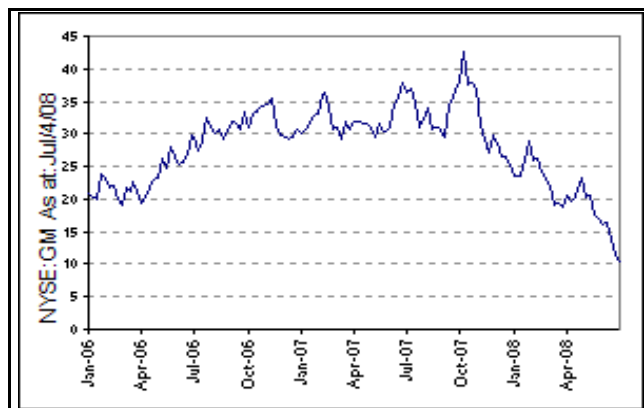


THE COMPANY

General Motors Corp. (GM) is the world's largest automobile manufacturer. Some of its brands include, Cadillac, Chevrolet, GMC, Hummer, Oldsmobile, Pontiac, Saab and Saturn. GM has operations in 32 countries and has 326,000 employees worldwide. In 2003, GM sold nearly 8.6 million cars and trucks, which represented close to 15% of the global vehicle market with sales of over \$185 billion. To complement its automotive division, GM also operates GMAC Financial Services, which provides a broad range of financial services, including consumer vehicle financing, automotive dealership and other commercial financing, residential and commercial mortgage services, and personal automobile insurance coverage.

FINANCIAL DATA

	2004	2005	2006
Earnings per Share (\$)	4.78	(18.43)	(3.50)
Price to Earnings (times)	8.0	n/a	n/a
Dividend (\$)	2.00	2.00	1.00
Dividend Yield (%)	5.20	5.20	4.60
Book Value (\$)	48.41	25.91	-9.62
Price to Book (times)	0.82	1.46	n/a

HISTORICAL SHARE PRICES

WHY ABC FUNDS BOUGHT GENERAL MOTORS

We feel GM shares represent an attractive investment opportunity based on the company's relatively high dividend yield, low price to earnings and low price to book multiples. GM pays an annual dividend to shareholders of \$2 per share, which works out to a yield of about 4.6%. We feel this dividend is safe given the company's payout history and high operating cash flow. GM is one of the 30 stocks that make up the Dow Jones Industrial Average, and as a result, many Wall Street investment firms closely follow it. Earnings estimates for 2004 range from \$6.35 per share to \$7.60 per share, which implies a 6 times forward PE ratio. In addition, GM shares are trading at a 13% discount to its book value of \$49.18 per share.

GM is a cyclical company that appears to be getting back on track after three tough years. After reaching an all time high of \$93.62 in May 2000, the company was hit by a global economic slowdown, intense competition from foreign car manufacturers, and a growing pension deficit. Earnings per share fell from a record \$9.18 in 1999 to just \$1.78 in 2001. Consequently, GM's share price fell as low as \$29.92 in March 2003. Today, with its share price currently selling in the low \$40s, we are optimistic that better times lie ahead for the company. A robust global economy, particularly in China, where GM has shown early success, should lead to an increase in demand for its vehicles. As for GM's pension: it is now fully funded and could return to a surplus as interest rates begin to increase. Finally, GM is slated to introduce 11 all new and significantly redesigned models in the second half of this year. These cars have been well received by GM's dealers and could be just the spark the company needs to rejuvenate sales and take back market share.

GM's financial results for its most recent quarter are encouraging. On July 21st 2004, the company reported earnings from continuing operations of \$1.3 billion, or \$2.36 per share compared with earnings of \$879 million, or \$1.57 per share, in the second quarter of 2003. Revenue rose 7.1 percent to \$49.1 billion. GM Chairman and CEO Rick Wagoner had overall praise for the quarter but cautioned that competition remained intense and that the company had a lot of work ahead of it. We feel that if GM can make good on its initiatives, the stock has the potential for decent capital appreciation in addition to its excellent yield.

UPDATES

On October 14th 2004, General Motors (GM) reported third quarter results. The Company earned \$440 million, or \$0.78 per share, which compared to earnings of \$448 million or \$0.79 per share last year. Sales were \$44.9 billion, a 3.2% increase from 3Q 2003 sales of \$43.5 billion. Worldwide production increased by 54,000 vehicles to 1.95 million while GM's global market share increased from 15.1% to 15.5%.

GMAC, GM's financing arm, continues to perform well. The division reported net income of \$656 million for the quarter up from \$630 million last year. The largest contribution came from its Mortgages division, which increased 19% in the quarter to \$302 million. We expect GMAC to continue to post good results as interest rates remain at historically low levels. GM's automotive division on the other hand had disappointing results. The division produced a loss of \$130 million with Europe being the largest detriment contributing a loss of \$236 million. Management has announced plans to address the problem in Europe by targeting \$600 million in costs savings annually by 2006. A part of the savings will come from a reduction in its workforce by up to 12,000 over the next two years.

We continue to believe that GM shares offer an attractive investment. Further, we feel that that much of the negativity surrounding the Company is already discounted in the price. GM pays an annual dividend of \$2 a share, which represents an attractive yield of 5.2% and should provide support for the stock on the downside. We feel the dividend is safe given the Company's payout history and strong operating cash flow. In addition, GM shares trade at a 23% discount to its book value of \$49.34. Finally, although management has lowered its earnings guidance for the year to between \$6.00 and \$6.50 per share, this still implies a reasonable price to earnings ratio of around six.

ABC Funds

October 22, 2004

On January 19th, 2005 General Motors (GM) reported results for its 2004 fourth quarter and fiscal year end. For the quarter, adjusted earnings from continuing operations were \$569 million or \$1.01 per share, which was down from \$838 million, or \$1.47 per share in the fourth quarter of 2003. For the year earnings from continuing operations were \$3.6 billion or \$6.40 per share compared to earnings of \$3.2 billion, or \$5.62 per share last year. GMAC, GM's financing unit, once again provided most of the earnings muscle in 2004 contributing \$2.9 billion to the bottom line while the automotive operations chipped in for \$1.2 billion. GM retained the title of global market leader pumping out 9.1 million units in 2004 while its global market share remained relatively flat in 2004 at 14.5%, versus 14.6% in 2003.

On January 13th, 2005, management announced earnings guidance for 2005 of approximately \$4 to \$5 per share. Earnings are expected to be lower than last year due to a slowdown in business at GMAC and higher health care costs. The market reacted negatively to this news although we felt this information was mostly "yesterday's news". In other words, we believe a lot of the negativity surrounding GM shares is already reflected in its discounted valuation. For instance, even if GM earns \$4 per share next year the stock today would still sell for less than ten times earnings. In addition, GM's stock trades at a 27% discount to its current book value of \$50.63 per share. GM's annual dividend of \$2, which represents a yield of 5.4%, is also an attractive feature of this security. We feel the dividend is safe given the company's strong operating cash flow and that there are no pension or health care plan contributions planned for some time.

Despite the pessimism surrounding GM at the moment, we are optimistic about a number of initiatives that we feel could get GM's wheels back on the road. First of all, GM plans to undergo a major restructuring at its European division. It expects to take out an estimated \$600 million in annual costs by 2006, which includes reducing its workforce by 12,000 over the next two years. Second, GM continues to aggressively pursue its growth strategy in Asia, particularly China, which is the world's fastest growing vehicle market. GM plans to invest over \$3 billion in China over the next three years in a number of new projects including the introduction of new vehicles, the creation of new facilities, the expansion of GM's existing manufacturing joint ventures, and the launch of a new financing joint venture. Finally, GM continues to work towards funding its pension and health care liabilities. It contributed \$4 billion to the plan in 2004 and as of December 2004, its U.S. hourly and salaried pension plans were \$3 billion over-funded.

UPDATES (cont'd)

While we agree that GM faces numerous challenges we contend that given the stock market's low valuation of its shares and the potential for investor sentiment to turn more positive if GM makes good on its promises, investors who are patient and think long term will eventually be rewarded.

ABC Funds
January 21, 2005

On March 16th 2005 General Motors Corp. (GM) said that is was revising its first quarter and calendar year earnings guidance to reflect lower North American sales and production volumes, a tougher pricing environment, and a more car-based sales mix. GM said it now expects to report a loss of approximately \$1.50 per share in the first quarter compared to a previous target of breakeven or better. For the calendar year, GM said it expects to report earnings of approximately \$1.00 to \$2.00 per share.

Given that GM is one of the thirty stocks that make up the closely followed Dow Jones Industrial Average; it tends to get more than its fair share of media attention – particularly when the news is bad. While we agree that GM is facing its share of problems at the moment, we think its low share price justifies our commitment to the stock. In fact, we feel that with the shares now trading below \$30 a share, GM shares are trading below its “sum of the parts” value.

Unlike GM's automotive business, GM's financing arm, General Motors Acceptance Corp. (GMAC), continues to perform very well. GMAC operates three distinct divisions: Financing, Mortgages and Insurance. In 2004 GMAC had net income of over \$2.9 billion and contributed most of GM's consolidated earnings. We feel on a standalone basis, GMAC could be worth close to \$15 billion or \$28 per GM share. Looking at it another way, at today's current price, we think investors who purchase GM's stock are essentially paying for GMAC and getting the automotive business for virtually nothing.

In the past, many investors have been drawn to GM because of its dividend. The shares currently pay an annual dividend of \$2, which at today's price represents a yield of close to 7%. However, with GM recently cutting its earnings guidance to a range that is below its dividend, some fear the company may be forced to cut or even eliminate the dividend entirely. We caution that GM's dividend should not be viewed as a sure bet. Our view however, is that GM will continue to pay it unless automobile sales trends substantially worse or the company suffers some unforeseen negative event. It should be noted that GM has paid the \$2 per annum dividend rate since 1997 and they will probably make all efforts to continue to pay this amount. As a further point, keep in mind that our investment thesis with regards to GM is not dividend driven although it does act as a sweetener while we wait. The primary reason we own GM is that the stock trades below its book value of \$40.10 and what we believe to be its net asset value, break up value, etc.

On a final note, we were pleased to read that on March 21, 2005, GM CEO, Rick Wagoner personally purchased 50,000 shares of GM for his own investment account. In a related statement Mr. Wagoner explained that the investment demonstrates his confidence in the long-term prospects of General Motors.

ABC Funds
March 24, 2005

These past few months have been volatile for General Motors' shareholders and this week was no exception. Before the stock market opened on Wednesday, May 4th 2005, a company called Tracinda announced that it was making a cash tender offer for up to 28 million shares of GM at a price of \$31 per share. Tracinda, which already owns 22 million shares or 3.9%, is the private holding company of Kirk Kerkorian, a well-known value investor. Mr Kerkorian, who is 87 years old, is probably best remembered for his attempted takeover of fellow carmaker Chrysler in 1995.

While Kirkorian insists that his purchase of GM is for investment purposes only, many speculate that he may pressure management to unlock the hidden value in the company's financing arm; General Motors Acceptance

UPDATES (cont'd)

Corp (GMAC). One prominent Wall Street brokerage firm recently estimated that GMAC's mortgage and insurance operations alone could be worth between \$10 billion and \$15 billion or between \$18 and \$27 per GM share.

The following day, May 6th 2005, Standard and Poors (S&P) announced that it was downgrading GM's bonds to junk status. S&P said the downgrade partially reflected declining sales of GM's Sport Utility Vehicles, which have been impacted by the rising price of gasoline as well as competition from other automakers. We think this announcement was widely anticipated in advance by most investors. In fact, GM bonds had already fallen in price to a level where its yield was comparable to other junk bonds. And on a positive note, S&P did remark that GM should have no difficulty accommodating "near-term cash requirements" and that GM's financing arm GMAC still likely has "sufficient funding flexibility" to support GM.

Despite all the news on GM this week, our investment thesis is unchanged. We believe that GM shares have already priced in much of the recent bad news and are fundamentally inexpensive at their current price. GM currently trades at a 31% discount to its \$45.27 book value and pays a \$2 per share annual dividend. The dividend represents a yield of over 6% and while it should not be viewed as a sure thing, we feel GM has adequate liquidity and will make all efforts necessary to pay it in the near future. In the meantime, while we agree that GM faces numerous challenges, we think that investors who are patient and think long term will eventually be rewarded.

ABC Funds
May 6, 2005

On October 16th, 2005 General Motors (GM) announced third quarter results. The company reported a loss of \$1.1 billion, or \$1.92 per diluted share, excluding special items. These results compare with net income of \$315 million, or \$0.56 per share, in the third quarter of 2004. Results were adversely affected by lower production volumes, continued increases in health care costs, higher material costs, and a shift in vehicle mix away from full-sized sport utility vehicles. Although GM's earnings were disappointing, shares of GM traded higher on the day. The reason for this is two-fold. First of all, GM announced that it has reached a tentative agreement with its union, the United Auto Workers (UAW). The agreement is projected to reduce GM's retiree health-care liabilities by about \$15 billion, or 25% of the company's hourly health care liability. This is expected to translate into an annual savings for GM of about \$3 billion a year before taxes. Second, the company announced that it is exploring the possible sale of a controlling interest in General Motors Acceptance Corp (GMAC) to a strategic partner. The goal is to restore GMAC's investment grade credit rating and renew its access to low-cost financing. Some analysts estimate that GMAC could be worth as much as \$15 billion or over \$25 per GM share. With GM shares now trading around \$28, investors who purchase the shares today are essentially paying for GMAC, GM's financing arm, and getting the automotive division for free.

ABC Funds
October 21, 2005

On January 26th, 2006 General Motors (GM) reported fourth quarter and full year financial results for 2005. For the quarter, GM reported a loss of \$1.2 billion or \$2.09 per share excluding special items. These results compare with adjusted earnings of \$726 million, or \$1.28 per share in the year ago period. For the calendar year, GM reported a loss, excluding special items, of \$3.4 billion or \$5.99 per share compared with net income of \$3.6 billion or \$6.37 per share in 2004. By contrast, GM's financing arm, General Motors Acceptance Corp. (GMAC) reported earnings of \$1.1 billion in 2005, down from \$1.5 billion in 2004. It should be noted that GM is still actively looking to sell a majority stake in GMAC to a strategic buyer. According to recent reports, GMAC could be worth between \$10 and \$15 billion. This is interesting given that the entire market capitalization for GM is currently only \$12.8 billion.

While few would argue that last year was difficult for GM, it should be noted that GM's current problems are not an isolated case within the auto industry. For example, Ford Motor Co. has also experienced large financial losses in its North America division and many companies that supply automobile parts to GM and Ford have also

UPDATES (cont'd)

experienced their fair share of turmoil. On a positive note, we were pleased to see that Kirk Kerkorian recently increased his stake in GM to 9.9%. On January 10th, Kerkorian aide Jerome York delivered a speech where he called upon GM management to accelerate its turnaround plans. As part of this turnaround, York recommended that GM should cut its annual dividend in half. This would save the company more than \$566 million per annum. It would also act as a sign of good faith towards the union indicating that GM is willing to share in the pain. York also suggested that GM should take efforts to reduce the number of brand models that it currently offers. Although this would result in a smaller market share for GM, it would allow management to focus on its more profitable divisions to ultimately achieve an improved bottom line.

ABC Funds

January 27, 2006

On February 6th 2006, GM's board of directors met to discuss the company's dividend policy, board composition, and the progress of its turnaround efforts. What emerged from this meeting was a decision by the board to reduce GM's dividend by 50%, cut salaried worker benefits and executive pay and replace an existing board member.

GM will reduce its annual dividend from \$2 to \$1 per share. We think this was a prudent decision by the board. Not only will it save the company approximately \$566 million per year, but it removes a certain psychological overhang on the stock, since a dividend cut has been anticipated for some time. In addition to halving its dividend, GM announced that it will freeze salaried retiree health benefits at 2006 levels starting in 2007. This will affect around 100,000 white collared retirees and about 25,000 active employees. GM will also reduce executive level salaries. For example, CEO Richard Wagoner will reduce his annual salary by 50% or \$1.1 million.

When combined, the dividend, salary and benefit reductions could save GM close to \$1 billion a year. But more importantly, these actions send a message to GM's union that all GM stakeholders must be willing to share in the pain. A large proponent of this "equity of sacrifice" solution is Kirk Kerkorian's point man Jerome York. A veteran of large scale restructurings at companies such as Chrysler and IBM, York earlier this week was asked to join GM's board of directors. Mr. York, with his credentials and the backing of Mr. Kerkorian's 9.9% position, will likely become a central figure in GM's boardroom. In addition, Mr. York's presence should keep the pressure on GM's board to take faster action to reverse last year's loss. York will likely continue to push GM to reduce the number of brand models it markets. Although selling fewer cars would result in lower sales and lower market share, York argues that it would ultimately result in higher profits for GM.

ABC Funds

February 10, 2006

On Wednesday July 26th, General Motors (GM) reported significantly improved 2006 second quarter financial results. Global automotive operations were profitable on an adjusted basis, excluding special items, for the first time since 2004, and the company posted a second consecutive quarter of record revenue. Excluding an after tax charge of \$3.7 billion related to the previously announced attrition program, GM earned \$2.03 per share. Revenue increased 12% to \$54.4 billion as GM benefited from an increase in revenue per vehicle sold from \$19,348 to \$19,852. In addition, GM showed significant improvements again in both Europe and Asia. GMAC, GM's financing unit, had another strong quarter with net income of \$898 million up \$82 million from the second quarter of 2005.

Although one good quarter does not make a trend, GM's results are encouraging. In the words of GM's CEO Rich Wagoner "It's rewarding to see our automotive business return to profitability on an operating basis and a clear sign that we're on the right track, but there is more work to be done." Investors have clearly taken notice of GM's progress. So far this year, shares of the automaker are up over 70% and could have further to go. Wall Street analysts now expect GM to earn between \$4 and \$5 per share in 2007. With the stock now trading at \$32, GM trades at a forward price to earnings multiple of just seven or eight times: below its historical average.

Finally, it should also be noted that GM's turnaround is still under way and could produce further positive results. Billionaire investor Kirk Kerkorian, who owns 9.9% of GM shares, continues to pressure GM to be more

UPDATES (cont'd)

aggressive in its restructuring efforts. For example, last month he sent an open letter to GM's board of directors urging them to explore the possibility of an alliance with foreign automakers Nissan and Renault. In his letter Mr. Kerkorian urged GM to "immediately and fully explore this opportunity together with management" as it could help GM "realize substantial synergies and cost savings and thereby greatly benefit the company and enhance shareholder value."

ABC Funds
July 28, 2006

Despite current volatility in the stock market, shares of General Motors (GM) are performing relatively well. At the time of this writing, GM is trading at a two year high of \$38.50. In the last two weeks the shares are up over 28%, and since its January 2006 low of \$18.61, shares of GM have more than doubled.

Much of the current enthusiasm surrounding GM pertains to its upcoming contract negotiations with the United Autoworkers (UAW) union. Last week, a tentative agreement was reached between the UAW and auto parts maker Delphi. As part of the agreement, Delphi workers have agreed to reduce their hourly wage from \$27 per hour to \$18.50, a decline of over 31%. The importance of this agreement should not be underestimated in that reality has set in. Clearly the autoworkers have recognized the extreme fragility of their jobs, and lack of competitive advantage of North American automakers. We believe that this new contract, as painful as it was for Delphi workers to accept, will set a new positive tone for the industry and will be an important ingredient to running North American automakers back to health and stability. Although talks with GM aren't expected to begin until September, many now believe that a major hurdle has been removed, and an equally constructive agreement could be in the works.

However, even if a competitive contract is not reached, we believe there is limited downside to the stock. At its current price, GM is still relatively inexpensive. For example, it currently trades at just 4 times next year's cash flow and at just 10 times earnings. In addition, GM continues to pay an annual dividend of \$1 per share which represents a yield of around 2.8%. We think this yield is attractive to investors given that treasury rates are still at historically low levels.

On the other hand, a positive outcome to the contract negotiation could be a significant driver for GM shares. Admittedly, there are many challenges which lay ahead for GM. However, we are becoming increasingly confident that the company has weathered the worst of the storm and is now headed in the right direction. The first step is negotiating lower wage and benefit concessions with the UAW. If it can successfully execute this crucial task, shares of GM should continue to move higher.

ABC Funds
June 29, 2007

In the early hours of September 27th, General Motors and the United Workers Auto Union (UAW) announced that they had reached a tentative agreement on a new national labour contract. Although the deal was officially ratified on October 11th, it wasn't until early this week that details of the contract were made available. On October 15th, GM's executive team held a conference call with investors to go over the more salient points, as well as the future financial implications of the arrangement.

Under the terms of the agreement, GM will transfer its Voluntary Employee Benefit Association (VEBA) obligation to a UAW-managed retiree health care trust. To finance the plan, GM will contribute \$16 billion of existing plan assets, \$11 billion in cash and a 6.5% \$4.4 billion bond that is convertible at \$48 per GM share. This is very positive for GM as the cash consideration represents just 67% of the \$47 billion liability on GM's books. In addition, management believes by shifting responsibility for the plan to the UAW, it can expect to save between \$2.6 and \$3.4 billion per year by 2010.

UPDATES (cont'd)

The agreement also establishes a two-tier wage system in which the UAW will allow GM to expand its definition of non-production workers. Effectively, GM can now offer buyout packages to older tier-one workers and replace them with lower paid tier-two workers. The new tier-two hourly rate works out to about \$25/hr which is significantly below the current tier-one rate of \$73/hour. GM believes it can replace approximately 56,000 or 75% of its current UAW workers over the next four years. Although management would not commit to a figure, it has been estimated that savings could reach an additional \$1 billion per year.

According to analyst estimates, GM should earn close to \$4 a share this year. Although its shares have recently appreciated to around \$40 a share, they are still not expensive at 10 times earnings. In addition, its \$1 annual dividend continues to provide investors with a respectable yield of 2.5%. Factoring in the savings from the healthcare trust and buyouts, some have estimated that GM could earn an additional \$4-5 per share by 2010. Admittedly, these are forward looking estimates and it could take some time before all these factors are fully reflected in GM's results.

ABC Funds

October 19, 2007

Despite a monumental labour agreement, significant capacity reduction, and a promising pipeline of models, General Motor's (GM) turnaround effort suddenly faces a major new hurdle – surging gasoline prices. In fact, the price of gasoline in the U.S. has soared from approximately \$3.00 a gallon to over \$4.25 over the last 5 months. As a result, sales of new automobiles, particularly trucks and SUVs, have fallen at an unprecedented rate. For example, total GM truck sales in the U.S. fell 37% in May and 18% in June. Unfortunately, despite management's best efforts, we now have considerable doubt as to whether GM has the financial liquidity to make it through this worsening downturn. After considerable reflection, we decided the most prudent course of action was to sell our position in GM.

It should be noted, in fact, that until recently, GM's turnaround appeared to be largely on track. In September 2007, the company reached an historic labour agreement with the UAW in what was arguably one of the toughest union negotiations in the company's history. With the transfer of its Voluntary Employee Benefits Association (VEBA) obligation and the establishment of a two-tiered wage system, GM was expected to achieve \$4 to 5 billion in annual savings by 2010. In addition, GM continues to make great strides on the engineering front. Quality levels as well as new styling have improved considerably in the past few years. In fact, auto writers voted the Chevrolet Malibu their North American car of the year and Motor Trend magazine recently named the Cadillac CTS its 2008 car of the year.

Even the financial press has warmed up to the GM story. Fortune magazine, whose February 2005 cover read "the Tragedy of General Motors", ran a January 8th 2008 cover story entitled "Gentlemen, start your turnaround". In addition, less than six weeks ago, Barrons ran a similar story extolling GM's turnaround with a cover it boldly named "Buy GM".

We agreed. GM looked to be undervalued. We estimated that earnings per share at GM could eventually reach \$8 to \$9 per share by 2010. We based our estimates on three primary assumptions. First of all, that drastic interest rate cuts by the U.S. Central Bank would help to drive industry sales of automobiles. There is a strong historical relationship between these two variables. Second, given the weakness in the US dollar and significant product improvements, GM's market share had likely bottomed. Third, significant health and labour costs would eventually result in improved operating margins.

We also had comfort for GM's financial liquidity. Although it reported an operating cash flow loss of \$1.5 billion in the first quarter, GM was sitting on over \$26 billion in cash and had unused lines of credit which could be tapped if needed. Based on these assumptions, we believed GM had enough liquidity to weather the current storm until 2009/2010 when the significant labor and health care savings would kick in and cash flow would turn positive.

Unfortunately, despite lower interest rates in the U.S., automobile sales have continued to drop due to unforeseen

UPDATES (cont'd)

skyrocketing gasoline prices. As consumers gravitate toward smaller fuel efficient cars, trucks and SUVs, despite being heavily discounted, are quickly building up on dealer lots. It seems to us that there may be a fundamental shift occurring in the psyche of the US auto consumer. In other words, a secular trend may be developing – larger fuel inefficient vehicles are quickly becoming unfashionable. Given that GM's model line is more heavily weighted towards these models, we now believe GM's market share will probably continue to fall.

Given the precarious state of the automobile market today, we now expect GM's cash losses to accelerate in the back half of 2008 leaving little room for error over the next few years. In fact, we now believe there is a significant chance that GM will have to cut its dividend and raise additional capital in the market. Given its current share price of \$10.12, we calculate that an equity offering would be highly dilutive to shareholders. With declining industry sales, a shrinking market share and the possibility of a large dilutive stock issue, we have found it just too difficult to estimate earnings and believe we can no longer comfortably rely on our previous target valuation.

While patience is an important requirement for value investors, it is also important to recognize when the fundamentals of an investment have changed and make the necessary adjustments. In the case of GM, gasoline prices have suddenly reached levels many thought impossible. In addition, the speed at which consumer tastes have shifted away from less fuel efficient vehicles was also much greater than expected. Therefore we made the difficult decision and sold our entire stake in GM. Given that our GM holdings were less than $\frac{3}{4}$ of 1% in any of the three ABC portfolios its depreciated value has already been reflected in our portfolio valuations. Fortunately we can apply the tax loss to offset gains in our portfolio and reinvest the proceeds in securities with better risk/reward opportunities.

ABC Funds
July 4, 2008