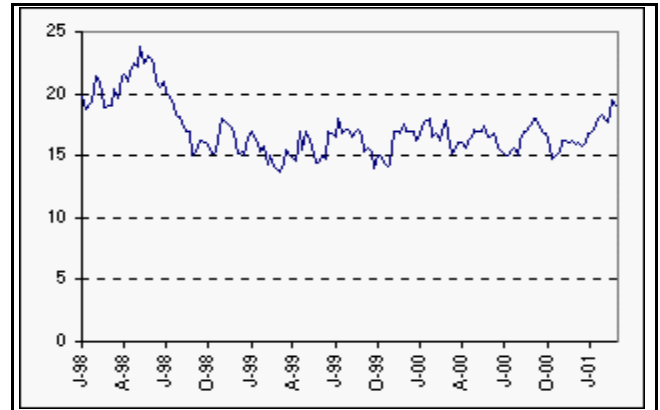


**THE COMPANY**

Based in Vancouver, B.C. Norske Skog Canada (formerly Fletcher Challenge Canada Ltd.) is a leading producer of pulp and newsprint. The company operates two newsprint and three pulp mills where Fletcher produces and supplies a variety of pulp products as well as printing paper and newsprint for publishers and commercial printers.

**FINANCIAL DATA**

	1999	2000	2001e
Earnings per Share (\$)	0.29	0.80	1.40
Price to Earnings (times)	58.6	21.3	12.1
Dividend (\$)	0.60	0.60	0.60
Dividend Yield (%)	3.52	3.52	3.52
Book Value (\$)	17.22	17.07	17.87
Price to Book Value (times)	0.99	1.00	0.95

**HISTORICAL SHARE PRICES**

**WHY ABC FUNDS BOUGHT NORSKE SKOG CANADA**

Fletcher Challenge Canada Ltd. has fallen from a 12 month high of \$18.90 to a recent price range of \$15½-16. At this price, we believe that the company offers significant unrealized value with a potential catalyst.

Fletcher Challenge Canada is 50.8% owned by Fletcher Challenge Paper, a subsidiary of New Zealand based Fletcher Challenge Ltd. Norwegian paper conglomerate Norske Skogindustrier has just proposed to purchase Fletcher Challenge Paper from Fletcher Challenge Ltd. We expect this takeover to occur sometime in the fall of 2000. With a new proactive parent in Norske Skog, we believe Fletcher Challenge Canada will be managed with greater strategic direction and focus. Norske Skog, in fact, has several options open to it with its control of Fletcher Challenge Canada: sell Fletcher Challenge Canada to the highest bidder; pay a large special dividend or utilize Fletcher Challenge Canada's substantial cash position to purchase accretive acquisitions.

On its own, Fletcher Challenge Canada is fundamentally very undervalued with an extremely promising outlook. The company has a pristine balance sheet with net cash of almost \$800 million or \$6.50 per share. With no long-term debt and a substantial cash position, this under-leveraged company has the means to be very opportunistic. The company's financial position could be utilized for selective acquisitions, a levered buyout, special dividend or a large share buyback. The company is presently benefiting from the firm pricing of its two basic commodities, pulp and newsprint.

Further enhancing the company's solid balance sheet is a new motivated management team led by Russell Horner, a former president of Fletcher Challenge Paper. Russell Horner, who has a solid reputation earned from his previous experience in New Zealand, is presently instituting aggressive cost cutting strategies to improve the operating efficiency of Fletcher Challenge Canada.

We believe that the company has been overlooked in the marketplace. While somewhat of a thin trader, Fletcher Challenge Canada is priced below 1999 book value of \$16.72 and is yielding almost 4%. The company is also a huge potential beneficiary of rising commodity prices and is a prime candidate for a corporate reorganization or buyout.

## UPDATE

We believe that the forestry sector is fundamentally very undervalued. Within this industry Fletcher Challenge Canada continues to be our favourite holding. While Fletcher Challenge Canada has appreciated to \$17.00 from \$15.50 since our original write-up, the shares remain cheap and primed for a catalyst.

The company recently reported its fiscal 2000 year-end results as of June 30. Not only did Fletcher Challenge Canada report exceptional earnings of \$0.80 per share for the year versus \$0.29 per share in 1999 but also the company bolstered an already strong balance sheet. Its book value rose to \$17.07 and its huge cash position increased \$55 million to \$855 million or \$6.90 per share. By year-end 2000, this cash pool could reach over \$950 million.

This extraordinary cash accumulation should prove to be the ultimate catalyst to bring this stock back to the level it deserves. With a fresh and very motivated management team, along with the new controlling shareholder, Norske Skog, we believe that the decision for the utilization of this excessive cash hoard may be announced as early as October 2000. The company has a number options: the company could go private and buy out the minority public shareholders; pay a large special cash dividend of \$5-10; or utilize its substantial cash to purchase attractive acquisitions. Norske Skog could also opt to sell Fletcher Challenge Canada to the highest bidder or implement a combination of any of the above.

Presently, Fletcher is in an optimal position with the uncertain former controlling shareholder Fletcher Challenge New Zealand out of the way, improving future earnings and a pristine balance sheet. We believe patience is now key. In the meantime, the stock provides a dividend yield of 3.5% and its two main commodities of newspaper and pulp are increasing in price. We expect that controlling shareholder Norske Skog will make a corporate decision on Fletcher's future direction by the end of the year.

ABC Funds

August 17, 2000

---

On October 26, at Fletcher Challenge Canada's annual general meeting it was announced that the company would adopt its new parent's name as well as its December year-end hence becoming Norske Skog Canada. Many investors were also waiting in anticipation for an additional announcement with regards to Norske Skog's substantial cash position of \$909.2 million or \$7.32 per share. While the company acknowledged that a more efficient use of its under-leveraged balance sheet is top priority, a final decision has yet to be made.

In our August 17, 2000 update we outlined the following possible options for Norske Skog's excessive cash position: the company could go private and buy out the minority public shareholders; pay a large special cash dividend of \$5-10; or utilize its substantial cash to purchase attractive acquisitions. Norske Skog could also opt to sell Fletcher Challenge Canada to the highest bidder or implement a combination of any of the above. We expect a decision to be made in early 2001.

Meanwhile, Norske Skog continues to make progress in a volatile industry with quarter over quarter improvements while ameliorating its already strong balance sheet. Net earnings of \$0.31 per share in the first quarter of fiscal 2001 were notably better than \$0.08 per share in the comparable quarter of 2000. Strong newsprint demand was key to Norske's improved earnings although this benefit was partially offset by higher fibre and energy costs.

Most recently Norske Skog announced that it is exploring options for the sale of its Mackenzie pulp mill. This potential divestment is in line with Norske's strategic decision to focus on becoming a "leading supplier of lightweight uncoated groundwood printing paper".

We feel that Norske Skog continues to display considerable upside potential. It is fundamentally under-valued, currently trading below its book value of \$17.23 and yielding 3.6%. The ultimate catalyst for this thinly traded, debt-free company could prove to be an announcement of the company's intention regarding the use of its large cash position.

ABC Funds

November 3, 2000

We have sold our entire position in Norske Skog at \$19. We feel that this is a prudent action in a weakening environment.

Numerous aspects of the paper and forest sector concern us at this time. One of the most prevalent issues is the expiration of the Softwood Lumber Agreement with the United States on March 31. While negotiations are in process, there is still a possibility that industry-threatening tariffs on exports could be implemented which would have a foreboding psychological effect on the whole sector. In addition to this, pulp and newsprint prices, primary products of Norske Skog have been softening.

While Norske's stock price could go even higher we feel that the expectation of a dividend is widely accepted in the market place and built into the stock price. This, in conjunction with our cautious stance on the sector as a whole, has prompted us to take the opportunity to profit on this position.

ABC Funds  
March 9, 2001