



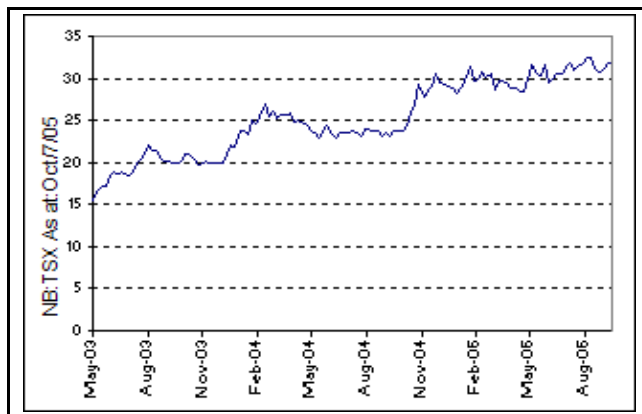
THE COMPANY

Northbridge Financial Corporation is one of Canada's top commercial property and casualty insurers. The Company operates through four key divisions, Lombard Canada, Markel, Federated Insurance and Commonwealth Insurance Company. Northbridge also provides home and automobile insurance to select demographics, although personal insurance accounted for only 14% of gross written premiums in 2002. Originally a wholly owned subsidiary of Fairfax Financial, 26% of the Company or 13.4 million shares were recently sold through an initial public offering. Northbridge began trading on May 23, 2003 under the symbol NB.

FINANCIAL DATA

	2001	2002	2003
Earnings per Share (\$)	(0.31)	1.06	3.07
Price to Earnings (times)	(74.20)	21.7	7.5
Dividend (\$)	0.00	0.60	0.60
Dividend Yield (%)	0.00	2.61	2.61
Book Value (\$)	9.38	11.06	14.44
Price to Book Value (times)	2.45	2.08	1.59

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT NORTHBRIDGE

Northbridge operates through four principal subsidiaries, offering differentiated products to several distinct market segments. Lombard Canada, Northbridge's largest subsidiary, targets primarily small to mid-sized businesses, public institutions and the "over-50" personal home and automobile markets. Commonwealth Insurance Company focuses on mid to large-sized companies across diverse sectors such as energy, marine, mining and utilities. Markel is Canada's largest long-haul trucking insurer and writes policies that cover everything from non-fleet trucking companies to large fleet operators. Finally, Federated Insurance insures small to mid-sized businesses in niche markets such as auto dealers and construction contractors.

Northbridge's gross written premiums have grown at an annual rate of 20% over the past 4 years and reached \$1.8 billion in 2002. Over the past fifteen years, Northbridge's return on equity has averaged 11.9%, which is above the industry average. In 2002, the Company's combined ratio (claims and expenses as a percentage of net premiums earned) was 97.4%, indicating that the business was profitable at the underwriting level. Further, Northbridge's investment portfolio is managed by Hamblin Watsa and has outperformed benchmarks consistently over a ten-year timeframe. The Company has no debt on the balance sheet and claims provisions have been more than adequate to cover actual claims expenses.

At the IPO price of \$15, Northbridge Financial was priced at only 1.2 times first quarter 2003 book value of \$12.50. The Company pays a \$0.60 dividend, which yielded 4% at the issue price or approximately 3.2% at the current market price. The outlook for earnings growth is good for two main reasons. First, the property and casualty industry is experiencing "hard-markets", characterized by pricing power, underwriting profitability and a rising return on equity. The Company's focus on the commercial sector is important because the business is less susceptible to pricing regulation from the government. Second, the recent equity market rally should improve investment returns and therefore the Company's bottom line. We believe that the hard markets could persist for several years, ensuring solid earnings momentum in the near to mid-term.

ABC Funds
July 18, 2003

UPDATE

This is our first update after our initial commentary on Northbridge Financial. Since the IPO the stock has performed admirably, rising from \$15 to reach a high of almost \$28 last March. Hard markets across the insurance industry characterized by both volume and pricing growth translated into excellent financial results. For fiscal 2003, Northbridge earned an amazing \$3.07 per share compared to \$1.16 the previous year. The combined ratio declined to 92.6% compared to 97.4% as underwriting profits soared to \$73.8 million from \$19.5 million. Shareholders' equity totaled \$14.44 on December 31, 2003 and return on average equity for 2003 was 23.6% compared to 10.3% in 2002.

UPDATE (cont'd)

It is important to note that the 2003 fiscal results contained realized gains on investments of \$23.1 million compared to \$6.7 million in 2002. These gains are part of the normal course of operations for an insurance company but we acknowledge that they were higher than usual over the past year. Having said that, we believe that these were excellent results for the Company. As net written premiums, which grew 35% to \$1.13 billion in 2003, flow through the income statement as net earned premiums, the earnings momentum should remain positive throughout 2004.

Shares of Northbridge Financial have weakened since March for two key reasons. First, investors questioned the sustainability of the financial performance. Second, on April 20 Fairfax Financial, the majority shareholder of Northbridge, announced a secondary offering of 6 million common shares in order to raise cash for Fairfax and improve Northbridge's float. This issue acted as an overhang on the market before finally being resolved mid-June. Both of these negative factors were partially offset by the Northbridge's inclusion on the TSX composite index on June 18, which necessitated some index buying.

The real question is one of valuation. We like to use a simple price to book to ROE analysis to determine whether insurance companies are over, under or fairly valued. Obviously, adjustments must be made for the quality of earnings and various other factors. We believe that with a trailing ROE of 23.6%, a forward ROE of approximately 17% and a solid dividend yield Northbridge could trade as high as twice expected book value. This would imply a valuation range from the high \$20's to the low \$30's.

ABC Funds
July 2, 2004

When Fairfax Financial announced a secondary offering of 6 million shares of Northbridge last April, NB flat lined around the \$24 level for almost five months. Although Fairfax was looking to raise some capital for its own operations and improve Northbridge's float, the stock sale capped what had been an impressive run. Recently, however, we have seen Northbridge's shares return to life and the stock has bounced above \$28 per share.

The rebound can be attributed to three main factors. First, Fairfax Financial was able to raise additional capital by issuing debt and US \$300 million of equity. Investors in Northbridge no longer had to be concerned with the threat of a flood of stock from the parent company. Second, ING Groep announced the IPO of its Canadian subsidiary ING Canada at a price point that highlighted the attractiveness of Northbridge. Shares of ING Canada are being offered for sale to the public at a range of approximately 1.3 to 1.4 times book value, while Northbridge at its recent lows had been trading at about 1.4 times book value, with a lower combined ratio and higher return on average equity. Finally, the Company's financial results have continued to be stellar through 2004. For the first nine months of 2004, Northbridge reported a combined ratio of 90.9%, earnings of \$2.24 per share and a trailing twelve month ROE of an impressive 20.7%. With a debt free balance sheet, possible future accretive acquisitions and the potential for a small dividend increase Northbridge remains a solid insurance provider.

ABC Funds
December 3, 2004

Since being the lead order on the Northbridge Financial IPO, we've more than doubled our money on the stock. We rode the shares through the upswing of the cycle, where pricing for property and casualty insurance policies grows most rapidly. Over this period of "hard-markets" Northbridge reported an improving combined ratio and outstanding earnings each year. Looking back on our investment we have been more than pleased with its performance.

Unfortunately, recent events will detrimentally affect earnings in the coming months. Initial net loss estimates related to thunderstorms in Ontario amounted to \$10 million before taxes. Further, initial net loss estimates related to Hurricane Katrina amounted to \$30 million before taxes. Initial net loss estimates related to Hurricane Rita were just announced last night and are expected to be \$10 million before taxes. Given this guidance, it is possible that earnings could take a hit of approximately \$0.70 per share, ending the streak of quarter over quarter earnings growth.

Trading at 1.7 times book value of \$19.20 Northbridge shares no longer represent deep value. In fact, we have been able to find several US based insurance or financial companies that trade at half that multiple. We have therefore sold our entire position in Northbridge Financial and are putting the money to work elsewhere.

ABC Funds
October 7, 2005