

## Persistence

*Consider the postage stamp:  
its usefulness is in its ability  
to stick to a thing till it gets there.*

**Josh Billings**

It would be a very major understatement to declare that the last two years have been very difficult for investors. We were all blindsided by the extent of the financial devastation that occurred during that period: bankruptcies, Ponzi schemes, massive government intervention and capital infusions, swelling government spending deficits, record interest rate declines, a complete lack of consumer, business and investor confidence and enveloping fear. To many investors, their prime objective was simply survival.

Survival, however, necessitated extreme persistence, discipline and sticking to one's longstanding successful investment model. This course, unfortunately, was easier said than done. Specifically, after the demise of Lehman Brothers, the October 2008 to March 2009 period was inordinately trying for investors in that no investment tack appeared to be working. It should be noted that during a brief interval in mid-January 2009, U.S. treasury bills traded at a negative yield as investors fled to the highest quality government paper. In effect, as illogical as it appears today, investors were willing to pay Uncle Sam to borrow their money. In retrospect, extremely fearful investors lost their composure and risk tolerance and sold down to their sleeping point.

Interestingly, much has changed since the market lows of mid-March 2009. Equity markets have made a remarkable recovery with a growing appetite for risk and a reversion to investment sanity. Looking ahead to the balance of 2010 we remain relatively optimistic

with regard to both the economy and equities. Although we do not expect a massive or sudden turnaround, we believe slow but sure strides are being made. Again, our optimism endures despite continuing share price volatility and the prospects for rising interest rates. Generally, we foresee improving corporate earnings, increased mergers and acquisitions and a growing investor commitment to equity investment via asset reallocation. Ultimately, we anticipate climbing equity prices. Nonetheless, investment persistence will be the key to success.

With regard to our ABC Funds' investment process for the rest of 2010, we intend to continue to consolidate our portfolio holdings, to add to favoured common share positions, to eliminate weaker securities, to increase dividend-yielding stocks, as well as selecting new undervalued equities trading below book value/net asset value. In short, our intention is to persist with our deep value equity selections with a focus on small/mid capitalization shares. In particular, we continue to favour our longstanding holdings such as Equitable Group, Genworth MIC, Canam Group, Onex Corp., Fortress Paper, Daylight Resources, ATS Automation Tooling Systems Inc. and Westjet Airlines.



**ECONOMIC PERSPECTIVES****The Economy: Gradually Improving**

Once again, economic data released over the past three months continues to display a mixed reading on the U.S. economy. The data, at times, appears to be most contradictory and confusing, with certain indicators showing improvement whereas others such as a 9.7% U.S. unemployment rate and the relatively high initial unemployment insurance claims remaining stubbornly high. In Canada the economy appears to be in relatively better shape with unemployment gradually subsiding. However, the recent strength of the Canadian dollar flirting with U.S. dollar parity will put additional pressure on Canadian manufacturing and the export markets. Furthermore, with the

Canadian central bank already warning of an impending interest rate hike, similar to Australia, there will be growing pressure on the Canadian economic recovery and further Canadian dollar strength.

Nevertheless, we believe that the North American economies are gradually improving and it is our view that as we enter the latter half of 2010 increasing economic data will be released to indicate a slow but steady recovery. In a nutshell, we believe that we are setting up for a global economic recovery that will lead to a sustainable worldwide economic expansion into 2012.

**INVESTMENT PERSPECTIVES****Stock Picking**

The equity market has made a remarkable recovery from the price lows of 2009 and, as a result, market psychology has improved significantly. Nonetheless, stock selection remains very challenging and tricky as we enter the second quarter of 2010. On the one hand, there is meaningful cash on the sidelines eagerly awaiting to be invested in equities and impatiently earning less than ¼% per annum in Canada treasury bills. More importantly, on the other hand, the market offers few equities that are dirt cheap. In consequence, investors must remain very disciplined given that

many stocks are fully pricing in a 2010 revenue and earnings recovery.

Overall, we expect equity prices to remain very volatile for the balance of 2010 with periodic positive and negative surprises. We believe that we are in a stock picker's market whereby discerning stock selection will be all important for superior 2010 investment returns. Furthermore, we expect 2010 to remain a trader's market such that occasional market opportunities will be presented to the alert investor.

**PORTFOLIO PERSPECTIVES****Upgrading Our Portfolios**

We continued to upgrade our five ABC portfolios during the first quarter of 2010. We have taken selective profits and losses and have redeployed the cash toward undervalued small and mid-capitalization equities. It is our belief that smaller caps and special situation common shares will outperform the market and larger caps over the balance of 2010.

More specifically, we have liquidated Cost Plus Inc., Asia Bio-Chem, Thakral Holdings, Playmates Toy Holdings, Challenger Wine Trust, E-L Financial, Terravest Income Fund and Presidential Life. In turn, we have added new equities including: Flint Energy Services, Dundee Precious Metals, The Westaim Corporation, March Networks and Vector Aerospace.

It has been a wild stock market ride since the summer of 2008 to early spring 2010. In retrospect, the six-month period from September 2008 to mid-March 2009, when literally nothing was working, brought incredible stress, volatility and self-introspection to many portfolio managers. While our ABC Funds have been severely tested during the past 18 months by an inconsistent and irrational marketplace, we have applied 100% of our abilities without compromising our deep value style or our client commitment. This will not change. The following piece, written almost five years ago, best describes our views on commitment, then and now.

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The following is an excerpt from the July 2005 ABC Perspective

### *The Very Best We Can...*

*It is easy to be brave  
from a safe distance.*

**Aesop**

I would be less than honest if I stated that it is easy being a portfolio manager. The fact is: it is not. Portfolio managers operate in a 24-7, fast-paced, constantly changing marketplace where supposedly intelligent and lucid investment decisions in the morning can sometimes look rather featherbrained in the afternoon. Furthermore, unlike many other professions, our work is constantly scrutinized and second-guessed by armchair quarterbacks since we receive a daily report card of stock prices in the popular newspapers for all to see.

As fundamental analysts we try to thoroughly analyze common stocks. We examine pre-screened companies in great depth, establish disciplined buy/sell targets and set about a plan of action to purchase a meaningful position. Given our collective information and analysis we do the very best we can.

In theory this strategy looks quite simple: analyze, buy the most promising stocks and then sell at a huge profit. Unfortunately, investment management is never as easy as it looks. Ask the many individuals who in 1999/2000 decided that the high tech boom was a veritable horn of plenty and that great gobs of money could be made by simply buying the tech stocks and flipping the innumerable initial public offerings. It may have worked for a short period but these neophytes were soon to become very disappointed. The fact is that if it was so

easy everyone would be doing this and we wouldn't need MBAs and CFAs to carry out investment research.

When we describe our disciplined and patient investment style to prospective clients we explain that we make a great effort to thoroughly analyze our common share selections. But, in some cases, the waiting period for a stock to reach our price target can be quite long and painful. A stock may languish for months until, suddenly, a catalyst such as a merger, takeover or a privatization may occur and the stock price then rockets upward. Instantly our clients think that we are geniuses without considering that we may have suffered through months of agony, criticism and client second-guessing.

To reiterate, we are doing the very best we can as we shepherd a portfolio of 30 to 40 common stocks toward first quartile investment performance. At the same time we grapple under close combat conditions in a dynamic marketplace fraught with price volatility combined with intermittent political, economic and financial shocks. But through our continuing efforts, tenacity and investment passion we steer toward our common goal of financial excellence. This enduring passion keeps us focused and constantly motivated as we carefully navigate through countless investment anomalies, as well as real and bogus opportunities.

**Irwin A. Michael, CFA**

## Canam Group Incorporated

Canam Group can trace its history back to 1960 with the founding of Canam Steel Works, a 12,000 square foot facility in Quebec. Over the years, the Company broadened its interests to include the manufacture of steel joists and decking, composite flooring, bridges and pre-engineered buildings. With the appointment of Marc Dutil to the position of President and Chief Operating Officer in 2003 profit growth supplanted revenue growth as the key measure used to evaluate the success of the corporation.

The focus on the bottom line was readily apparent after examining Canam Group's fiscal 2009 results. The Company reported sales of \$625.8 million, net earnings of \$20.1 million and EPS of \$0.45 during the worst year of the global recession. Canam remained profitable largely due to bridge building and repair work and several large-scale structural steel projects. Importantly, Canam's rock-solid balance sheet gave the Company plenty of financial flexibility through the downturn. At the end of 2009, the Company's net debt was only \$0.3 million, compared to \$69.9 million at the end of 2008. The Company's net debt to equity ratio is now negligible, with shareholders' equity of \$400.6 million, or \$8.83 per share.

We believe that the relatively robust financial results were overshadowed by the announcement on February 23<sup>rd</sup>, that Canam had increased its ownership in FabSouth from 15% to 80% for US\$65 million. Further, the Company has agreed to acquire the remaining 20% over a three year period starting in 2011, for an amount ranging between US\$15 million and US\$25 million depending on EBITDA generated in 2010, 2011 and 2012.

As we suspected, the initial purchase of 15% of FabSouth on December 23, 2009 was just the first step in acquiring control of the entire entity.

Remember that FabSouth is a leading structural steel fabricator that operates six plants located in Florida, North Carolina and Georgia. The Company has approximately US\$8 million to US\$9 million in debt and about US\$20 million of cash on its balance sheet. The founders will continue to be involved in the business, which will be led by Kurt Langsenkamp, FabSouth's president since inception.

In terms of financial performance, Canam has confirmed that between 2007 and 2009, FabSouth's sales averaged more than US\$325 million, bottoming at about US\$250 million and peaking at about US\$400 million. Marcel Dutil implied that he sold his 15% stake to Canam at marginally above two times EBITDA, while the 65% interest was purchased at a slightly higher multiple but below three times EBITDA. Basically, Canam Group will be paying approximately US\$90 million to US\$100 million for \$50 million of incremental EBITDA. This is extraordinarily cheap.

Although the market reaction seemed delayed, investors have begun to grasp the significance of this transaction. Marc Dutil has astutely deployed some of the firepower on Canam's pristine balance sheet to make a significant and accretive acquisition in the United States using the strong Canadian dollar, at a very attractive price. In the days following the news release, the shares of Canam Group broke above the upper boundary of the stock's year and a half-old trading range.

Essentially, the FabSouth acquisition was the catalyst to finally drive the stock price above the Company's book value of \$8.83 per share. We believe that the market has recognized that Canam's peak earnings power will be substantially higher in the coming cycle than in past cycles.

## Daylight Resources Trust

Daylight Resources Trust is a mid-cap conventional royalty trust that is anticipated to produce over 45,000 boe/d of natural gas and oil in 2010. The recent acquisitions of Highpine Oil and Gas Limited and West Energy Limited created a more balanced production mix by increasing the oil and liquids weighting from 28% to 45%. Daylight currently pays a distribution of \$0.08 per month, or \$0.96 per year, which yields approximately 9.25% today.

Despite the weak natural gas price, Daylight's acquisition of Highpine Oil and Gas Limited gave us the confidence to build a meaningful position in the Trust. At the time, the \$530 million acquisition was accretive to cash flow, rebalanced the production mix from 28% to 42% oil and liquids, improved the debt to cash flow ratio to 0.9 times and created a much more substantial entity with an enterprise value of approximately \$1.8 billion.

The Trust subsequently announced an arrangement agreement to acquire all of the outstanding shares of West Energy Limited. This transaction is consistent with our investment thesis that Daylight's management is building a much larger entity through a combination of organic growth and accretive acquisitions. Importantly, the purchase consolidates the Trust's existing position in the Pembina region of Central Alberta, adding over 100,000 net acres of undeveloped land and 40 net sections of Cardium oil rights.

This acquisition is valued at approximately \$570 million, including the assumption of \$135 million of net debt. Consideration is comprised of \$115 million of cash, with the balance to be paid in Daylight units. On a per share basis, each West stakeholder will receive either \$5.50 in cash, 0.465 of a Daylight unit, or some combination thereof such that the total cash component does

not exceed \$115 million. Currently, West Energy is trading at approximately \$5.00 per share, an 18% premium to the average trading price over the ten days prior to the offer being made public. Based on West's recently released year-end documents, Daylight purchased the Company below its net asset value of \$5.96 per share.

Assuming estimated land value of approximately \$110 million, Daylight is paying \$79,300 per flowing barrel and \$23.84 per barrel of proven and probable reserves. Although at first glance these multiples are not cheap, the price is relatively easy to justify. West's light oil production of 5,800 barrels per day generates operating netbacks of \$38.26 per barrel at US\$80 WTI oil and \$5.25/mcf AECO natural gas. It is this high netback per barrel relative to the price paid per barrel of proven and probable reserves that should allow the Trust to generate a solid economic return on its investment over time. Additionally, the overlap of the land positions should allow a reduction in operating costs by sharing oil facilities and systems. Finally, the complementary land base creates a large inventory of repeatable drilling opportunities. Management now estimates an unrisks horizontal drilling inventory of 300 to 600 Cardium oil locations at Pembina.

We expect the transaction to close mid-to-late May, sometime after Daylight's conversion to a corporation. Investors should then expect to receive a \$0.05 dividend per month compared to the current \$0.08. The combined entity will have over \$1.7 billion of tax pools, which should be available to defer taxation in future years. Eventually, Daylight could become one of the premier, mid-tier E&P companies in North America as they continue to grow production, reserves, cash flow and net asset value.

## ABC Fully-Managed Fund (ABC FMF)

March 31, 2010

<b>NAVPS</b>	<b>\$ 7.7762</b>
<b>C.G. Dist.</b>	<b>\$ 0.00000</b>
<b>Inc. Dist.</b>	<b>\$ 0.016768</b>

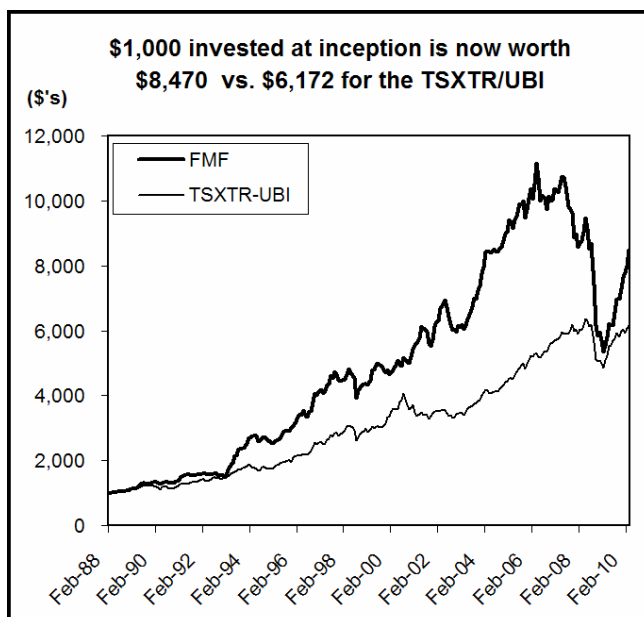
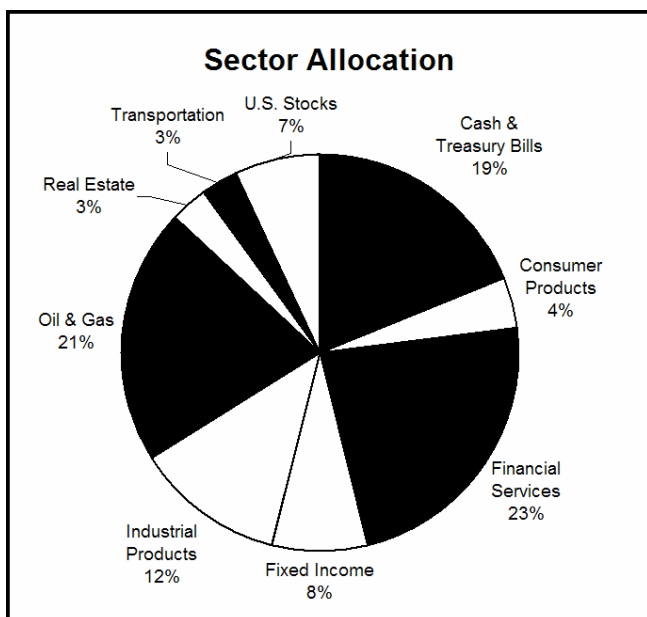
### Objective

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	<b>5.89</b>	1.58	1989	<b>23.68</b>	17.20
Q1 2010	<b>10.93</b>	2.23	1990	<b>2.17</b>	-4.32
YTD	<b>10.93</b>	2.23	1991	<b>14.69</b>	17.35
1 Year	<b>52.49</b>	21.63	1992	<b>-1.48</b>	4.75
2 Year	<b>-1.69</b>	1.19	1993	<b>64.35</b>	24.36
3 Year	<b>-6.16</b>	2.38	1994	<b>2.82</b>	-2.64
5 Year	<b>-1.95</b>	6.33	1995	<b>17.25</b>	17.97
10 Year	<b>5.88</b>	5.49	1996	<b>31.99</b>	19.5
15 Year	<b>8.12</b>	8.34	1997	<b>10.56</b>	12.22
20 Year	<b>9.75</b>	8.68	1998	<b>-2.02</b>	3.84
Since Inception*	<b>10.16</b>	8.59	1999	<b>10.37</b>	14.29
			2000	<b>8.31</b>	8.71
			2001	<b>17.62</b>	-2.96
			2002	<b>0.77</b>	-1.47
			2003	<b>25.52</b>	15.27
			2004	<b>15.89</b>	10.42
			2005	<b>12.47</b>	15.25
			2006	<b>-0.64</b>	11.00
			2007	<b>-10.55</b>	6.82
			2008	<b>-33.46</b>	-16.04
			2009	<b>27.90</b>	18.88

\*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, 2010*

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

*exchange rate used is 1.0145486273*

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)	No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 18.57%</b>				<b>OIL &amp; GAS -- 20.92%</b>			
3,693,729	Cash - CAD	3,694	3,694	600,000	Daylight Resources Trust Ltd.	5,078	6,312
127,856	UBS Cash In Action Fund - CAD	12,786	12,786	750,000	Essential Energy Services Trust	4,678	945
59,264	STIC Liquidity Portfolio - USD	62	60	12,500,000	Western Energy Services Corp.	2,500	3,313
<b>TOTAL CASH</b>		<b>16,542</b>	<b>16,539</b>	275,000	Flint Energy Services Ltd.	3,366	3,369
				400,000	Pengrowth Energy Trust	4,160	4,700
				<b>TOTAL</b>		<b>19,782</b>	<b>18,638</b>
<b>FIXED INCOME -- 8.16%</b>				<b>INDUSTRIAL PRODUCTS -- 12.28%</b>			
2,167,000	Aecon Group Inc. 7.00%, 09/30/2014	2,167	2,341	600,000	ATS Automation Tooling Systems Inc.	2,502	4,314
4,500,000	Russel Metals Inc. 7.75%, 09/30/2016	4,500	4,928	500,000	Canam Group Inc.	4,910	4,370
<b>TOTAL</b>		<b>6,667</b>	<b>7,269</b>	838,300	Exco Technologies Ltd.	1,591	2,251
				<b>TOTAL</b>		<b>9,003</b>	<b>10,935</b>
<b>COMMON STOCKS -- 73.27%</b>				<b>CONSUMER PRODUCTS -- 4.28%</b>			
<b>FINANCIAL SERVICES -- 23.24%</b>				350,000 High Liner Foods Inc.			
300,000	Dundee Corp., Class A	1,921	4,152	<b>TOTAL</b>		<b>2,644</b>	<b>3,815</b>
200,000	Equitable Group Inc.	3,745	4,890	<b>TRANSPORTATION -- 3.45%</b>			
175,000	Genworth MI Canada Inc.	3,308	4,804	225,000	Westjet Airlines Ltd.	2,515	3,071
150,000	Onex Corp.	3,492	4,334	<b>TOTAL</b>		<b>2,515</b>	<b>3,071</b>
3,500,000	Westaim Corp.	1,750	2,520	<b>U.S. STOCKS -- 6.60%</b>			
<b>TOTAL</b>		<b>14,216</b>	<b>20,699</b>	137,500	Babcock & Brown Air Ltd. ADS	3,168	1,442
<b>REAL ESTATE -- 2.50%</b>				75,000	Kansas City Life Insurance Co.	4,439	2,403
236,111	Huntingdon Real Estate Inv. Trust	3,854	1,417	200,000	Seaspan Corp.	5,168	2,035
900,000	Lakeview Hotel Real Estate Inv. Trust	2,912	338	<b>TOTAL</b>		<b>12,774</b>	<b>5,881</b>
750,000	Lanesborough Real Estate Inv. Trust	3,389	473	<b>TOTAL COMMON STOCK</b>			
<b>TOTAL</b>		<b>10,155</b>	<b>2,227</b>			<b>71,090</b>	<b>65,266</b>
				<b>TOTAL PORTFOLIO</b>			
						<b>94,298</b>	<b>89,074</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 Fundamental-Value Fund (ABC FVF)

March 31, 2010

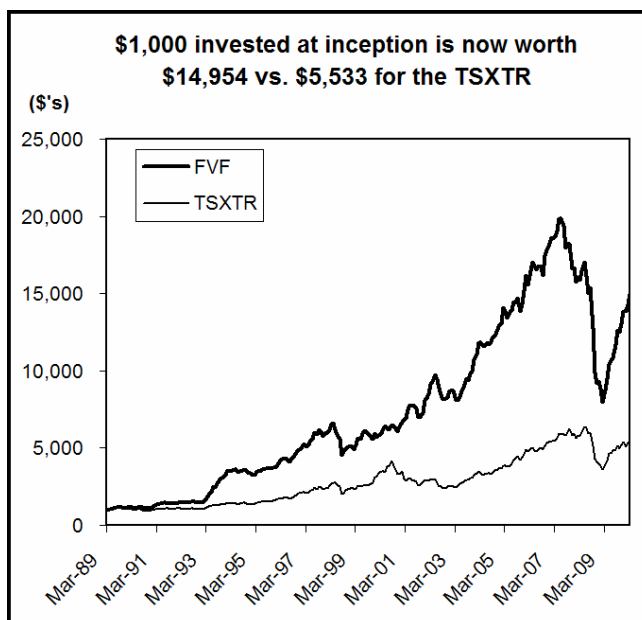
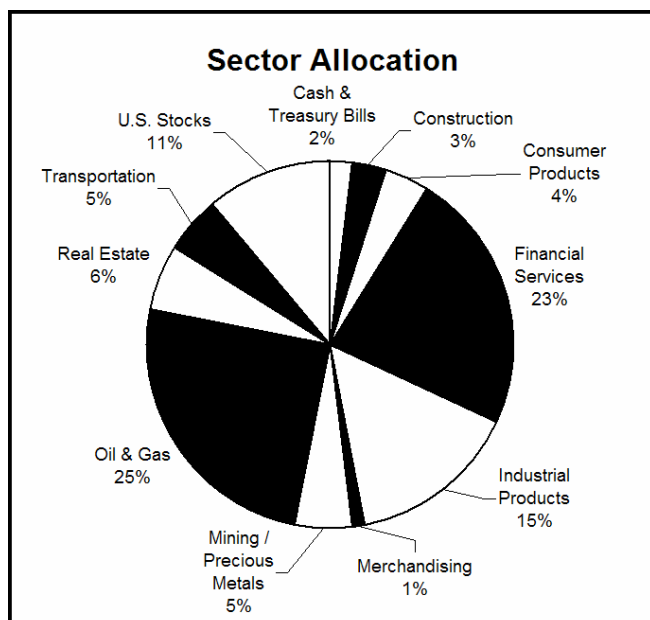
<b>NAVPS</b>	<b>\$15.7936</b>
<b>C.G. Dist.</b>	<b>\$ 0.000000</b>
<b>Inc. Dist.</b>	<b>\$ 0.000000</b>

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	<b>4.78</b>	3.81	1990	<b>-1.98</b> -14.80
Q1 2010	<b>8.14</b>	3.14	1991	<b>22.92</b> 12.02
YTD	<b>8.14</b>	3.14	1992	<b>4.26</b> -1.43
1 Year	<b>70.89</b>	42.15	1993	<b>121.75</b> 32.80
2 Year	<b>-2.97</b>	-1.99	1994	<b>3.03</b> -0.63
3 Year	<b>-7.20</b>	-0.03	1995	<b>11.08</b> 14.83
5 Year	<b>1.54</b>	7.41	1996	<b>31.75</b> 28.35
10 Year	<b>9.65</b>	4.67	1997	<b>20.35</b> 14.98
15 Year	<b>10.23</b>	9.27	1998	<b>-13.81</b> -1.58
20 Year	<b>13.68</b>	8.64	1999	<b>16.25</b> 31.71
Since Inception*	<b>13.75</b>	8.49	2000	<b>7.51</b> 7.41
			2001	<b>26.06</b> -12.57
			2002	<b>7.62</b> -12.44
			2003	<b>23.55</b> 26.72
			2004	<b>21.42</b> 14.48
			2005	<b>16.62</b> 24.13
			2006	<b>19.13</b> 17.26
			2007	<b>-7.86</b> 9.83
			2008	<b>-43.94</b> -33.00
			2009	<b>48.09</b> 35.05

\*Inception date for the Fund was March 20, 1989  
 \*\*S&P/TSX Composite Total Return Index (TSXTR)



# ABC FUNDS

## ABC Fundamental-Value Fund, Statement of Investment Portfolio March 31st, 2010

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.0145486273

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 2.21%</b>			
11,978,960	Cash - CAD	11,979	11,979
141,375	Cash - USD	143	143
367,125	STIC Liquidity Portfolio - USD	385	372
<b>TOTAL CASH</b>		<b>12,508</b>	<b>12,495</b>

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>INDUSTRIAL PRODUCTS -- 15.23%</b>			
3,000,000	ATS Automation Tooling Systems Inc.	12,837	21,570
3,150,000	Canam Group Inc.	31,740	27,531
4,500,000	Com Dev International Ltd.	13,391	13,500
2,250,000	Martinrea International Inc.	11,448	19,800
628,600	Vector Aerospace Corp.	3,898	3,897
<b>TOTAL</b>		<b>73,313</b>	<b>86,298</b>

**COMMON STOCKS -- 97.79%**

**REAL ESTATE -- 5.60%**

350,000	Huntingdon Real Estate Inv. Trust	5,903	2,100
644,400	Morguard Corp.	14,185	29,642
<b>TOTAL</b>		<b>20,089</b>	<b>31,742</b>

**FINANCIAL SERVICES -- 22.66%**

2,000,000	Dundee Corp., Class A	22,206	27,680
1,100,000	Equitable Group Inc.	22,829	26,895
900,000	Genworth MI Canada Inc.	17,084	24,705
1,100,000	Onex Corp.	27,373	31,779
24,000,000	Westaim Corp.	12,000	17,280
<b>TOTAL</b>		<b>101,492</b>	<b>128,339</b>

**OIL & GAS -- 25.00%**

21,250,000	Alange Energy Corp.	10,500	12,113
6,500,000	Anderson Energy Ltd.	22,593	7,410
3,280,000	Blackpearl Resources Inc.	16,728	8,790
2,750,000	Daylight Resources Trust Ltd.	23,335	28,930
3,100,000	Essential Energy Services Trust	18,597	3,906
2,200,000	Flint Energy Services Ltd.	26,542	26,950
10,000,000	Ithaca Energy Inc.	18,743	20,800
4,500,000	Midnight Oil Exploration Ltd.	16,398	4,815
1,250,000	Pengrowth Energy Trust	12,838	14,688
1,465,718	Precision Drilling Trust	27,947	11,462
12,698,500	Stratic Energy Corp.	15,796	1,778
<b>TOTAL</b>		<b>210,016</b>	<b>141,641</b>

**TRANSPORTATION -- 4.82%**

2,000,000	Westjet Airlines Ltd.	22,072	27,300
<b>TOTAL</b>		<b>22,072</b>	<b>27,300</b>

**MINING/PRECIOUS METALS -- 5.02%**

3,500,000	Argonaut Gold Inc.	10,500	10,500
1,750,000	Argonaut Gold Inc., warrants	0	875
3,500,000	Dundee Precious Metals Inc.	11,550	11,200
3,250,000	Polaris Minerals Corp.	15,805	5,850
375,000	Polaris Minerals Corp., warrants	0	38
<b>TOTAL</b>		<b>37,855</b>	<b>28,463</b>

**CONSUMER PRODUCTS -- 4.57%**

1,095,000	Andrew Peller Ltd., Class A	4,497	8,924
400,000	Arbor Memorial Services Inc., Class B	5,339	9,780
657,700	High Liner Foods, Inc.	4,963	7,169
<b>TOTAL</b>		<b>14,799</b>	<b>25,873</b>

**MERCHANDISING -- 0.58%**

503,500	Danier Leather Inc.	5,044	3,273
<b>TOTAL</b>		<b>5,044</b>	<b>3,273</b>

**CONSTRUCTION -- 2.99%**

1,250,000	Aecon Group Inc., common	13,263	16,963
<b>TOTAL</b>		<b>13,263</b>	<b>16,963</b>

**U.S. STOCKS -- 11.32%**

108,000	American National Insurance Co.	12,151	12,441
980,000	Babcock & Brown Air Ltd. ADS	22,468	10,281
725,000	Blackstone Group LP	17,538	10,298
385,000	Kansas City Life Insurance Co.	21,852	12,335
150,000	Pioneer Natural Resources Co.	8,835	8,571
1,000,000	Seaspan Corp.	25,671	10,176
<b>TOTAL</b>		<b>108,514</b>	<b>64,101</b>

**TOTAL COMMON STOCK** 606,456 553,993

**TOTAL PORTFOLIO** 618,964 566,488

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

## ABC American-Value Fund (ABC AVF)

<b>NAVPS</b>	<b>\$ 6.7720</b>
<b>C.G. Dist.</b>	<b>\$ 0.000000</b>
<b>Inc. Dist.</b>	<b>\$ 0.000000</b>

**March 31, 2010**

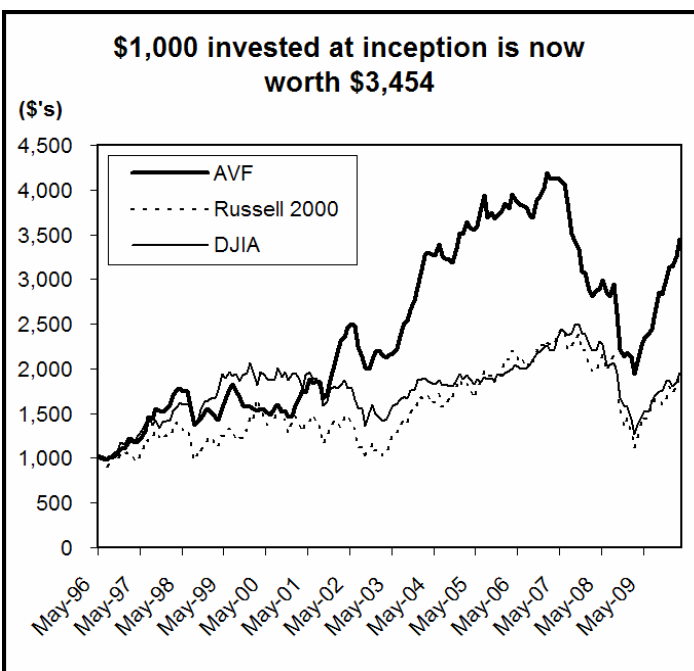
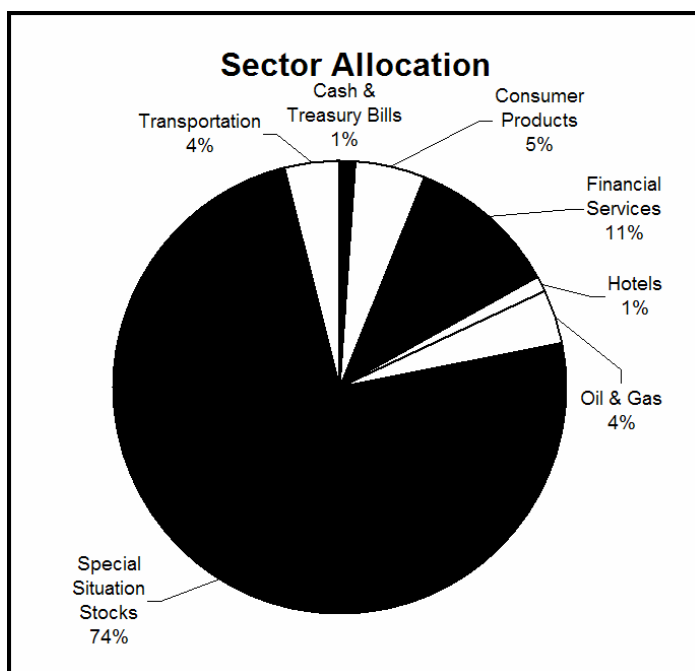
### Objective

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	<b>6.25</b>	7.97	5.15	1997	<b>38.76</b>	20.52	22.64
Q1 2010	<b>9.81</b>	8.51	4.11	1998	<b>0.75</b>	-3.45	16.10
YTD	<b>9.81</b>	8.51	4.11	1999	<b>1.47</b>	19.62	25.22
1 Year	<b>66.26</b>	60.53	42.68	2000	<b>-6.66</b>	-4.20	-6.18
2 Year	<b>9.57</b>	-0.68	-5.91	2001	<b>39.52</b>	1.03	-7.10
3 Year	<b>-5.76</b>	-5.36	-4.22	2002	<b>6.91</b>	-21.58	-16.76
5 Year	<b>-0.68</b>	1.99	0.66	2003	<b>32.74</b>	45.37	25.32
10 Year	<b>8.29</b>	2.33	-0.06	2004	<b>20.85</b>	17.00	3.15
Since Inception*	<b>9.37</b>	4.91	4.91	2005	<b>7.16</b>	3.32	-0.61
				2006	<b>6.65</b>	17.00	16.29
				2007	<b>-23.46</b>	-2.75	6.43
				2008	<b>-29.00</b>	-34.80	-33.84
				2009	<b>44.15</b>	25.22	18.82

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



# ABC FUNDS

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

March 31st, 2010

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

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 0.25%</b>			
85,333	Cash - CAD	85	85
24,375	Cash - USD	24	25
0	UBS Cash In Action Fund - CAD	0	0
59,250	STIC Liquidity Portfolio - USD	62	60
<b>TOTAL CASH</b>		<b>172</b>	<b>170</b>

**COMMON STOCKS -- 99.75%**

**FINANCIAL SERVICES -- 11.24%**

18,720	American National Insurance Co.	2,077	2,156
125,000	Blackstone Group LP	3,077	1,775
52,904	Kansas City Life Insurance Co.	3,030	1,695
325,000	PMA Capital Corp.	3,468	2,025
<b>TOTAL</b>		<b>11,652</b>	<b>7,651</b>

**CONSUMER PRODUCTS -- 4.56%**

225,000	Flexsteel Industries, Inc.	3,842	3,102
<b>TOTAL</b>		<b>3,842</b>	<b>3,102</b>

**TRANSPORTATION -- 3.91%**

137,500	Babcock & Brown Air Ltd. ADS	3,159	1,442
120,000	Seaspan Corp.	3,321	1,221
<b>TOTAL</b>		<b>6,480</b>	<b>2,664</b>

**OIL & GAS -- 4.20%**

50,000	Pioneer Natural Resources Co.	2,945	2,857
<b>TOTAL</b>		<b>2,945</b>	<b>2,857</b>

*exchange rate used is 1.0145486273*

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>HOTELS -- 1.42%</b>			
300,000	Great Wolf Resorts Inc.	3,549	968
<b>TOTAL</b>		<b>3,549</b>	<b>968</b>

**SPECIAL SITUATION STOCKS -- 74.43%**

200,000	Aecon Group Inc.	2,521	2,714
600,000	Argonaut Gold Inc.	1,800	1,800
300,000	Argonaut Gold Inc., warrants	0	150
550,000	ATS Automation Tooling Systems Inc.	2,424	3,955
750,000	Blackpearl Resources Inc.	3,825	2,010
550,000	Canam Group Inc.	3,902	4,807
350,000	Daylight Resources Trust Ltd.	2,989	3,682
1,000,000	Energold Drilling Corp.	1,958	2,550
7,250,000	Enseco Energy Services Corp.	1,450	1,740
3,625,000	Enseco Energy Services Corp., warrants	0	0
112,500	Equitable Group Inc.	2,283	2,751
225,000	Flint Energy Services Ltd.	2,751	2,756
112,500	Genworth MI Canada Inc.	2,148	3,088
477,700	March Networks Corp.	1,833	1,767
750,000	Maxim Power Corp.	2,030	2,445
125,000	Onex Corp.	3,011	3,611
400,000	Vector Aerospace Corp.	2,514	2,480
3,000,000	Westaim Corp.	1,500	2,160
12,500,000	Western Energy Services Corp.	2,500	3,313
212,500	Westjet Airlines Ltd.	2,378	2,901
<b>TOTAL</b>		<b>43,816</b>	<b>50,679</b>

**TOTAL COMMON STOCK** **72,284** **67,921**

**TOTAL PORTFOLIO** **72,455** **68,092**

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

<b>NAVPS</b>	<b>\$ 6.4038</b>
<b>C.G. Dist.</b>	<b>\$ 0.000000</b>
<b>Inc. Dist.</b>	<b>\$ 0.000000</b>

**March 31, 2010**

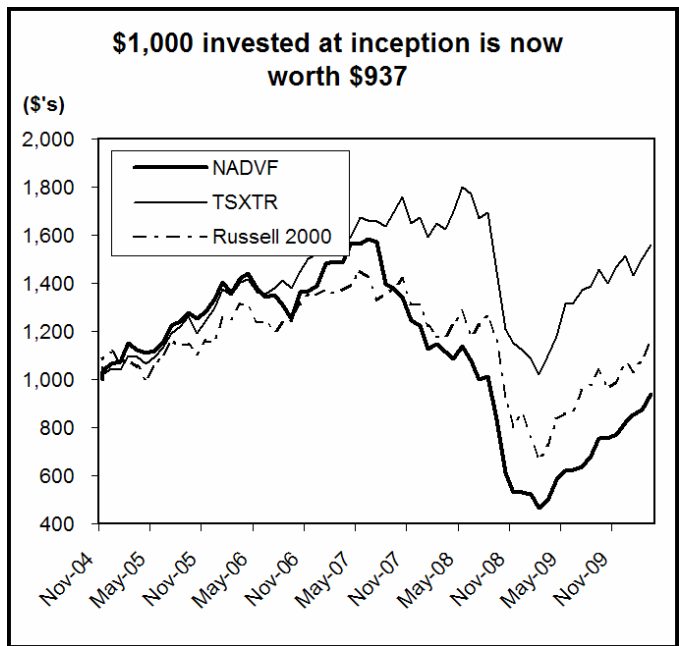
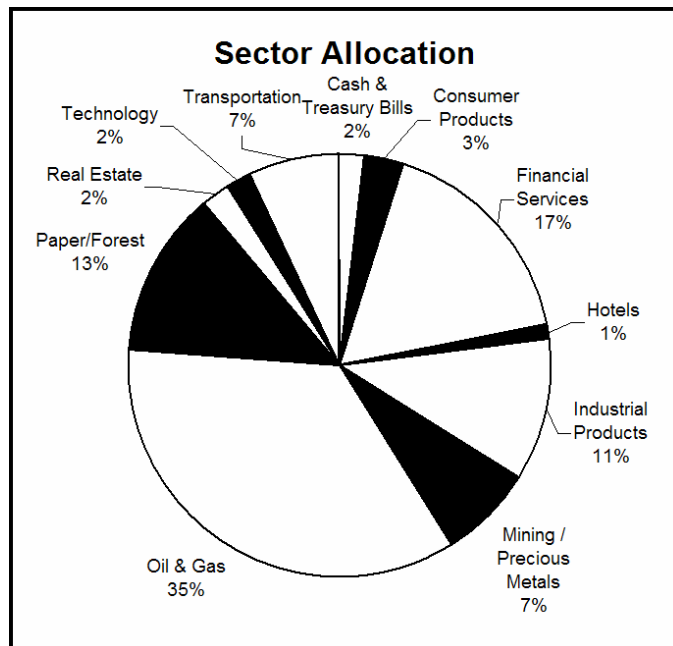
### Objective

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** (%)	ABC NADVF (%)	Russell 2000 (%)	Dow Jones Industrials (%)	TSXTR** (%)	
1 Month	7.19	7.97	5.15	3.81	2005	25.49	3.32	-0.61	24.13
Q1 2010	14.49	8.51	4.11	3.14	2006	3.92	17.00	16.29	17.26
YTD	14.49	8.51	4.11	3.14	2007	-11.81	-2.75	6.43	9.83
1 Year	88.69	60.53	42.68	42.15	2008	-56.62	-34.80	-33.84	-33.00
2 Year	-8.26	-0.68	-5.91	-1.99	2009	54.07	25.22	18.82	35.05
3 Year	-14.22	-5.36	-4.22	-0.03					
5 Year	-3.55	1.99	0.66	7.41					
Since Inception*	-1.21	2.82	1.48	8.57					

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



# ABC FUNDS

## ABC North American Deep-Value Fund, Statement of Investment Portfolio March 31st, 2010

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.0145486273

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 2.42%</b>			
1,345,850	Cash - CAD	1,346	1,346
8,283	UBS Cash In Action Fund - CAD	828	828
36,006	STIC Liquidity Portfolio - USD	38	37
<b>TOTAL CASH</b>		<b>2,212</b>	<b>2,211</b>
<b>COMMON STOCKS -- 97.58%</b>			
<b>CANADIAN STOCKS -- 89.29%</b>			
<b>OIL &amp; GAS -- 30.75%</b>			
2,210,500	Alange Energy Corp.	1,028	1,260
1,050,000	Anderson Energy Ltd.	4,630	1,197
1,000,000	Blackpearl Resources Inc.	4,500	2,680
350,000	Daylight Resources Trust Ltd.	2,999	3,682
7,250,000	Enseco Energy Services Corp.	1,450	1,740
3,625,000	Enseco Energy Services Corp., warrants	0	0
204,900	Flint Energy Services Ltd.	2,516	2,510
1,200,000	Midway Energy Ltd.	2,280	3,936
1,400,000	Open Range Energy Corp.	2,600	2,310
150,000	Precision Drilling Trust	2,146	1,173
1,327,200	Twin Butte Energy Ltd.	3,987	1,739
2,500,000	Tuscany Int'l. Drilling	2,715	2,536
312,500	Tuscany Int'l. Drilling, warrants	0	0
12,500,000	Western Energy Services Corp.	2,500	3,313
<b>TOTAL</b>		<b>33,352</b>	<b>28,076</b>
<b>MINING/PRECIOUS METALS -- 7.26%</b>			
700,000	Argonaut Gold Inc.	2,100	2,100
350,000	Argonaut Gold Inc., warrants	0	175
1,000,000	Energold Drilling Corp.	1,937	2,550
1,000,000	Polaris Minerals Corp.	4,556	1,800
37,500	Polaris Minerals Corp., warrants	4	4
<b>TOTAL</b>		<b>8,597</b>	<b>6,629</b>
<b>INDUSTRIAL PRODUCTS -- 10.99%</b>			
500,000	ATS Automation Tooling Systems Inc.	2,223	3,595
450,000	Canam Group Inc.	4,556	3,933
480,000	Héroux-Devtek Inc.	2,414	2,501
<b>TOTAL</b>		<b>9,194</b>	<b>10,029</b>
<b>CONSUMER PRODUCTS -- 2.88%</b>			
250,000	High Liner Foods Inc., Class A	1,635	2,418
1,402,500	Jig-A-Loo World Inc.	1,148	210
<b>TOTAL</b>		<b>2,783</b>	<b>2,628</b>

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>REAL ESTATE -- 2.36%</b>			
207,611	Huntingdon Real Estate Inv. Trust	3,376	1,246
975,000	Lakeview Hotel Real Estate Inv. Trust	3,209	366
831,050	Northampton Group Inc.	888	544
<b>TOTAL</b>		<b>7,473</b>	<b>2,156</b>
<b>PAPER &amp; FOREST PRODUCTS -- 12.67%</b>			
625,000	Fortress Paper Ltd.	4,873	11,563
<b>TOTAL</b>		<b>4,873</b>	<b>11,563</b>
<b>TECHNOLOGY -- 2.43%</b>			
600,000	March Networks Corp.	2,579	2,220
<b>TOTAL</b>		<b>2,579</b>	<b>2,220</b>
<b>FINANCIAL SERVICES -- 16.59%</b>			
200,000	Equitable Group Inc.	3,747	4,890
1,750,000	GC Global Capital Corp.	1,898	963
115,000	Genworth MI Canada Inc.	2,370	3,157
125,000	Onex Corp.	3,134	3,611
3,500,000	Westaim Corp.	1,750	2,520
<b>TOTAL</b>		<b>12,898</b>	<b>15,141</b>
<b>TRANSPORTATION -- 3.36%</b>			
225,000	Westjet Airlines Ltd.	2,515	3,071
<b>TOTAL</b>		<b>2,515</b>	<b>3,071</b>
<b>U.S. STOCKS -- 8.29%</b>			
<b>HOTELS -- 1.24%</b>			
350,000	Great Wolf Resorts Inc.	4,140	1,129
<b>TOTAL</b>		<b>4,140</b>	<b>1,129</b>
<b>TRANSPORTATION -- 3.14%</b>			
137,500	Babcock & Brown Air Ltd. ADS	3,168	1,442
140,000	Seaspan Corp.	3,649	1,425
<b>TOTAL</b>		<b>6,817</b>	<b>2,867</b>
<b>OIL &amp; GAS -- 3.91%</b>			
62,500	Pioneer Natural Resources Co.	3,619	3,571
<b>TOTAL</b>		<b>3,619</b>	<b>3,571</b>
<b>TOTAL COMMON STOCK</b>		<b>98,841</b>	<b>89,078</b>
<b>TOTAL PORTFOLIO</b>		<b>101,053</b>	<b>91,289</b>

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# ABC FUNDS

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

<b>NAVPS</b>	<b>\$ 7.9355</b>
<b>C.G. Dist.</b>	<b>\$ 0.000000</b>
<b>Inc. Dist.</b>	<b>\$ 0.000000</b>

March 31, 2010

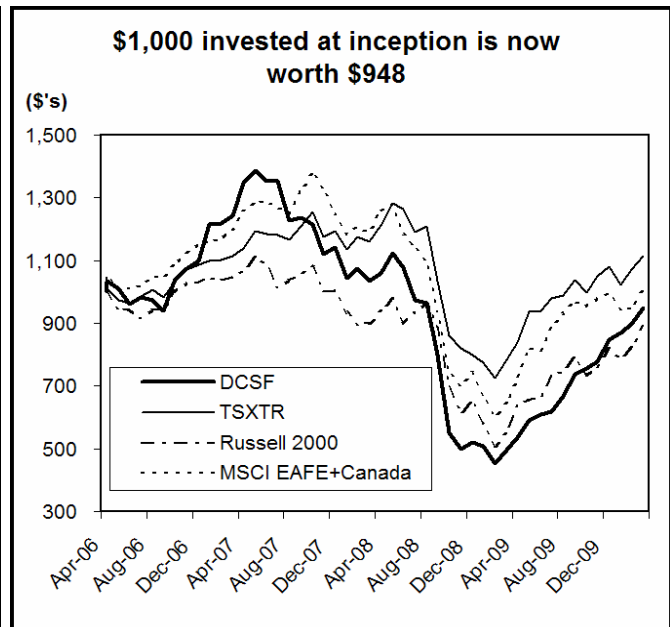
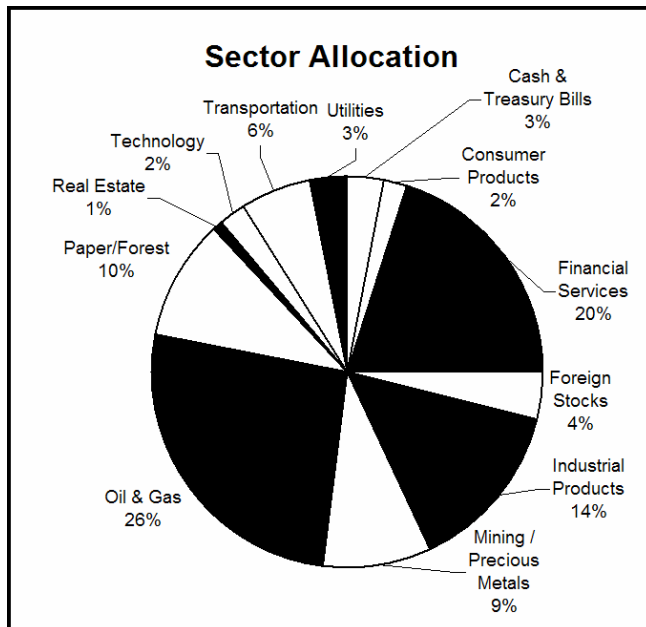
### Objective

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	5.52	7.97	3.81	6.50	2007	3.79	-2.75	9.83	8.08
Q1 2010	11.76	8.51	3.14	1.43	2008	-54.34	-34.80	-33.00	-40.69
YTD	11.76	8.51	3.14	1.43	2009	62.87	25.22	35.05	34.39
1 Year	91.62	60.53	42.15	56.76					
2 Year	-4.33	-0.68	-1.99	-7.99					
3 Year	-8.61	-5.36	-0.03	-5.67					
Since Inception*	-1.36	-3.02	2.77	0.21					

\*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 31st, 2010

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CASH -- 3.00%</b>			
2,784,275	Cash - CAD	2,784	2,784
48,344	Cash - USD	51	49
<b>TOTAL CASH</b>		<b>2,835</b>	<b>2,833</b>

**COMMON STOCKS -- 97.00%**

**CANADIAN STOCKS -- 88.12%**

**OIL & GAS -- 26.41%**

4,500,000	Alange Energy Corp.	2,093	2,565
1,000,000	Anderson Energy Ltd.	3,792	1,140
800,000	Blackpearl Resources Inc.	3,600	2,144
350,000	Daylight Resources Trust Ltd.	2,991	3,682
2,250,000	Ithaca Energy Inc.	4,407	4,680
7,250,000	Enseco Energy Services Corp.	1,450	1,740
3,625,000	Enseco Energy Services Corp., warrants	0	0
1,375,000	Open Range Energy Corp.	2,554	2,269
663,600	Twin Butte Energy Ltd.	1,866	869
2,500,000	Tuscany Int'l Drilling	2,696	2,536
312,500	Tuscany Int'l Drilling, warrants	0	0
12,500,000	Western Energy Services Corp.	2,500	3,313
<b>TOTAL</b>		<b>27,948</b>	<b>24,938</b>

**REAL ESTATE -- 0.33%**

500,000	Lanesborough Real Estate Inv. Trust	2,245	315
<b>TOTAL</b>		<b>2,245</b>	<b>315</b>

**MINING / PRECIOUS METALS -- 9.10%**

700,000	Argonaut Gold Inc.	2,100	2,100
350,000	Argonaut Gold Inc., warrants	0	175
600,000	Dundee Precious Metals Inc.	1,980	1,920
1,000,000	Energold Drilling Corp.	1,880	2,550
1,000,000	Polaris Minerals Corp.	1,600	1,800
500,000	Polaris Minerals Corp., warrants	0	50
<b>TOTAL</b>		<b>7,560</b>	<b>8,595</b>

**INDUSTRIAL PRODUCTS -- 13.78%**

500,000	ATS Automation Tooling Systems Inc.	2,328	3,595
450,000	Canam Group Inc.	4,328	3,933
1,000,000	Com Dev International Ltd.	2,962	3,000
400,000	Vector Aerospace Corp.	2,488	2,480
<b>TOTAL</b>		<b>12,106</b>	<b>13,008</b>

**MERCHANDISING -- 0.00%**

2,157,900	CY Oriental Holdings Ltd.	2,411	0
799,998	CY Oriental Holdings Ltd., warrants	0	0
<b>TOTAL</b>		<b>2,411</b>	<b>0</b>

exchange rate used is 1.0145486273

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
<b>CONSUMER PRODUCTS -- 2.56%</b>			
250,000	High Liner Foods Inc., Class A	1,635	2,418
<b>TOTAL</b>		<b>1,635</b>	<b>2,418</b>

**PAPER/FOREST PRODUCTS -- 9.80%**

500,000	Fortress Paper Ltd.	3,867	9,250
<b>TOTAL</b>		<b>3,867</b>	<b>9,250</b>

**FINANCIAL SERVICES -- 18.12%**

300,000	Dundee Corp., Class A	2,174	4,152
150,000	Equitable Group Inc.	2,478	3,668
115,000	Genworth MI Canada Inc.	2,184	3,157
125,000	Onex Corp.	3,138	3,611
3,500,000	Westaim Corp.	1,750	2,520
<b>TOTAL</b>		<b>11,724</b>	<b>17,108</b>

**UTILITIES -- 2.59%**

750,000	Maxim Power Corp.	1,902	2,445
<b>TOTAL</b>		<b>1,902</b>	<b>2,445</b>

**TRANSPORTATION -- 3.07%**

212,500	Westjet Airlines Ltd.	2,378	2,901
<b>TOTAL</b>		<b>2,378</b>	<b>2,901</b>

**TECHNOLOGY -- 2.35%**

600,000	March Networks Corp.	2,424	2,220
<b>TOTAL</b>		<b>2,424</b>	<b>2,220</b>

**U.S. STOCKS -- 4.94%**

**TRANSPORTATION -- 2.82%**

137,500	Babcock & Brown Air Ltd. ADS	3,168	1,442
120,000	Seaspan Corp.	2,984	1,221
<b>TOTAL</b>		<b>6,152</b>	<b>2,664</b>

**FINANCIAL SERVICES -- 2.12%**

62,500	Kansas City Life Insurance Co.	3,514	2,002
<b>TOTAL</b>		<b>3,514</b>	<b>2,002</b>

**FOREIGN STOCKS -- 3.93%**

4,042,500	Harmony Asset Ltd.	2,830	2,345
300,000	Natuzzi SpA	2,369	1,370
<b>TOTAL</b>		<b>5,199</b>	<b>3,714</b>

**TOTAL COMMON STOCK**

		<b>91,065</b>	<b>91,577</b>
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**TOTAL PORTFOLIO**

		<b>93,900</b>	<b>94,410</b>
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## Engineering the Comeback: Hard Work, Guts and Stamina

Success is simply a matter of luck  
. . . ask any failure.

**Earl Wilson**

It would be dishonest of me to say that it has been easy making a comeback for our five ABC Funds. In all candour, the past 18 months have been professionally challenging and extraordinarily stressful for all. Tried and true investment activities just weren't working particularly during that six month period including October 2008 to March 2009. Moreover, the media magnified the burgeoning international economic, financial and investment problems such that escalating fear and raw emotion gripped many investors.

The ensuing panic precipitated the unfortunate liquidation of numerous good quality securities. In many cases investors were their own worst enemies as enveloping fear forced many to liquidate their investment holdings at the market lows. The Canadian banks, certain industrials, numerous oil and gas and mining companies immediately come to mind. In actuality, an infectious Chicken Little mentality gripped the marketplace. Like a dog chasing its tail, the growing investment panic created more indiscriminate selling which produced lower prices and this, in turn, precipitated even more selling.

Fortunately, a significant number of investors had the courage to hang in (let alone purchase at market lows) and let the international monetary and fiscal authorities resuscitate the global financial system. Today, the investment landscape is infinitely better than a year ago. However, there are still many problems that have yet to be resolved. Nonetheless, those who capitulated and sold off their investments at or near the market lows may

claim it was bad luck or poor timing. I take issue with that reasoning. It is my view that engineering the investment comeback of the last 12 months combined hard work (serious analysis and research), guts (strong intestinal fortitude) and stamina (the financial staying power to patiently outlast a perfect storm).

Interestingly, many succeeded and survived the worst financial tsunamis since the 1929 stock market collapse. This was accomplished through their street smarts or, quite frankly, by tuning out all the financial fear-mongering to do nothing. They patiently waited out the storm. Admittedly, the market has made a remarkable recovery since the lows of last year. However, investors will still have to combine the attributes of hard work, guts and stamina to further succeed over the next 12-18 months. This is due to the fact that the securities markets have ratcheted to a new plateau with considerable optimism and complacency.

It is our opinion that investors will continue to be tested via price volatility, pricey IPOs, greed and periodic market selloffs. Success will not be a question of luck. Instead, we anticipate significant trading and investment opportunities to appear. Overall, we must remain alert and opportunistic as we expect the equities markets will follow a sawtooth-like trajectory to higher-levels over the next 12-18 months.

**Irwin A. Michael, CFA**

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