VALUE INVESTIGATOR

Renaissance Energy Limited (RES:TSE)

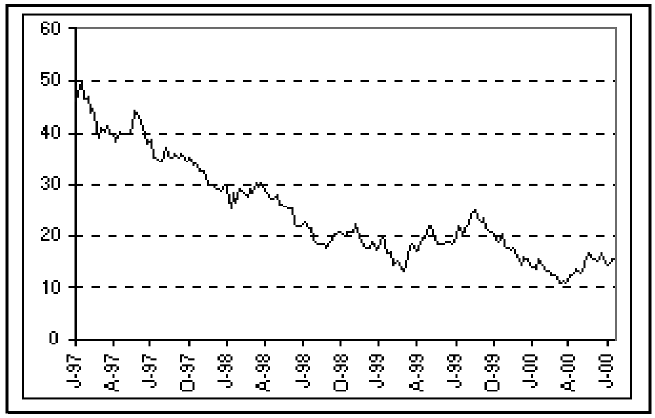
THE COMPANY

Renaissance Energy Limited explores and develops properties throughout Alberta and Saskatchewan and produces and markets crude oil and natural gas. This Calgary-based company is in the midst of a restructuring and repositioning initiative which is designed to restore previous levels of profitability. Currently, Renaissance has proven and probable reserves of 475 million barrels of oil and 1,710 billion cubic feet of natural gas. Renaissance Energy's immediate strategic objective is to double in size within three years through property acquisitions, corporate takeovers or mergers.

FINANCIAL DATA

	1998	1999	2000e
Earnings per Share ($)	2.75	3.62	5.00
Price to Earnings (times)	4.7	3.6	2.6
Dividend ($)	-	-	-
Dividend Yield (%)	-	-	-
Book Value ($)	24.00	20.00	20.00
Price to Book Value (times)	0.54	0.65	0.65

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT RENAISSANCE ENERGY

Renaissance is restructuring and repositioning itself in response to a changing business environment, increasing global competition for capital and recently disappointing results. After the departure of both the Chief Financial Officer and the Chief Executive Officer, the Board of Directors established the Office of the CEO to implement an interim business plan. We expect that a new CEO will be named shortly and new strategic initiatives to begin in earnest. Failure to adapt to changes in the industry has caught up with Renaissance and the stock has fallen out of favour. However, we are optimistic that the company will recapture its previous focus and industry leadership.

We believe that the stock market has already discounted the downward oil and gas reserve revision, the uncertain management situation and the corporate and operational reorganization. Renaissance's share price decline has been dramatic, with its stock price having fallen from a late-1996 high of approximately $50 to $10.15 in March 2000. Nonetheless, Renaissance has consolidated at $13.00 where it trades at only 2.6 times the expected cash flow of $5.00 per share in fiscal year 2000. Despite the share price rebound from recent lows, Renaissance is still trading below its $20.00 net asset value with no value attributed to approximately $7.00 per share of tax pools. In short, we believe that Renaissance has been given a fundamentally low valuation, significantly below its peers, having been punished by the market place for previous disappointments. We suspect that the hiring of a new, capable CEO could be the eventual catalyst to share price improvement.

In the past, Renaissance has operated with a short-term asset base, which was employed to aggressively generate cash flow. The company has recognized that a more balanced portfolio is required and medium and long-term assets are needed for continuing success. Capital will be redirected into properties with large reserves and reasonable decline rates. The exploration program will be accelerated and test sites will be drilled in areas with good potential for major findings. Further, the company is committed to using both internally generated cash and its $1.3 billion in credit facilities to acquire both properties and other companies in the coming years. For fiscal year 2000, Renaissance has set aside $770 million for such expenditures.

The present investor perception of Renaissance is that it has changed from being a growth or momentum play to a deep value senior oil and gas investment. Renaissance Energy's share price appreciation will stem from the successful implementation of its revised business plan and the selection of a proven and experienced CEO. Under new management, we believe that Renaissance can complete the turnaround and regain investor confidence. Moreover, Renaissance has no controlling shareholder and, as a result, could be an attractive acquisition target for a Canadian or foreign entity. Ultimately, we would not rule out an unfriendly takeover of this substantially undervalued, large capitalization oil and gas producer.

ABC Funds
May 2000

UPDATES

We originally bought Renaissance Energy as a fundamentally undervalued, exploration and development, oil and gas producer in the midst of a turnaround. Its share price was relatively low considering its solid cash flow, accumulated tax pools and net asset value discount.

While the company was repositioning itself for a corporate turnaround, searching for a new CEO, redirecting its exploration efforts toward better quality oil and gas properties and investigating possible acquisitions, investor perception shifted. The company was no longer viewed as a growth/momentum play but as a deep value senior oil and gas investment. At our purchase price of $13.00 the stock appeared fundamentally cheap and with no controlling shareholder, Renaissance clearly was a viable takeover candidate.

Although we recognized the potential sweetener of a takeover premium when we purchased Renaissance several months ago, we expected that any takeover would be a relatively simple cash or cash/stock combination from a publicly-traded acquisitor. Our target was a minimum of $18. Last month, privately-held Husky Oil Inc. made a friendly takeover offer for Renaissance. Though we were pleased to see this development, after considerable examination, we were disappointed that it wasn't as simple, straightforward or high in price as we had expected.

After meeting with both companies, we concluded that our $18 to $20 Renaissance price target could not be achieved over the short run. Concerns were raised regarding insufficient company information, the dilutionary effect to Renaissance shareholders and the fact that the unknown and private nature of Husky Oil would make the merged company a "show me stock". The combined entity would be an integrated oil company, as opposed to a pure producer, and we believed that other more attractive integrated oil companies were available to investors. Unfortunately, the absence of a white knight precluded a bidding war and the price for Renaissance was unlikely to be increased. In consequence, we completely liquidated our Renaissance Energy holdings at approximately $15.50 in mid to late July.

ABC Funds
July 2000