



THE COMPANY

Ameron International Corporation is a multinational manufacturer of products and materials for the chemical, industrial, energy, transportation and infrastructure markets.

FINANCIAL DATA

Table with 4 columns: Metric, 2000, 2001, 2002e. Rows include Earnings per Share, Price to Earnings, Dividend, Dividend Yield, Book Value, and Price to Book.

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT AMERON

Ameron's share price has come under pressure since July amid growing concerns over an economic recovery in U.S. industrial spending and a perceived political risk associated with some of the Company's subsidiaries that operate in the Middle East.

Having declined from a May 2002 peak price of \$78, we believe Ameron shares are now fundamentally undervalued. Ameron shares currently sell at a 12% discount to expected year-end book value of \$59, under 8 times earnings per share of approximately \$7 and less than 5 times cash flow per share of about \$12.

Despite a cautious outlook for the manufacturing and energy sectors, there have been some positive developments for Ameron, which should help to offset declining sales in these markets. In May Ameron's Water Transmission Group was awarded a \$57 million contract to supply steel pilings to repair the eastern foundation of the San Francisco/Oakland Bay Bridge that was damaged during the 1989 earthquake.

We expect the macroeconomic and political risks currently associated with Ameron will eventually subside and the Company's multiple will return to its historical average of between 10 and 12 times earnings. A multiple expansion combined with earnings growth presents compelling upside potential for Ameron's shares.

UPDATES

On January 23rd Ameron announced that earnings for 2002 increased by 1.1% to \$6.97 per share from \$6.89 per share a year ago despite very soft market conditions for its products. Sales fell 2.1% from \$551.4 million in 2001 to \$539.5 million in 2002 led by lower sales at two of its four business divisions.

One of these two divisions, the Fiberglass-Composite Pipe Group, develops and manufactures filament-wound and molded fiberglass pipe fittings. These fittings are marketed as an alternative to metallic piping systems, which ultimately fail under corrosive operating conditions. Customers for these products include many of the oil producing companies who use the fiberglass pipes for service stations, aboard marine vessels and on offshore oil platforms. Despite the recent spike in the price of oil, drilling activity levels in the US remain low while OPEC production levels continue to decline. Consequently, demand for Ameron's Fiberglass pipes remain weak.

Two divisions that continue to perform well are Ameron's Water Transmission Group which supplies products and services used in the construction of water pipelines and the Infrastructure Products Group, which supplies ready-mix concrete and steel poles for highways. Sales at these two divisions are counter-cyclical since most of their customers are local, state and federal agencies. During times of economic weakness, governments tend to increase fiscal spending to put people back to work; for example by building new or improving bridges and highways. The outlook for these two divisions remains positive with the Water Transmission Group ending the year with a \$151 million backlog.

In November Ameron added three new independent board members to its team. Ameron's board of directors will now total nine members, eight of which are independent directors. CEO James Marlen represents the only Ameron executive on the board. We consider these additions a positive step for Ameron given the weight that many investors, including ourselves, place today on good corporate governance.

We continue to believe Ameron shares represent good value for investors willing to ride out the current economic environment. Ameron shares currently sell at a \$5 discount to its book value of \$60, under eight times earnings of \$6.97 and under five times cash flow of around \$12. Also, with an annual dividend of \$1.28 per share, Ameron shares currently yield over 2.3%. We believe upside potential remains as Ameron shares have historically traded between 10 and 12 times earnings during normal economic conditions.

ABC Funds
January 31, 2003

On March 26th, Ameron reported earnings of \$.54 per diluted share on sales of \$130.6 million for the three months ended February 28, 2003. This compared with earnings of \$0.43 per diluted share on sales of \$120.7 million for the first quarter of 2002. It is interesting to note that Ameron's performance in the first quarter, which is typically the company's weakest due to seasonality, "exceeded expectations" according to its Chairman and CEO James S. Marlen. As a result, Marlen says the outlook for the remainder of 2003 has improved.

One day later, Ameron announced that its Board of Directors had declared a quarterly dividend of 40 cents per share representing a 25% increase over the previous dividend level. Additionally, the Board of Directors declared a two-for-one stock split for shareholders of record on May 1, 2003. Marlen believes the stock split will result in wider ownership and improved liquidity for shareholders. Also, Marlen expressed that the increased dividend payout is representative of management's favourable long-term outlook for Ameron's future business prospects and cash generating capabilities.

We continue to believe Ameron shares are undervalued in the market. The shares trade under 8 times 2002 earnings of \$6.97, and just under its book value of \$54. Also, with the annual dividend increased to \$1.60 per share, Ameron shares now yield over 3%.

ABC Funds
March 28, 2003

Ameron shares have increased 44% in price from our initial purchase in November 2002. This performance can be attributed to an improving U.S. economy, a perception of less political risk at its Middle East subsidiaries and the belief that Ameron will win new business in rebuilding Iraq. It should also be noted that during this time Ameron increased its dividend 25% from \$1.28 to \$1.60 per share and later announced a 2 for 1 stock split.

It is important to note that Ameron is a very cyclical company and should trade between 10 and 12 times earnings, which last year was around \$3.49 per share. When Ameron's price reached its current valuation of approximately \$34.50, we chose to be prudent and sold our position. In making this decision, we also weighed in two other considerations. The first was our concern

UPDATES (cont'd)

pertaining to the status of Ameron's employee pension fund. At the end of last year, Ameron's pension fund was underfunded by \$45 million or over \$5 a share. The second is the fact that Ameron CEO James Marlen has personally been selling shares in the company. For example, in the month of July Marlen sold over 400,000 shares of Ameron at prices between \$31 and \$34 per share.

Moreover, based upon our deep value purchase disciplines, we now believe that Ameron shares are no longer undervalued at these levels. When we purchased Ameron last year it was trading at a 20% discount to its book value of \$30 (\$60 pre-stock split) and trading at under 7 times earnings. The shares now trade at a 30% premium to its tangible book value of \$27 (\$54 pre-stock split) and at 10 times last year's earnings of \$3.49 (6.97 pre-stock split). We might, however, reconsider the stock for repurchase if it once again becomes attractive.

ABC Funds

September 19, 2003