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PRESENT PERSPECTIVES

Canada: On sale . . . and ready to be plucked

One of the notable characteristics of the free market system is its remarkable ability to self – correct and recalibrate to a new efficient course. For instance, Canada which had been the laughing stock of the Group of 7 nations from the mid 1980s till recently has now become the economic darling of the Western world and a role model for innumerable sickly nations.

Clearly our Canadian governments received “the message”. By the early 1990s they were redirecting our fiscal course away from out-of-control government spending deficits and overly intrusive government involvement in the private sector toward policies that spawned lower inflation, unemployment, wage and interest rates. While Canadians took some very painful short-term medicine we believe we are about to reap the longer-term benefits of our previous sacrifices.

It was exactly one year ago in our January 1997 ABC Perspective that we stated “the Canadian economy is all dressed up and ready to go”. We still strongly hold to this view. Our optimism now, as then, is a result of 10 important positive influences:

- 1) historically low interest rates
- 2) a fundamentally undervalued Canadian dollar
- 3) significant unused economic capacity utilization
- 4) ample available labour at non-inflationary wage rates
- 5) relatively low rent and real estate costs
- 6) abundant investment capital

- 7) considerable pent-up consumer and business demand
- 8) improving government spending deficits (even surpluses).
- 9) stable low inflation
- 10) solid corporate balance sheets

But a back slap with a “Bravo Canada” might prove to be a Pyrrhic victory. You see, amidst all our bullishness we do have a very major concern. We believe that Canada is on sale and we are sitting ducks ready to be plucked by opportunistic foreign investors paying with relatively expensive \$1.43 American dollars. For instance, Canadian corporate price earnings and balance sheet ratios are significantly lower than comparable foreign companies. And this fact is not surprising since our TSE 300 index has once again underperformed the U. S. and Western European stock markets in 1997, as it has for the past decade. At this time we suspect foreigners might be salivating when reviewing fundamentally cheap Canadian companies priced in a rock bottom currency vulnerable to friendly or unfriendly takeover bids (e.g. Harmac Pacific, Schneiders, etc.).

The real risk is: if Canadians do not uncover fundamentally cheap Canadian corporations, foreigners will do it for us. Four industry sectors which look particularly attractive to us as takeover / value targets include oil and gas, paper and forest, precious and base metal mining and steel manufacturing.



STATISTICAL PERSPECTIVES

BUSINESS INDICATOR	December 31st, 1997	September 30th, 1997	One Year Ago
TSE 300 Composite Index	6699.44	7040.23	5927.03
Dow Jones 300 Industrial Average	7908.25	7945.26	6448.27
3 Month Canada Treasury Bills	3.98%	3.09%	2.88%
Chartered Bank Prime Rate	6.00%	4.75%	4.75%
Long Term Canada Bond	5.96%	6.30%	7.11%
Canadian \$/U.S. \$	\$0.6988	\$0.7241	0.7301

ECONOMIC PERSPECTIVES

Flight to Quality : Part 2

Clearly the original complacent attitude by investors toward the Asian financial turmoil has turned into serious concern. Worldwide stock markets have severely corrected as bites of information have become publicized and investors have let their worst imaginative fears run wild.

We believe there is an interesting scenario developing. It is our opinion that a "flight to quality" to the relatively safe North American stock markets is in the process of taking place. As indicated last October, we believe that the Canadian and American equity and fixed income markets will be rediscovered by foreign and domestic investors searching for safe financial havens. Coincidentally, this would be happening at a

time when Canada is monetarily and fiscally getting its house in order.

The point we wish to reiterate is that the longer the Asian rim economic investment environment remains murky, the greater the potential of a massive international shift of \$billions to North America. The fact is that vast pools of money have to be invested worldwide regardless of financial turmoil. And as one would expect investment funds will tend to gravitate to those jurisdictions where there is relatively low risk and greater opportunity to earn a less-stressful financial return. If this scenario plays out, a huge mega capital shift could ultimately propel Canadian and U.S. stock markets to new record high levels..

INVESTMENT PERSPECTIVES

Throwing the Baby Out with the Bathwater

With all the Asian financial turmoil the North American markets have not been immune. At this point it is still too early to gauge the depth and real impact of this Asian turbulence on the North American economy and investment environment. However, in the short-term, we have detected heightened investor concern, nervousness and indecision.

Now with the U.S. and Canadian stock market price volatility increasing in crescendo, there appears to be positive implications for fundamental value stock pickers. Specifically, in the course of periodic hundred point market gyrations precipitated by flustered investors a

number of bargains are starting to appear. In effect many investors have been "throwing out the baby with the bathwater" in their haste to raise cash reserves to prepare for the unknown.

As judicious stock pickers we regard this queasy period as exciting and opportunistic. We remain on a constant search for "gems of value" which might be haphazardly tossed out in the market. Overall we are prepared to employ our limited cash reserves and also to switch from our existing holdings to better-valued new securities which will outperform when the market does recover.

PORTFOLIO PERSPECTIVES

Fully Committed

We have been fully invested in our three ABC Funds since September 1996 and remain fully committed to our optimistic investment outlook. The Asian financial turmoil, as serious as it may appear to be, we believe, will not have a long lasting negative effect upon North American equities. Nonetheless, while we expect continued share price volatility to persist throughout 1998 this

volatility will provide periodic buying and selling opportunities.

Our 1998 game plan is to be focused, proactive and opportunistic. We believe that 1998 will severely test investor patience and that our value-disciplined investment style should continue to provide for superior returns

ABC Reflections on 1998

From the second half of 1997 and entering 1998 we have attempted to upgrade our three ABC portfolios toward fundamentally cheap and out of favour stock picks which would outperform the markets for the next 12 – 18 months.

Our three ABC Funds which have been fully invested since September 1996 remain continuously on the look-out for fundamentally undervalued Canadian and U. S. stocks regardless of size. Undervalued sectors include: forestry, mining, steels and oil and gas. With the recent market decline a number of new attractive values are appearing. For instance, the oil and gas sector has been particularly hard hit such that it is cheaper to drill for oil on Bay Street as opposed to actually drilling for oil in Alberta or Saskatchewan. While we might be wrong, our sense is that individual company valuations are becoming “just too cheap”.

Our most favoured ABC holdings for 1998 include:

Top Canadian Holdings

Astral Communication	First Marathon Inc.
Future Shop	Oshawa Group
Stelco Inc.	Viceroy Resources
Moore Corp.	Barrington Petroleum
Crestar Energy	Noranda Inc.
Laurentian Bank	Anderson Exploration
Royal Aviation	Alliance Forest Products
Scott's Restaurants	Primex Forest Products

Top American Holdings

Bindley Western Industries	Chrysler Corp.
Occidental Petroleum	Ryland Group
Dell Webb	Great Atlantic & Pacific
LTV Corp.	Harveys Casino Resorts
Rouge Industries Inc.	MDC Holdings
Toastmaster Inc.	Birmingham Steel
Global Industrial Technologies	Rex Stores Corp.

Buying is Easy, Selling is Hard

Over 11 years ago I wrote an article for the Financial Post entitled "Buying is easy, selling is hard". While this piece wasn't exactly a Pulitzer prize winner, it did relate some of my inner thoughts on the portfolio management process. In many of our ABC meetings I have referred to this piece and so I have revisited the article, made some changes and offer this updated version for all to peruse.

Quickly, give me a four-letter word that is anathema to investors. Hint: it is not a profanity. Give up? Well the magic word is sell. But, before I explain, let me provide some background information.

I spent six years in university (including two years at a fancy Ivy League business school) studying the intricacies of securities analysis and portfolio management. My professors were quite capable and the courses were rather absorbing.

I learned all about Ben Graham's securities evaluation techniques, Harry Markowitz's theory of portfolio management and Bill Sharpe's famous "beta coefficient."

Yet, interesting as it all was, one thing consistently bothered me. Everything I learned was geared to "what to buy." Everyone was bullish. Even the titles of my textbooks were bullish – for example, Portfolio Selection (why not portfolio dismemberment?).

I remember asking my professors why our courses had this buying fixation. It was put to me that I was in college to learn how to analyze securities, build effective portfolios and ultimately to become a good money manager. I graduated honestly believing that selling was taboo and un-Canadian.

After securing employment and attempting to meld my newly acquired analytical skills with the real world. I gradually came around to understand my professors' earlier explanation. Firstly, I was entrusted to manage money and that meant analyzing investments and buying securities. Secondly, brokerage reports were mostly all geared to the buy side, too. I reckoned that for every sell report sent to me, I received around 10 buy reports.

But that wasn't all. Even the popular financial magazines and famous investment gurus corroborated this buy-mania with flashy headlines such as "The stock market's cream of the crop for the coming year",

"A dandy dozen to outperform the averages", or "An elite list of budding IBMs."

On the other hand, I have yet to see a publication or an investment analyst brazenly proclaim, "1998's top 10 stocks which are going down the tubes."

The problem is that all of us – professors, employers, investment dealers, investment magazines – are conditioned to buy. Our whole North American lifestyle, moreover, is conditioned to buying. We buy clothes. We buy junk food. We buy a chain saw.

The end result is that buying is down right easy. It is a positive, perfectly natural and possibly very patriotic action. Even our governments encourage us through their massive advertising campaigns to "buy" Canadian.

Selling, on the other hand, is hard. It has negative connotations, like a vote of nonconfidence or a prognostication of bad news. Also, it doesn't win you many new friends.

This, is best exemplified by a quotation I like: "If you warn 100 men of possible forthcoming bad news, 80 will immediately dislike you...and if you are so unfortunate as to be right, the other 20 will as well."

The selling process is a combination of art and science. I deeply respect the person who so astutely turned off the crescendo of the general public's buying mania and independently sold his silver coins at \$30 or \$40 an ounce in 1980; or the real estate investor who sold in early 1981 amid the white-hot buying frenzy; or the individual who liquidated fine art collections in the early 1980s when the auctions were swarming with slap-happy eager investors.

What is it that sets apart the person most adept at selling? I don't know whether we can define his or her personality. But from my experience it appears the successful seller is not necessarily the proverbial bear or eternal pessimist. On the contrary, successful sellers

are often excellent buyers with a good sniff for "value." Strangely enough, they may be canny, astute, flamboyant, conservative, or downright boring. There is, however, one frequent common characteristic and this is a sense of "value-discipline."

Astute sellers, I believe, fix a best-case value or target price to their individual investment holdings. Then, in a very steely, disciplined fashion, they liquidate their holdings when these price targets are reached.

Sometimes it is extremely difficult. Frenzied markets often carry the price of individual assets well beyond their fair value. For instance, selling gold at \$600 an ounce in early 1980, prior to the yellow metal's reaching \$800, might have appeared premature in the short term. But in the long term, this sale looked brilliant as the price subsequently tumbled to \$300.

How do we condition ourselves to this "value-discipline?" Again, I'm not sure. Even the most disciplined people sometimes get carried away by the general euphoria of overly exuberant markets.

Fads, crazes and even bull markets can and do substantially overshoot. Sometimes this crazy overshoot period may last for months or years. For instance, while the tulip bulb seller in 17th-century Holland or the astute value-disciplined stock seller in the 1920s might have been early sellers and eventually missed out on massive price movements, they both survived the subsequent price collapse of tulips and common stocks.

The difficult thing that this savvy value-discipline cannot gauge is the extent of the public's buying euphoria. The ultimate question is how long does this short-term price frenzy continue? One never knows till well after the fact. How long we may wish to hang around before cashing in our chips is a function of how greedy we are. This point, however, relates to another opinion I have on child psychology and investing. But I'll leave that for another day.

Irwin A. Michael, CFA

Attention ABC Fund Unitholders...

At this time of the year many financial books come on the market reviewing the Mutual Fund industry. One person we have a lot of respect for is **Gordon Pape**, who has been doing this for many years. We therefore have decided to buy a quantity of his "**1998 Buyer's Guide to Mutual Funds**". Unitholders who may want to read it should contact us and it will be our pleasure to mail one to you **FREE**.

We have finally decided on the dates for our unitholders meetings for 1998, to be held at our offices at 8 King Street East, Suite 500 in Toronto. Please call to confirm your attendance. We look forward to seeing you.

The dates are as follows:

Friday February 13th, 1998

Thursday April 9th, 1998

Friday July 10th, 1998

Friday October 9th, 1998

**** In the meantime, we wish you all the best for 1998 and hope it ends better than it has started. ****

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Please recycle this newsletter

ABC Fundamental-Value Fund (ABC FVF)

NAVPS 11.3589

Income dist. 0.7332865

Capital gain 1.2115825

Objective

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 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 of our holdings.

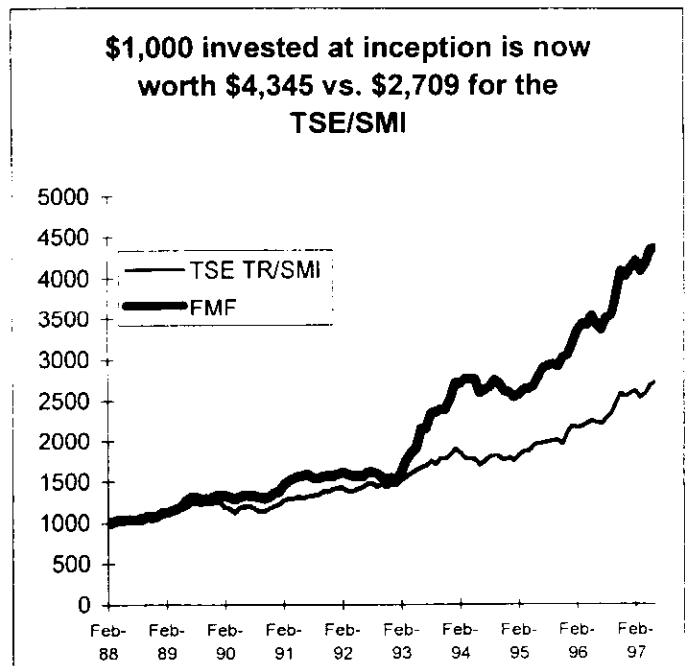
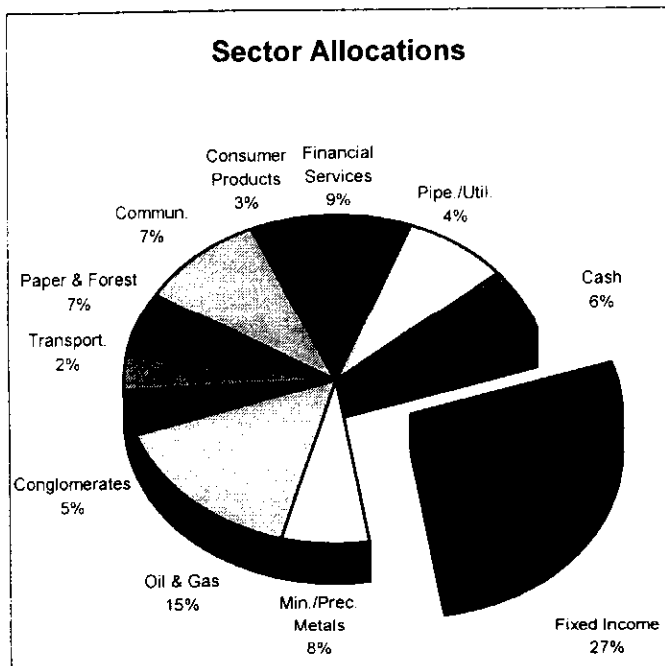
Performance of the Fund vs. The Benchmark

Compounded Rates of Return			Annual Returns		
	ABC FVF (%)	TSE 300 TR (%)		ABC FVF (%)	TSE 300 TR (%)
1 Year	20.35	14.98	1990	-1.98	-14.80
2 Year	25.92	21.48	1991	22.92	12.02
3 Year	20.76	19.12	1992	4.26	-1.43
4 Year	16.06	13.97	1993	121.74	32.55
5 Year	32.16	17.46	1994	3.03	-0.18
Since Inception	22.34	14.98	1995	11.08	14.53
			1996	31.75	28.35
			1997	20.35	14.98
			YTD '97	20.35	14.98
			4th Q/97	-4.24	-4.45
			Dec-97	3.47	3.08

Notes:

Inception date for the Fund is March 20th, 1989

TSE 300 TR represents the Toronto Stock Exchange 300 Total Return Index



December 31st, 1997

ABC Fundamental-Value Fund, Statement of Investment Portfolio

all dollar amounts in thousands

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
CASH -- (0.68%)			
	Cash	(1,888)	(1,888)
	CIA Stif 1	-	-
TOTAL CASH		(1,888)	(1,888)

COMMON STOCKS -- 100.68%**MINERALS/PRECIOUS METALS--7.60%**

1,100,000	Aur Resources Inc.	8,352	3,773
800,000	Battle Mountain Canada Ltd.	6,690	6,600
2,510,000	B.Y.G. Nat. Res. Inc.	1,910	803
255,000	B.Y.G. Nat. Res. P/W	0	2
753,000	Geomaque Exploration Ltd.	2,636	1,912
971,500	Intrepid Mnrls Corp.	1,068	350
500,000	Intrepid Mnrls Corp., P/Wts	0	5
1,250,000	Kap Resources Ltd.	3,755	3,625
1,500,000	Viceroy Resources Corp.	7,274	3,975
TOTAL		31,685	21,045

DIL & GAS -- 20.9%

750,000	Anderson Exploration	11,378	10,500
1,250,000	Archer Resources	7,985	8,188
1,000,000	Barrington Petroleum	5,371	4,600
350,000	Canadian Occ. Pet. Ltd.	7,823	11,323
550,000	Crestar Energy Inc.	14,148	12,100
500,000	Cyprus Energy Inc. sp/wts	2,575	2,100
3,000,000	Maxx Petroleum Ltd.	6,830	5,550
850,000	Richland Pete Corp.	3,859	3,612
TOTAL		59,969	57,973

INDUSTRIAL PRODUCTS -- 10.50%

1,500,000	Bovar Inc.	1,876	1,125
625,000	MFP Technology	4,932	7,031
425,100	Moore Corp.	11,577	9,139
1,250,000	Stelco Inc.	9,986	11,813
TOTAL		28,371	29,108

TRANSPORTATION -- 2.10%

1,000,000	Royal Aviation Inc. Sp/wts	5,000	5,950
TOTAL		5,000	5,950

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
COMMUNICATION -- 12.50%			
500,000	Astral Commun. Inc.	6,472	9,625
625,000	Cogeco Cable	5,163	8,156
500,000	Electrohome Ltd.	3,820	9,550
600,000	GTC Transcontinental	5,369	7,350
TOTAL		20,824	34,681

MERCHANDISING -- 14.20%

500,000	Beamscope Canada Inc.	3,737	5,650
425,000	Future Shop Limited	4,664	5,738
665,000	North West Co. Inc.	6,478	9,310
500,000	Oshawa Group Ltd.	9,982	12,500
1,250,000	Scott's Restaurants	6,237	6,250
TOTAL		31,098	39,448

FINANCIAL SERVICES -- 9.0%

650,000	First Marathon Inc.	10,726	13,293
650,000	Laurentian Bank - Inst. Rec.	10,383	11,798
TOTAL		21,109	25,091

PAPER & FOREST PRODUCTS -- 11.70%

600,000	Ainsworth Lumber Co. Ltd.	4,074	1,980
550,000	Alliance Forest Products	13,026	12,925
1,325,000	Noranda Forest Inc.	12,977	10,268
450,000	Riverside Forest Products Ltd	6,967	5,063
215,400	Taiga Forest Corp.	2,000	2,262
TOTAL		39,044	32,498

CONSUMER PRODUCTS -- 5.5%

1,050,000	Rogers Sugar - Inst. Rec	5,224	5,355
400,000	Schneider Corp.	4,898	10,000
TOTAL		10,122	15,355

REAL ESTATE -- 1.60%

1,400,000	Royop Properties Corp. Sp/wt	2,296	4,480
TOTAL		2,296	4,480

CONGLOMERATE --5.10%

575,000	Noranda Inc.	14,812	14,145
TOTAL		14,812	14,145

TOTAL COMMON STOCK	264,330	279,774
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TOTAL PORTFOLIO	262,442	277,886
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ABC Fully-Managed Fund (ABC FMF)

NAVPS 7.4493

Income dist. 0.0579266

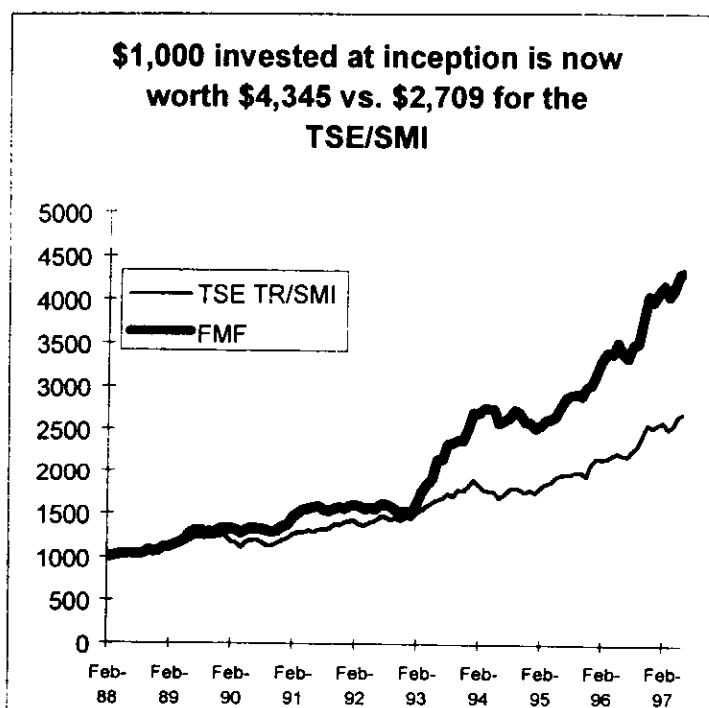
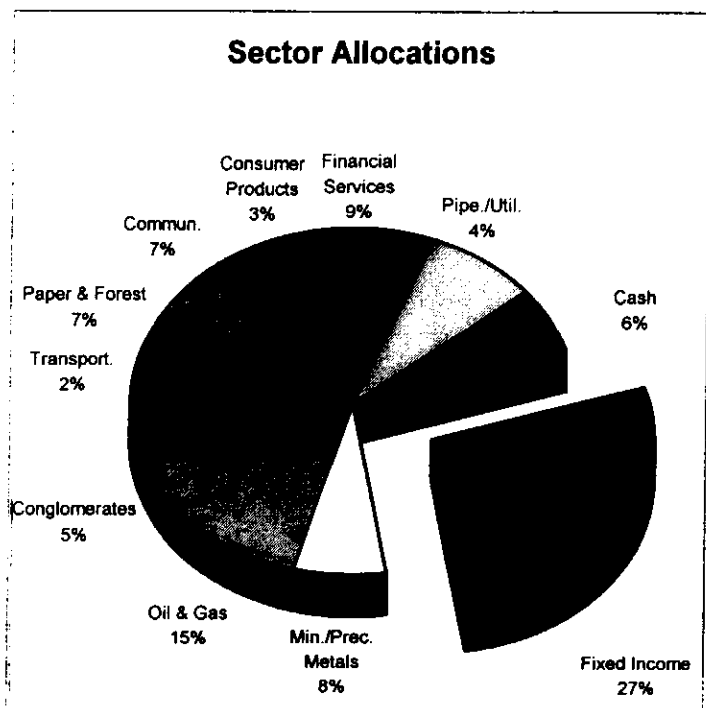
Capital gain 0.5771975

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.

Compounded Rates of Return to Dec. 31, 1997			Annual Returns		
	ABC FMF (%)	TSE 300 TR/SMI (%)		ABC FMF (%)	TSE 300 TR/SMI (%)
1 Year	10.56	12.47	1989	23.68	17.10
2 Year	20.8	16.26	1990	2.17	-4.08
3 Year	19.61	16.93	1991	14.69	17.08
4 Year	15.17	11.84	1992	-1.48	4.11
5 Year	23.66	14.4	1993	64.35	25.27
Since Inception	16.23	12.31	1994	2.82	-2.15
			1995	17.25	18.27
			1996	31.99	20.18
			1997	10.56	12.47
			Year to Date	10.56	14.10
			4th Q/97	-5.97	-1.44
			Dec/97	-0.43	0.20

Notes:
Inception date for the Fund is February 22nd, 1988
TSE 300 TR represents the Toronto Stock Exchange 300 Total Return Index
SMI represents the Scotia McLeod Universal Bond Index



December 31st, 1997

ABC Fully-Managed Fund, Statement of Investment Portfolio

all dollar amounts in thousands

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
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CASH -- 6.05%

	Cash	3	3
	CIA Stif 1	2,963	2,963
2,000,000	Canada T-Bill 02/19/98	1,983	1,983
	TOTAL CASH	4,949	4,949

FIXED INCOME -- 27.55%

10,000,000	Government of Canada Bond 5.75%, March 1, 1999	9,992	10,075
12,500,000	Government of Canada Bond 4.00%, March 15, 1999	12,533	12,444
	TOTAL FIXED INCOME	22,525	22,519

COMMON STOCKS -- 66.40%**MINERALS/PRECIOUS METALS--6.80%**

400,000	Aur Resources Ltd.	2,702	1,372
1,025,000	Bellator Exploration Inc.	1,350	2,050
363,800	Breakwater Resources Ltd.	3,274	1,491
1,875,000	Eastmain Resources Inc.	1,031	656
	TOTAL	8,357	5,569

OIL & GAS -- 15.40%

200,000	Anderson Exploration	3,110	2,800
100,000	Canadian Occ. Pet. Ltd.	2,208	3,235
150,000	Crestar Energy	3,754	3,300
1,130,000	Oxbow Exploration Inc.	1,695	1,401
700,000	Viceroy Resources	2,383	1,855
	TOTAL	13,150	12,691

CONGLOMERATES -- 4.5%

150,000	Noranda Inc.	3,837	3,690
	TOTAL	3,837	3,690

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
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PAPER & FOREST -- 6.50%

14,500	Alliance Forest Products	341	340
350,000	Noranda Forest Inc.	3,461	2,713
375,000	Primex Forest	2,594	2,287
	TOTAL	6,396	5,340

COMMUNICATION -- 9.60%

200,000	Astral Commun. Inc.	2,666	3,850
140,000	Cogeco Cable Inc.	1,264	1,827
175,000	GTC Transcontinental	1,553	2,144
	TOTAL	5,483	7,821

INDUSTRIAL PRODUCTS/SERVICES -- 3.30%

125,000	Moore Corp.	3,470	2,689
	TOTAL	3,470	2,689

FINANCIAL SERVICES -- 9.40%

200,000	First Marathon Inc.	3,486	4,090
200,000	Laurentian Bank - Inst Rec	3,101	3,630
	TOTAL	6,587	7,720

MERCHANDISING -- 8.00%

200,000	North West Co. Inc.	1,987	2,800
150,000	Oshawa Group Ltd. "A"	2,985	3,750
	TOTAL	4,972	6,550

CONSUMER PRODUCTS --2.80%

450,000	Rogers Sugar - Instl. Rec.	2,239	2,295
	TOTAL	2,239	2,295

TOTAL COMMON STOCK	54,491	54,265
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TOTAL PORTFOLIO	81,965	81,733
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ABC American-Value Fund (ABC AVF)

NAVPS 5.8316

Income dist. 0.1280782

Capital gain 1.0030243

Objective

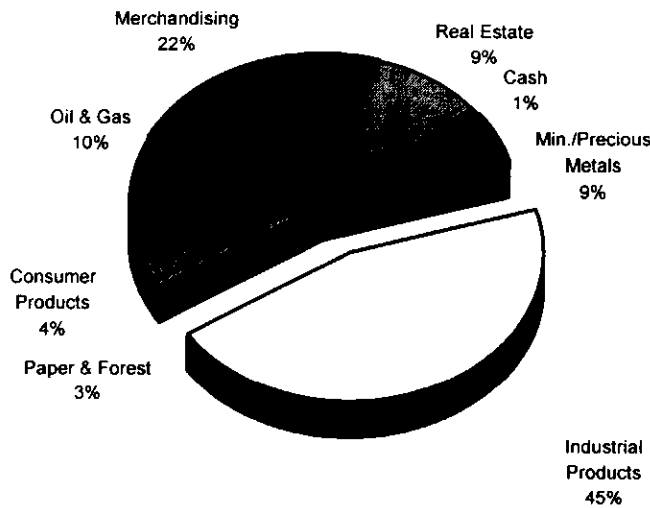
ABC American-Value Fund searches out fundamentally-undervalued American and foreign U.S. stock exchange listed common shares. While using the same investment techniques as our two Canadian ABC Funds, the American market due to its sheer size provides us with extensive value opportunities. The American-Value Fund moreover, unrestrained by the Canadian 20% RSP limits, offers us as investment managers, maximum portfolio flexibility.

Performance of the Fund vs. U.S. Benchmarks

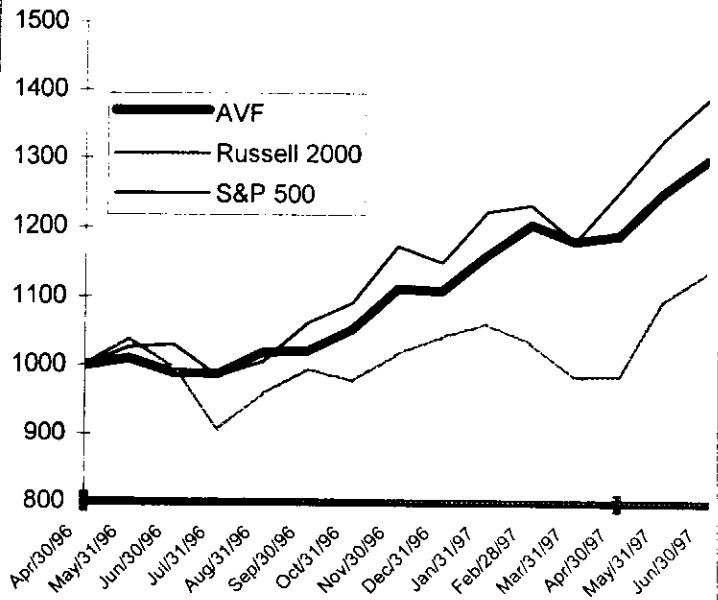
	ABC AVF (%)	RUSSELL 2000 (%)	S&P 500 (%)
1 Month	1.51	1.65	5.48
4th Q/97	-0.76	-3.70	9.84
Year to Date	38.76	20.50	39.20
1 Year	38.76	20.5	39.20
Compounded Since Inception	29.51	14.59	34.43

Note: Inception date is May 2nd, 1996

Sector Allocations



\$1,000 invested at inception is now worth \$1,181



December 31st, 1997

ABC American-Value Fund, Statement of Investment Portfolio

all dollar amounts in thousands

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
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CASH – 0.7%

	Cash	(122)	(122)
	CIA Stif 1	267	267
	TOTAL CASH	145	145

COMMON STOCKS – 99.30%**MINERALS/PRECIOUS METALS – 5.60%**

85,000	Aur Resources	543	292
100,000	Breakwater Resources Ltd.	900	410
70,000	Greenstone Resources	945	476
	TOTAL	2,388	1,178

OIL & GAS – 9.20%

15,000	Canadian Occ. Pet. Ltd.	340	485
37,500	Crestar Energy	825	825
15,000	Occidental Petroleum Inc.	503	629
	TOTAL	1,668	1,939

MERCHANDISING – 22.30%

17,500	Bindley Western Ind. Inc.	509	773
40,000	Brown Group	857	762
20,000	Great Atlantic & Pacific	726	850
50,000	Rex Stores Corp.	763	733
40,000	Syms Corporation	744	680
70,000	Value City Dept. Stores Inc.	819	889
	TOTAL	4,418	4,687

PAPER & FOREST PRODUCTS – 2.80%

75,000	Noranda Forest	761	581
	TOTAL	761	581

No. Of Shares	Description	Total Cost (\$)	Market Value (\$)
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INDUSTRIAL PRODUCTS/SERVICES – 45.70%

10,000	Arvin Industries Inc.	321	477
37,500	Birmingham Steel Corp.	828	845
25,000	Excel Industries Inc.	755	776
32,500	Global Ind. Technologies	817	788
1,000,000	Lava Systems	1,010	1,300
40,000	LTV Corp.	732	565
32,500	Moore Corp.	841	699
35,000	Rouge Industries	773	607
30,500	Ryland Group Inc.	599	1,032
37,500	Sunrise Medical Inc.	822	828
125,000	Toastmaster Inc.	889	749
25,000	Webb Del Corp.	553	930
	TOTAL	8,940	9,596

CONSUMER PRODUCTS/SERVICES – 4.20%

17,500	Chrysler Corp.	790	881
	TOTAL	790	881

REAL ESTATE – 9.00%

30,000	Harveys Casino Resorts	774	891
50,000	M.D.C. Holdings	788	1,078
	TOTAL	1,562	1,969

TOTAL COMMON STOCK 20,527 20,831**TOTAL PORTFOLIO** 20,672 20,976

Capricious Fame

While rummaging through our files recently we came across an article we had published over 13 years ago. We believe the article's conclusion still holds true today.

"I remember in Arkansas they made a commemorative stamp with my picture on it. I learned a lesson. After we lost, they had to do away with the stamp because everybody was spitting on the wrong side."

Former Arkansas football coach Lou Holtz, now coaching at The University of Minnesota on the transitory nature of fame.

- Toronto Star, September 1984

Let's face it – the world loves a winner. Sentimentality aside, publicity, fame and riches are only heaped on the winners. The homerun king in baseball, the prolific goal scorer in hockey or the touchdown hero in football. Miss a crucial 18th hole putt, boot an easy grounder in the final inning of the World Series or fan on an easy baseline shot in a champion tennis match, and suddenly, you experience fleeting fame. Moreover, once out of the limelight through retirement, injury or "sitting on the bench," previously well known personalities tend to be easily forgotten.

It is little different in the stock market. You see, the stock market, too, loves a winner – as long as the winner (equity analyst, portfolio manager or salesman) keeps on picking profitable equity selections. Run a string of losers and suddenly, like the former star hockey player now sitting on the bench, the stock picker loses his following. The fact is that the market is very capricious.

For instance, investors, the media and long-time stock watchers will jump very easily on a rising star's bandwagon. Through media hype (press, radio, TV and maybe cross country road shows) and unreasonable investor greed/expectations,

numerous precedents for the rise and fall of these investment personalities. Over the past few years several quite easily come to mind, which leads us to our point...

...The stock market can be very rewarding (monetarily and psychologically), exciting and, at the same time, very treacherous for the greedy and disrespectful. For today's "star" equity analyst, portfolio manager or salesman, it is our belief that such new found fame and fortune can often go to one's head. And again, there is little wonder, since the market loves a winner (it will heap incessant publicity on its heroes). The very difficult discipline, we believe, is for this new investment star to blot out this sudden fame and fortune and stick to the basics (fundamentals, technical analysis, stock picking etc.) which brought him or her to the top of the class in the first place. This success formula is, however, unfortunately much easier said than done. That the transitory nature of fame (to most people) often comes and goes quite quickly is a point, we feel, quite worthy of our reflection.

Irwin A. Michael, CFA

the investment "wunderkind" will be followed (and worshipped) very closely – that is, until his/her prognostications go awry. And there are