

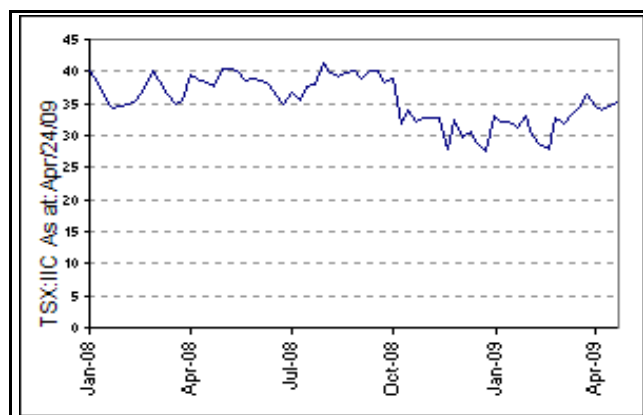
THE COMPANY

ING Canada is the largest property and casualty insurer in Canada, with over \$4 billion in direct written premiums. Based on 2008 results, approximately 50% of the Company's business is personal auto, 22% is personal property, 20% is commercial non-auto and 8% is commercial auto. Insurance products are marketed through the ING Insurance, belairdirect, Grey Power and Canada Brokerlink brands. Historically 70% owned by the Netherlands-based ING Groep N.V., ING Canada is now widely held after a recent secondary offering to the public.

FINANCIAL DATA

	2006	2007	2008
Earnings per Share (\$)	4.92	4.01	1.05
Price to Earnings (times)	6.1	7.5	28.6
Dividend (\$)	1.00	1.08	1.24
Dividend Yield (%)	3.33	3.60	4.13
Book Value (\$)	25.58	25.48	21.96
Price to Book Value (times)	1.17	1.18	1.37

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT ING CANADA

ING Groep, the Dutch insurance giant, has been under duress through 2008 and early 2009. After pre-releasing a EUR 3.3 billion loss in the fourth quarter of 2008, ING Groep intimated that several non-core business units had been identified for divestment. Perhaps it shouldn't have been a total surprise when news of a secondary offering of ING Canada common shares was released on February 3, 2009. Essentially ING Groep sold 34 million shares in a private placement at \$25.00 per share to "a group of cornerstone investors" and was offering 34.16 million shares plus an option to sell an additional 5.124 million shares to the public at a price of \$26.35 per share. ING Groep therefore reduced its 70% ownership stake to 13.2% or 8.9% assuming the over-allotment option is exercised by the underwriters. Amazingly, the equity issue to the public was done at a 22% discount to the last trade to ensure the \$1.75 billion deal closed quickly.

To analyze the merits of an investment in ING Canada, we turned to the recently released fourth quarter and 2008 results. Obviously, performance has been impacted by the pervasive financial turmoil and the reported net loss totaled \$64.1 million in the fourth quarter. However, the loss reflects the impairment of \$185.8 million as a result of the stock market collapse in the third and fourth quarters of 2008. Because common equities now account for only 12% of ING's \$6.6 billion investment portfolio, we believe that additional impairment charges are unlikely. On a more positive note, the Company's insurance operations were profitable and generated net operating income of \$75.1 million in the quarter. For the full year, net income declined to \$128.2 million from \$508.3 million the year before. However, the decline in operating income, excluding the equity-related impairment charges, was far less severe, declining to \$360.7 million or \$2.96 per share compared to \$457.0 million or \$3.61 per share in 2007.

In the press release, management indicated that the decline in personal auto and home insurance profitability was related to severe weather conditions over the last two weeks of the year. However, they forecasted that personal and commercial premiums are likely to rise in order to offset this unusual spike in claims costs. Further, competitive pricing in the business insurance segment is expected to moderate as various other players become capital constrained. Overall, management's outlook gave us some comfort that the property and casualty markets would stabilize or firm slightly over the next twelve months.

Moving on to the balance sheet, ING Canada is in a very strong capital position and actually pre-released its financial results to highlight its strength after the disappointing news out of the parent. ING Canada has \$427.5 million of excess capital implying a minimum capital test ratio of 205% compared to the mandated threshold of 150%. The Company has no debt and has access to an untapped \$150 million unsecured committed credit facility. Note that ING Canada has been a consolidator in the past, making 11 acquisitions over the past 19 years. Now could be an opportune time to take advantage of market conditions to make strategic, accretive purchases in a fragmented industry.

To make a long story short, we jumped at the opportunity to buy the leading property and casualty insurer at a substantial

WHY ABC FUNDS BOUGHT ING CANADA (cont'd)

discount to the market, taking advantage of a distressed sale by the parent. Although we did not get our full position on the deal, we actively purchased stock in the open market. Based on our average cost, we bought our stock at less than ten times forward consensus earnings, 1.3 times book value and with over a 4% dividend yield. Valuation wise, financial stocks generally trade relative to book value based on return on equity. Using regression analysis, we believe that ING Canada could trade as high as 1.6 times 2009E book value, which implies almost 30% upside from today's price levels.

ABC Funds
February 6, 2009

UPDATE

When ING Canada's parent corporation ING Groep was forced to monetize its stake under duress, it was a tremendous opportunity for investors. The deal was announced February 3rd at \$26.35 per share, a 22% discount to the last trade, to ensure that the \$1.75 billion dollar transaction closed quickly. Although, we didn't get anywhere close to a full position on the deal, we continued to buy stock in the open market once the shares resumed trading, albeit at higher levels.

Today, with the stock trading around \$35 per share, an increase of over 30% from the issue price only three months ago, we believe that the shares are relatively fairly valued. The stock is currently trading at approximately 1.6x book value and 2.0x tangible book value, which is reasonable given 2009 earnings expectations.

We have seen a significant rally off the March lows in the equity markets. Although a near-term pull back is possible, even likely, we are encouraged by the noticeable shift in sentiment. We have therefore sold our entire position in ING Canada to raise our cash levels in our funds. We will look to deploy this capital into small and mid-capitalization companies in the near future. We expect that these traditional ABC, deep value-type opportunities will offer greater investment "torque" in the coming months.

ABC Funds
April 24, 2009