

PRESENT

PERSPECTIVES

Progress

Never discourage anyone or anything
that continuously makes progress
. no matter how slow.

Plato

In all candour, 2011 was one of the toughest investment years in my entire professional career. Although the first three months of the year started off well, by early spring, concerns over the U.S. debt ceiling impasse followed by the expanding European sovereign debt/banking issues led to a late summer mini global stock market meltdown, which was succeeded by a modest recovery to year-end.

Interestingly, 2011 was a tale of two conflicting perspectives: fear versus fundamentals. Fear, which captivated investors, reflected the residual from the 2008-2009 financial trauma, the U.S. congressional impasse with regard to the federal government debt ceiling and the surging monetary and fiscal problems of Greece, Italy, et al. These mushrooming fears enervated investors and, as a result, little attention was paid to the slow but steady fundamental progress of the North American economies, improving corporate earnings and ameliorating balance sheets.

Part of the problem with regard to the slower than expected economic growth/recovery related to the deep concerns of corporate America and the propensity of companies to hoard cash – which at mid-2011 was estimated at over US\$2 trillion in the United States alone – at the expense of employee rehiring and capital expenditures. However, despite the nagging macro economic concerns, corporate North America was, and still is, making progress. In fact, the recent Q3/2011 corporate earnings results in some 70% of the cases exceeded analysts' expectations. Additionally, improving corporate fundamentals have led to dividend increases, common share buybacks, mergers, acquisitions and takeovers. Moreover, anemic interest rates of under one percent have translated into relatively low money market returns compared to very juicy, bulked-up corporate dividend yields. Also, the low interest rate environment is

providing for comparatively cheap cost of capital with regard to corporate mergers, acquisitions and takeovers.

The point is that progress, no matter how measured, was made in 2011. It is our firm belief that the North American economies and corporate earnings results are improving. Furthermore, due to investor, consumer and company reticence, there is considerable pent up demand for goods and services and, by extension, 2012 could surprise us on the upside. True, European sovereign debt and banking issues linger, however, as long as the will remains, we believe Europe will muddle through. With regard to unemployment, we are optimistic that 2012 will be a year of slow but sure progress in employment gains. We sense that a selective number of individual company common shares are incredibly cheap. In fact, it should be noted that similar to past economic/investment cycles, it is in many cases cheaper to purchase a public company in the marketplace than to start off from scratch.

In summation, we are heartened by the steady 2011 economic and corporate progress. We envision that this improvement will continue and that an unexpectedly cheery 2012 could surprise corporations and investors sitting on significant cash hoards, awaiting tangible transformational catalysts to appear. It is our view that these catalysts are emerging but are, unfortunately, obscured by the current global macro anxiety and confusion. As a direct result, we remain very patient and quite optimistic for 2012.

Tom.

ECONOMIC PERSPECTIVES**Better Prospects For 2012**

Despite the considerable economic, financial and political uncertainty overhanging the North American equity markets, the Canadian and U.S. economies have not slipped into a much-feared double-dip economic recession. The fact is that while the European financial situation lingers, it is in repair mode. In addition, corporate profits and balance sheets are generally improving and the

current expansionary monetary ease could be in place for at least two years. Having come off, arguably, the worst economic downturn since WWII, global economic recovery is challenging. However, we believe it will progress on a slow but sure pace providing for comparatively better prospects for 2012.

INVESTMENT PERSPECTIVES**Selecting Cheap Stocks**

2011 was extremely frustrating in that undervalued stocks became cheaper and cheaper. Indeed, significant macro headwinds including European debt issues, the U.S. debt ceiling impasse and fears of a North American double dip economic recession negatively impacted investor psychology. We are, nonetheless, heartened by the opportunities available for patient investors. For instance, select common stocks are trading below tangible book value and working capital despite

attractive prospects. Attractive valuations have spawned increased mergers, acquisitions and takeovers of ABC Funds companies (i.e. Vector Aerospace, Daylight Energy and March Networks) and growing corporate share buybacks (i.e. Canam Group, Genworth Canada, etc.). We continue to believe that the recent market lows are transitory and that select common stocks offer exceptional longer term value.

PORTFOLIO PERSPECTIVES**Preparing For The New Year**

During the final quarter of 2011, we continued to consolidate and upgrade our holdings in all five ABC Funds portfolios in preparation for the 2012 New Year. Accordingly, we have sold our entire positions in Daylight Energy, March Networks, and Arbor Memorial Services, and lightened up on a number of other positions. Proceeds were used to purchase several high yield debentures,

and, on weakness, common shares of Martinrea, WestJet, Com Dev, Strad Energy Services, Genworth Canada, High Liner Foods and Twin Butte Energy. Looking to 2012 we are quite optimistic with regard to economic growth, corporate earnings and, ultimately, our ABC Funds portfolios.

January 2012

This is the third time in the past ten years that I have referred to the following commentary, which was originally written in October 2002 and reproduced in the October 2008 ABC Perspective. It is our view that the current market uncertainty of January 2012 has remarkable similarities to both earlier periods. Accordingly, my comments today are no different from both 2002 and 2008, and that despite different worldwide economic, financial and investment issues, I believe patient investors will once again be well rewarded over the next 12-18 months.

October 2008

I wrote this market commentary exactly six years ago. Strangely enough the investor angst of today is remarkably similar to what we experienced in October 2002 when investment pessimism was rampant. At that time no one cared about fundamental analysis such as book value, price/earnings and cash flow multiples or hidden assets. Panicky investors were fixated only on stock prices which were unduly depressed. Overall there was significant investment pain in spite of dirt cheap valuations. Ultimately, investor patience/staying power was key to the subsequent five year bull market. I believe that the investment antidote for October 2008 is no different from October 2002. It is our view that the patient, long-term oriented investor, despite his current pain, will be well-rewarded over the next 12-18 months.

The following is an excerpt from the ABC Perspective - October 2002 - Pg. 1

Pain Before The Gain

A good scare is worth more than good advice.

-Proverb

The period since March 2000 to today has been quite painful for investors. While March 2000 was the peak in the stock market for high technology shares, the sliding market has taken no prisoners. The good stocks have plummeted along with the bad ones. But this is not necessarily a negative since astute and cash-rich investors continue to have the opportunity to purchase undervalued, high-quality stocks at bargain-basement prices.

Presently I believe the stock market is going through a cathartic period. We are correcting the extraordinary excesses of the high technology/dotcom mania of late 1998 to early 2000. This cleansing process has become a spiritual renaissance to previously starry-eyed, hallucinating, greedy investors. It is leaving no stone unturned. No stock market has been left unscathed. For instance, the German Dax index has fallen over 60% from its 2000 highs whereas the TSE has declined by 45%, the S&P 44% and the NASDAQ has imploded by 75%. If we roll back the clock to the cocktail party chatter of three years ago one would have been privy to the incessant braggadocio of stock market gains by greedy dilettantes. Today, that chatter has given way to silence and the odd admission of an individual that he lost a "bundle". From a contrarian's point of view, this is a good sign.

In fact, I have read in several publications that since January 1, 2000 an estimated \$6-7 trillion has been

vaporized from the North American stock markets. Nortel alone would account for over \$350 billion. These weighty dollar amounts boggle the mind. I imagine that the vast majority of stock market investors must be suffering in silence because we hear very little bellyaching.

But I take a positive view on all this. I sense that the market angst of today, as difficult as it may be, will eventually lead to significant gains over the next 12-18 months. As this cleansing process continues to eradicate the last vestige of investment greed and fearless investor punting, I firmly believe common stocks will eventually fall to dirt-cheap levels. At that point they will provide for spectacular gains to the patient, long-term investor. In fact, some stocks have already bottomed.

In summation I believe this short-term pain will eventually lead to long-term gains in the stock market. Today, investor psychology is at depressed levels, money is fleeing mutual funds and many stocks are plunging below net asset values with accompanying low price/earnings and cash flow multiples. Eventually an unknown catalyst will appear. This catalyst will spark a huge market recovery. The key will be investor patience/staying power. I truly believe it is worth the wait.

Irwin A. Michael, CFA

Martinrea International Inc.

Martinrea International is a global supplier of automotive parts, including assemblies, modules and fluid management systems. The company has more than 10,000 employees in 37 plants located in Canada, the United States, Mexico, Brazil and Europe.

In our view, MRE represents an extremely attractive investment opportunity. Under the leadership of Executive Chairman Rob Wildeboer, MRE's strategy focuses on long-term growth both organically and through strategic acquisitions. In connection with its Q3 2011 results, management provided a favourable outlook for its North American business, which accounts for the majority of MRE's sales. In particular, the company expects 2012 North American vehicle volumes to remain steady or to increase. This is supported by the availability of financing, the present automobile scrap rate, which exceeds the sales rate, and the average age of vehicles, which at 10.2 years is significantly higher than in recent history.

On July 29th 2011, MRE acquired out of bankruptcy a 55% interest in Honsel AG, a German-based manufacturer of automotive parts. The remaining 45% of the company was purchased by Anchorage Capital Group LLC. Total consideration for the purchase (100%) was approximately \$129 million, and MRE and Anchorage have each invested an additional \$66 million of equity into Honsel to fund working capital and anticipated capital expenditures.

We believe the Honsel acquisition provides numerous strategic benefits to MRE. In addition to expanding its European business, where the company did not have a significant presence, Honsel was immediately accretive to MRE's third quarter earnings by \$0.06 per share despite only two months of contribution. Management expects that revenue and EBITDA from Honsel over the next twelve months could exceed \$680 million and \$41 million, respectively. Interestingly, the \$129 million consideration for the Honsel assets equates to approximately 18.1% of the purchase price paid by Ripplewood Partners to acquire the company from The Carlyle Group in 2004.

From a financial perspective, MRE's recently reported Q3 2011 results were impressive on all accounts. Sales increased 21% to \$572 million, which included \$147 million in revenue from the Honsel acquisition. Honsel also positively impacted the company's consolidated Q3 2011 gross margin, which increased by 1.3% to 10.9%.

Excluding Honsel, the company's gross margin would have been 9.5%. This resulted in significantly improved Q3 EPS to \$0.20 compared to \$0.14 in Q3 2010 – a 43% increase. The company also provided 2012 earnings guidance of \$1.05-\$1.25 per share, exceeding most analysts' expectations.

From a valuation standpoint, we believe Martinrea is extraordinarily inexpensive. In January 2011, the company's shares peaked at \$10.79, which we believe reflected investor optimism regarding the outlook for the automotive sector and MRE's anticipated roll-out of new products. However, the uncertain global macroeconomic outlook, combined with volatile equity markets, has resulted in an approximate 30% pullback in MRE's share price over the past twelve months.

We believe the retreat of MRE's share price is entirely unwarranted. Regardless of one's view of the global economy and automotive sector on the whole, at current levels, we believe MRE's deep discounted valuation should provide downside protection. To put this into context, MRE shares are presently trading at approximately 4.0x 2012 EV/EBITDA, which is at the low end of its historical trading range of 4-8x. In other words, the current stock price is effectively implying a trough valuation – which is typical during a recession and/or contracting business activity.

Considering management's optimism with respect to MRE's outlook, and the company's inexpensive share price, we were not surprised to see that on November 14th, 2011, Martinrea initiated a normal course issuer bid to repurchase up to 4,161,317 common shares of the company, which equates to 5% of its outstanding shares. In the preceding twelve month period, MRE repurchased 778,000 common shares at an average price of \$7.28 per share. The company remains well capitalized with \$56 million in cash and \$280 million of long-term debt.

ABC Funds first invested in MRE in June 2009 via a private placement financing, whereby we acquired a total of 2 million shares at a price of \$4.85 per share. Given our constructive view on MRE's outlook, we have recently taken the opportunity to add to our position on market weakness, and currently own the company in all five of our ABC Funds. As global economic uncertainty subsides and investors realize MRE's potential, we believe we will be substantially rewarded for our investment.

WestJet Airlines

WestJet Airlines is a leading Canadian airline company that provides scheduled service to 71 destinations in Canada, the United States, Mexico and the Caribbean. The company has more than 8,000 employees, and is the nation's second largest carrier. WestJet also offers travel packages through its WestJet Vacations subsidiary, which has partnered with a wide range of hotels and activity partners.

In our view, WestJet is a true gem amongst its peers, consistently achieving financial performance in the top tier of North American airline companies. A cornerstone of the company's business plan is its single fleet operation, which minimizes training, staffing and maintenance. The current fleet consists of 96 Boeing Next-Generation 737 series aircraft, and WestJet has firm commitments to take delivery of an additional 39 aircraft over the next six years. With certain aircraft leases set to expire, the company has the flexibility to end 2018 with a fleet size between 102 and 135 aircraft. At present, WestJet operates one of North America's more modern fleets, with an average age of 5.6 years.

As we have seen time and again, the airline industry is an inherently difficult business to operate. In recent history, several North American airlines, including Delta Airlines, US Airways and AMR Corporation, as well as Air Canada, have filed for bankruptcy protection. Faced with a challenging economy, complex scheduling, price-sensitive consumers, rising fuel costs, and union issues, many airlines have faced financial distress over the past few years. Conversely, WestJet's Q3 2011 financial results represented the 26th consecutive quarter of profitability for the company, which demonstrates its ability to sustain consistent earnings through all economic cycles.

WestJet's growth strategy includes new scheduled flight routes, airline partnerships, and its WestJet vacations business. Consistent with this objective, on November 23rd, 2011, the company announced it had been the successful bidder for eight slot pairs at New York's LaGuardia airport. We believe this is a significant announcement for WestJet, as it provides the company with a regular daily service route to New York, and to compete head-to-head with Air Canada in a very lucrative market.

WestJet is continuing to execute on its strategy of establishing partnerships with airlines around the world. At mid-December, the company had established interline relationships with 17 airline carriers globally and code sharing agreements with four airlines, including Cathay Pacific, American Airlines, KLM, and Japan Airlines.

A key point of differentiation between WestJet and other airline carriers is the company's exceptionally strong balance sheet. At Q3 2011, WestJet had \$1.3 billion in cash and \$894 million in debt. The company's strong financial position allowed it to initiate a \$0.05/share quarterly dividend in Q2 2010 and to actively repurchase shares in 2011. Although WestJet has not recently been active on its normal course issuer bid, given its current discounted valuation, we would not be surprised if the company reconsiders the repurchase of its stock.

With respect to financials, although WestJet's Q3 2011 revenue increased by approximately 13%, the impact of rising fuel prices, which increased 27% year-over-year, had a negative impact on the company's operating margin. The reduced margin contributed to a year-over-year decline in Q3 2011 EPS to \$0.28 compared to \$0.30 last year. However, it is worth noting that in 2010, WestJet generated an EBT (earnings before tax) margin of 7.8%, ranking it one of the most profitable carriers in the industry.

At its current share price of \$11.75, we believe WestJet's valuation is compelling. At present levels, the stock is trading at a 2012 P/E multiple of only 10.0x. Applying the 5-year industry average P/E multiple of approximately 15x suggests the stock could trade considerably higher in better market conditions.

In summation, we have a significant amount of confidence in WestJet's business prospects and management team, and continue to believe the stock is undervalued at current levels.

ABC Fully-Managed Fund (ABC FMF)

December 30, 2011

NAVPS	\$ 7.4610
C.G. Dist.	\$ 0.000000
Inc. Dist.	\$ 0.000000

Objective

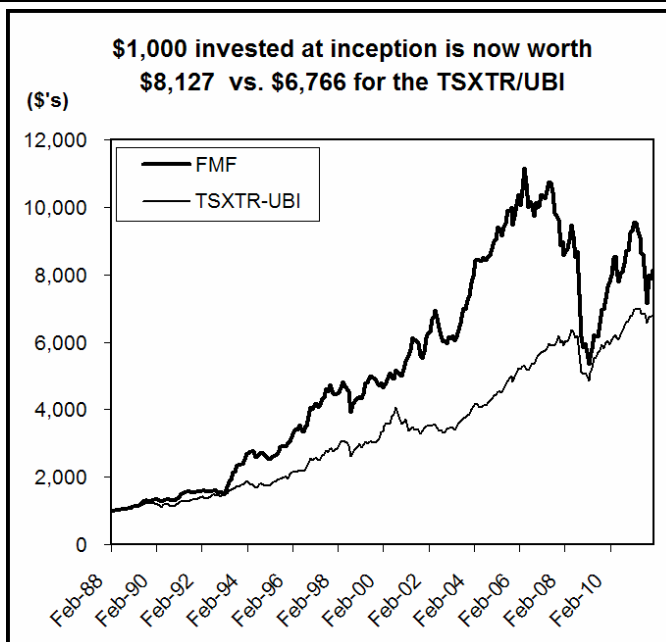
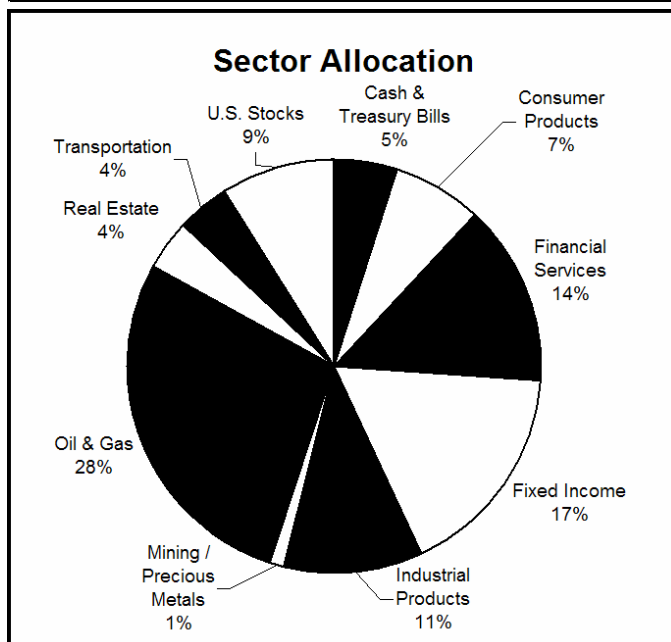
ABC Fully-Managed Fund is a diversified Canadian balanced fund. While our long-term asset mix target is 50% fixed income and 50% Canadian equities, in practice, our portfolio mix of stocks versus bonds is quite flexible to take advantage of periodic investment opportunities.

Performance of the Fund vs. the Benchmark

	Annualized Compounded Rates of Return		Annual Returns		
	ABC FMF (%)	TSXTR/UBI (%) **	ABC FMF (%)	TSXTR/UBI (%)**	
1 Month	3.14	-0.02	1989	23.68	17.20
Q4 2011	13.76	2.83	1990	2.17	-4.32
YTD	-11.97	-0.26	1991	14.69	17.35
1 Year	-11.97	-0.26	1992	-1.48	4.75
2 Year	3.17	5.86	1993	64.35	24.36
3 Year	10.83	10.03	1994	2.82	-2.64
5 Year	-4.12	3.68	1995	17.25	17.97
10 Year	2.87	6.75	1996	31.99	19.5
15 Year	4.80	6.85	1997	10.56	12.22
20 Year	8.60	8.19	1998	-2.02	3.84
Since Inception*	9.19	8.35	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
			2008	-33.46	-16.04
			2009	27.90	18.88
			2010	20.91	12.35
			2011	-11.97	-0.26

*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 Fully-Managed Fund, Statement of Investment Portfolio
December 30th, 2011

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.01825

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)	No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 4.47%				INDUSTRIAL PRODUCTS -- 11.44%			
15,058	Cash - CAD	15	15	1,750,000	Bennett Environmental Inc.	3,959	3,150
30,798	UBS Cash In Action Fund - CAD	3,080	3,080	600,000	Canam Group Inc.	5,612	2,460
541,390	STIC Liquidity Portfolio - USD	550	551	500,000	Martinrea International Inc.	3,538	3,725
TOTAL CASH		3,645	3,646	TOTAL		13,109	9,335
FIXED INCOME -- 16.81%				OIL & GAS -- 27.96%			
2,000,000	Aecon Group Inc. 7.00%, 09/30/2014	1,986	2,068	1,500,000	Essential Energy Services Ltd.	5,960	3,090
3,000,000	Canam Group Inc. 6.25%, 10/31/2015	2,995	3,053	350,000	Flint Energy Services Ltd.	4,183	4,470
2,500,000	Flint Energy Services Ltd. 7.50% 06/15/2019	2,472	2,472	350,000	Legacy Oil + Gas Inc.	4,002	3,668
2,015,000	Fortress Paper Inc. 6.50% 12/31/2016	2,015	2,049	924,500	Renegade Petroleum Ltd.	3,866	2,681
4,000,000	Sherritt International Corp. 8.00% 11/15/2018	4,000	4,075	675,000	Savanna Energy Services Corp.	4,638	5,029
TOTAL		13,468	13,717	TOTAL		25,915	22,808
COMMON STOCKS -- 78.72%				REAL ESTATE -- 4.29%			
MINING/PRECIOUS METALS -- 1.38%				U.S. STOCKS -- 8.64%			
2,500,000	Pacific Coal S.A.	3,150	1,075	137,500	Fly Leasing Ltd. ADS	3,168	1,753
1,250,000	Pacific Coal S.A., warrants	625	50	75,000	Kansas City Life Insurance Co.	4,439	2,506
TOTAL		3,775	1,125	200,000	Seaspan Corp.	5,168	2,786
TOTAL		3,775	1,125	TOTAL		12,774	7,045
CONSUMER PRODUCTS -- 7.02%				TOTAL COMMON STOCK			
350,000	High Liner Foods Inc.	2,694	5,723			77,268	64,216
TOTAL		2,694	5,723	TOTAL PORTFOLIO			
FINANCIAL SERVICES -- 13.67%						94,381	81,579
200,000	Equitable Group Inc.	3,745	5,000				
300,000	Genworth MI Canada Inc.	6,561	6,150				
TOTAL		10,306	11,150				
TRANSPORTATION -- 4.32%							
300,000	Westjet Airlines Ltd.	3,792	3,528				
TOTAL		3,792	3,528				

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)

December 30, 2011

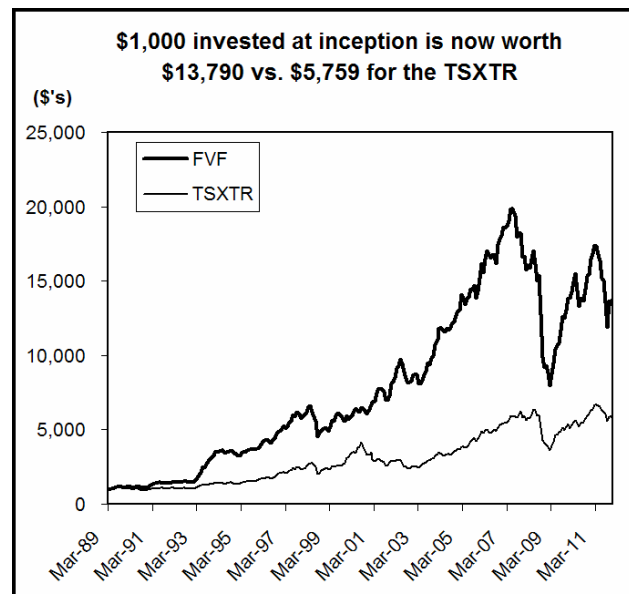
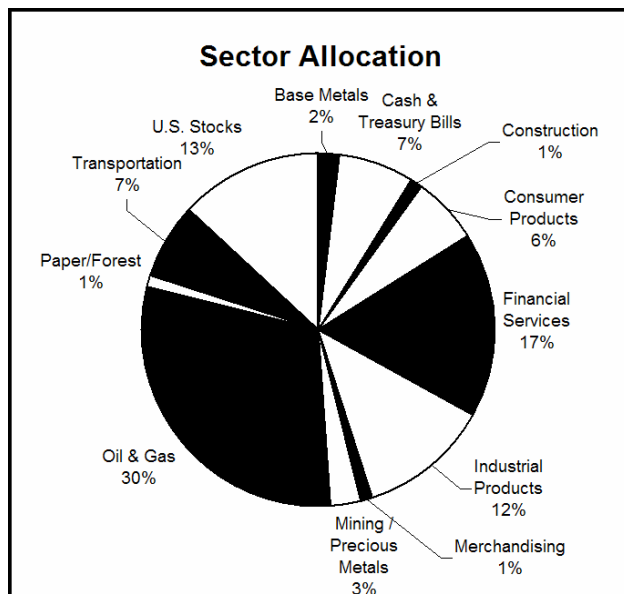
NAVPS	\$14.5642
C.G. Dist.	\$ 0.000000
Inc. Dist.	\$ 0.000000

ABC Fundamental-Value Fund seeks out fundamentally undervalued Canadian equities. Our extensive "value research" style attempts to ferret out overlooked and out of favour Canadian equities. With these discerning selections we cobble a diversified portfolio of small, medium and large capitalization Canadian value stocks. When fully invested and having discovered new, fundamentally attractive securities, our sell discipline forces us to cull our portfolios to liquidate the most expensive holdings.

Performance of the Fund vs. the Benchmark

	Annualized Compounded Rates of Return		Annual Returns	
	ABC FVF (%)	TSXTR (%)**	ABC FVF (%)	TSXTR (%)**
1 Month	2.77	-1.70	1990	-1.98
Q4 2011	16.29	3.59	1991	22.92
YTD	-16.40	-8.71	1992	4.26
1 Year	-16.40	-8.71	1993	121.75
2 Year	-0.14	3.62	1994	3.03
3 Year	13.88	13.18	1995	11.08
5 Year	-5.27	1.30	1996	31.75
10 Year	5.52	7.03	1997	20.35
15 Year	7.10	7.01	1998	-13.81
20 Year	12.06	8.69	1999	16.25
Since Inception*	12.23	8.01	2000	7.51
			2001	26.06
			2002	7.62
			2003	23.55
			2004	21.42
			2005	16.62
			2006	19.13
			2007	-7.86
			2008	-43.94
			2009	48.09
			2010	19.28
			2011	-16.40

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



ABC Fundamental-Value Fund, Statement of Investment Portfolio
December 30th, 2011

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.01825

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 7.40%			
124,237	Cash - CAD	124	124
283,396	UBS Cash In Action Fund - CAD	28,340	28,340
3,884,396	STIC Liquidity Portfolio - USD	3,941	3,955
TOTAL CASH		32,405	32,419

COMMON STOCKS -- 92.60%

MERCHANDISING -- 1.24%

503,500	Danier Leather Inc.	5,044	5,438
TOTAL		5,044	5,438

FINANCIAL SERVICES -- 16.58%

1,250,000	Equitable Group Inc.	25,833	31,250
1,350,000	Genworth MI Canada Inc.	29,106	27,675
25,850,000	Westaim Corp.	12,927	13,701
TOTAL		67,867	72,626

OIL & GAS -- 29.74%

6,350,000	Emerge Oil + Gas Inc.	21,424	7,811
5,250,000	Essential Energy Services Ltd.	22,478	10,815
2,250,000	Flint Energy Services Ltd.	28,170	28,733
9,375,000	Ithaca Energy Inc.	17,907	20,344
2,250,000	Legacy Oil + Gas Inc.	28,624	23,580
3,500,000	Renegade Petroleum Ltd.	15,170	10,150
3,500,000	Savanna Energy Services Corp.	23,860	26,075
1,285,250	Twin Butte Energy Ltd.	2,572	2,738
TOTAL		160,205	130,246

TRANSPORTATION -- 6.71%

2,500,000	Westjet Airlines Ltd.	29,241	29,400
TOTAL		29,241	29,400

CONSTRUCTION -- 1.22%

510,000	Aecon Group Inc., common	5,227	5,335
TOTAL		5,227	5,335

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
INDUSTRIAL PRODUCTS -- 12.17%			
3,250,000	Canam Group Inc.	32,442	13,325
5,875,000	Com Dev International Ltd.	16,496	12,044
3,750,000	Martinrea International Inc.	28,924	27,938
TOTAL		77,862	53,307

MINING/PRECIOUS METALS -- 3.07%

1,167,400	Energold Drilling Corp.	4,319	5,323
15,250,000	Pacific Coal S.A.	18,340	6,558
6,375,000	Pacific Coal S.A., warrants	3,188	255
5,000,000	Polaris Minerals Corp.	16,828	1,325
TOTAL		42,675	13,461

BASE METALS -- 2.30%

1,848,300	Sherritt International	9,197	10,092
TOTAL		9,197	10,092

CONSUMER PRODUCTS -- 6.00%

650,000	High Liner Foods, Inc.	8,051	10,628
1,605,700	Rona Inc.	19,313	15,640
TOTAL		27,364	26,268

PAPER & FOREST PRODUCTS -- 0.40%

25,000,000	Eacom Timber Corp.	11,967	1,750
TOTAL		11,967	1,750

U.S. STOCKS -- 13.16%

108,000	American National Insurance Co.	12,214	8,031
980,000	Fly Leasing Ltd. ADS	22,468	12,493
725,000	Blackstone Group LP	17,538	10,343
385,000	Kansas City Life Insurance Co.	21,852	12,866
1,000,000	Seaspan Corp.	25,671	13,930
TOTAL		99,742	57,663

TOTAL COMMON STOCK		536,390	405,586
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TOTAL PORTFOLIO		568,795	438,005
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ABC American-Value Fund (ABC AVF)

NAVPS	\$ 6.4061
C.G. Dist.	\$ 0.000000
Inc. Dist.	\$ 0.000000

December 30, 2011

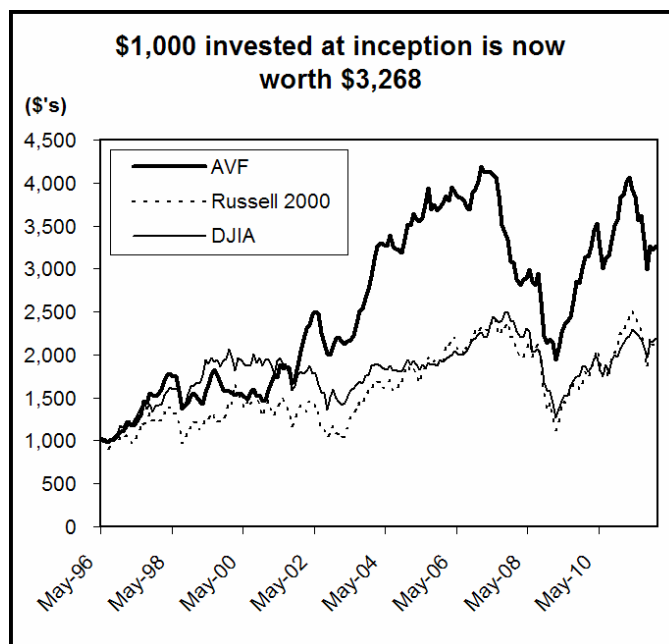
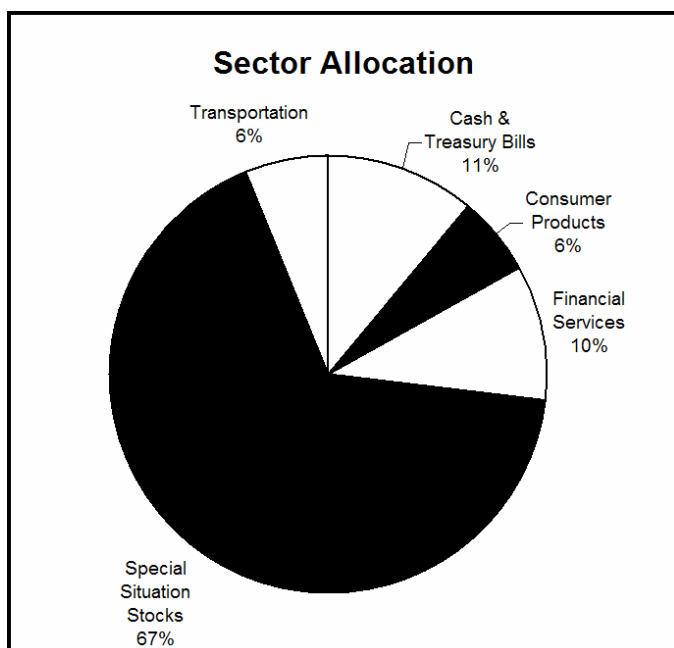
Objective

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	1.42	0.47	1.43	1997	38.76	20.52	22.64
Q4 2011	9.08	15.02	11.95	1998	0.75	-3.45	16.10
YTD	-14.80	-5.45	5.53	1999	1.47	19.62	25.22
1 Year	-14.80	-5.45	5.53	2000	-6.66	-4.20	-6.18
2 Year	1.92	8.85	8.24	2001	39.52	1.03	-7.10
3 Year	14.40	14.05	11.66	2002	6.91	-21.58	-16.76
5 Year	-4.04	-1.22	-0.40	2003	32.74	45.37	25.32
10 Year	4.78	4.25	2.00	2004	20.85	17.00	3.15
15 Year	7.47	4.88	4.35	2005	7.16	3.32	-0.61
Since Inception*	7.89	4.94	5.14	2006	6.65	17.00	16.29
				2007	-23.46	-2.75	6.43
				2008	-29.00	-34.80	-33.84
				2009	44.15	25.22	18.82
				2010	21.92	25.31	11.02
				2011	-14.80	-5.45	5.53

*Inception date for the Fund was May 2, 1996



ABC FUNDS

ABC American-Value Fund, Statement of Investment Portfolio December 30th, 2011

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 11.42%			
(401)	Cash - CAD	-	-
66,935	UBS Cash In Action Fund - CAD	6,694	6,694
151,327	STIC Liquidity Portfolio - USD	154	154
TOTAL CASH		6,848	6,848

COMMON STOCKS -- 88.58%

FINANCIAL SERVICES -- 9.64%

30,000	American National Insurance Co.	2,868	2,231
125,000	Blackstone Group LP	3,077	1,783
52,904	Kansas City Life Insurance Co.	3,030	1,768
TOTAL		8,975	5,782

CONSUMER PRODUCTS -- 6.46%

275,000	Flexsteel Industries Inc.	4,582	3,875
TOTAL		4,582	3,875

TRANSPORTATION -- 5.71%

137,500	Fly Leasing Ltd. ADS	3,159	1,753
120,000	Seaspan Corp.	3,321	1,672
TOTAL		6,480	3,425

exchange rate used is 1.01825

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
SPECIAL SITUATION STOCKS -- 66.76%			
2,350,000	Antrim Energy Inc.	2,478	2,773
1,250,000	Bennett Environmental Inc.	2,867	2,250
600,000	Canam Group Inc.	4,253	2,460
725,000	Enseco Energy Services Corp.	1,450	935
125,000	Equitable Group Inc.	2,533	3,125
225,000	Flint Energy Services Ltd.	2,751	2,873
175,000	Genworth MI Canada Inc.	3,788	3,588
1,520,000	Geodrill Ltd.	3,038	3,496
275,000	Legacy Oil + Gas Inc.	3,759	2,882
400,000	Martinrea	2,885	2,980
2,000,000	Pacific Coal S.A.	2,520	860
1,000,000	Pacific Coal S.A., warrants	500	40
650,000	Renegade Petroleum Ltd.	2,849	1,885
10,000,000	Royal Coal Corp.	2,500	500
5,000,000	Royal Coal Corp., warrants	0	25
500,000	Savanna Energy Services Corp.	3,412	3,725
7,500,000	Sea Dragon Energy Inc.	2,906	563
700,000	Strad Energy Services Ltd.	2,784	3,010
500,000	Tricon Capital Group Inc.	2,951	2,060
TOTAL		50,223	40,030
TOTAL COMMON STOCK		70,259	53,112
TOTAL PORTFOLIO		77,107	59,960

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

ABC North American Deep-Value Fund (ABC NADVF)

NAVPS	\$ 6.9630
C.G. Dist.	\$ 0.000000
Inc. Dist.	\$ 0.000000

December 30, 2011

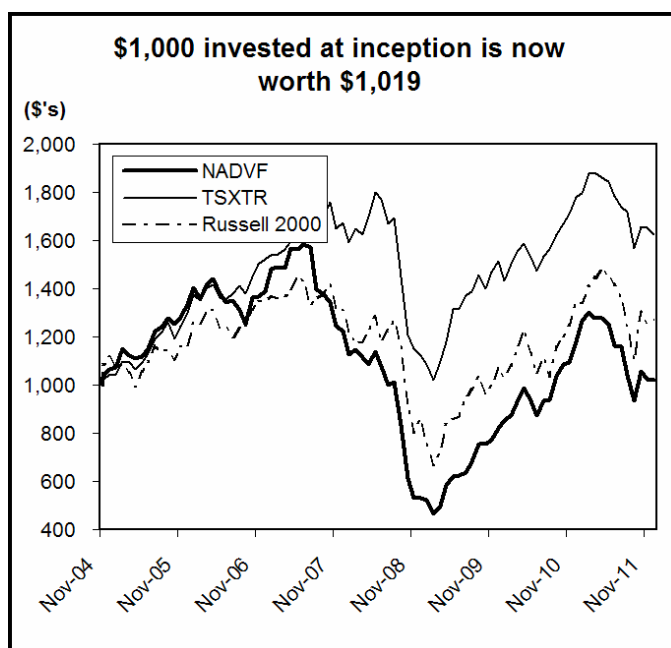
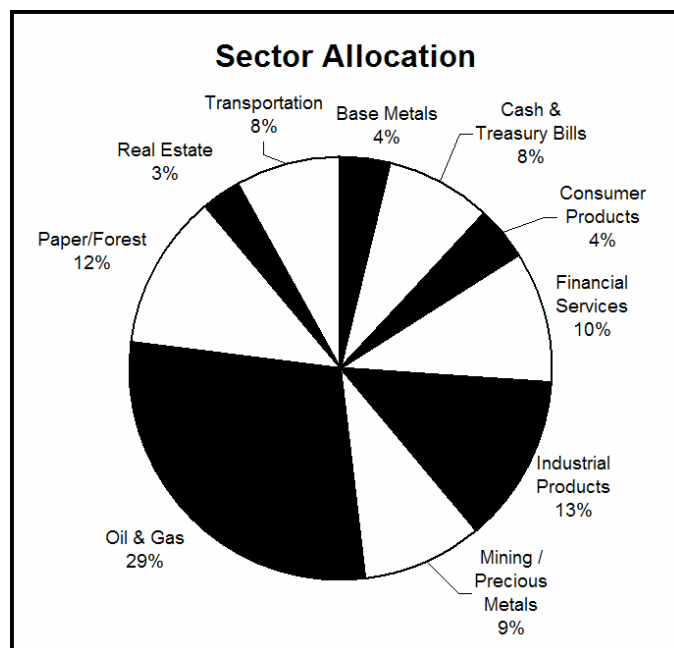
Objective

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	-0.68	0.47	1.43	-1.70	2005	25.49	3.32	-0.61	24.13
Q4 2011	9.11	15.02	11.95	3.59	2006	3.92	17.00	16.29	17.26
YTD	-13.63	-5.45	5.53	-8.71	2007	-11.81	-2.75	6.43	9.83
1 Year	-13.63	-5.45	5.53	-8.71	2008	-56.62	-34.80	-33.84	-33.00
2 Year	11.57	8.85	8.24	3.62	2009	54.07	25.22	18.82	35.05
3 Year	24.24	14.05	11.66	13.18	2010	44.14	25.31	11.02	17.61
5 Year	-6.01	-1.22	-0.40	1.30	2011	-13.63	-5.45	5.53	-8.71
Since Inception*	0.27	3.38	2.79	7.01					

*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 December 30th, 2011

all dollar amounts in thousands (cdn\$)

exchange rate used is 1.01825

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 8.41%			
16,078	Cash - CAD	16	16
75,214	UBS Cash In Action Fund - CAD	7,521	7,521
337,467	STIC Liquidity Portfolio - USD	344	344
TOTAL CASH		7,881	7,881

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CONSUMER PRODUCTS -- 4.40%			
250,000	High Liner Foods Inc., Class A	1,635	3,914
1,402,500	Jig-A-Loo World Inc.	1,148	210
TOTAL		2,783	4,124

COMMON STOCKS -- 91.59%

REAL ESTATE -- 3.30%

CANADIAN STOCKS -- 83.87%

831,050	Northampton Group Inc.	888	623
600,000	Tricon Capital Group Inc.	3,452	2,472
TOTAL		4,340	3,095

OIL & GAS -- 29.26%

BASE METALS -- 3.50%

3,200,000	Antrim Energy Inc.	3,363	3,776
1,400,000	Emerge Oil + Gas Inc.	4,758	1,722
725,000	Enseco Energy Services Corp.	1,450	935
2,500,000	Entrec Transportation Services Ltd.	2,500	2,875
250,000	Flint Energy Services Ltd.	3,980	3,193
300,000	Legacy Oil + Gas Inc.	3,360	3,144
850,000	Renegade Petroleum Ltd.	3,621	2,465
500,000	Savanna Energy Services Corp.	3,487	3,725
9,000,000	Sea Dragon Energy Inc.	3,412	675
1,050,000	Strad Energy Services Ltd.	4,858	4,515
181,000	Twin Butte Energy Ltd.	387	386
TOTAL		35,175	27,411

600,000	Sherritt International	3,150	3,276
TOTAL		3,150	3,276

MINING/PRECIOUS METALS -- 8.64%

FINANCIAL SERVICES -- 9.71%

500,000	Energold Drilling Corp.	968	2,280
1,810,000	Geodrill Ltd.	3,615	4,163
2,500,000	Pacific Coal S.A.	3,150	1,075
1,250,000	Pacific Coal S.A., warrants	625	50
10,000,000	Royal Coal Corp.	2,500	500
5,000,000	Royal Coal Corp., warrants	0	25
TOTAL		10,858	8,093

200,000	Equitable Group Inc.	3,747	5,000
200,000	Genworth MI Canada Inc.	4,433	4,100
TOTAL		8,180	9,100

TRANSPORTATION -- 3.77%

PAPER & FOREST PRODUCTS -- 11.91%

300,000	Westjet Airlines Ltd.	3,754	3,528
TOTAL		3,754	3,528

7,500,000	Eacom Timber Corp.	3,671	525
400,000	Fortress Paper Ltd.	3,119	10,636
TOTAL		6,790	11,161

INDUSTRIAL PRODUCTS -- 13.14%

U.S. STOCKS -- 3.95%

2,000,000	Bennett Environmental Inc.	4,147	3,600
500,000	Canam Group Inc.	4,907	2,050
1,250,000	Com Dev International Ltd.	3,382	2,563
550,000	Martinrea International Inc.	3,991	4,098
TOTAL		16,427	12,311

TRANSPORTATION -- 3.95%			
137,500	Fly Leasing Ltd. ADS	3,168	1,753
140,000	Seaspan Corp.	3,649	1,950
TOTAL		6,817	3,703

TOTAL COMMON STOCK 98,273 85,802

TOTAL PORTFOLIO 106,154 93,683

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ABC FUNDS

ABC Dirt-Cheap Stock Fund (ABC DCSF)

NAVPS	\$ 8.2814
C.G. Dist.	\$ 0.00000
Inc. Dist.	\$ 0.00000

December 30, 2011

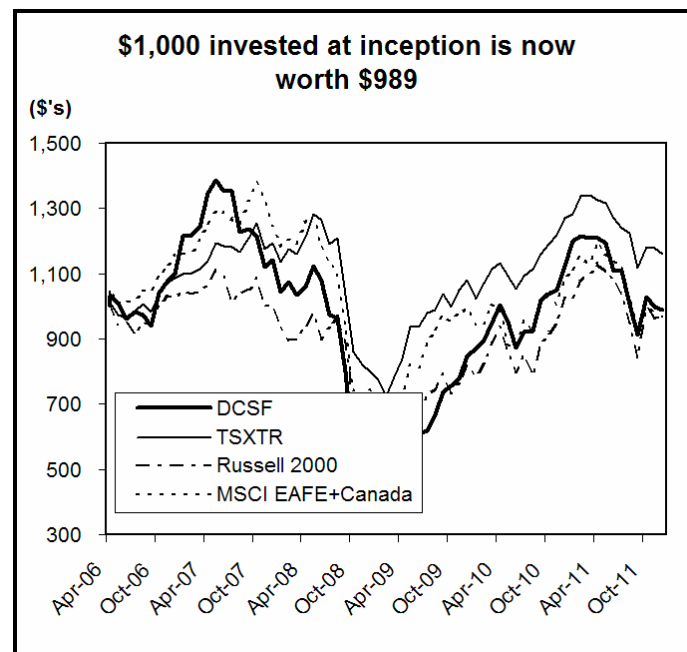
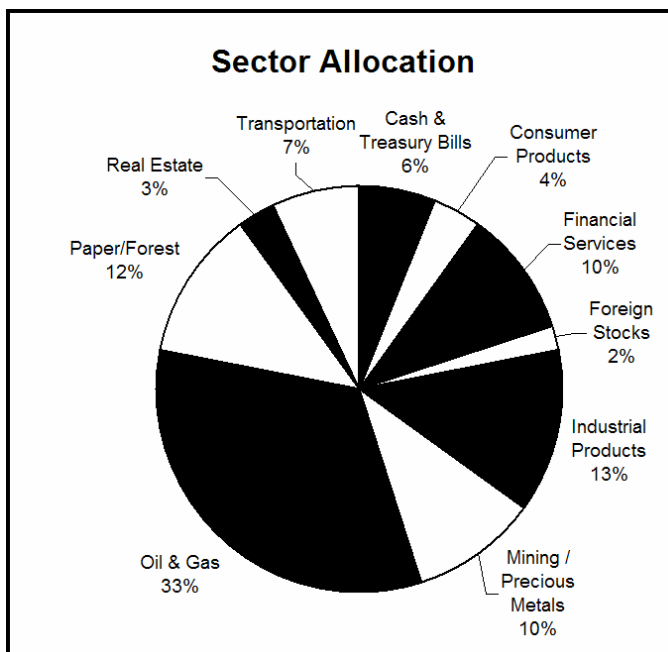
Objective

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	TSXTR**	MSCI	ABC DCSF	Russell	TSXTR**	MSCI	
		2000		EAFE***		2000		EAFE***	
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
1 Month	-0.95	0.47	-1.70	-1.07	2007	3.79	-2.75	9.83	8.08
Q4 2011	8.52	15.02	3.59	3.57	2008	-54.34	-34.80	-33.00	-40.69
YTD	-11.97	-5.45	-8.71	-11.78	2009	62.87	25.22	35.05	34.39
1 Year	-11.97	-5.45	-8.71	-11.78	2010	32.49	25.31	17.61	9.43
2 Year	8.00	8.85	3.62	-1.75	2011	-11.97	-5.45	-8.71	-11.78
3 Year	23.85	14.05	13.18	9.06					
5 Year	-2.08	-1.22	1.30	-3.62					
Since Inception*	-0.19	-0.57	2.63	-0.73					

*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 December 30th, 2011

all dollar amounts in thousands (cdn\$)

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- 5.66%			
14,653	Cash - CAD	15	15
49,143	UBS Cash in Action Fund - CAD	4,914	4,914
427,359	STIC Liquidity Portfolio - USD	433	435
TOTAL CASH		5,362	5,364

COMMON STOCKS -- 94.34%

CANADIAN STOCKS -- 86.17%

OIL & GAS -- 32.66%

3,200,000	Antrim Energy Inc.	3,364	3,776
1,000,000	Emerge Oil + Gas Inc.	2,874	1,230
725,000	Enseco Energy Services Corp.	1,450	935
2,500,000	Entrec Transportation Services Ltd.	2,500	2,875
250,000	Flint Energy Services Ltd.	3,980	3,193
1,625,000	Ithaca Energy Inc.	3,144	3,526
300,000	Legacy Oil + Gas Inc.	3,430	3,144
850,000	Renegade Petroleum Ltd.	3,621	2,465
500,000	Savanna Energy Services Corp.	3,482	3,725
9,000,000	Sea Dragon Energy Inc.	3,412	675
1,050,000	Strad Energy Services Ltd.	4,886	4,515
415,000	Twin Butte Energy Ltd.	887	884
TOTAL		37,030	30,943

MINING / PRECIOUS METALS -- 9.99%

916,200	Energold Drilling Corp.	1,722	4,178
1,810,000	Geodrill Ltd.	3,615	4,163
2,500,000	Pacific Coal S.A.	3,150	1,075
1,250,000	Pacific Coal S.A., warrants	625	50
TOTAL		9,112	9,466

INDUSTRIAL PRODUCTS -- 12.99%

2,000,000	Bennett Environmental Inc.	4,281	3,600
500,000	Canam Group Inc.	4,679	2,050
1,250,000	Com Dev International Ltd.	3,433	2,563
550,000	Martinrea International Inc.	3,991	4,098
TOTAL		16,385	12,310

MERCHANDISING -- 0.00%

2,157,900	CY Oriental Holdings Ltd.	2,411	0
799,998	CY Oriental Holdings Ltd., warrants	0	0
TOTAL		2,411	0

exchange rate used is 1.01825

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CONSUMER PRODUCTS -- 4.13%			
250,000	High Liner Foods Inc., Class A	1,635	3,914
TOTAL		1,635	3,914

PAPER/FOREST PRODUCTS -- 11.78%

7,500,000	Eacom Timber Corp.	3,682	525
400,000	Fortress Paper Ltd.	3,093	10,636
TOTAL		6,776	11,161

TRANSPORTATION -- 3.72%

300,000	Westjet Airlines Ltd.	3,754	3,528
TOTAL		3,754	3,528

FINANCIAL SERVICES -- 8.29%

150,000	Equitable Group Inc.	2,478	3,750
200,000	Genworth MI Canada Inc.	4,235	4,100
TOTAL		6,713	7,850

REAL ESTATE -- 2.61%

600,000	Tricon Capital Group Inc.	3,452	2,472
TOTAL		3,452	2,472

U.S. STOCKS -- 5.82%

TRANSPORTATION -- 3.61%

137,500	Fly Leasing Ltd. ADS	3,168	1,753
120,000	Seaspan Corp.	2,984	1,672
TOTAL		6,152	3,424

FINANCIAL SERVICES -- 2.20%

62,500	Kansas City Life Insurance Co.	3,514	2,089
TOTAL		3,514	2,089

FOREIGN STOCKS -- 2.35%

4,042,500	Harmony Asset Ltd.	2,830	2,223
TOTAL		2,830	2,223

TOTAL COMMON STOCK

		99,764	89,380
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TOTAL PORTFOLIO

		105,125	94,744
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Risk, Reward and Crowd Psychology

*I never invest in a situation
in which I cannot lose money.*

François Sicar, Chairman of Tocqueville Asset Management

Investing offers a direct relationship between risk and reward. In simple terms, the greater the risk an investor takes, the greater the reward should be. While there may be occasional exceptions to this rule, the general connection normally holds. The point is that while investment managers typically seek a return that exceeds their relevant benchmark, they accept the inevitable risks. In certain circumstances, this may result in a reported capital loss – which may either be realized or unrealized (i.e. “mark to market”), depending on whether the manager decides to exit the position.

To put this into context, sometimes winning investments can initially show a loss until a positive catalyst occurs – which can suddenly turn a losing position into a profitable one. In fact, three ABC Funds stocks that were taken over in 2011 initially showed losses until their fundamental, intrinsic worth was unlocked by a strategic acquirer. These companies included: Vector Aerospace, Daylight Energy and March Networks. In retrospect, we took a different perspective with regard to the purchase of these undervalued securities. However, we were severely tested by all three stocks despite their frustrating, deeply discounted valuations. In effect, we took a minority view and were forced to be remarkably patient until a positive transformational event occurred. This critical point leads us to a prime secondary but all-important issue of crowd psychology:

“For most people there is a tendency to be influenced by the opinions and judgments of others. Human nature dictates that we seek approval from our peers.

Thus people develop similar thought and behavior patterns. Majority opinions therefore constitute the mainstream point of view. Unfortunately, the investment process does not accommodate the majority. Financial success appears to be reserved for the creative minority; in other words, those who dare to be different seem to receive the rewards.”

Carroll D. Aby Jr., Point & Figure Charting

In summary, a successful investment process is neither easy nor straight line. Investors are constantly tested by a fickle marketplace fraught with conflicting micro and macro issues. Accordingly, it should be remembered that the road to investment success can be long and arduous. **It is a marathon and not a sprint.** Moreover, having conducted significant fundamental research and analysis, one should not be dismayed by unrealized initial losses, particularly with regard to contrarian investments. Invariably, a heavy dose of patience and stamina are required to go against the popular crowd psychology.

2011 was an extraordinarily difficult and complex investment year. The negative macro financial events in Europe and the constant fear of a double dip North American economic recession enervated investors. As we enter 2012, we remain remarkably upbeat with respect to our deep-value stock selections and the general economic outlook. In short, we believe that the current perceived risks are well worth the future significant rewards.

Irwin A. Michael, CFA

Administrative Information

- There will be no T3/T5 tax slips sent out this year as there were no income or capital gain distributions for any of the funds in 2011.
- T4s will be mailed out mid-February.
- Contribution slips for RRSP contributions made in 2011 will be mailed at the end of January 2012.
- Contribution slips for RRSP contributions made in the first 60 days of 2012 will be mailed at the end of March 2012.
- The RSP contribution deadline for 2011 contributions is February 29, 2012. All contributions must reach our office no later than this date.
- The Capital Gains/Losses Report for redemptions made in 2011 is included with your December 31, 2011 statement.
- All cheques are to be made payable to RBC Dexia.
- All client requests are to be directed to ABC Funds.

This newsletter is published by I.A. Michael Investment Counsel Ltd. and the ABC Funds
8 King Street East, Suite 700 Toronto, Ontario M5C 1B5 Telephone: (416)365-9696 Toll Free: 1-888-OPEN ABC Fax: (416)365-9705
Web sites: www.abcfunds.com www.valueinvestigator.com Email: info@abcfunds.com Value Line: 1-877-ABC-VALU or (416) 365-9442

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