

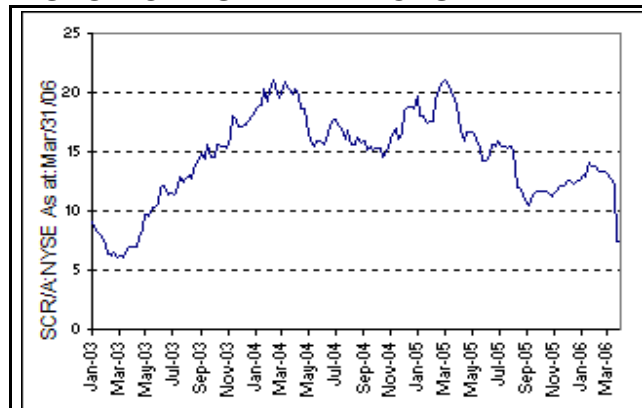
THE COMPANY

Sea Containers Ltd (SCL) is a Bermuda based company operating in four distinct businesses. The first is leasing of cargo containers, principally through GE SeaCo SRL a 50/50 joint venture with General Electric Capital, to a diversified customer base of liner ship operators. The second is ferry operations, which provides passenger and freight ferry services between Finland, Sweden, Estonia, Germany and Russia, in the English Channel between England and France, and in the Northern Irish Sea between Scotland and Northern Ireland. It also owns a commuter ferry service operating in New York harbour and a 50% interest in a seasonal ferry service in the Adriatic Sea. The third is the operation of a high-speed passenger train service between London and Scotland known as the Great North Eastern Railway (GNER). GNER is operated under a franchise agreement from the Strategic Rail Authority (SRA) and is one of 25 train operators established out of the former British Rail passenger operations privatized by the government. The fourth business is ownership and management of hotels, restaurants, tourist trains and river cruise ships through Orient-Express Hotels Ltd (OEH) in which SCL owns a 42% equity interest. OEH is a public company whose shares trade on the New York Stock Exchange under the symbol OEH.

FINANCIAL DATA

	2001	2002	2003
Earnings per Share (\$)	0.24	2.08	5.28
Price to Earnings	58.3	6.7	2.7
Dividend (\$)	0.30	0.22	0.09
Dividend Yield (%)	2.00	1.60	0.60
Book Value (\$)	25.79	27.20	31.93
Price to Book Value (times)	0.54	0.51	0.43

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT SEA CONTAINERS

We purchased shares in SCL based on the Company's attractive share price relative to its net asset value. We calculate this figure by valuing the individual businesses separately and subtracting the net debt. What we find is that SCL's stock trades substantially below its NAV. For instance, SCL's investment in OEH is alone worth over \$10 per SCL share. This implies the market is valuing the rest of SCL's businesses at less than \$5 per share. Additionally, SCL shares appear attractive on a number of other valuation methods. The stock currently sells at a 50% discount to its June 30th book value of \$30.82 per share and at just eight and two times this year's earnings and cash flow per share of \$1.90 and \$6.80 respectively.

We feel that SCL's large discount to book value/NAV can partially be attributed to investors concern pertaining to the GNER franchise which is set to expire in April 2005. In January 2004, the SRA announced it would invite bids from all interested persons to operate the rail service franchise for a new term of seven to ten years. Given that there is no guarantee that the contract will be awarded to GNER, investors appear to be discounting the value of this business substantially and instead taking a "wait and see" approach. This is despite the fact that GNER is highly favoured to win. Another cause of concern for investors is the rising price of crude oil, a major cost for the container and ferry businesses. With the price of crude now through \$50 a barrel and quickly approaching \$55, this will no doubt impact SCL's bottom line.

As many investors focus on the fate of the GNER franchise and the price of oil, a number of positive trends are emerging. Room bookings at OEH are up 23% so far in 2004 as global tourism continues to improve and GE SeaCo's container business is experiencing strong demand due to an increase in world trade, particularly between China and the western world. While shares of SCL will likely trade on rumours of the GNER franchise review in the near term, we think the share price will eventually move higher to reflect the underlying value of the company's rich asset base. A potential catalyst could be the sale or spin off of its investment holding in Orient Express Hotels or the sale of its channel ferry business, which has been problematic in recent years.

ABC Funds
 October 15, 2004

UPDATE

On November 5th 2004 Sea Containers reported third quarter earnings of \$18.1 million (\$0.76 per share) on revenues of \$492 million. Although revenue increased by 6%, earnings declined by \$22.6 million from the prior year. Earnings were impacted by the Ferry operations, which were hurt by higher fuel prices and a price war that began on the Dover/Calais route.

Although the Ferry operations were weak Sea Containers posted impressive results in its Container Shipping division. GE SeaCo, the 50% owned joint venture with GE Capital, recorded sales of \$37.5 million, a 48% increase over the same period a year ago. Earnings increased 44% to \$8.6 million and at the end of the period the fleet had a utilization rate of 99%. CEO James Sherwood remarked that he has not seen such high demand and utilization rates in his 40 years in the business. Needless to say, the outlook for this division remains positive.

UPDATE (cont'd)

Sea Containers also had good results in its Leisure group. Orient Express Hotels (OEH), in which the company has a 42% stake, increased its net income in the quarter by 40% over the prior year to \$11.5 million from \$8.2 million. Revenue per available room (REVPAR) increased 18% to \$241 while the Average daily rate (ADR) increased 8% to \$414. EBITDA margin for the quarter was 25% compared with 23% in the prior year's period.

At roughly \$17 per share we do not feel the market is adequately valuing Sea Containers diverse group of assets. In a comment made in this quarter's press release, James Sherwood seems to agree with our view. He states, "The investment in Orient-Express Hotels has a current market value of about \$270 million, yet the total current market value of Sea Containers' equity is only about \$360 million. This valuation does not seem to recognize the value of the company's 50% shareholding in GE SeaCo, nor the net asset value of ferry assets."

ABC Funds
November 12, 2004

Our investment thesis remains that Sea Containers (SCRA) is a sum of the parts or asset play story. For the last few years the stock has lacked a catalyst - something to unlock the value that was not being fully reflected in its languishing stock price. In November, Sea Containers made two important announcements. These announcements may just be the catalyst that investors have been waiting for. On November 3rd, Sea Containers outlined a restructuring plan for its ferry division. The division, which has been hurt by higher fuel costs, declining passenger and car volumes and intense competition in the Swedish markets, has been the main source of SCRA's recent financial losses. As a result, management has decided to put Silja, its largest ferry unit, and SeaStreak, which operates passenger services between New Jersey and Manhattan, up for sale.

Additionally, on November 8th, SCRA announced that it was selling its remaining 8.6 million share stake in Orient Express Hotels (OEH) at \$31 a share or approximately \$267 million. With the sale of OEH, and potential asset sales within its ferry division, SCRA will likely use the proceeds to pay down debt. With a lowered interest expense level and the elimination of the ferry losses, SCRA should eventually return to profitability. In the meantime, investors may be taking a wait and see approach with respect to the announced restructuring proposal. However, if the company does manage to successfully sell its Silja unit and liquidate its OEH holding, SCRA shares should improve toward its significantly higher net asset value.

ABC Funds
December 2, 2005

On March 24th 2006, Sea Containers announced that it would withdraw completely from the ferry business. In doing so, it will record a non-cash impairment charge of approximately \$415 million to write down the value of its fleet. The amount of the write down represents the difference between the historical cost, or book value of the ferries as recorded on the company's balance sheet, and the estimated value of what they are worth today. The impairment charge was necessary as operating conditions in the ferry business have deteriorated significantly in recent years. Higher fuel costs, reduced sales from duty free items and overcapacity in some markets due to increased competition have had a negative impact on profits.

While Sea Containers' recent announcement was disappointing, the company's board has taken some positive steps forward towards ultimately returning Sea Containers back to profitability. For example, the company recently hired Robert Mackenzie as CEO. Mackenzie replaces James Sherwood, who founded the company in 1965. Mackenzie's recent career includes being Group Financial Director of BET plc, Chief Executive and then Chairman of National Parking Corporation, Chairman of PHS Group plc and most recently, a senior advisor to private equity firm Texas Pacific Group. We feel Mackenzie will bring a tough, disciplined, and bottom line focus to Sea Containers which has historically been characterized as an asset rich company with disappointing profits.

Mackenzie has expressed that one of his priorities will be to make GE SeaCo, the company's 50% joint venture with General Electric, a stand alone company. GE SeaCo is now one of the world's largest container leasing companies with a fleet of around 1.2 million TEU (Twenty Foot Equivalent Units). It currently operates out of Sea Containers' London office, and shares many of its back office functions with other Sea Containers' divisions. As a separate stand alone company, GE SeaCo will have a separate, leaner and more efficient cost structure. Mackenzie believes this will result in improved profitability and ultimately, a higher valuation for the business. Eventually, Sea Containers and GE could look to spin out GE SeaCo via an IPO or sell it to a financial or strategic buyer.

Given the recent decline in its share price, Sea Containers continues to trade below our calculation of net asset value. However, until there is greater clarity with respect to the company's assets and operations, we will maintain our current position and monitor the situation very closely.

ABC Funds
March 31, 2006

At this time of the year we are particularly sensitive to portfolio review, tax-loss selling and common share dispositions. We closely examine individual securities at great length to decide whether a poorly performing investment merits further patience or liquidation.

During this analytical process, we reexamine our original purchase logic and review the present and future risk reward implications. In all candour, it is a thought-provoking and at times, a most painful task. But ultimately, I feel we learn from this retrospection as we review what went wrong. I believe it is vitally important to learn from our mistakes.

UPDATE (cont'd)

One stock that we recently reviewed was Sea Containers. When we purchased the stock at \$15, it was trading at 50% of its \$30 book and net asset value. We discovered hidden value in its holding of Orient Express Hotels (OEH), which was worth close to \$10 per Sea Containers share. The company was intent on selling OEH and was considering the sale of Silja, its unprofitable ferry business. In our opinion, we figured that Sea Containers would sell OEH and Silja, pay down debt and possibly spin out its interest in GEMSeaCo. We believed these events would help narrow the huge discount between Sea Containers stock price and its book/net asset value. We felt that this would ultimately propel its stock price toward our original \$30 target.

Unfortunately this did not happen. Although OEH was eventually sold, conditions at Silja worsened. Oil jumped from \$55 to \$70 a barrel and passenger volumes continued to decline. The ferries were eventually sold at just 50% of book value, well below our initial appraisal range. The Great North Eastern Railway (GNER) division, which runs trains from London to Edinburgh, experienced a massive decline in riders after the July 2005 London terrorist bombings. GNER, which was once the cash cow, began losing money as well.

By the summer of 2006, doubt began to surface regarding Sea Containers ability to make a \$115 million debt payment due in October. In the following weeks, the stock price drifted downward and eventually fell below \$5. But with a net asset value still considerably higher than the stock price, we believed (as did other major shareholders) that a deal, such as a debt for equity swap, could be arranged. This would give the company enough liquidity to make the October payment, and time to finish its restructuring. Unfortunately, disagreement over the company's pension liability left too much uncertainty for some bondholders and an arrangement could not be reached. On October 16th, Sea Containers, unable to make its debt payment, declared bankruptcy and its stock plummeted to under \$1.00

In retrospect, we remained too patient, too optimistic and held on too long. While a U.S. Chapter 11 filing gives the company breathing room to reorganize its affairs, after considerable thought, we decided in late October to liquidate our entire holding of Sea Containers. This capital loss which is already reflected in our October ABC Funds prices will be applied against 2006 gains.

November 3, 2006
ABC Funds