VALUE INVESTIGATOR

Decoma International Inc.
(DEC/SV/A:TSX)

THE COMPANY

Decoma International Inc. is a major international auto parts supplier of exterior vehicle appearance components and systems. The Company designs, engineers and manufactures fascias (bumpers), front and rear end modules, plastic body panels, roof modules, exterior trim components, sealing and greenhouse systems and lighting components. Decoma employs approximately 15,000 people in 49 facilities in Canada, the United States, Mexico, Germany, Belgium, England, France, Austria, Poland, the Czech Republic and Japan. Magna International maintains effective control over Decoma with an approximately 74% ownership stake in the Company.

FINANCIAL DATA

	2001	2002	2003
Earnings per Share ($)	1.00	1.30	0.88
Price to Earnings	8.0	6.2	9.1
Dividend ($)	0.28	0.28	0.28
Dividend Yield (%)	3.50	3.50	3.50
Book Value ($)	5.77	5.33	7.35
Price to Book Value (times)	1.39	1.50	1.09

HISTORICAL SHARE PRICES

WHY ABC FUNDS BOUGHT DECOMA

Decoma was spun out from Magna on March 2, 1998 and began trading on the TSX under the symbol DEC.a and on the NASDAQ under the symbol DECA. The auto parts industry is notoriously cyclical and is driven primarily by interest rates, consumer confidence and employment levels. However, historically low interest rates and aggressive incentive programs have bolstered sales over the course of the current cycle. Looking at the historic trading pattern, the shares have moved from an issue price of $9.50 CDN to a high of $21.10 CDN on June 4, 2002, and back to roughly $10 CDN today.

Decoma reports in US dollars and in 2003 generated $2.4 billion in sales, an increase of 15% from 2002. Net income declined to $71.9 million or $0.88 per basic share in 2003 from $93.0 million or $1.30 per basic share in 2002. The financial results were negatively impacted in 2003 by an impairment charge for certain United Kingdom assets of $12.4 million and by consolidation charges for European paint facilities of $11.4 million. We expect that Decoma will report improving financial results going forward as the European operations work through start up issues and new programs come on stream through 2005.

Decoma, and most stocks in the auto parts sector, have come under selling pressure related to several major issues. As we mentioned, auto parts are cyclical stocks that typically under perform in a rising rate environment. Further, volatile economic data, including key consumer confidence and employment growth figures, have added to the uncertainty. Skyrocketing oil prices have also negatively impacted the outlook for auto sales, especially sales of SUVs and light trucks. Tier 1 auto parts manufacturers, such as Decoma, are also facing demands from the OEMs for price concessions, as they try to maintain market share and boost their own profitability. On the manufacturing side, raw material costs have spiked, with steel and resin prices rising dramatically. Finally, Decoma has several facilities and programs ramping up, which hinders profitability until the product launch is well underway. With all of these influencing factors, investors have been frightened off; it is no wonder that Decoma has declined to near six-year lows.

We believe that Decoma is cheap, on an absolute basis, on an historical basis and relative to its peers. The Company pays a dividend of $0.28 per share in US dollars, which yields approximately 3.5% in Canadian dollar terms. Book value is approximately $7.58 US and it trades roughly at book value. Consensus earnings estimates are $0.93 US for 2004 and $1.11 US in 2005 with the stock trading well below 10 times this year's and next year's earnings. Auto parts stock typically bottom at these valuation levels. On a relative basis, Decoma trades well below its peers based on yield, P/BV and P/E metrics. While the Company may experience a weak quarter or two, we are comfortable that downside risk is limited at current price levels.

Given the reasonable margin of safety, we would like to point to several factors that could drive the performance of the stock over the next 12 to 18 months. First, we believe that the US Federal Reserve will raise rates at a measured and cautious pace that will not damage the economy or consumer spending. Next, Decoma has several major product launches through 2005, as the OEMs revamp and refresh their model lines. Look for new or restyled cars from Ford (Cross Trainer, Five Hundred and Montego), Daimler-Chrysler (Cherokee), GM (Canyon/Colorado) and Mercedes (A Class). So far this year, Decoma has been a beneficiary of strong sales of Chrysler's new 300C sedan, available with the ferocious Hemi engine. The earnings improvement at Decoma coupled with less negative sentiment toward the auto parts sector should reward investors over the next 12 to 18 months.

ABC Funds
October 1, 2004

UPDATE

On October 1, we selected Decoma as an ABC Funds Value Favourite. We highlighted the reasons why it was cheap: the cyclical nature of the stock in a rising rate environment, volatile economic data, skyrocketing oil prices, OEM price concessions and program ramps that constrained profitability. We also pointed to several factors that could drive the performance of the stock over the coming 12 to 18 months: a measured pace of interest rate hikes, the end the program ramp period and associated improving profitability.

Decoma's parent Company, Magna International, apparently saw the situation in a similar light and on October 25 announced the privatization of its three subsidiaries: Decoma, Intier and Tesma. Shareholders were offered a combination of cash and stock, valuing Decoma at 0.1453 of a Magna share, Intier at 0.3847 of a Magna share and Tesma at 0.4388 of a Magna share. Based on the volume-weighted average trading prices over 20 trading days ended October 22, the proposal offered a premium of 26.3% for Decoma, 36.5% for Intier and 33.3% for Tesma.

Although we were thrilled to receive a privatization offer, we noted that Decoma was offered the skinniest premium on an already depressed valuation. In fact, the other two subsidiaries traded up to 52-week highs, while Decoma was still below its high of $14.55. Independent committees have been established to prepare complete valuations and assess the fairness of each offer. We believe that it is possible that a longer-term perspective could result in a sweetened bid for Decoma. We are monitoring the situation closely and are carefully weighing the potential upside relative to the current share price.

ABC Funds
October 29, 2004

Decoma International and parent company Magna Corp. have entered into an agreement to take the company private, subject to court approval and shareholder ratification. Under the proposal, shareholders of Decoma will receive 0.1453 of a class A subordinate voting share of Magna for each class A subordinate voting share of Decoma they own. There would also be a cash option based on the volume-weighted average trading price of Magna shares on the TSX over the five trading days immediately preceding the effective date of the plan. However, the aggregate cash payable to Decoma shareholders will be capped at $150 million. If that figure is exceeded, the total cash available will be prorated among those shareholders who choose the payment option and the balance will be paid in Magna shares.

Decoma will hold a special shareholders' meeting later this month in Toronto and if the plan is approved it is expected to become effective on March 6. The arrangement will require approval of two-thirds of the votes cast by holders of Decoma class A and class B shares, with each class voting separately.

We were not anticipating a take-out of Decoma this quickly but now that it has happened we believe that the big money has been made. Because the fundamentals have yet to improve, the Magna offer was fortuitous. We are monitoring the situation closely and are considering the risk/reward relationship carefully. We will update our comment again as further events warrant.

ABC Funds
February 18, 2005

Magna's privatization of Decoma received shareholder approval and became effective on March 6, 2005. Magna will issue 2,854,400 Class A shares in exchange for Class A shares of Decoma and will pay approximately $37.2 million to shareholders who elected the cash option. Based on the volume-weighted average trading price of Magna over the five trading days ended March 4, 2005 Decoma shareholders will receive either 0.1453 shares of Magna or $12.8279 in cash per share.

After the deal was announced, Decoma spiked as high as $14.40, which we believed was an excellent price to receive for our shares. Unfortunately, we were unable to sell our entire position in the $13.50 to $14.00 range in the open market due to Decoma's limited trading liquidity at this level. However, we are quite pleased to take the $12.8279 per share of Decoma for the balance of our position given our relatively short holding period for this investment. As is sometimes the case, the story worked out much more quickly than we had hoped.

ABC Funds
March 11, 2005