

THE COMPANY

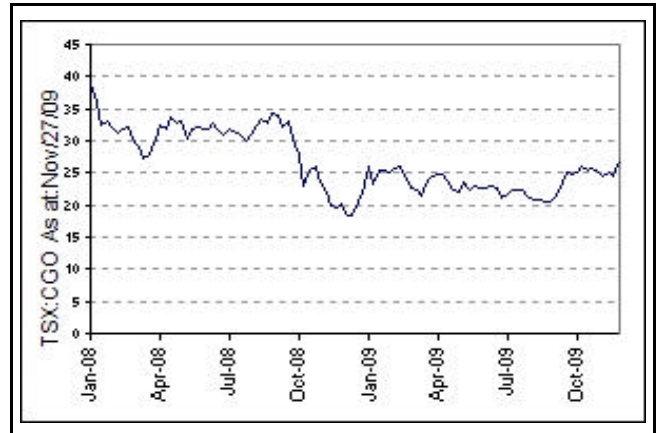
Cogeco Incorporated (TSX: CGO) is a diversified communications company that provides cable distribution and radio broadcasting. Cogeco's publicly-traded cable subsidiary, Cogeco Cable Incorporated (TSX: CCA), offers analogue and digital cable, high speed internet and telephony services to residential and commercial customers. It is the second largest cable telecommunications Company in Ontario, Quebec and Portugal with approximately 2.7 million revenue-generating units from over 2.4 million homes that are passed by its network.

FINANCIAL DATA

	2006	2007	2008
Earnings per Share (\$)	1.40	4.50	1.50
Price to Earnings (times)	15.7	4.9	14.7
Dividend (\$)	0.25	0.27	0.28
Dividend Yield (%)	1.14	1.23	1.27
Book Value (\$)	19.29	23.54	25.15
Price to Book Value (times)	1.14	0.93	0.87

Note: Data for Cogeco Inc. (TSX:CGO)

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT COGECO

During recessions, people generally look for small comforts and little "pick-me-ups" as we cut back on more expensive luxuries. Cable TV, internet access and services such as video-on-demand are now substitutes for an expensive night out for dinner. In the current environment, we think that cable and internet providers offer a nice mix of defensiveness and growth. In the sector we prefer both Cogeco and Cogeco Cable. To clarify, we own both the parent and the subsidiary because they are relatively thinly traded stocks. To get full positions for our funds we had to purchase both CGO and the more liquid CCA.

We view the parent entity, Cogeco, as a net asset value play that trades at a discount to its sum of the parts. Cogeco holds approximately 15.7 million shares of Cogeco Cable, or 32% of the outstanding shares, in addition to some radio assets. The radio division includes the Rythme FM Network, which has four stations throughout the province of Quebec and Station 93 in Quebec City. Using the current price of Cogeco Cable, we believe that Cogeco trades at more than a 20% discount to its net asset value. Historically, the discount has ranged from approximately 20% to only 5% so we could see some upside in CGO should this discount narrow.

Further, we think that Cogeco Cable is itself a cheap stock. Management recently updated financial guidance for fiscal 2009 and forecasted \$500 million in operating income and \$80 million of free cash flow for the cable division. Today, Cogeco Cable trades at a discount to Rogers Communications (EV/EBITDA of 5.5x compared to 6.3x trailing and 5.9x compared to 6.4x forward) despite a higher consensus EBITDA growth rate (12.5% compared to 5.1% in 2009). Narrowing the valuation discount relative to Rogers should be a two pronged-approach for management.

First, there is plenty of room for Cogeco Cable to improve its penetration rates relative to its peers. Penetration rates are used to measure and compare the number of subscribers relative to homes passed by the Company's installed network. Currently, Cogeco Cable lags Rogers Communications in several key categories: basic video at 56% compared to 65%, digital video at 31% compared to 44% and internet at 32% compared to 45%, respectively. Increased penetration will come over time, as marketing initiatives and service bundling gain traction.

Second, the resolution of Cogeco Cable's difficulties with its Portuguese cable operations, known as Cabovisao, could be a major catalyst for trading-multiple expansion. Cogeco Cable originally bought Cabovisao in 2006 for approximately EUR465.7 million or roughly \$660 million. Although lower cable and internet penetration rates in Portugal originally presented a growth opportunity, competition from the two largest incumbents has intensified. In the first half of fiscal 2009 the segment lost almost 35,000 revenue generating units. In response, management wrote down their investment in Cabovisao by \$399.6 million. Tellingly, although Portugal accounted for only 14% of Cogeco Cable's EBITDA in the second quarter of fiscal 2009, an inordinate number of questions on the quarterly conference call had to do with Cabovisao. We believe that turning around these operations or even selling them entirely would provide a lift to CCA.

In summary, we bought Cogeco Inc. because it trades at a historically large discount to its sum of the parts. The largest component of Cogeco's net asset value is its holding of Cogeco Cable, which is itself a cheap stock. We think that upside to the story comes from

WHY ABC FUNDS BOUGHT COGECO (cont'd)

narrowing the penetration rates relative to Rogers and either turning around or selling Cabovisao. One other potential catalyst exists, but whether this ultimate scenario actually plays out is unknown. Rogers actually owns approximately 23% of Cogeco and 20% of Cogeco Cable. Perhaps one day Roger's management will pull the trigger and buy the balance of Cogeco and Cogeco Cable that they don't already own. In any event, we believe that both Cogeco Inc. and Cogeco Cable are relatively undervalued and that, over time, investors will be rewarded.

ABC Funds
May 1, 2009

UPDATE

Cogeco and Cogeco Cable have just reported results for the third quarter of fiscal 2009. On a consolidated basis, revenue increased 11.2% to \$305.7 million and operating income increased 9.6% to \$128.7 million. These results were mildly better than "the Street's" expectations. However, adjusted net income totaled \$27 million, down 13.4% compared to the third quarter of fiscal 2008. On a per share basis, adjusted EPS was \$0.56 compared to \$0.64 a year ago. The main reasons for the decline in earnings per share were weaker results out of Europe and a higher combined tax rate.

Looking at the Canadian and Portuguese segments, we see vastly different operating and financial performance. The Canadian operations added 27,175 revenue generating units (RGUs) in the quarter. Revenue increased 17.6% to \$248.1 million and operating income increased 21.8% to \$113.8 million. In Portugal, the results were relatively disappointing. Cabovisao lost 12,190 RGUs as competition continued to weigh on the division. Accordingly, revenue fell 10.1% to \$57.6 million and operating income declined 38% to \$14.9 million. Management claims they have realigned the short-term strategic plan in order to stem subscriber losses and stabilize profitability.

Thankfully, management reaffirmed 2009 guidance in the press release. Revenue is expected to total \$1,205 million, operating income should reach \$500 million and free cash flow is forecasted at \$80 million. They also released what we believe to be conservative preliminary guidance for fiscal 2010. Revenue is expected to increase 4% in fiscal 2010 to \$1,250 million but operating income is forecasted to remain flat at \$500 million. On a positive note, management guided to an increase in free cash flow to \$125 million from \$80 million in fiscal 2009.

Investors will likely continue to focus attention on the underperforming Portuguese division until it show signs of stabilization. Once that occurs, the market should notice the discounted valuation of both Cogeco and Cogeco Cable. In the meantime, investors should patiently collect their dividends, which yield 1.4% and 1.7% respectively at currently price levels.

ABC Funds
July 10, 2009

After listening to Cogeco's fourth quarter conference call, it became quite clear to us that management is committed to its investment in Portugal. Although Cabovisao subscriber (or revenue generating units) losses have been stemmed, we believe that it has been at the expense of profitability. Spending on new channels, retention strategies and marketing is expected to stabilize the customer base, but could further dampen the financial results in the near to medium term.

Ignoring Europe for the moment, we still believe that the Canadian cable assets are performing well and are attractively valued by the market. However, we are worried that Portugal, as small a portion of the Company that it may be, could distract management and investors alike. Unfortunately, Portugal has the potential to weigh on this story for years to come.

Given the illiquid nature of Cogeco Inc. and Cogeco Cable Inc., when an opportunity arose, we made the unemotional investment decision to unload our positions at an attractive premium to the market. Admittedly, while the Canadian cable assets are undervalued, presently, there is takeover enthusiasm in the share price. To put it simply, we don't believe that any takeover is imminent.

ABC Funds
November 27, 2009