

## PRESENT PERSPECTIVES

**Discipline, Patience And Stamina**

*The worse a situation becomes  
the less it takes to turn it around  
and the bigger the upside.*

*George Soros*

Worldwide stock markets have been challenged with a barrage of bad news over the past nine months. Consequently, the extreme share price volatility, constant flow of gut-wrenching economic, investment and corporate data have spawned a growing investor crisis of confidence.

Fear and negative investment sentiments are permeating the securities marketplace with such unresolved issues as the U.S. subprime mortgage situation and asset-backed commercial paper. Moreover, the downfall of investment dealer, Bear Stearns, was both shocking and unexpected and its subsequent bailout has become the main focal point of the financial markets over the past month. Understandably, many investors have become circumspect and are rhetorically asking: who is next?

The growing crescendo of negativity is leading many investors toward an absolute avoidance or boycott of common shares. Many are reacting emotionally with little consideration given to investment discipline, patience or fundamental analysis. Furthermore, in light of sensational media headlines who can blame the less-experienced investor from panic-selling everything and entirely walking away from the stock market? On the other hand, successful stock market investing encompasses numerous factors including discipline, patience, but more importantly, investor stamina or staying power. Clearly, investors must possess not only the courage of their analytical convictions, but also, they

must be able to withstand the widespread negativity currently permeating the market.

As deep value stock pickers we have always devoted ourselves to fundamental corporate analysis. This task has been the cornerstone of our past successes. Nonetheless, successful investing is also a function of investor psychology, consensus opinion and contrary investing. It is our view that investor psychology is presently pretty bleak and probably close to its nadir. With massive fear, uncertainty and lack of investor interest many excellent investment opportunities will emerge between now and year-end 2008. While this is not to minimize the serious financial issues confronting global investing today we believe that the North American equity markets are in the midst of producing a 2008 bottom.

In summary, we expect a market recovery before year-end 2008. Although we anticipate continued price volatility as well as periodic corporate and economic shocks, we believe that 2008 should provide the disciplined, patient and courageous investor with surprising and extraordinary investment returns.



## **Recession Fears and Plunging Interest Rates**

With U.S. economic data continuing to highlight a rapidly slowing economy, recession fears are starting to permeate both business and consumer outlooks. Compounding the surging economic recession concerns is the mushrooming American subprime mortgage fallout and the resultant devastating effect upon worldwide financial institutions including Bear Stearns, Citigroup, Countrywide, Northern Rock, UBS, etc.

As a result, billions of dollars of subprime loans are being written off by banks, brokerage firms and investment corporations. Consequently, the U.S. Federal Reserve has had little choice but to

inject vast sums of fresh capital into the marketplace, expand eligible marginable securities and to dramatically reduce American interest rates. Despite a steepening U.S. yield curve and an extremely accommodative American monetary and fiscal policy we expect continued U.S. interest rate reductions (to perhaps as low as 1%) to stimulate economic activity. Notwithstanding currently despondent U.S. consumer and business intentions we view the present interest rate reductions, government spending programs and a new November 2008 federal administration as positive catalysts for a late 2008-early 2009 economic and investment recovery.

## **Negative Sentiments: Increasing Bargains**

Negative investor sentiment is quickly permeating the international equity markets as investors become ever so frightened by subprime mortgage and asset-backed commercial paper write-offs. While these growing fears are well-founded, these concerns are impacting the general stock market and are affecting numerous innocent equity bystanders. In particular, the hardest hit areas have been small and mid-capitalization value stocks in such widely diverse industries as retail, financial, forestry and special situations.

Investors, in consequence, have become extremely risk-averse. As a result, numerous out-of-favour companies are now providing excellent investment opportunities for the patient investor with a 12-18 month investment time horizon. Investor discipline, judicious stockpicking and patience, we believe, will be paramount to financial success for the balance of 2008.

## **Portfolio Adjustments**

In all candour the past nine months have been most challenging to equity analysts and portfolio managers. During this period we have adhered to our strict deep value disciplines and have selectively adjusted our ABC portfolios in preparation for the anticipated market recovery.

Despite extremely chaotic and volatile securities markets we have remained disciplined,

selective and opportunistic. To that end we have been culling our portfolios and have added several new equity holdings. In particular we have maintained a number of our favoured stock positions including Fortress Paper, Ithaca Energy, Canwest Global, Standard Life PLC, Jo-Ann Stores and Kansas City Life.

## ABC Funds Value Favourites

### SEASPAN CORPORATION

On February 19<sup>th</sup>, Seaspan announced fourth quarter and full year results for the period ending December 31<sup>st</sup> 2007. During the quarter, cash available for distribution increased 35.7 % to \$31.9 million compared to \$23.5 million a year earlier. The increase was mainly the result of 6 vessel deliveries which contributed an additional 552 operating days in the quarter. For the full year, cash available for distribution improved 68% to \$114.4 compared to \$68.0 million in 2006. Ship operating expense increased by 55.7%, or \$4.6 million, to \$12.9 million in the quarter, from \$8.3 million in the comparable prior year's quarter.

On April 7<sup>th</sup>, Seaspan announced that it would issue an additional 7 million shares to the public with another 1.1 million available to underwriters. This is Seaspan's fourth financing since its IPO in 2005. What we found interesting, however, was that for the first time since its IPO, Seaspan's executives will be participating in the deal. They are expected to invest an aggregate of \$18.1 million of their own money at the same price as the public. We view this commitment as a positive signal that Seaspan's prospects look bright and that its shares are currently undervalued.

In addition, Seaspan has also secured \$235 million in term financing at an attractive rate of just 60 basis points above LIBOR. More importantly, it should be noted that due to recent adverse credit conditions, some of Seaspan's competitors are either unable to borrow or must do so at less attractive rates. This is an important differentiating factor which results in financial flexibility and a low cost advantage for the Company. Armed now with close to \$1.5 billion of capital, we believe Seaspan can be opportunistic over the next 6 to 12 months in acquiring new vessels. It is possible that some ships may even be acquired from competitors who cannot get access to financing and must sell at distressed prices.

In January, Seaspan's Board of Directors announced a dividend increase of 6.1% from \$1.79 to \$1.90 per share. This represents the second increase in Seaspan's dividend since going public in 2005. Based on a \$1.90 dividend, shares of Seaspan now yield 6.7%. This is attractive given that similar asset classes such as REITS and MLPs trade at lower yields. In fact, while many investors may regard Seaspan as simply a yield play, we believe that the market is underestimating the company's growth potential as well as its net asset value. With 39 containerships already contracted to be delivered over the next three years, EBITDA should grow from \$150 million in 2007 to around \$500 million by 2012. We believe this would allow Seaspan to eventually pay a dividend of \$2.50 per share. Also, with regard to tangible assets, Seaspan is currently trading at an 18% discount to our \$33 per share calculation of net asset value. In summation, if Seaspan can continue to effectively execute its growth strategy we believe that its shares will eventually be recognized by a wider audience of investors.

### SAXON ENERGY SERVICES INC.

Saxon Energy Services Incorporated (TSX: SES) is an international oil and gas drilling and services company headquartered in Calgary. Based on revenue, the Company is evenly split between North America (Canada, the United States and Mexico) and South America (Venezuela, Colombia, Ecuador and Peru). Currently, Saxon has 58 rigs in its fleet (including 11 rigs held in a 50/50 joint venture with Schlumberger); 37 (32 net) in North America and 21 (20.5 net) in South America. Senior management, led by President and CEO Dale Tremblay, are experienced ex-Precision Drilling staffers.

After facing serious headwinds in 2007, the oil and gas services sector has rebounded sharply in early 2008. Last year, reduced drilling activity stemming from both weak natural gas prices and a change in the Alberta oil and gas royalty regime led investors to punish the stocks. However, with fewer new producing wells, reduced LNG (liquid natural gas) imports and growing demand, excess inventories have been drawn down. Specifically, the Energy Information Administration reported that working gas in storage as of Friday, March 28<sup>th</sup> was 1.25 trillion cubic feet, 20% below last year's storage level and only 0.5% above the trailing five year average. Not surprisingly, natural gas has strengthened in recent weeks and currently trades around \$10 per mcf (thousand cubic feet) after bottoming below \$6 per mcf last fall.

As we have discussed in the past, we believe that investors who have lumped Saxon in with the Canadian oil and gas services sector are ignoring the Company's outstanding relative and absolute growth prospects. On February 14, Saxon reported its financial results for 2007 that supported our investment thesis. For the year, revenue totaled \$242.3 million, an increase of 42% from 2006. EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to \$68.6 million or \$0.81 per share, an increase of 50% and 45% respectively. Net earnings in 2007 were \$26.8 million, or \$0.32 per share, up 71% and 68% from \$15.7 million, or \$0.19 per share, in 2006. Perhaps the only weakness in Saxon's results was a dip in the utilization rate from 84% in 2006 to 72% in 2007. However, considering that the Canadian industry reported an average utilization rate of 38% in 2007, Saxon outperformed the sector quite nicely.

Despite the solid financial and operating performance and ensuing share price rally, we believe that shares of Saxon Energy are still inexpensive. Based on consensus estimates, the stock is currently trading just over 7 times 2008 EBITDA and under 15 times earnings. Although the stock trades at 1.8 times tangible book value, which is relatively inexpensive for an oil and gas services stock, we believe that the replacement value of the Company's rig fleet and equipment is above the current share price. Should this discount persist, Saxon could become an attractive takeover target for anyone looking for exposure to international growth markets.

## Short-term Pain vs. Long-term Gain

Over the past 20 years our ABC Funds have navigated through some very tough and turbulent periods such as the 1998 Asian Flu period, the Long Term Capital Management collapse, the high tech boom and bust of 1998-2000 and September 11, 2001. These were very difficult periods. In fact, at times, it felt like the treacherous markets were conspiring against us. Quite frankly, our convictions and our stamina were severely tested. Yet, in spite of formidable market conditions we tenaciously stuck to our deep-value style and set about to buy toonies for loonies.

It has always been our view that our investment management task is not a short-term sprint. Rather, our management responsibility is akin to a marathon which may run for months or years. In consequence, we must keep a firm hand on the tiller and ignore the noise of the marketplace. More often than not, the noise is short-term in nature and is generally fed by the fear and greed of inexperienced investors. The challenge for us is to ignore the noise and use short-term market anomalies to investment advantage. This task, unfortunately, is never easy.

In the course of navigating through temporarily challenging market conditions, our ABC portfolios will occasionally produce negative investment returns. These short-term results are disappointing to ourselves and our clients, however, they are to be expected in the course of a 10 or 20 year track record. Keep in mind that the stock market is very cyclical and market trends will shift periodically from value to momentum to growth and back again. Volatility is the norm. Nonetheless, we stick to our deep-value style since a strong, disciplined value approach has historically proven time and time again to overcome short-term underperformance. The fact is, our prime objective is to produce long-term superior returns. Simply put, our investment team is willing to appear mistaken in the short-run knowing that our tedious research has uncovered a corporate gem concealed in a beaten up industry or an obscure company with hidden assets waiting to be unlocked. Past examples include Huiday Minerals, Aecon Group, and Village Super Market while current selections comprise Fortress Paper, Ithaca Energy, Jo-Ann Stores, Kansas City Life and Seaspam.

The present market conditions, with the excruciating volatility, negative investor sentiment, the US sub-prime mortgage crisis, asset-backed commercial paper problems, etc. excite us as increasing investment opportunities are now unfolding. In summary, we are confident that adhering to our deep-value style will meaningfully reward our ABC investors over the next 12-18 months.

**Irwin A. Michael, CFA**

### ABC Funds Performance After Down Periods

FUND	Low 1-year Return Periods		Returns for Subsequent Periods		
	As at Date	Loss	1 year later	3 years later <sup>1</sup>	5 years later <sup>1</sup>
Fully-Managed Fund	August 1998	-13.01%	25.78%	14.77%	12.21%
Fundamental-Value Fund	August 1998	-22.49%	33.03%	18.35%	15.86%
American-Value Fund	August 1998	-4.97%	27.81%	10.59%	12.82%
					<b>4 years later<sup>2</sup></b>
Fully-Managed Fund	May 2003	-8.26%	31.77%	17.01%	14.00%
Fundamental-Value Fund	May 2003	-14.21%	39.34%	26.26%	24.29%
American-Value Fund	May 2003	-13.10%	50.12%	20.86%	17.19%

<sup>1</sup>Annualized returns for periods greater than one year. <sup>2</sup>Annualized returns for 4-year period as the 5th year is not yet available. The indicated rates of return are the historical annual compounded total returns, including changes in unit values and reinvestment of all distributions, and do not take into account sales, redemptions, or income taxes payable by any securityholder, which may have reduced returns. These statistics are only used for informational purposes to highlight our long-term performance goals and should not be construed as an indication of future performance.

I wrote this piece for the October 2000 ABC Perspective and similar to today, the securities markets were rather chaotic. At that time, both value and small/medium capitalization stocks were completely out of favour. Nonetheless, disciplined investors with a long term investment horizon did very well over the next 12-24 months. Seven years later after writing this article, I continue to strongly believe that discerning fundamental analysis, deep-value stock selection and patience will be well rewarded.

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The following is an excerpt from the October 2000 ABC Perspective

### ***Running the Gauntlet***

*"When one is forced to run the gauntlet, one runs between two facing lines of opponents, each intent on administering as much bodily harm as possible in the time it takes to pass"*

*-Morris Dictionary of Word and Phrase Origins*

Needless to say, the present investment environment is perilous. The stock market is fraught with revenue shortfalls, missed cash flow projections and debt repayment concerns. Corporate earnings warnings are numerous and growing.

And yet, despite increasing investment uncertainty, investor complacency is rampant. As a result, the incredible and increasing share price volatility has grown in crescendo, contributing to an emotionally-charged, fickle stock market. Moreover, with the reported investor margin debt at all-time highs and rising interest rates, the general investment horizon appears to be flashing amber.

Now this is not to be interpreted that we are bearish or negative on the securities market. On the contrary, we believe that a certain class of stocks will outperform, namely out-of-favor equities that are extremely undervalued and are ripe for merger, restructuring, privatization, or takeover. However, the equity market is dichotic, as the undervalued, unloved value stocks are the polar opposite of the power-charged and grossly overvalued high technology, new economy stocks.

These seemingly turbo-powered high tech equities have been trading at astronomical valuations, high price to book and sales multiples and triple digit price to earnings multiples. In many cases they have gargantuan cash burn rates and the only way they survive is through perpetual equity financings. But this hasn't, up until recently, bothered investors. There remains considerable investor optimism that these technology stocks will recover and that sky-high valuations will charge upward once again. Maybe so, but the risks are increasing and these stocks are now running the gauntlet.

As a value investor, I must admit that it has not been an easy time. Basic "Investment 101" tenets are disregarded and snubbed by the marketplace. Underpriced old economy stocks are trading at inexplicably low prices. Clients incessantly ask, why? All I can reply is that it is very difficult to explain. However, I do believe that the incomprehensible over-valuations are vulnerable and that value investing will triumph in the end.

Strangely enough, we believe that we now detect an early stage investor switch back to the basics. This flight to quality toward terra firma, old economy stocks started with the Canadian banks, insurance companies and utilities. They have done remarkably well. While it is still a little early to definitely state that this trend could become an investment groundswell, we are heartened and encouraged.

We suspect, however, that the end result will be a continued shift back to the relative safety of balance sheet, cash flow, and price to earnings analysis. This rotation, we believe, will be the ultimate catalyst toward value stock success and exceptional performance.

**Irwin A. Michael, CFA**

## ABC Fully-Managed Fund (ABC FMF)

March 31, 2008

<b>NAVPS</b>	<b>\$ 8.3897</b>
<b>C.G. Dist.</b>	<b>\$ 0.000000</b>
<b>Inc. Dist.</b>	<b>\$ 0.045462</b>

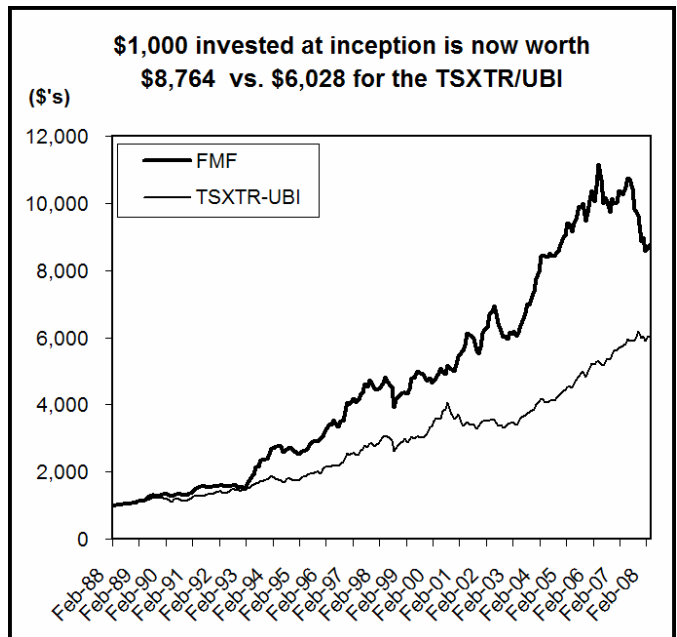
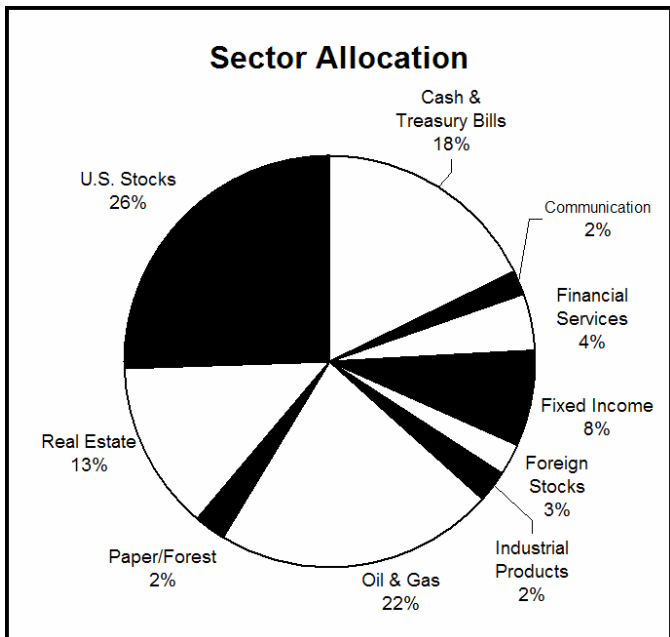
### Objective

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 (%)	TSXTR/UBI (%) **		ABC FMF (%)	TSXTR/UBI (%)**
1 Month	0.77	-0.38	1989	23.68	17.20
Q1 2008	-2.32	-0.35	1990	2.17	-4.32
YTD	-2.32	-0.35	1991	14.69	17.35
1 Year	-14.50	4.79	1992	-1.48	4.75
2 Year	-8.66	6.73	1993	64.35	24.36
3 Year	-2.12	9.90	1994	2.82	-2.64
5 Year	7.69	12.11	1995	17.25	17.97
10 Year	6.53	7.10	1996	31.99	19.5
15 Year	11.28	9.46	1997	10.56	12.22
Since Inception*	11.41	9.36	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
			2007	-10.55	6.82

\*Inception date for the Fund was February 22nd, 1988  
 \*\*Benchmark consists of 50% of the S&P/TSX Composite Total Return Index and 50% of the PC-Bond Universe Bond Index (UBI)



# ABC FUNDS

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

*March 31st, 2008*

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

*exchange rate used is 1.0260514*

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 17.67%</b>			
670,228	C\$ Cash	670	670
10,870	U\$ Cash	11	11
119,783	RT CAP Cash In Action Fund	11,978	11,978
80,404	RT CAP Cash In Action Fund US \$	8,250	8,249
<b><u>TOTAL CASH</u></b>		<b>20,909</b>	<b>20,908</b>
<b>FIXED INCOME -- 7.64%</b>			
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	4,070
2,000,000	Nova Chemical Corp., 7.85%, 08/30/2010	1,984	1,967
<b><u>TOTAL</u></b>		<b>8,308</b>	<b>9,037</b>
<b>COMMON STOCKS -- 74.69%</b>			
<b>FINANCIAL SERVICES -- 4.28%</b>			
9,483	E-L Financial Corp.	2,514	5,059
<b><u>TOTAL</u></b>		<b>2,514</b>	<b>5,059</b>
<b>REAL ESTATE -- 13.38%</b>			
2,000,000	Huntingdon Real Estate Inv. Trust	5,230	4,300
750,000	Lanesborough Real Estate Inv. Trust	4,568	3,563
850,000	Lakeview Hotel Real Estate Inv. Trust	3,400	2,678
175,000	Morguard Corp.	3,595	5,294
<b><u>TOTAL</u></b>		<b>16,792</b>	<b>15,834</b>
<b>INDUSTRIAL PRODUCTS -- 2.36%</b>			
750,000	Terravest Income Fund	5,894	2,790
<b><u>TOTAL</u></b>		<b>5,894</b>	<b>2,790</b>
<b>COMMUNICATION -- 2.11%</b>			
500,000	CanWest Global Communications	4,775	2,500
<b><u>TOTAL</u></b>		<b>4,775</b>	<b>2,500</b>

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>PAPER/FOREST PRODUCTS -- 2.32%</b>			
550,000	Norbord Inc.	4,893	2,750
<b><u>TOTAL</u></b>		<b>4,893</b>	<b>2,750</b>
<b>OIL &amp; GAS -- 22.06%</b>			
350,000	Avenir Diversified Income Trust	2,126	2,604
3,454,500	Endev Energy Inc.	4,817	2,867
500,000	Essential Energy Services Trust	3,900	1,665
300,000	Nexen Inc.	2,381	9,138
1,000,000	Pearl Exploration & Prod.	4,500	1,630
450,000	Talisman Energy Inc.	2,691	8,195
<b><u>TOTAL</u></b>		<b>20,415</b>	<b>26,099</b>
<b>U.S. STOCKS -- 25.64%</b>			
30,000	Amer. National Ins. Co.	3,244	3,284
150,000	Babcock & Brown Air Limited ADS shrs.	3,450	2,501
158,996	Covenant Transport Inc.	2,495	832
39,841	Flagstar Bancorp Inc.	554	295
65,000	General Motors Corp.	3,702	1,271
75,000	Kansas City Life Insurance Co.	4,439	3,698
200,000	Phoenix Companies Inc.	3,583	2,506
75,000	Pioneer Natural Resources Co.	3,454	3,780
175,000	Presidential Life Corp.	4,416	3,132
200,000	Seaspan Corp.	5,050	5,846
150,000	Superior Industries Intl.	3,760	3,194
<b><u>TOTAL</u></b>		<b>38,147</b>	<b>30,339</b>
<b>FOREIGN STOCKS -- 2.55%</b>			
600,000	Standard Life PLC	3,397	3,013
<b><u>TOTAL</u></b>		<b>3,397</b>	<b>3,013</b>
<b><u>TOTAL COMMON STOCK</u></b>		<b>96,828</b>	<b>88,383</b>
<b><u>TOTAL PORTFOLIO</u></b>		<b>126,045</b>	<b>118,329</b>

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, 2008

<b>NAVPS</b>	<b>\$16.9475</b>
<b>C.G. Dist.</b>	<b>\$ 0.000000</b>
<b>Inc. Dist.</b>	<b>\$ 0.000000</b>

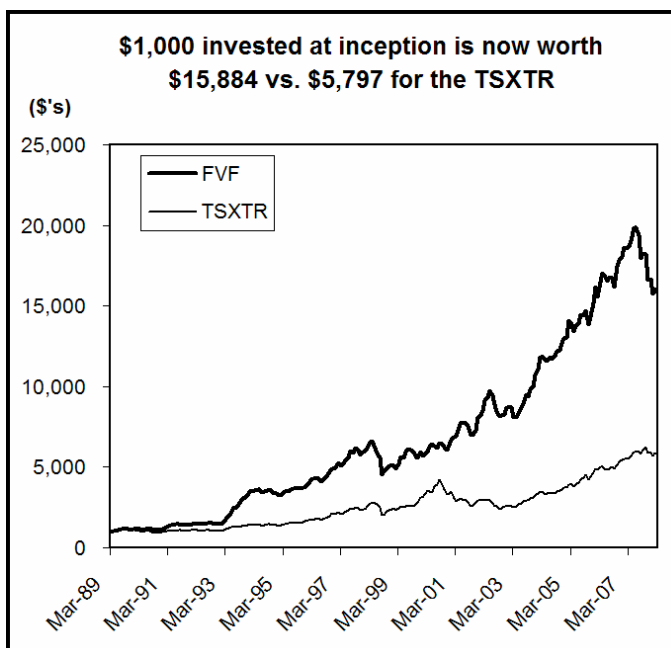
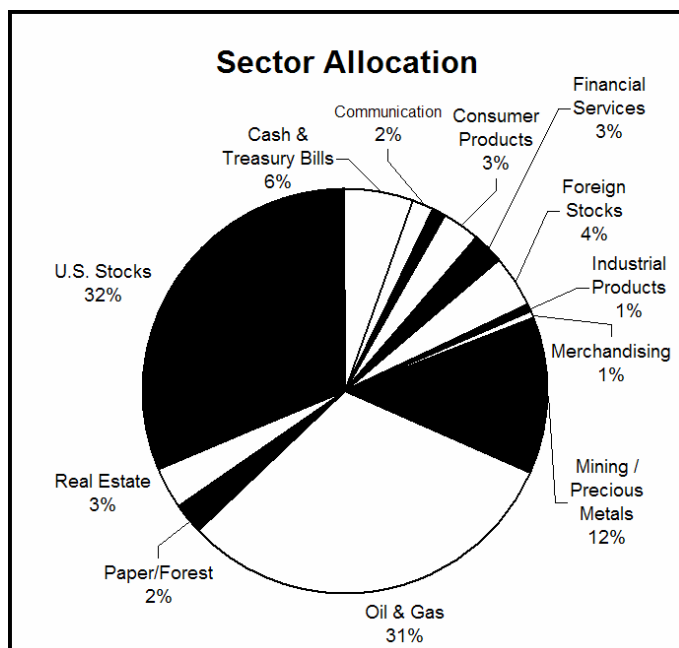
ABC Fundamental-Value Fund seeks out fundamentally undervalued Canadian equities. Our extensive "value research" style attempts to ferret out overlooked and out of favour Canadian equities. With these discerning selections we cobble a diversified portfolio of small, medium and large capitalization Canadian 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 (%)	TSXTR (%)**	ABC FVF (%)	TSXTR (%)**
1 Month	-1.03	-1.43	1990	-1.98
Q1 2008	-4.65	-2.84	1991	22.92
YTD	-4.65	-2.84	1992	4.26
1 Year	-15.11	4.00	1993	121.75
2 Year	-1.90	7.65	1994	3.03
3 Year	4.65	14.17	1995	11.08
5 Year	14.45	18.49	1996	31.75
10 Year	9.30	7.81	1997	20.35
15 Year	15.72	11.27	1998	-13.81
Since Inception*	15.67	9.66	1999	16.25
			2000	7.51
			2001	26.06
			2002	7.62
			2003	23.55
			2004	21.42
			2005	16.62
			2006	19.13
			2007	-7.86

\*Inception date for the Fund was March 20, 1989

\*\*S&P/TSX Composite Total Return Index



## ABC Fundamental-Value Fund, Statement of Investment Portfolio March 31st, 2008

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 5.56%</b>			
1,668,753	C\$ Cash	1,669	1,669
30,865	U\$ Cash	32	32
355,460	RT CAP Cash In Action Fund	35,546	35,546
39,208	RT CAP U\$ Cash Mgmt Fund	4,023	4,023
<b><u>TOTAL CASH</u></b>		<b>41,269</b>	<b>41,269</b>
<b>COMMON STOCKS -- 94.44%</b>			
<b>REAL ESTATE -- 3.30%</b>			
2,950,000	Huntingdon Real Estate Inv. Trust	7,858	6,343
600,000	Morguard Corp.	12,351	18,150
<b><u>TOTAL</u></b>		<b>20,208</b>	<b>24,493</b>
<b>INDUSTRIAL PRODUCTS -- 0.50%</b>			
3,253,300	Magellan Aerospace Corp.	9,703	3,733
<b><u>TOTAL</u></b>		<b>9,703</b>	<b>3,733</b>
<b>FINANCIAL SERVICES -- 2.69%</b>			
85,000	Dundee Wealth Inc.	988	1,029
35,550	E-L Financial Corp.	9,591	18,966
<b><u>TOTAL</u></b>		<b>10,579</b>	<b>19,994</b>
<b>CONSTRUCTION -- 1.00%</b>			
676,400	Canam Group Ltd., class A	6,887	7,407
<b><u>TOTAL</u></b>		<b>6,887</b>	<b>7,407</b>
<b>OIL &amp; GAS -- 31.06%</b>			
775,000	Addax Petroleum Corp.	20,385	31,581
3,000,000	Anderson Energy Ltd.	19,268	10,950
1,750,000	Avenir Diversified Income Trust	11,855	13,020
2,500,000	Bow Valley Energy	3,725	12,600
1,750,000	Essential Energy Services Trust	14,452	5,828
4,705,000	Gentry Resources Ltd.	18,703	11,668
5,050,000	Geocan Energy Inc.	9,343	2,626
2,929,200	Ithaca Energy Inc.	6,940	10,654
4,500,000	Midnight Oil Exploration	16,398	5,783
1,000,000	Nexen Inc.	8,028	30,460
3,280,000	Pearl Exploration	15,835	5,346
1,000,000	Precision Drilling Trust	27,211	23,900
4,500,000	Saxon Energy Services Inc.	17,317	27,000
22,500,000	Stratic Energy Corp.	27,989	14,625
1,350,000	Talisman Energy	8,136	24,584
<b><u>TOTAL</u></b>		<b>225,583</b>	<b>230,625</b>
<b>MERCHANDISING -- 0.49%</b>			
503,500	Danier Leather Inc.	5,044	3,610
<b><u>TOTAL</u></b>		<b>5,044</b>	<b>3,610</b>

exchange rate used is 1.0260514

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>COMMUNICATION -- 1.68%</b>			
2,500,000	CanWest Global Communicator	24,337	12,500
<b><u>TOTAL</u></b>		<b>24,337</b>	<b>12,500</b>
<b>MINING/PRECIOUS METALS -- 12.45%</b>			
1,250,000	Hudbay Minerals Inc.	3,463	20,375
9,630,100	Ivernia Inc.	15,202	14,349
2,500,000	Polaris Minerals Corp.	14,604	21,000
1,925,000	Richmont Mines	9,433	7,142
6,250,000	Western Goldfield Inc.	13,668	20,063
1,200,000	Whitemud Resources	9,608	9,540
<b><u>TOTAL</u></b>		<b>65,979</b>	<b>92,468</b>
<b>PAPER &amp; FOREST PRODUCTS -- 2.36%</b>			
3,500,000	Norbord Inc.	31,432	17,500
<b><u>TOTAL</u></b>		<b>31,432</b>	<b>17,500</b>
<b>CONSUMER PRODUCTS -- 2.98%</b>			
1,095,000	Andrew Peller Ltd.	4,497	10,129
400,000	Arbor Memorial Services "B"	5,339	12,000
<b><u>TOTAL</u></b>		<b>9,836</b>	<b>22,129</b>
<b>U.S. STOCKS -- 31.82%</b>			
125,000	Amer. Nat. Ins. Co.	14,057	13,685
1,075,000	Babcock & Brown Air Ltd. ADS	24,646	17,924
725,000	Blackstone Group	17,538	11,813
1,470,111	Flagstar Bancorp Inc.	20,113	10,891
250,000	General Motors Corp.	14,238	4,887
900,000	Jo-Ann Stores Inc.	17,438	13,602
385,000	Kansas City Life Insurance Co.	21,852	18,985
1,858,990	Meridian Resources Corp.	6,907	2,823
750,000	Pioneer Natural Resources Co.	34,379	37,800
900,000	Presidential Life Corp.	21,231	16,105
1,000,000	Seaspan Corporation	25,212	29,232
750,000	Superior Industries International	17,700	15,968
1,000,000	The Phoenix Companies	17,648	14,372
1,250,000	Unum Provident Corp.	25,148	28,229
<b><u>TOTAL</u></b>		<b>278,107</b>	<b>236,316</b>
<b>FOREIGN STOCKS -- 4.12%</b>			
4,500,000	Australian Vintage Ltd.	8,942	5,479
5,000,000	Standard Life PLC	28,582	25,109
<b><u>TOTAL</u></b>		<b>37,525</b>	<b>30,588</b>
<b><u>TOTAL COMMON STOCK</u></b>		<b>725,220</b>	<b>701,362</b>
<b><u>TOTAL PORTFOLIO</u></b>		<b>766,489</b>	<b>742,631</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, 2008

<b>NAVPS</b>	<b>\$ 5.6850</b>
<b>C.G. Dist.</b>	<b>\$ 0.000000</b>
<b>Inc. Dist.</b>	<b>\$ 0.000000</b>

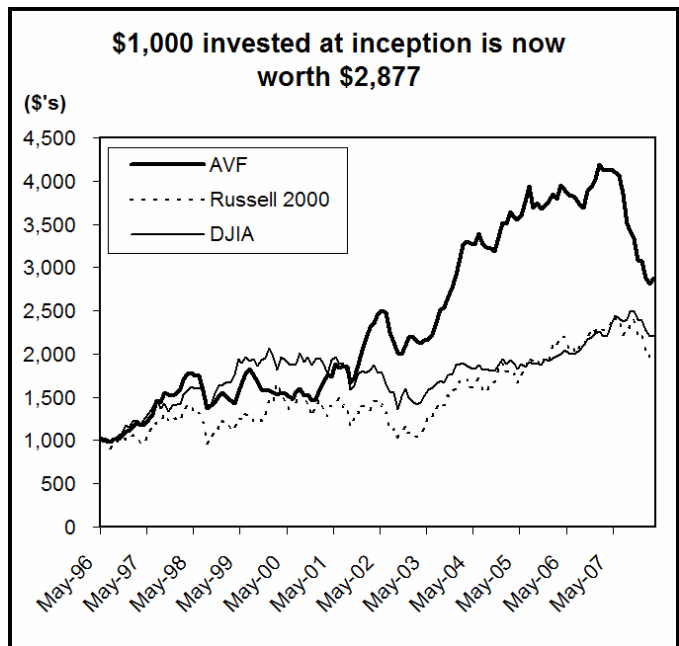
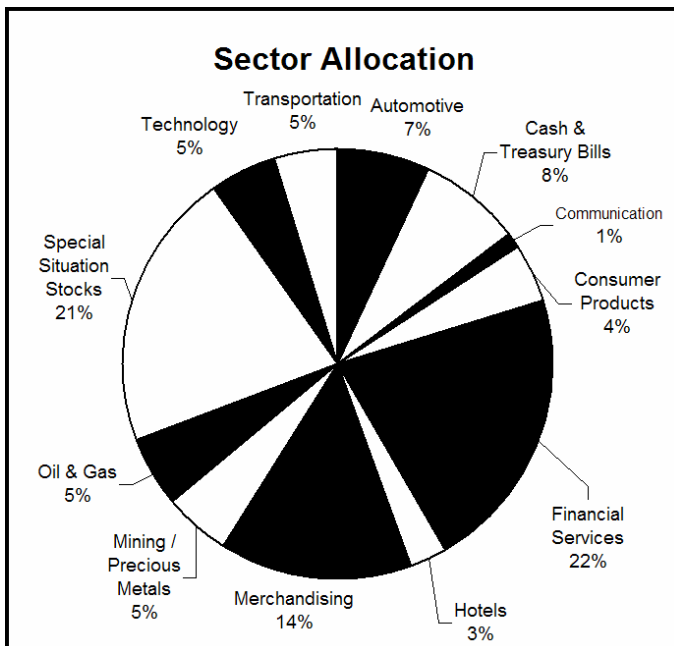
### Objective

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 Industrials (%)	ABC AVF (%)	Russell 2000 (%)	Dow Jones Industrials (%)	
1 Month	2.39	0.26	-0.03	1997	38.76	20.52	22.64
Q1 2008	-6.39	-10.19	-7.55	1998	0.75	-3.45	16.10
YTD	-6.39	-10.19	-7.55	1999	1.47	19.62	25.22
1 Year	-30.28	-14.08	-0.74	2000	-6.66	-4.20	-6.18
2 Year	-14.72	-5.18	5.06	2001	39.52	1.03	-7.10
3 Year	-6.98	3.80	5.30	2002	6.91	-21.58	-16.76
5 Year	6.22	13.54	8.94	2003	32.74	45.37	25.32
10 Year	4.95	3.65	3.37	2004	20.85	17.00	3.15
Since Inception*	9.34	5.88	6.85	2005	7.16	3.32	-0.61
				2006	6.65	17.00	16.29
				2007	-23.46	-2.75	6.43

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



# ABC FUNDS

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

*March 31st, 2008*

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

*exchange rate used is 1.0260514*

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 7.83%</b>			
762,440	Cash	762	762
19	RT CAP Cash In Action Fund	2	2
1,251,033	US\$ Cash	1,284	1,284
35,653	RT CAP US\$ Cash Fund	3,658	3,658
<b><u>TOTAL CASH</u></b>		<b>5,706</b>	<b>5,706</b>

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>MERCHANDISING -- 14.28%</b>			
325,000	Cost Plus Inc.	3,307	1,117
150,000	Jo-Ann Stores	2,543	2,267
200,000	John B. Sanfilippo & Sons	3,203	1,828
150,000	Tandy Brands Accessories Inc.	2,669	745
84,105	Village Super Markets Inc.	1,834	4,444
<b><u>TOTAL</u></b>		<b>13,555</b>	<b>10,402</b>

**COMMON STOCKS -- 92.17%**

**FINANCIAL SERVICES -- 21.62%**

22,500	Amer. Natl. Ins. Co.	2,382	2,463
125,000	Blackstone Group	3,198	2,037
62,500	Kansas City Life Insurance Co.	3,577	3,082
175,000	Phoenix Companies Inc.	3,070	2,192
325,000	PMA Capital Corp.	3,474	2,848
175,000	Presidential Life	3,730	3,132
<b><u>TOTAL</u></b>		<b>19,431</b>	<b>15,754</b>

**TRANSPORTATION -- 4.63%**

150,000	Babcock & Brown Air Ltd. ADS	3,446	2,501
166,149	Covenant Transport Inc.	2,843	869
<b><u>TOTAL</u></b>		<b>6,289</b>	<b>3,370</b>

**TECHNOLOGY -- 4.98%**

300,000	Keynote Systems Inc.	3,747	3,629
<b><u>TOTAL</u></b>		<b>3,747</b>	<b>3,629</b>

**HOTELS -- 2.70%**

300,000	Great Wolf Resorts Inc.	3,545	1,964
<b><u>TOTAL</u></b>		<b>3,545</b>	<b>1,964</b>

**MINING/PRECIOUS METALS -- 5.12%**

2,910,000	Phoenix Coal Corp., conv deb	3,638	3,732
<b><u>TOTAL</u></b>		<b>3,638</b>	<b>3,732</b>

**CONSUMER PRODUCTS -- 4.27%**

225,000	Flexsteel Industries	3,842	3,112
<b><u>TOTAL</u></b>		<b>3,842</b>	<b>3,112</b>

**OIL & GAS -- 5.19%**

75,000	Pioneer Natural Resources	3,441	3,780
<b><u>TOTAL</u></b>		<b>3,441</b>	<b>3,780</b>

**AUTOMOTIVE -- 6.85%**

300,000	Coachmen Industries Inc.	3,644	917
45,000	General Motors Corp.	2,563	880
150,000	Superior Industries Intl.	3,787	3,194
<b><u>TOTAL</u></b>		<b>9,994</b>	<b>4,990</b>

**COMMUNICATION -- 1.23%**

700,000	Regent Communications Inc.	3,277	898
<b><u>TOTAL</u></b>		<b>3,277</b>	<b>898</b>

**SPECIAL SITUATION STOCKS -- 21.31%**

450,000	Accrete Energy Inc.	3,072	2,165
100,000	Morguard Corp.	2,074	3,025
450,000	Norbord Inc.	3,949	2,250
750,000	Pearl Exploration	3,371	1,223
550,000	Terravest Income Fund	3,775	2,046
1,500,000	Western Goldfields Inc.	3,204	4,815
<b><u>TOTAL</u></b>		<b>19,444</b>	<b>15,523</b>

**TOTAL COMMON STOCK** 90,203 67,154

**TOTAL PORTFOLIO** 95,909 72,860

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# ABC FUNDS

## ABC North American Deep-Value Fund (ABC NADVF)

<b>NAVPS</b>	<b>\$ 7.9012</b>
<b>C.G. Dist.</b>	<b>\$ 0.000000</b>
<b>Inc. Dist.</b>	<b>\$ 0.000000</b>

March 31, 2008

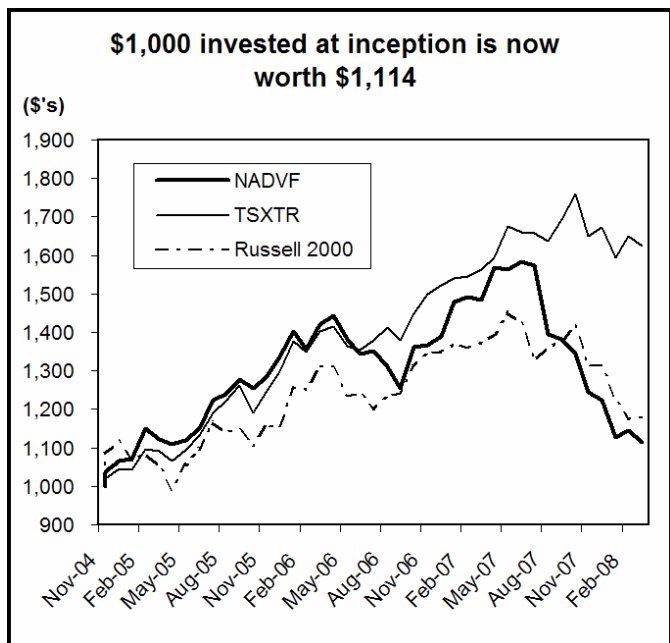
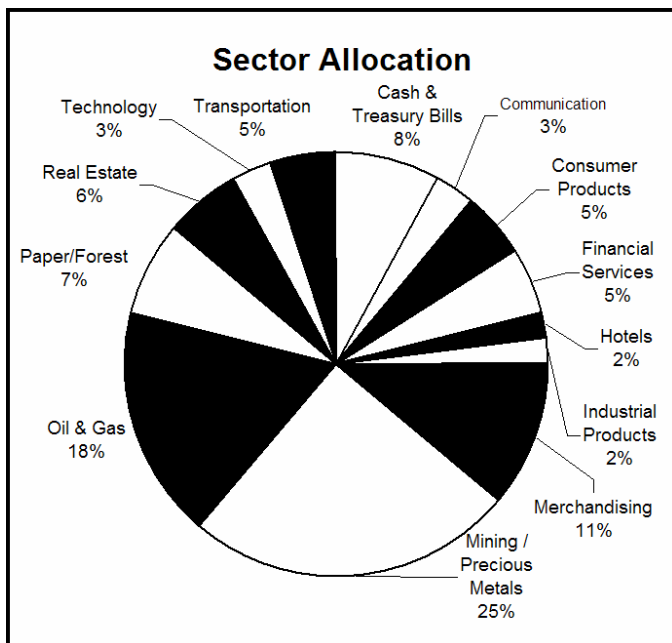
### Objective

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

	Annualized Compounded Rates of Return				Annual Returns				
	ABC NADVF (%)	Russell 2000 (%)	Dow Jones Industrials (%)	TSXTR** (%)	Year	ABC NADVF (%)	Russell 2000 (%)	Dow Jones Industrials (%)	TSXTR** (%)
1 Month	-2.84	0.26	-0.03	-1.43	2005	25.49	3.32	-0.61	24.13
Q1 2008	-9.08	-10.19	-7.55	-2.84	2006	3.92	17.00	16.29	17.26
YTD	-9.08	-10.19	-7.55	-2.84	2007	-11.81	-2.75	6.43	9.83
1 Year	-25.00	-14.08	-0.74	4.00					
2 Year	-11.47	-5.18	5.06	7.65					
3 Year	-0.27	3.80	5.30	14.17					
Since Inception*	3.28	4.92	6.07	15.27					

\*Inception date for the Fund was November 1, 2004  
 \*\*S&P/TSX Composite Total Return Index



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

March 31st, 2008

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 7.85%</b>			
429,158	Cash	429	429
0	RT CAP Cash In Action Fund	-	-
229,925	Cash - US \$	236	236
83,761	RT CAP Cash In Action Fund US \$	8,594	8,594
<b>TOTAL CASH</b>		<b>9,259</b>	<b>9,259</b>
<b>COMMON STOCKS -- 92.15%</b>			
<b>CANADIAN STOCKS -- 53.73%</b>			
<b>OIL &amp; GAS / ENERGY -- 18.23%</b>			
650,000	Accrete Energy Inc.	5,119	3,127
550,000	Anderson Energy Ltd.	4,155	2,008
1,896,000	Buffalo Oil & Resources	3,987	1,668
3,675,000	Endev Energy Inc.	5,021	3,050
1,000,000	Pearl Exploration & Prod.	4,500	1,630
1,000,000	Saxon Energy Services	4,900	6,000
256,600	Universal Energy	3,211	4,029
<b>TOTAL</b>		<b>30,893</b>	<b>21,511</b>
<b>PAPER &amp; FOREST PRODUCTS -- 6.38%</b>			
600,000	Fortress Paper Ltd.	4,755	4,530
600,000	Norbord Inc.	4,967	3,000
<b>TOTAL</b>		<b>9,723</b>	<b>7,530</b>
<b>COMMUNICATION -- 2.11%</b>			
497,800	Canwest Global Comm. Corp.	3,139	2,489
<b>TOTAL</b>		<b>3,139</b>	<b>2,489</b>
<b>MINING/PRECIOUS METALS -- 15.51%</b>			
1,390,200	Amerigo Resources Ltd.	3,150	3,031
1,687,500	Avnel Gold Mining Ltd.	1,594	624
5,000,000	Goldhawk Resources Inc.	1,704	2,050
925,000	Polaris Minerals	4,440	7,770
1,500,000	Scorpio Mining Corp.	1,725	2,040
350,000	Whitemud Resources	2,800	2,783
<b>TOTAL</b>		<b>15,413</b>	<b>18,298</b>
<b>INDUSTRIAL PRODUCTS -- 2.29%</b>			
725,000	Terravest Income Fund	5,098	2,697
<b>TOTAL</b>		<b>5,098</b>	<b>2,697</b>
<b>CONSUMER PRODUCTS -- 1.72%</b>			
1,275,000	Jig-A-Loo World	1,148	1,262
3,176,000	Orbus Pharma Inc.	1,579	762
1,500,000	Orbus Pharma Inc., warrants	0	0
<b>TOTAL</b>		<b>2,726</b>	<b>2,024</b>
<b>REAL ESTATE -- 6.21%</b>			
1,750,000	Huntingdon Real Estate Trust	4,576	3,763
925,000	Lakeview Hotel Real Estate Trust	3,737	2,914
630,550	Northampton Group	683	649
<b>TOTAL</b>		<b>8,995</b>	<b>7,326</b>
<b>FINANCIAL SERVICES -- 1.29%</b>			
1,750,000	GC Global Capital	1,898	1,523
655,000	GC Global Capital, warrants	0	0
<b>TOTAL</b>		<b>1,898</b>	<b>1,523</b>

exchange rate used is 1.0260514

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>U.S. STOCKS -- 38.42%</b>			
<b>MINERALS / PRECIOUS METALS -- 9.44%</b>			
2,500,000	Phoenix Coal Corp., conv pref.	3,288	3,206
12,012,500	U.S. Silver Corporation	3,741	7,928
<b>TOTAL</b>		<b>7,028</b>	<b>11,135</b>
<b>HOTELS -- 1.94%</b>			
350,000	Great Wolf Resorts Inc.	4,137	2,291
<b>TOTAL</b>		<b>4,137</b>	<b>2,291</b>
<b>MERCHANDISING -- 10.91%</b>			
400,000	Cost Plus Inc.	4,075	1,375
125,000	Frisch Restaurants Inc.	3,510	2,950
325,000	J. Alexander's Corp.	3,040	2,761
175,000	Jo-Ann Stores	3,084	2,645
195,000	John B. Sanfilippo & Sons	3,123	1,783
120,000	S&K Famous Brands	2,383	640
143,819	Tandy Brands Accessories Inc.	2,403	714
<b>TOTAL</b>		<b>21,618</b>	<b>12,868</b>
<b>CONSUMER PRODUCTS -- 3.03%</b>			
300,000	Chromcraft Revington Inc.	4,032	1,354
325,000	Coachmen Industries Inc.	4,170	994
315,000	Cobra Electronics Corp.	3,006	1,231
<b>TOTAL</b>		<b>11,208</b>	<b>3,580</b>
<b>TRANSPORTATION -- 5.22%</b>			
150,000	Babcock & Brown Air Ltd., ADS	3,450	2,501
125,000	Seaspan Corporation	3,190	3,654
<b>TOTAL</b>		<b>6,640</b>	<b>6,155</b>
<b>FINANCIAL SERVICES -- 3.82%</b>			
124,900	Flagstar Bancorp Inc.	1,737	925
200,000	Presidential Life Corp.	4,882	3,579
<b>TOTAL</b>		<b>6,619</b>	<b>4,504</b>
<b>TECHNOLOGY -- 3.33%</b>			
325,000	Keynote Systems Inc.	3,915	3,932
<b>TOTAL</b>		<b>3,915</b>	<b>3,932</b>
<b>COMMUNICATIONS -- 0.73%</b>			
675,000	Regent Communications Inc.	2,901	866
<b>TOTAL</b>		<b>2,901</b>	<b>866</b>
<b>TOTAL COMMON STOCK</b>		<b>141,952</b>	<b>108,727</b>
<b>TOTAL PORTFOLIO</b>		<b>151,211</b>	<b>117,987</b>

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# ABC FUNDS

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

March 31, 2008

<b>NAVPS</b>	<b>\$ 9.0071</b>
<b>C.G. Dist.</b>	<b>\$ 0.00000</b>
<b>Inc. Dist.</b>	<b>\$ 0.00000</b>

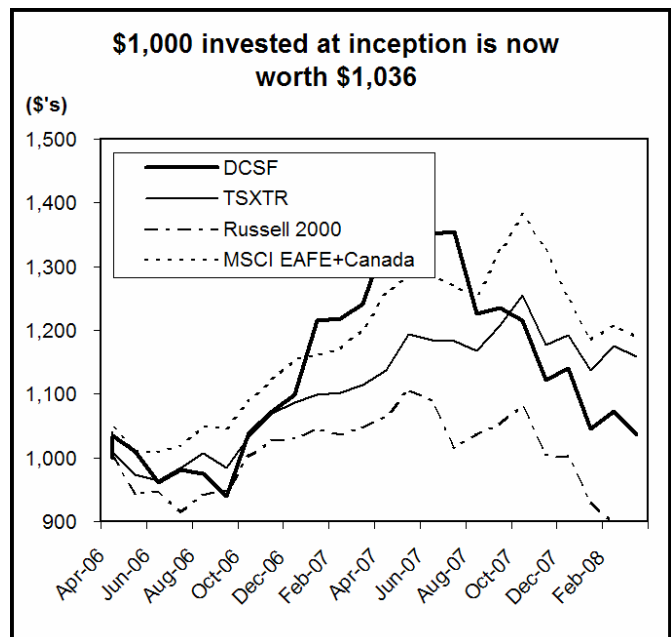
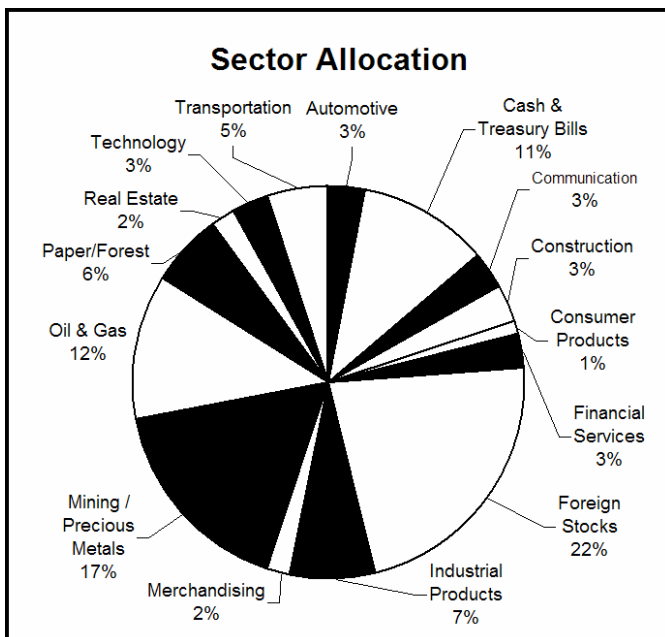
### Objective

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					Annual Returns				
	ABC DCSF	Russell 2000	TSXTR**	MSCI EAFE***		ABC DCSF	Russell 2000	TSXTR**	MSCI EAFE***	
	(%)	(%)	(%)	(%)		(%)	(%)	(%)	(%)	
1 Month	-3.50	0.26	-1.43	-1.38	2007	3.79	-2.75	9.83	8.08	
Q1 2008	-9.21	-10.19	-2.84	-4.51						
6 Month	-16.20	-14.59	-4.05	-10.04						
YTD	-9.21	-10.19	-2.84	-4.51						
1 Year	-16.60	-14.08	4.00	-0.85						
Since Inception*	1.84	-5.18	7.65	9.12						

\*Inception date for the Fund was April 1, 2006  
 \*\*S&P/TSX Composite Total Return  
 \*\*\*MSCI EAFE + Canada US\$



# ABC FUNDS

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

March 31, 2008

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 10.99%</b>			
8,522,853	Cash	8,523	8,523
3,264,633	Cash - US \$	3,350	3,350
<b>TOTAL CASH</b>		<b>11,873</b>	<b>11,873</b>
<b>COMMON STOCKS -- 89.01%</b>			
<b>CANADIAN STOCKS -- 40.42%</b>			
<b>OIL &amp; GAS / ENERGY -- 12.16%</b>			
500,000	Accrete Energy Inc.	3,815	2,405
500,000	Anderson Energy Ltd.	3,317	1,825
948,000	Buffalo Oil & Resources	1,866	834
800,000	Pearl Exploration & Prod.	3,600	1,304
750,000	Saxon Energy Services	3,419	4,500
3,500,000	Stratic Energy Corp.	4,352	2,275
<b>TOTAL</b>		<b>20,369</b>	<b>13,143</b>
<b>REAL ESTATE -- 2.20%</b>			
500,000	Lanesborough Real Estate Trst	3,015	2,375
<b>TOTAL</b>		<b>3,015</b>	<b>2,375</b>
<b>COMMUNICATION -- 1.79%</b>			
325,000	Canwest Global Comm. Corp.	2,094	1,938
<b>TOTAL</b>		<b>2,094</b>	<b>1,938</b>
<b>MINERALS / PRECIOUS METALS -- 6.68%</b>			
1,500,000	Amerigo Resources Ltd.	3,669	3,270
1,783,500	Liberty Mines Inc.	1,605	1,908
1,500,000	Scorpio Mining Corp.	1,725	2,040
<b>TOTAL</b>		<b>6,999</b>	<b>7,218</b>
<b>CONSTRUCTION -- 3.29%</b>			
325,000	Canam Group Ltd., class A	3,394	3,559
<b>TOTAL</b>		<b>3,394</b>	<b>3,559</b>
<b>INDUSTRIAL PRODUCTS -- 6.54%</b>			
500,000	Migao Corp.	1,425	3,555
375,000	Migao Corp., warrants	0	1,279
600,000	Terravest Income Fund	4,337	2,232
<b>TOTAL</b>		<b>5,762</b>	<b>7,066</b>
<b>PAPER/FOREST PRODUCTS -- 6.09%</b>			
475,000	Fortress Paper	3,748	3,586
600,000	Norbord Inc.	4,946	3,000
<b>TOTAL</b>		<b>8,694</b>	<b>6,586</b>
<b>MERCHANDISING -- 0.96%</b>			
2,157,900	CY Oriental Holdings	2,411	1,036
799,998	CY Oriental Holdings, warrants	0	0
<b>TOTAL</b>		<b>2,411</b>	<b>1,036</b>
<b>CONSUMER PRODUCTS -- 0.71%</b>			
3,176,000	Orbus Pharma Inc.	1,579	762
1,500,000	Orbus Pharma Inc., warrants	0	0
<b>TOTAL</b>		<b>1,579</b>	<b>762</b>

exchange rate used is 1.0260514

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>U.S. STOCKS -- 26.38%</b>			
<b>MERCHANDISING -- 1.03%</b>			
325,000	Cost Plus Inc.	3,329	1,117
<b>TOTAL</b>		<b>3,329</b>	<b>1,117</b>
<b>TRANSPORTATION -- 5.70%</b>			
150,000	Babcock & Brown Air Ltd. ADS	3,450	2,501
125,000	Seaspan Corp.	3,036	3,654
<b>TOTAL</b>		<b>6,486</b>	<b>6,155</b>
<b>TECHNOLOGY -- 2.80%</b>			
250,000	Keynote Sysytems Inc.	3,156	3,024
<b>TOTAL</b>		<b>3,156</b>	<b>3,024</b>
<b>COMMUNICATION -- 0.74%</b>			
625,000	Regent Communications	3,017	802
<b>TOTAL</b>		<b>3,017</b>	<b>802</b>
<b>AUTOMOTIVE -- 2.95%</b>			
150,000	Superior Industries Inc.	3,048	3,194
<b>TOTAL</b>		<b>3,048</b>	<b>3,194</b>
<b>MINERALS / PRECIOUS METALS -- 10.30%</b>			
2,500,000	Phoenix Coal Corp., conv. Pref.	3,288	3,206
12,012,500	US Silver Corporation	3,741	7,928
<b>TOTAL</b>		<b>7,029</b>	<b>11,135</b>
<b>FINANCIAL SERVICES -- 2.85%</b>			
62,500	Kansas City Life Insurance Co.	3,570	3,082
<b>TOTAL</b>		<b>3,570</b>	<b>3,082</b>
<b>FOREIGN STOCKS -- 22.22%</b>			
1,750,000	Australian Vintage Ltd.	3,453	2,131
2,070,305	Challenger Wine Trust	1,349	1,299
1,412,000	Fortune Real Estate Inv. Trust	1,254	951
3,220,000	Fountain Set Holdings Ltd.	1,412	522
4,042,500	Harmony Asset Ltd.	2,830	2,911
300,000	Natuzzi SpA	2,374	1,139
2,750,000	Playmates Holdings Ltd.	3,848	1,813
2,750,000	Playmate Toys Ltd.	0	127
650,000	Standard Life PLC	3,167	3,264
4,978,273	Thakral Holdings Group	3,065	4,173
1,000,000	Western Areas NL	3,000	5,250
250,000	Western Areas NL, warrants	0	431
<b>TOTAL</b>		<b>25,752</b>	<b>24,011</b>
<b>TOTAL COMMON STOCK</b>		<b>109,704</b>	<b>96,202</b>
<b>TOTAL PORTFOLIO</b>		<b>121,577</b>	<b>108,075</b>

Over the past five years, we have often used the term, “Buying Toonies For Loonies” to describe our ABC Funds deep-value investment style. In fact, nothing has changed with regard to our investment approach since I penned this outline for the January 2003 ABC Perspective. Accordingly, I thought it important to re-run this timely piece as both a reminder and refresher during this chaotic investment period.

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## Buying Toonies For Loonies

*We try to buy a toonie for a loonie. We hunt for stocks that tend to be dirt cheap, underfollowed and held in a fair amount of disdain by analysts. .... And ultimately, those stocks purchased with the least amount of analytical recognition usually produce the greatest amount of investment returns.*

**Irwin A. Michael, CFA**

The ABC Funds’ investment management philosophy is rather strikingly simple; we are deep-value investors. We review corporate balance sheets, income statements and news releases. We study company documents as we search for hidden assets. We review investment dealer reports for further understanding. In addition we will frequently interview management with a multitude of questions to acquire greater insight into their corporate operations. We also speak with sell-side analysts who may offer us a different perspective on a company’s state of affairs.

With all this analytical input we formulate an investment opinion with disciplined buy and sell price targets. Although we might miss on the odd opportunity, generally our rigorous screening practices lead us to a greater understanding and increased likelihood of investment success. While our analytical procedures usually involve serious and at times tedious investigation it is our view that a stock thoroughly researched and well-purchased will tend to yield superior long-run returns.

There is no secret formula to our “Buying Toonies For Loonies”. Specifically we focus on the strict disciplines of value investing such as low price earnings and cash flow multiples, discount to book and net asset values, etc. But of even greater significance is the regimen of sticking to our

value style in spite of markets temporarily going against us. During these occasions our patience is seriously tested. A particular example was the late 1998-early 2000 period when the high technology mania was in full force. Throughout this 20-month period we were pushed to the limits of our investment convictions. Fortunately we adhered to our approach based on our Ten Commandments of Value Investing and withstood the intense short-term pressures to reconsider our policies.

But there is another important factor to “Buying Toonies For Loonies”. Specifically, we need a patient, understanding ABC investor. I do not wish to understate this fact that a knowledgeable investor with a lengthy time horizon is an invaluable asset. Knowing that our investors fully comprehend and are committed to our investment style gives us the stamina to ferret out, purchase and hold onto those dirt-cheap stocks that can augment our portfolios’ long-term returns.

Looking forward, rest assured, that we do not intend to deviate from our investment style nor our working disciplines.

**Irwin A. Michael, CFA**

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