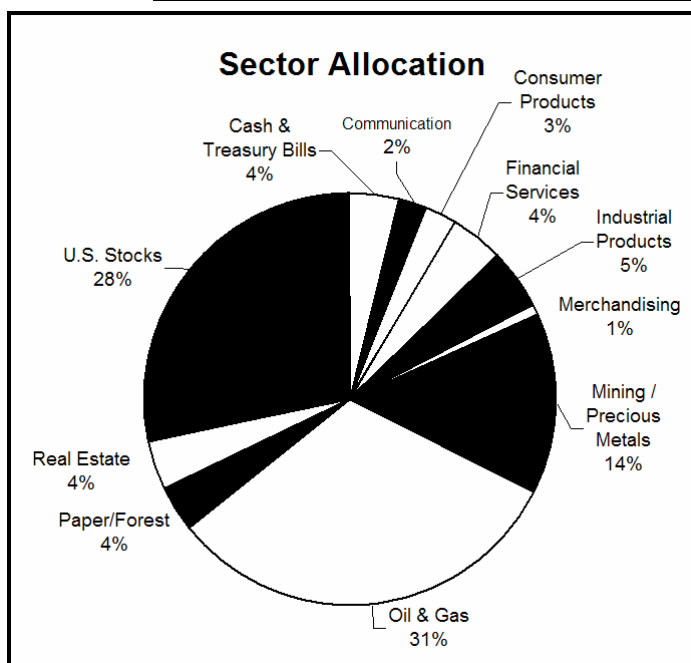
ABC Fundamental-Value Fund seeks out fundamentally undervalued Canadian equities. Our extensive "value research" style attempts to ferret out overlooked and out of favour Canadian equities. With these discerning selections we cobble a diversified portfolio of small, medium and large capitalization Canadian 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 | -0.02 | -0.82 | 1990 | -1.98 | -14.80 |
| Q2 2007 | 6.25 | 6.28 | 1991 | 22.92 | 12.02 |
| YTD | 9.96 | 9.05 | 1992 | 4.26 | -1.43 |
| 1 Year | 20.30 | 22.73 | 1993 | 121.75 | 32.80 |
| 2 Year | 19.52 | 21.18 | 1994 | 3.03 | -0.63 |
| 3 Year | 18.86 | 20.12 | 1995 | 11.08 | 14.83 |
| 5 Year | 16.12 | 16.56 | 1996 | 31.75 | 28.35 |
| 10 Year | 13.61 | 9.92 | 1997 | 20.35 | 14.98 |
| 15 Year | 18.83 | 12.06 | 1998 | -13.81 | -1.58 |
| Since Inception* | 17.80 | 10.21 | 1999 | 16.25 | 31.71 |
| | | | 2000 | 7.51 | 7.41 |
| | | | 2001 | 26.06 | -12.57 |
| | | | 2002 | 7.62 | -12.44 |
| | | | 2003 | 23.55 | 26.72 |
| | | | 2004 | 21.42 | 14.48 |
| | | | 2005 | 16.62 | 24.13 |
| | | | 2006 | 19.13 | 17.26 |

*Inception date for the Fund was March 20, 1989

**Benchmark consists of the TSX 300 Total Return Index



ABC FUNDS

ABC Fundamental-Value Fund, Statement of Investment Portfolio June 30th, 2007

all dollar amounts in thousands (cdn\$)

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|-------------------------------------|-----------------------------------|-----------------|-------------------|
| CASH -- 3.89% | | | |
| (1,306,456) | C\$ Cash | (1,306) | (1,306) |
| (7,156,849) | U\$ Cash | (7,613) | (7,613) |
| 450,057 | RT CAP Cash In Action Fund | 45,006 | 45,007 |
| 17 | RT CAP U\$ Cash Mgmt Fund | 2 | 2 |
| <u>TOTAL CASH</u> | | 36,088 | 36,089 |
| COMMON STOCKS -- 96.11% | | | |
| REAL ESTATE -- 3.90% | | | |
| 2,950,000 | Huntingdon Real Estate Inv. Trust | 7,858 | 7,051 |
| 600,000 | Morguard Corp., common | 12,351 | 29,160 |
| <u>TOTAL</u> | | 20,208 | 36,211 |
| INDUSTRIAL PRODUCTS -- 4.58% | | | |
| 2,500,000 | Canam Manac Group Inc. | 15,108 | 26,250 |
| 3,995,000 | Magellan Aerospace Corp. | 11,915 | 11,426 |
| 300,000 | Wescast Industries Inc., A | 10,808 | 4,800 |
| <u>TOTAL</u> | | 37,831 | 42,476 |
| FINANCIAL SERVICES -- 4.93% | | | |
| 35,550 | E-L Financial Corp. | 9,591 | 23,463 |
| 641,175 | Northbridge Financial Corp. | 19,573 | 22,345 |
| <u>TOTAL</u> | | 29,165 | 45,808 |
| OIL & GAS -- 32.14% | | | |
| 775,000 | Addax Petroleum Corp. | 20,385 | 30,876 |
| 3,000,000 | Anderson Energy Ltd., common | 19,268 | 13,800 |
| 1,750,000 | Avenir Diversified Income Trust | 11,855 | 14,805 |
| 2,500,000 | Bow Valley Energy | 3,725 | 15,250 |
| 451,589 | Daylight Energy Trust Units | 7,384 | 4,629 |
| 1,702,200 | Essential Energy Services Trust | 14,121 | 11,694 |
| 4,500,000 | Gentry Resources Ltd., common | 18,000 | 17,550 |
| 5,250,000 | Geocan Energy Inc. | 9,713 | 4,935 |
| 2,929,200 | Ithaca Energy Inc. | 6,940 | 9,260 |
| 4,500,000 | Midnight Oil Exploration | 16,398 | 7,740 |
| 1,000,000 | Nexen Inc. | 8,028 | 33,000 |
| 3,280,000 | Pearl Exploration | 15,835 | 16,630 |
| 625,000 | Precision Drilling Trust units | 17,726 | 16,250 |
| 4,500,000 | Saxon Energy Services Inc. | 17,317 | 27,675 |
| 1,125,000 | Sound Energy Trust units | 9,450 | 4,545 |
| 20,000,000 | Stratic Energy Corp. | 25,338 | 22,400 |
| 1,350,000 | Talisman Energy | 8,136 | 27,810 |
| 4,500,000 | West Energy | 23,575 | 19,575 |
| <u>TOTAL</u> | | 253,194 | 298,424 |

exchange rate used is 1.0637505

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|---|-----------------------------------|-----------------|-------------------|
| COMMUNICATION -- 2.01% | | | |
| 2,000,000 | CanWest Global Communicator | 21,061 | 18,680 |
| <u>TOTAL</u> | | 21,061 | 18,680 |
| MINERALS/PRECIOUS METALS -- 13.81% | | | |
| 10,000,000 | African Copper | 16,000 | 19,000 |
| 1,663,100 | Hudbay Minerals Inc. | 4,608 | 37,021 |
| 8,000,000 | Ivernia Inc. | 12,853 | 13,120 |
| 2,000,000 | Polaris Minerals Corp. | 9,600 | 26,260 |
| 1,925,000 | Richmont Mines | 9,433 | 5,737 |
| 6,129,700 | Western Goldfield Inc., common | 13,324 | 15,999 |
| 1,200,000 | Whitemud Resources | 9,608 | 11,100 |
| <u>TOTAL</u> | | 75,426 | 128,236 |
| PAPER & FOREST PRODUCTS -- 3.51% | | | |
| 3,500,000 | Norbord Inc. | 31,432 | 32,550 |
| <u>TOTAL</u> | | 31,432 | 32,550 |
| MERCHANDISING -- 0.49% | | | |
| 500,000 | Danier Leather Inc. | 5,018 | 4,585 |
| <u>TOTAL</u> | | 5,018 | 4,585 |
| CONSUMER PRODUCTS -- 2.58% | | | |
| 1,095,000 | Andres Wines Ltd. "A" | 4,497 | 12,527 |
| 400,000 | Arbor Memorial Services "B" | 5,339 | 11,460 |
| <u>TOTAL</u> | | 9,836 | 23,987 |
| U.S. STOCKS -- 27.66% | | | |
| 125,000 | Amer. Nat. Ins. Co. | 14,057 | 20,291 |
| 1,470,111 | Flagstar Bancorp Inc., common | 20,113 | 18,844 |
| 250,000 | General Motors Corp. | 14,238 | 10,052 |
| 560,500 | Jo-Ann Stores Inc. | 10,130 | 16,951 |
| 385,000 | Kansas City Life Insurance Co. | 21,852 | 19,052 |
| 2,000,000 | Meridian Resources Corp. | 7,438 | 6,425 |
| 750,000 | Pioneer Natural Resources Co. | 34,379 | 38,861 |
| 900,000 | Presidential Life Corp. | 21,231 | 18,822 |
| 1,000,000 | Seaspan Corporation | 25,212 | 34,231 |
| 750,000 | Superior Industries International | 17,700 | 17,360 |
| 1,000,000 | The Phoenix Companies | 17,648 | 15,967 |
| 1,250,000 | Unum Provident Corp., common | 25,148 | 34,718 |
| 1,852,784 | W Holding Company Inc. | 10,100 | 5,203 |
| <u>TOTAL</u> | | 239,246 | 256,779 |
| FOREIGN STOCKS -- 0.49% | | | |
| 2,364,889 | McGuigan Simeon Wines Ltd. | 4,657 | 4,589 |
| <u>TOTAL</u> | | 4,657 | 4,589 |
| <u>TOTAL COMMON STOCK</u> | | 727,073 | 892,323 |
| <u>TOTAL PORTFOLIO</u> | | 763,160 | 928,412 |

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)

June 30, 2007

| | |
|-------------------|--------------------|
| NAVPS | \$ 8.0414 |
| C.G. Dist. | \$ 0.000000 |
| Inc. Dist. | \$ 0.000000 |

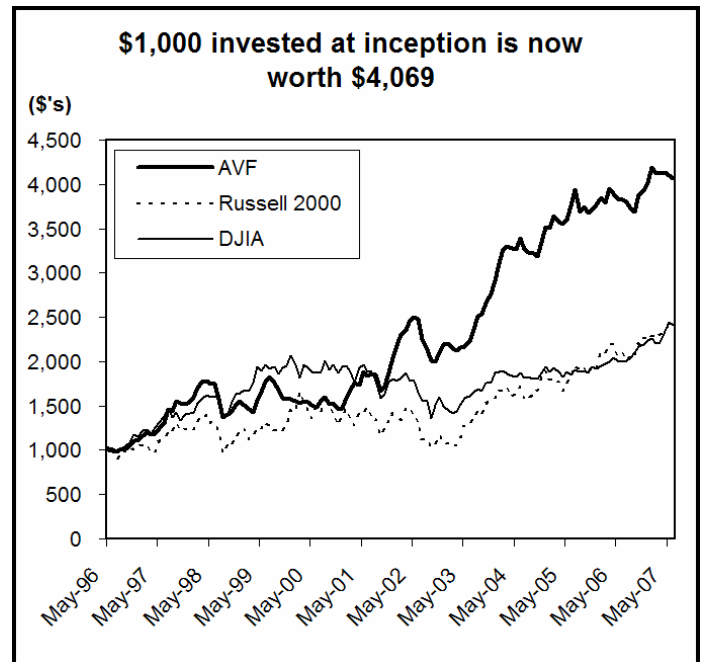
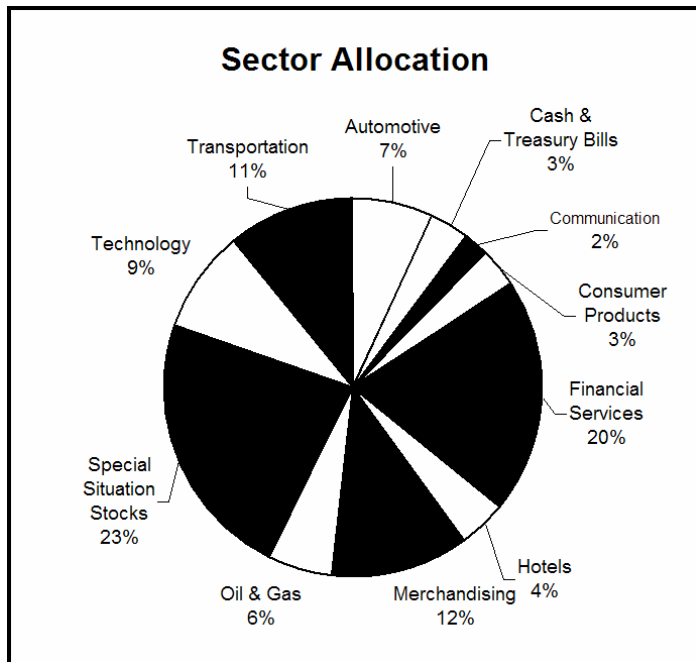
Objective

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 | -0.83 | -1.59 | -1.61 | 1997 | 38.76 | 20.52 | 22.64 |
| Q2 2007 | -1.38 | 4.12 | 8.53 | 1998 | 0.75 | -3.45 | 16.10 |
| YTD | 1.34 | 5.85 | 7.59 | 1999 | 1.47 | 19.62 | 25.22 |
| 1 Year | 6.31 | 15.05 | 20.25 | 2000 | -6.66 | -4.20 | -6.18 |
| 2 Year | 4.03 | 14.16 | 14.24 | 2001 | 39.52 | 1.03 | -7.10 |
| 3 Year | 6.20 | 12.12 | 8.72 | 2002 | 6.91 | -21.58 | -16.76 |
| 5 Year | 10.43 | 12.50 | 7.72 | 2003 | 32.74 | 45.37 | 25.32 |
| 10 Year | 12.10 | 7.72 | 5.74 | 2004 | 20.85 | 17.00 | 3.15 |
| Since Inception* | 13.50 | 8.13 | 8.19 | 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

June 30th, 2007

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.0637505

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

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

CASH -- 3.25%

| | | | |
|--------------------------|----------------------------|--------------|--------------|
| 241,256 | Cash | 241 | 241 |
| 18 | RT CAP Cash In Action Fund | 2 | 2 |
| 1,141 | US\$ Cash | 1,214 | 1,214 |
| 20,065 | RT CAP US\$ Cash Fund | 2,134 | 2,134 |
| <u>TOTAL CASH</u> | | 3,592 | 3,592 |

MERCHANDISING -- 11.63%

| | | | |
|---------------------|-----------------------------------|---------------|---------------|
| 100,000 | Bassett Furniture Industries Inc. | 2,469 | 1,452 |
| 250,000 | Buca Inc. | 2,187 | 931 |
| 200,000 | John B. Sanfilippo & Sons | 3,203 | 2,340 |
| 150,000 | Tandy Brands Accessories Inc. | 2,669 | 2,020 |
| 60,000 | Village Super Markets Inc. | 2,422 | 6,103 |
| <u>TOTAL</u> | | 12,949 | 12,846 |

COMMON STOCKS -- 96.75%

FINANCIAL SERVICES -- 19.92%

| | | | |
|---------------------|----------------------------------|---------------|---------------|
| 20,000 | Amer. Natl. Ins. Co. | 2,191 | 3,247 |
| 62,500 | Kansas City Life Insurance Co. | 3,577 | 3,093 |
| 250,000 | National Atlantic Holdings Corp. | 3,265 | 3,694 |
| 175,000 | Phoenix Companies Inc. | 3,215 | 2,794 |
| 325,000 | PMA Capital Corp. | 3,474 | 3,696 |
| 175,000 | Presidential Life | 3,730 | 3,660 |
| 650,000 | W Holding Co. Inc. | 3,607 | 1,825 |
| <u>TOTAL</u> | | 23,059 | 22,008 |

TRANSPORTATION -- 10.72%

| | | | |
|---------------------|---------------------------------|---------------|---------------|
| 200,000 | Covenant Transport Inc. | 3,422 | 2,425 |
| 200,000 | Int'l Shipholding Corp., common | 3,558 | 4,285 |
| 150,000 | Seaspan Corp., common | 3,815 | 5,135 |
| <u>TOTAL</u> | | 10,795 | 11,845 |

TECHNOLOGY -- 8.98%

| | | | |
|---------------------|------------------------------|--------------|--------------|
| 300,000 | Keynote Systems Inc., common | 3,747 | 5,234 |
| 90,941 | Printronic Inc.Co. | 1,326 | 1,258 |
| 300,000 | Startek Inc. | 3,548 | 3,433 |
| <u>TOTAL</u> | | 8,621 | 9,925 |

CONSUMER PRODUCTS -- 3.14%

| | | | |
|---------------------|-------------------------------|--------------|--------------|
| 225,000 | Flexsteel Industries , common | 3,842 | 3,470 |
| <u>TOTAL</u> | | 3,842 | 3,470 |

HOTELS -- 4.12%

| | | | |
|---------------------|-------------------------|--------------|--------------|
| 300,000 | Great Wolf Resorts Inc. | 3,545 | 4,548 |
| <u>TOTAL</u> | | 3,545 | 4,548 |

OIL & GAS -- 5.70%

| | | | |
|---------------------|---------------------------|--------------|--------------|
| 750,000 | Meridian Resources Corp. | 3,416 | 2,409 |
| 75,000 | Pioneer Natural Resources | 3,441 | 3,886 |
| <u>TOTAL</u> | | 6,857 | 6,296 |

SPECIAL SITUATION STOCKS -- 22.72%

| | | | |
|---------------------|--------------------------------|---------------|---------------|
| 450,000 | Accrete Energy Inc.,common | 3,072 | 2,322 |
| 950,000 | Grey Wolf Exploration | 2,658 | 2,993 |
| 100,000 | Morguard Corp., common | 2,074 | 4,860 |
| 450,000 | Norbord Inc. | 3,949 | 4,185 |
| 750,000 | Pearl Exploration | 3,371 | 3,803 |
| 550,000 | Terravest Income Fund, units | 3,775 | 3,020 |
| 1,500,000 | Western Goldfields Inc., commo | 3,204 | 3,915 |
| <u>TOTAL</u> | | 22,102 | 25,097 |

AUTOMOTIVE -- 7.57%

| | | | |
|---------------------|------------------------------|--------------|--------------|
| 300,000 | Coachmen Industries Inc., | 3,644 | 3,083 |
| 45,000 | General Motors Corp., common | 2,563 | 1,806 |
| 150,000 | Superior Industries Intl. | 3,787 | 3,472 |
| <u>TOTAL</u> | | 9,994 | 8,361 |

COMMUNICATION -- 2.26%

| | | | |
|---------------------|----------------------------|--------------|--------------|
| 700,000 | Regent Communications Inc. | 3,277 | 2,494 |
| <u>TOTAL</u> | | 3,277 | 2,494 |

TOTAL COMMON STOCK 105,042 106,890

TOTAL PORTFOLIO 108,633 110,481

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 | \$11.9223 |
| C.G. Dist. | \$ 0.000000 |
| Inc. Dist. | \$ 0.000000 |

June 30, 2007

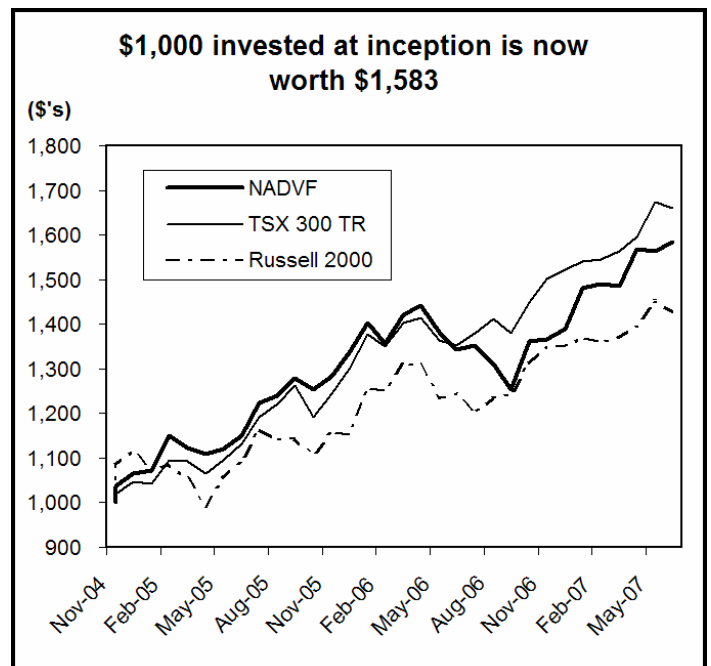
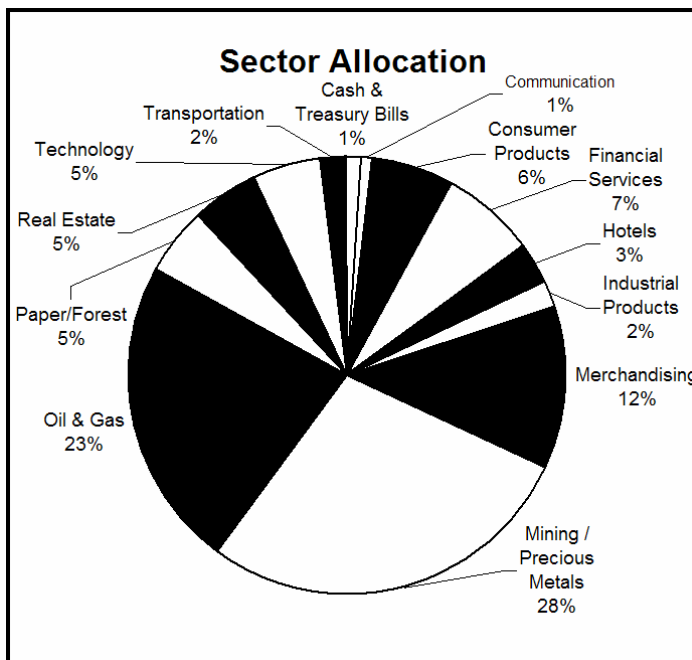
Objective

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

| Rates of Return | | | | |
|------------------------|------------------|---------------------|------------------|----------------|
| | ABC NADVF | Russell 2000 | Dow Jones | TSX 300 |
| | (%) | (%) | (%) | (%) |
| 1 Month | 1.28 | -1.59 | -1.61 | -0.82 |
| Q2 2007 | 6.65 | 4.12 | 8.53 | 6.28 |
| YTD | 14.01 | 5.85 | 7.59 | 9.05 |
| 1 Year | 17.92 | 15.05 | 20.25 | 22.73 |
| 2 Year | 17.32 | 14.16 | 14.24 | 21.18 |
| Since Inception* | 19.47 | 8.13 | 11.51 | 20.95 |

*Inception date for the Fund was November 1, 2004



ABC FUNDS

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

June 30th, 2007

all dollar amounts in thousands (cdn\$)

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|-----------------------|----------------------------|-----------------|-------------------|
| CASH -- -0.22% | | | |
| (2,732,681) | Cash | (2,724) | (2,724) |
| 0 | RT CAP Cash In Action Fund | - | - |
| 197,582 | Cash - US \$ | 210 | 210 |
| 20,011 | RT CAP US\$ Cash Fund | 2,129 | 2,129 |
| TOTAL CASH | | (385) | (385) |

COMMON STOCKS -- 100.22%

CANADIAN STOCKS -- 56.54%

OIL & GAS / ENERGY -- 21.95%

| | | | |
|--------------|-------------------------------|---------------|---------------|
| 650,000 | Accrete Energy Inc., common | 5,119 | 3,354 |
| 550,000 | Anderson Energy Ltd., common | 4,155 | 2,530 |
| 4,000,000 | Choice Resources | 3,987 | 2,600 |
| 3,675,000 | Endev Energy Inc. | 5,021 | 3,822 |
| 850,000 | Grey Wolf Exploration | 2,378 | 2,678 |
| 1,000,000 | Pearl Exploration & Prod. | 4,500 | 5,070 |
| 564,900 | Pulse Data Inc. | 1,442 | 1,644 |
| 1,450,000 | Rockyview Energy Inc. | 6,279 | 3,944 |
| 500,000 | Saxon Energy Services , warr. | 0 | 175 |
| 1,000,000 | Saxon Energy Services , com. | 4,900 | 6,150 |
| 350,000 | Universal Energy | 4,380 | 6,822 |
| TOTAL | | 42,162 | 38,788 |

PAPER & FOREST PRODUCTS -- 4.67%

| | | | |
|--------------|-----------------------------|--------------|--------------|
| 450,000 | Fortress Paper Ltd., common | 3,600 | 3,600 |
| 500,000 | Norbord Inc. | 4,390 | 4,650 |
| TOTAL | | 7,990 | 8,250 |

MINERALS/PRECIOUS METALS -- 21.82%

| | | | |
|--------------|-------------------------------|---------------|---------------|
| 2,000,000 | Amerigo Resources Ltd. | 4,522 | 5,560 |
| 1,687,500 | Avnel Gold Mining Ltd. units | 1,594 | 1,131 |
| 8,775,000 | Blue Note Metals Inc. | 2,633 | 4,300 |
| 1,250,000 | Canadian Zinc Corp., warrants | 0 | 0 |
| 2,000,000 | Constellation Copper Corp. | 3,052 | 2,880 |
| 4,162,000 | Goldhawk Resources Inc. units | 1,207 | 2,664 |
| 2,525,000 | Ivernia Inc. | 3,506 | 4,141 |
| 925,000 | Polaris Minerals | 4,440 | 12,145 |
| 1,500,000 | Scorpio Mining Corp. | 1,725 | 2,505 |
| 350,000 | Whitemud Resources | 2,800 | 3,238 |
| TOTAL | | 25,477 | 38,563 |

INDUSTRIAL PRODUCTS -- 2.25%

| | | | |
|--------------|------------------------------|--------------|--------------|
| 725,000 | Terravest Income Fund, units | 5,098 | 3,980 |
| TOTAL | | 5,098 | 3,980 |

CONSUMER PRODUCTS -- 0.65%

| | | | |
|--------------|-----------------|--------------|--------------|
| 1,275,000 | Jig-A-Loo World | 1,148 | 1,148 |
| TOTAL | | 1,148 | 1,148 |

REAL ESTATE -- 5.33%

| | | | |
|--------------|-------------------------------|--------------|--------------|
| 1,750,000 | Huntingdon Real Estate Trust | 4,576 | 4,183 |
| 925,000 | Lakeview Hotel Real Est.Trust | 3,737 | 4,718 |
| 464,850 | Northampton Group | 508 | 523 |
| TOTAL | | 8,821 | 9,423 |

FINANCIAL SERVICES -- 0.83%

| | | | |
|--------------|------------------------------|--------------|--------------|
| 1,310,000 | GC Global Capital | 1,507 | 1,441 |
| 655,000 | GC Global Capital , warrants | 0 | 26 |
| TOTAL | | 1,507 | 1,467 |

exchange rate used is 1.0637505

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|--|-------------------------------|-----------------|-------------------|
| U.S. STOCKS -- 42.63% | | | |
| MINERALS / PRECIOUS METALS -- 6.39% | | | |
| 12,012,500 | U.S. Silver Corporation units | 3,741 | 11,292 |
| TOTAL | | 3,741 | 11,292 |

HOTELS -- 3.00%

| | | | |
|--------------|-------------------------|--------------|--------------|
| 350,000 | Great Wolf Resorts Inc. | 4,137 | 5,305 |
| TOTAL | | 4,137 | 5,305 |

OIL & GAS -- 1.36%

| | | | |
|--------------|-------------------------|--------------|--------------|
| 750,000 | Meridian Resource Corp. | 3,382 | 2,409 |
| TOTAL | | 3,382 | 2,409 |

MERCHANDISING -- 12.06%

| | | | |
|--------------|-----------------------------------|---------------|---------------|
| 200,000 | Bassett Furniture Industries Inc. | 4,426 | 2,904 |
| 400,000 | Cost Plus Inc., common | 4,075 | 3,608 |
| 125,000 | Frisch Restaurants Inc. | 3,505 | 4,061 |
| 325,000 | J. Alexander's Corp., common | 3,040 | 5,013 |
| 195,000 | John B. Sanfilippo & Sons | 3,123 | 2,282 |
| 120,000 | S&K Famous Brands | 2,383 | 1,755 |
| 125,000 | Tandy Brands Accessories Inc. | 2,218 | 1,683 |
| TOTAL | | 22,770 | 21,306 |

CONSUMER PRODUCTS -- 5.07%

| | | | |
|--------------|---------------------------|---------------|--------------|
| 300,000 | Chromcraft Revington Inc. | 4,029 | 2,390 |
| 275,000 | Coachmen Industries Inc. | 3,594 | 3,340 |
| 315,000 | Cobra Electronics Corp. | 3,006 | 3,230 |
| TOTAL | | 10,629 | 8,960 |

TRANSPORTATION -- 2.42%

| | | | |
|--------------|---------------------|--------------|--------------|
| 125,000 | Seaspan Corporation | 3,190 | 4,279 |
| TOTAL | | 3,190 | 4,279 |

FINANCIAL SERVICES -- 6.16%

| | | | |
|--------------|----------------------------------|---------------|---------------|
| 176,859 | Flagstar Bancorp Inc. | 2,455 | 2,267 |
| 300,000 | National Atlantic Holdings Corp. | 3,447 | 4,433 |
| 200,000 | Presidential Life Corp. | 4,882 | 4,183 |
| TOTAL | | 10,784 | 10,882 |

TECHNOLOGY -- 4.90%

| | | | |
|--------------|------------------------------|--------------|--------------|
| 325,000 | Keynote Systems Inc., common | 3,915 | 5,670 |
| 260,800 | Startek Inc. | 2,874 | 2,993 |
| TOTAL | | 6,789 | 8,663 |

COMMUNICATIONS -- 1.36%

| | | | |
|--------------|----------------------------|--------------|--------------|
| 675,000 | Regent Communications Inc. | 2,901 | 2,405 |
| TOTAL | | 2,901 | 2,405 |

TOTAL COMMON STOCK 160,524 177,122

TOTAL PORTFOLIO 160,139 176,737

ABC FUNDS

ABC Dirt-Cheap Stock Fund (ABC DCSF)

June 30, 2007

| | |
|-------------------|--------------------|
| NAVPS | \$13.1522 |
| C.G. Dist. | \$ 0.000000 |
| Inc. Dist. | \$ 0.000000 |

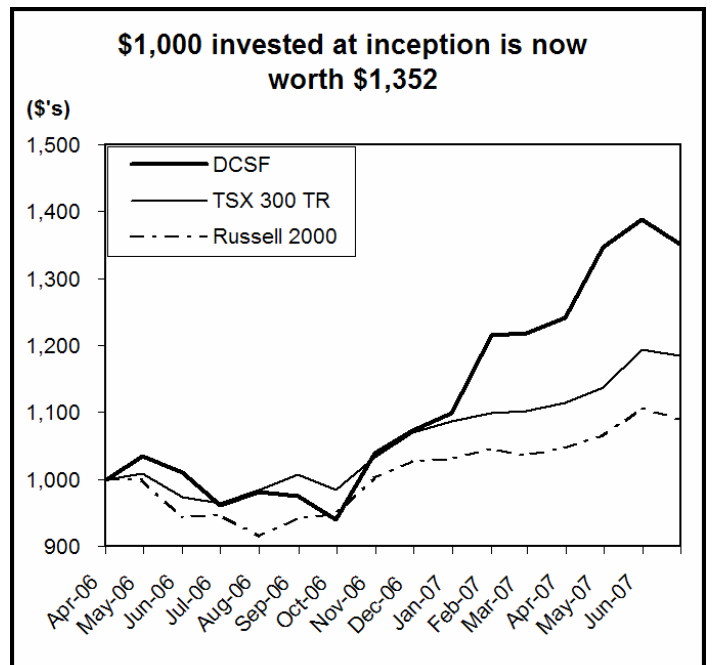
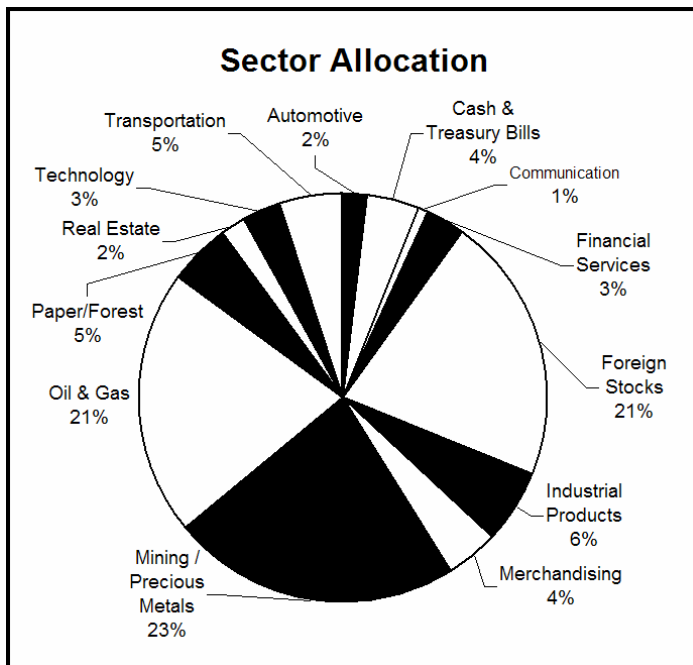
Objective

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 | TSX 300 | MSCI EAFE** |
| | (%) | (%) | (%) | (%) |
| 1 Month | -2.58 | -1.59 | -0.82 | 0.13 |
| Q2 2007 | 8.87 | 4.12 | 6.28 | 7.24 |
| 6 Month | 23.02 | 5.85 | 9.05 | 11.62 |
| YTD | 23.02 | 5.85 | 9.05 | 11.62 |
| 1 Year | 40.55 | 15.05 | 22.73 | 27.63 |
| Since Inception* | 29.49 | 7.11 | 14.49 | 22.43 |

*Inception date for the Fund was April 1, 2006
 **MSCI EAFE + Canada US\$



ABC FUNDS

ABC Dirt-Cheap Stock Fund, Statement of Investment Portfolio June 30, 2007

all dollar amounts in thousands (cdn\$)

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|---|---------------------------------|-----------------|-------------------|
| CASH -- 4.12% | | | |
| 1,789,922 | Cash | (1,790) | (1,790) |
| 46,272 | Cash - SGD \$ | 36 | 32 |
| 50,747 | Cash - AUD \$ | 47 | 46 |
| 7,358,373 | Cash - US \$ | 7,827 | 7,827 |
| 0 | RT CAP US\$ Cash Fund | - | - |
| TOTAL CASH | | 6,120 | 6,116 |
| COMMON STOCKS -- 95.88% | | | |
| CANADIAN STOCKS -- 49.03% | | | |
| OIL & GAS / ENERGY -- 18.91% | | | |
| 500,000 | Accrete Energy Inc., common | 3,815 | 2,580 |
| 500,000 | Anderson Energy Ltd., common | 3,317 | 2,300 |
| 2,000,000 | Choice Resources Corp | 1,866 | 1,300 |
| 500,000 | Pacific Stratus Energy Ltd. | 1,500 | 7,195 |
| 800,000 | Pearl Exploration & Prod. | 3,600 | 4,056 |
| 850,000 | Rockyview Energy Inc. | 4,076 | 2,312 |
| 750,000 | Saxon Energy Services , comm. | 3,419 | 4,613 |
| 3,300,000 | Stratic Energy Corp., common | 4,140 | 3,696 |
| TOTAL | | 25,731 | 28,052 |
| REAL ESTATE -- 1.72% | | | |
| 500,000 | Lanesborough Real Estate Trst | 3,015 | 2,550 |
| TOTAL | | 3,015 | 2,550 |
| MINERALS / PRECIOUS METALS -- 15.10% | | | |
| 1,750,000 | African Copper | 2,800 | 3,325 |
| 1,500,000 | Amerigo Resources Ltd. | 3,669 | 4,170 |
| 6,500,000 | Blue Note Metals Inc. | 1,950 | 3,185 |
| 2,250,000 | Constellation Copper Corp. | 3,879 | 3,240 |
| 1,783,500 | Liberty Mines Inc., units | 1,605 | 5,975 |
| 1,500,000 | Scorpio Mining Corp. | 1,725 | 2,505 |
| TOTAL | | 15,629 | 22,400 |
| INDUSTRIAL PRODUCTS -- 5.97% | | | |
| 500,000 | Migao Corp., common | 1,425 | 3,940 |
| 375,000 | Migao Corp., warrants | 0 | 1,628 |
| 600,000 | Terravest Income Fund units | 4,337 | 3,294 |
| TOTAL | | 5,762 | 8,862 |
| PAPER/FOREST PRODUCTS -- 5.02% | | | |
| 350,000 | Fortress Paper | 2,800 | 2,800 |
| 500,000 | Norbord Inc., common | 4,369 | 4,650 |
| TOTAL | | 7,169 | 7,450 |
| MERCHANDISING -- 2.32% | | | |
| 1,765,000 | CY Oriental Holdings | 2,153 | 2,912 |
| 799,998 | CY Oriental Holdings , warrants | 0 | 528 |
| TOTAL | | 2,153 | 3,440 |

exchange rate used is 1.0637505

| No. Of Shares | Description | Total Cost (\$) | Market Value (\$) |
|--|--------------------------------|-----------------|-------------------|
| U.S. STOCKS -- 25.85% | | | |
| MERCHANDISING -- 1.98% | | | |
| 325,000 | Cost Plus Inc., common | 3,329 | 2,932 |
| TOTAL | | 3,329 | 2,932 |
| TRANSPORTATION -- 5.13% | | | |
| 162,500 | Ocean Freight Inc., common | 3,445 | 3,336 |
| 125,000 | Seaspan Corp., common | 3,036 | 4,279 |
| TOTAL | | 6,481 | 7,615 |
| TECHNOLOGY -- 2.94% | | | |
| 250,000 | Keynote Sysytems Inc. | 3,156 | 4,361 |
| TOTAL | | 3,156 | 4,361 |
| COMMUNICATION -- 1.50% | | | |
| 625,000 | Regent Communications | 3,017 | 2,227 |
| TOTAL | | 3,017 | 2,227 |
| OIL & GAS -- 1.62% | | | |
| 750,000 | Meridian Resource Corp. | 3,256 | 2,409 |
| TOTAL | | 3,256 | 2,409 |
| AUTOMOTIVE -- 2.34% | | | |
| 150,000 | Superior Industries Inc. | 3,048 | 3,472 |
| TOTAL | | 3,048 | 3,472 |
| MINERALS / PRECIOUS METALS -- 7.61% | | | |
| 12,012,500 | US Silver Corporation units | 3,741 | 11,292 |
| TOTAL | | 3,741 | 11,292 |
| FINANCIAL SERVICES -- 2.73% | | | |
| 62,500 | Kansas City Life Insurance Co. | 3,570 | 3,093 |
| 340,700 | W Holding Company Inc.commc | 1,871 | 957 |
| TOTAL | | 5,441 | 4,050 |
| FOREIGN STOCKS -- 20.99% | | | |
| 1,560,420 | Challenger Wine Trust | 1,011 | 1,197 |
| 1,412,000 | Fortune Real Estate Inv. Trust | 1,254 | 1,268 |
| 3,220,000 | Fountain Set Holdings Ltd. | 1,412 | 1,319 |
| 4,855,000 | FuYu Corp. Ltd., common | 1,619 | 1,266 |
| 4,042,500 | Harmony Asset Ltd. | 2,830 | 3,075 |
| 1,750,000 | McGuigan Simeon Wines Ltd. | 3,453 | 3,396 |
| 245,135 | Natuzzi Spa | 2,002 | 2,073 |
| 25,000,000 | Playmates Holdings Ltd. | 3,533 | 3,334 |
| 650,000 | Standard Life PLC | 3,167 | 4,585 |
| 5,000,000 | Thakral Holdings Group. | 3,079 | 4,986 |
| 1,000,000 | Western Areas NL units | 3,000 | 4,520 |
| 250,000 | Western Areas NL units, warr. | 0 | 130 |
| TOTAL | | 26,359 | 31,148 |
| TOTAL COMMON STOCK | | 117,284 | 142,260 |
| TOTAL PORTFOLIO | | 123,403 | 148,375 |

Lessons My Teenagers Taught Me

“When I was a boy of fourteen, my father was so ignorant I could hardly stand to have the old man around. But when I got to be twenty-one, I was astonished at how much he had learned in seven years.”

Mark Twain

As a father of three teenage sons I marvel how much I learn each day from my boys. From their perspective, I know nothing. This lack of knowledge encompasses a wide-range of subjects such as teenage dating, money, cars, securities investing to managing my own company. In the words of my eldest son who related to me a couple of years ago, ‘Dad, you just don’t get it.’

The boys see me often working in my office at home and can’t fathom why I wake up so early each morning, to plan my day, carry out fundamental research and read three daily newspapers. “Dad,” they say, “why don’t you sleep in and go to the office later... you are, after all, the boss.” When I try to explain myself and use expressions like ‘the early bird gets the worm,’ ‘hard work never hurt anyone’ or ‘make hay while the sun shines,’ my sons will always counter “Dad, you just don’t understand” or “Dad it’s different today compared to when you were a teenager.” With this my wife laughs and urges me to be patient; ‘the boys will come around to understand what it’s all about.’

And so I continue on. I try to explain things whether the boys want to listen or not. When I describe the investment business, my passion for my work, the excitement of picking winners and the frustration of losing stocks, they nod their heads indifferently. Recently, my 17 year-old son, now entering his final year of high school, informed me that after listening and watching me all these years he has decided to study business in university. Would

I help him choose a proper business school? I was floored. I was honoured. My second son inquired a few weeks later about business school as well. I am shocked but I feel vindicated.

In retrospect, I have learned a couple of lessons from my teenage sons:

- 1) Patience cannot be taught or acquired. It is a function of a child’s maturation, understanding and a little tender loving care. Looking back I am thankful that I never lost my cool but instead patiently depicted my work in positive terms. But more importantly, while children may appear to be disinterested they are, in fact, listening.
- 2) It isn’t easy for a 13, 15 or 17 year-old teenage boy to understand investments when he may be far more interested in a Raptors basketball game, a Saturday night party or watching the latest episode of Heroes on television. In due course, however, they do learn to understand.

In summary, it is interesting to note that the principles of patience and understanding, which are so key to investment success, are equally significant to one’s family life and the education of our children. This lesson, I believe, is worthy of remembrance.

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