

## THE U.S. ECONOMY: STILL CHUGGING ALONG

With the recent announcement that the U.S. economy expanded at an annualized +2.9% growth rate for the last three months of 2017, compared to an earlier estimated +2.5%, it appears that the world's largest economy is "still chugging along."

This elevated growth rate was largely due to expanding American personal consumption spending and corporate inventory increases. It is our view that they were probably directly related. More importantly, with falling American unemployment and increased consumer optimism, we expect this positive momentum to continue. In fact, considering that approximately 70% of American economic activity relates to personal consumer expenditures, this trend should portend an elongated business cycle.

Moreover, the enhanced Q4/2017 growth is also notable in that it is highlighting the U.S. economy's remarkable resilience, longevity and its ability to climb a formidable domestic political and geopolitical "wall of worry". For instance:

- Confronted by many obstacles over the past year the American economy continues to expand. This expansion has been impervious to the Trump administration missteps, resignations and controversies, the North Korean conflict, the Syrian civil war, a new Federal Reserve chairman, NAFTA and the potential implementation of international trade tariffs.

- In spite of the general expectation of rising interest rates, fears of a developing inverted yield curve, rising deficits, plus the exasperating day-to-day stock market price volatility, the U.S. economy is still chugging along.

- While many realize its maturity, this economic cycle, already into its ninth year of positive growth is only 15 months from being the longest American economic expansion in modern times. Regardless of its skeptics there appears to be considerably more fundamental strength and momentum to carry this growth streak forward.

In summation, despite innumerable factors impacting the U.S. economy, its trajectory, albeit rather modest, has continued to endure. It is our view that its moderate "goldilocks" pace of growth and solid base partially explains its unusual longevity.

Irwin A. Michael, CFA





**ABC Funds**

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Economic Perspectives

## MAIN STREET AMERICA

There have been ongoing investor concerns with regard to rising interest rates and the prospects of an inverted yield curve. Although these issues might be legitimate worries at this stage of the economic cycle, Main Street America is reacting quite differently and rather positively. Clearly, falling unemployment, increasing consumer spending, relatively low inflation and interest rates, lower corporate tax rates, and

improving earnings appear to be driving the American economy forward. Consequently, we believe that Main Street America, possibly the “coal miner’s canary”, should be closely monitored in gauging the health of economic prospects and consumer prosperity.

Investment Perspectives

## NOISE

"I have never seen anything like this (market volatility) in 66 years... it is just noise."

John Bogle, 88 years old  
Founder, Vanguard Investment Fund

Since the start of 2018, equity markets have experienced unprecedented market volatility. For instance, the Dow Jones Industrial Average is frequently showing daily price ranges between high and lows of over 500 points. Much of this volatility can be attributed to incessant presidential tweeting and the political uncertainty of North Korea, Syria,

NAFTA, and possible international tariffs. The fact is while the present trading environment may be unusually volatile, there is a profound disconnect with the current macroeconomic stability.

Portfolio Perspectives

## WELL POSITIONED

Despite the present inordinate share price volatility we are very comfortable with our individual stock holdings within our five ABC Funds. The portfolios are composed of diversified American, Canadian, and international companies with excellent earnings and growth prospects. We remain positive on the North American and world economic prospects and expect common stocks will outperform bonds

in 2018. We are particularly optimistic on the global economy and continue to favour North American financial services, technology, health cares, and industrials.



# FULLY MANAGED FUND

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## STATEMENT OF INVESTMENT PORTFOLIO

MARCH 31, 2018

### CASH -- 1.77%

Cash - CAD  
Cash - USD

### CONSUMER DISCRETIONARY -- 8.28%

Amazon.com Inc. **US** 1.85%  
Brunswick Corp. **US** 1.98%  
Six Flags Entertainment Corp. **US** 1.64%  
The Home Depot Inc. **US** 2.81%

### HEALTH CARE -- 10.98%

Amgen Inc. **US** 1.59%  
Becton, Dickinson and Co. **US** 2.89%  
Centene Corp. **US** 1.63%  
Danaher Corp. **US** 1.14%  
Johnson & Johnson **US** 2.24%  
UnitedHealth Group Inc. **US** 1.49%

### UTILITY -- 13.97%

Algonquin Power & Utilities Corp. 2.63%  
AltaGas Ltd., subscription receipts 1.76%  
Brookfield Renewable Partners L.P. 1.66%  
Emera Inc. 1.76%  
Fortis Inc. 2.41%  
Hydro One Ltd. 1.77%  
Northland Power Inc. 1.98%

### CONSUMER STAPLES -- 3.03%

PepsiCo Inc. **US** 1.51%  
The Kraft Heinz Co. **US** 1.52%

### MATERIALS -- 3.16%

CCL Industries Inc., Class B 3.16%

### TELECOMMUNICATION -- 3.54%

Rogers Communications Inc., Class B 1.55%  
SoftBank Group Corp., ADR **US** 1.99%

### FINANCIAL SERVICES -- 14.25%

Bank of Montreal 2.26%  
Canadian Imperial Bank of Commerce 1.96%  
East West Bancorp Inc. **US** 1.44%  
Manulife Financial Corp. 1.70%  
Royal Bank of Canada 2.53%  
The Bank of Nova Scotia 1.93%  
The Toronto-Dominion Bank 2.43%

### ENERGY -- 7.03%

Inter Pipeline Ltd. 1.48%  
Keyera Corp. 1.24%  
Suncor Energy Inc. 2.32%  
TransCanada Corp. 1.99%

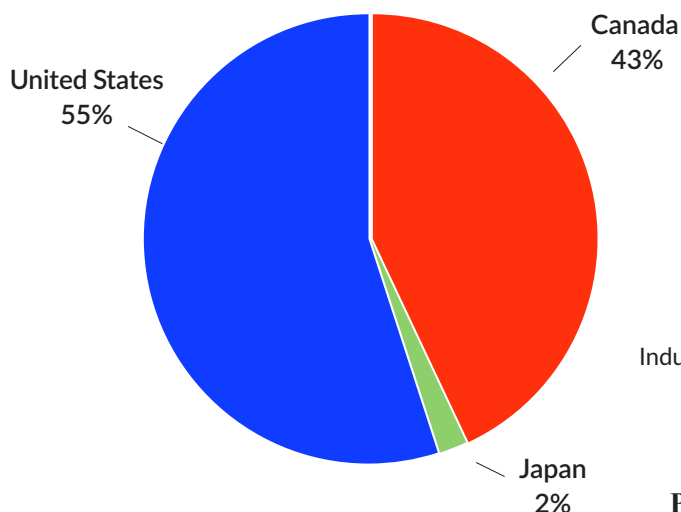
### TECHNOLOGY -- 22.71%

Activision Blizzard Inc. **US** 1.69%  
Alphabet Inc., Class A **US** 1.78%  
Apple Inc. **US** 2.94%  
Broadcom Ltd. **US** 2.49%  
MasterCard Inc., Class A **US** 3.87%  
Microsoft Corp. **US** 3.24%  
NVIDIA Corp. **US** 3.50%  
Visa Inc., Class A **US** 3.20%

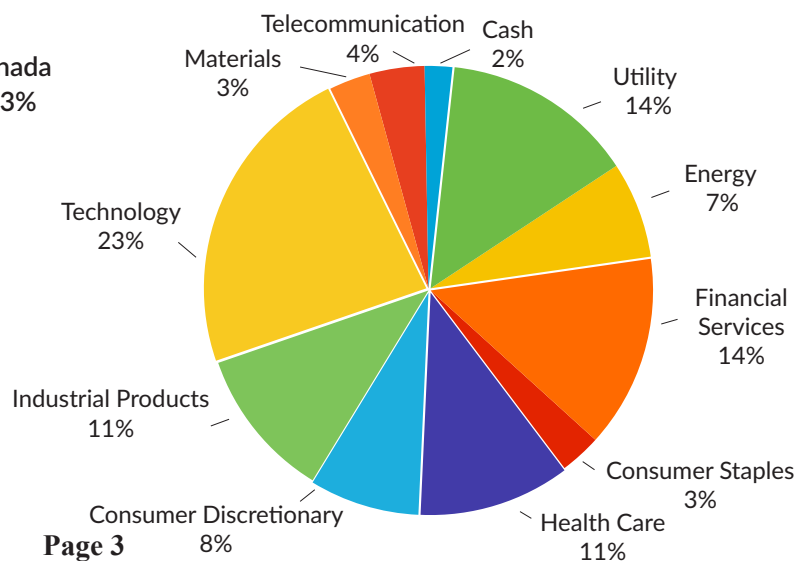
### INDUSTRIAL PRODUCTS -- 11.28%

Canadian National Railway 1.24%  
Canadian Pacific Railway Ltd. 1.22%  
Honeywell International Inc. **US** 2.29%  
Northrop Grumman Corp. **US** 2.03%  
Republic Services Inc. **US** 1.64%  
United Technologies Corp. **US** 1.08%  
Waste Management Inc. **US** 1.78%

## Geographic Allocation



## Sector Allocation





# FUNDAMENTAL VALUE FUND

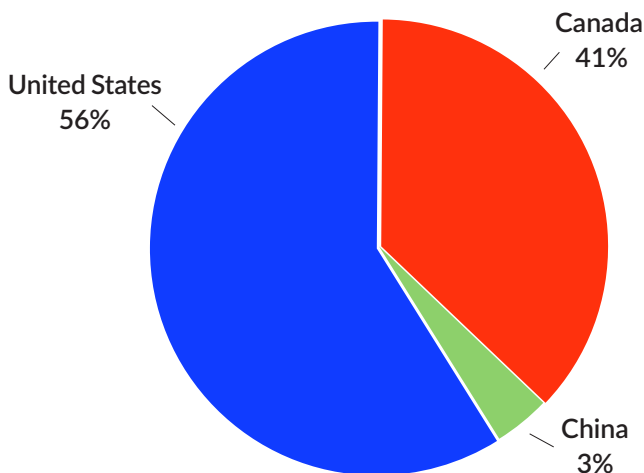
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## STATEMENT OF INVESTMENT PORTFOLIO

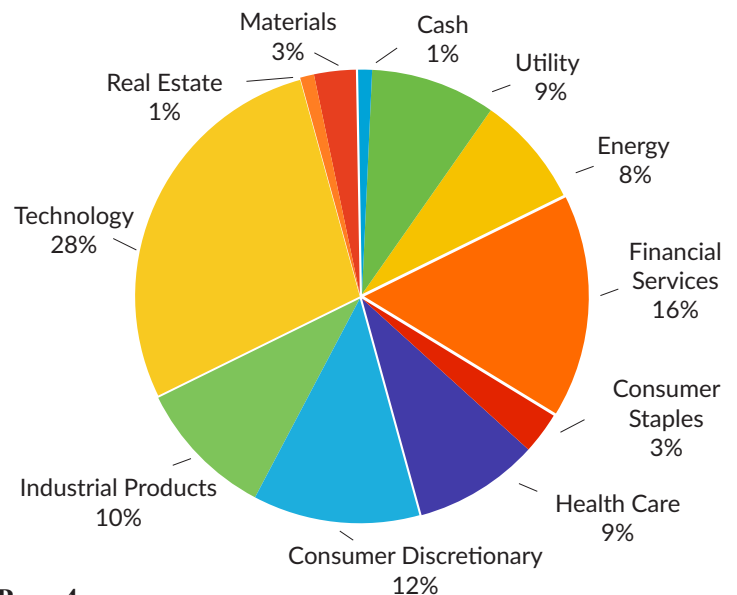
MARCH 31, 2018

<b>CASH -- 1.61%</b>		<b>INDUSTRIAL PRODUCTS -- 9.76%</b>	
Cash - CAD	1.51%	Canadian National Railway	1.33%
Cash - USD	0.10%	Honeywell International Inc. <b>US</b>	1.39%
		Northrop Grumman Corp. <b>US</b>	3.01%
<b>HEALTH CARE -- 9.59%</b>		United Technologies Corp. <b>US</b>	1.86%
Amgen Inc. <b>US</b>	1.59%	Waste Management Inc. <b>US</b>	2.17%
Becton, Dickinson and Co. <b>US</b>	3.08%		
Boston Scientific Corp. <b>US</b>	2.23%	<b>CONSUMER DISCRETIONARY -- 12.00%</b>	
Centene Corp. <b>US</b>	1.42%	Alibaba Group Holding Ltd. ADR <b>US</b>	1.42%
UnitedHealth Group Inc. <b>US</b>	1.27%	Amazon.com Inc. <b>US</b>	4.59%
		Netflix Inc. <b>US</b>	2.88%
<b>CONSUMER STAPLES -- 2.75%</b>		The Home Depot Inc. <b>US</b>	3.11%
The Coca-Cola Co. <b>US</b>	1.44%		
The Kraft Heinz Co. <b>US</b>	1.31%	<b>ENERGY -- 7.67%</b>	
		Enbridge Inc.	1.70%
<b>FINANCIAL SERVICES -- 15.93%</b>		Inter Pipeline Ltd.	1.19%
Bank of Montreal	1.78%	Suncor Energy Inc.	2.72%
Canadian Imperial Bank of Commerce	1.92%	TransCanada Corp.	2.06%
East West Bancorp Inc. <b>US</b>	1.72%		
Morgan Stanley <b>US</b>	1.58%	<b>REAL ESTATE -- 0.75%</b>	
National Bank of Canada	1.70%	RioCan REIT	0.75%
Royal Bank of Canada	2.44%		
The Bank of Nova Scotia	2.08%	<b>TECHNOLOGY -- 28.16%</b>	
The Toronto-Dominion Bank	2.71%	Alphabet Inc., Class A <b>US</b>	2.78%
		Apple Inc. <b>US</b>	3.36%
<b>UTILITY -- 8.76%</b>		Facebook Inc. <b>US</b>	1.72%
Algonquin Power & Utilities Corp.	2.09%	MasterCard Inc., Class A <b>US</b>	4.48%
AltaGas Ltd., subscription receipts	2.10%	Microsoft Corp. <b>US</b>	3.56%
Brookfield Renewable Partners L.P.	1.26%	NVIDIA Corp. <b>US</b>	2.77%
Emera Inc.	1.48%	Salesforce.com Inc. <b>US</b>	2.16%
Hydro One Ltd.	1.83%	Skyworks Solutions Inc. <b>US</b>	2.66%
		Tencent Holdings Ltd. ADR <b>US</b>	2.36%
<b>MATERIALS -- 3.02%</b>		Visa Inc., Class A <b>US</b>	2.31%
CCL Industries Inc., Class B	3.02%		

### Geographic Allocation



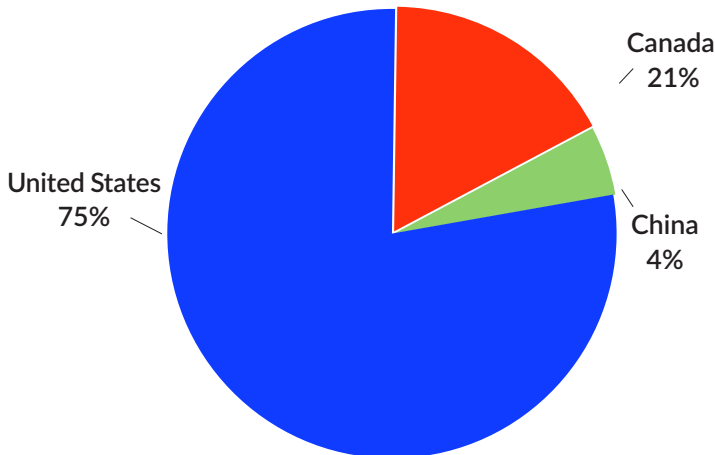
### Sector Allocation



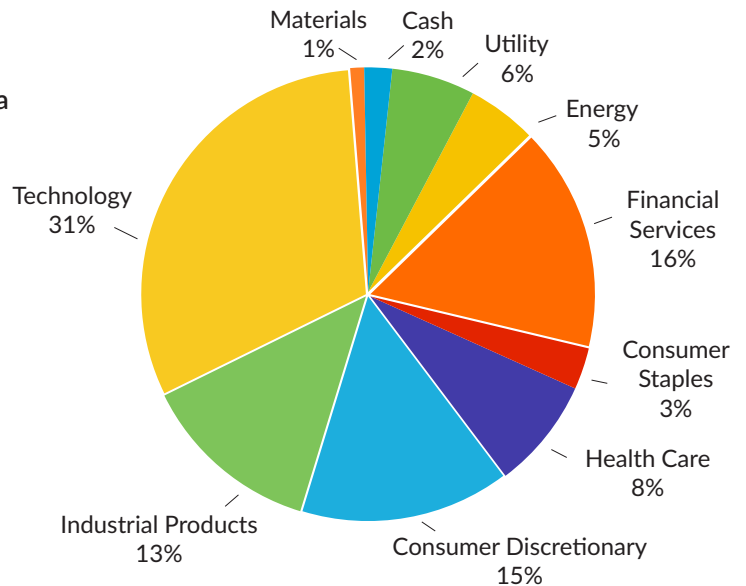


<b>CASH -- 1.61%</b>		<b>HEALTH CARE -- 7.95%</b>	
Cash - CAD	1.40%	Anthem Inc. <b>US</b>	2.85%
Cash - USD	0.21%	Boston Scientific Corp. <b>US</b>	1.95%
		Centene Corp. <b>US</b>	1.18%
		Danaher Corp. <b>US</b>	1.97%
<b>CONSUMER STAPLES -- 3.16%</b>		<b>MATERIALS -- 0.96%</b>	
PepsiCo Inc. <b>US</b>	1.90%	DowDuPont Inc. <b>US</b>	0.96%
The Kraft Heinz Co. <b>US</b>	1.26%		
<b>INDUSTRIAL PRODUCTS -- 12.78%</b>		<b>FINANCIAL SERVICES -- 16.23%</b>	
3M Company <b>US</b>	1.94%	Canadian Imperial Bank of Commerce	2.44%
Honeywell International Inc. <b>US</b>	2.03%	First Republic Bank <b>US</b>	2.57%
The Boeing Co. <b>US</b>	5.10%	Goldman Sachs Group <b>US</b>	1.28%
United Technologies Corp. <b>US</b>	1.78%	JPMorgan Chase & Co. <b>US</b>	1.95%
Waste Management Inc. <b>US</b>	1.93%	Prudential Financial Inc. <b>US</b>	2.29%
		SVB Financial Group <b>US</b>	3.30%
<b>CONSUMER DISCRETIONARY -- 15.43%</b>		The Toronto-Dominion Bank	2.40%
Alibaba Group Holding Ltd. ADR <b>US</b>	2.08%		
Amazon.com Inc. <b>US</b>	4.49%	<b>TECHNOLOGY -- 31.07%</b>	
McDonald's Corp. <b>US</b>	1.21%	Adobe Systems Inc. <b>US</b>	1.31%
Netflix Inc. <b>US</b>	2.59%	Alphabet Inc., Class A <b>US</b>	2.83%
Six Flags Entertainment Corp. <b>US</b>	1.96%	Apple Inc. <b>US</b>	3.54%
The Home Depot Inc. <b>US</b>	3.10%	Broadcom Ltd. <b>US</b>	2.66%
		Facebook Inc. <b>US</b>	1.68%
<b>ENERGY -- 5.16%</b>		MasterCard Inc., Class A <b>US</b>	4.12%
Enbridge Inc.	1.47%	Microsoft Corp. <b>US</b>	3.28%
Suncor Energy Inc.	2.16%	NVIDIA Corp. <b>US</b>	3.54%
TransCanada Corp.	1.53%	Salesforce.com Inc. <b>US</b>	1.53%
		Tencent Holdings Ltd. ADR <b>US</b>	2.85%
<b>UTILITY -- 5.65%</b>		Visa Inc., Class A <b>US</b>	3.73%
Algonquin Power & Utilities Corp.	2.28%		
AltaGas Ltd., subscription receipts	1.89%		
Emera Inc.	1.48%		

**Geographic Allocation**



**Sector Allocation**





# NORTH AMERICAN EQUITY FUND

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## STATEMENT OF INVESTMENT PORTFOLIO

MARCH 31, 2018

### CASH -- 1.41%

Cash - CAD	0.59%
Cash - USD	0.82%

### CONSUMER STAPLES -- 3.05%

Constellation Brands Inc., Class A US	1.79%
The Coca-Cola Co. US	1.26%

### FINANCIAL SERVICES -- 17.40%

Bank of Montreal	2.26%
BB&T Corp. US	1.97%
Canadian Imperial Bank of Commerce	2.60%
Morgan Stanley US	1.75%
Royal Bank of Canada	2.14%
SVB Financial Group US	1.66%
The Bank of Nova Scotia	2.07%
The Toronto-Dominion Bank	2.95%

### HEALTH CARE-- 10.33%

Anthem Inc. US	3.83%
Becton, Dickinson and Co. US	3.17%
Boston Scientific Corp. US	3.33%

### ENERGY -- 5.25%

Inter Pipeline Ltd.	1.32%
Suncor Energy Inc.	2.20%
TransCanada Corp.	1.73%

### MATERIALS -- 4.90%

Avery Dennison Corp. US	2.44%
CCL Industries Inc., Class B	2.46%

### CONSUMER DISCRETIONARY -- 12.03%

Amazon.com Inc. US	4.87%
Brunswick Corp. US	2.33%
Netflix Inc. US	2.31%
The Home Depot Inc. US	2.52%

### TECHNOLOGY-- 27.90%

Activision Blizzard Inc. US	2.53%
Alphabet Inc., Class A US	2.23%
Apple Inc. US	3.56%
Facebook US	3.10%
MasterCard Inc., Class A US	3.38%
Salesforce.com Inc. US	2.20%
Skyworks Solutions Inc. US	2.63%
Taiwan Semiconductor Manufacturing Co. ADR US	2.46%
Tencent Holdings Ltd. ADR US	1.90%
Visa Inc., Class A US	3.91%

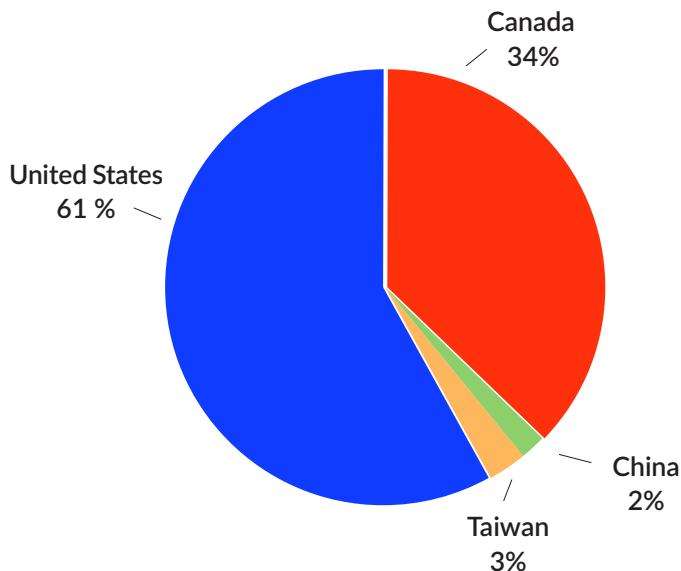
### INDUSTRIAL PRODUCTS -- 7.44%

Canadian National Railway	1.01%
Canadian Pacific Railway Ltd.	0.99%
Ingersoll-Rand PLC US	1.69%
Raytheon Co. US	2.49%
Waste Management Inc. US	1.26%

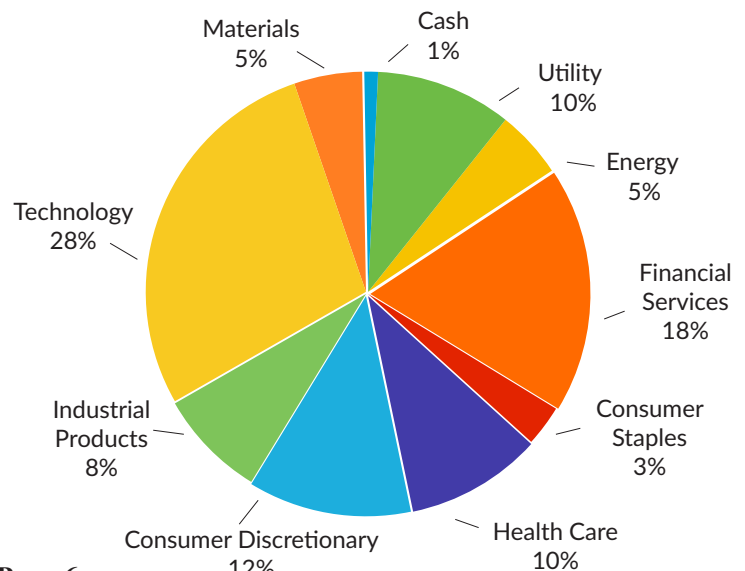
### UTILITY -- 10.29%

Algonquin Power & Utilities Corp.	2.52%
AltaGas Ltd., subscription receipts	1.73%
Emera Inc.	1.29%
Hydro One Ltd.	2.43%
Northland Power Inc.	2.32%

## Geographic Allocation



## Sector Allocation





# GLOBAL EQUITY FUND

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## STATEMENT OF INVESTMENT PORTFOLIO

MARCH 31, 2018

### CASH -- 1.06%

Cash - CAD  
Cash - USD

0.96%  
0.10%

### UTILITY -- 8.16%

Algonquin Power & Utilities Corp.  
AltaGas Ltd., subscription receipts  
Fortis Inc.  
Hydro One Ltd.

2.48%  
1.65%  
2.06%  
1.97%

### TECHNOLOGY -- 33.42%

Adobe Systems Inc. **US**  
Alphabet Inc., Class A **US**  
Apple Inc. **US**  
Baidu Inc., ADR **US**  
Broadcom Ltd. **US**  
Facebook Inc. **US**  
MasterCard Inc., Class A **US**  
NVIDIA Corp. **US**  
Salesforce.com Inc. **US**  
SAP SE ADR **US**  
Taiwan Semiconductor Manufacturing Co. ADR **US**  
Tencent Holdings Ltd. ADR **US**  
Visa Inc., Class A **US**  
YY Inc. ADR **US**

3.54%  
1.95%  
3.18%  
1.18%  
2.52%  
1.55%  
3.99%  
2.74%  
1.69%  
1.83%  
1.40%  
2.69%  
1.70%  
3.46%

### HEALTH CARE -- 9.65%

Amgen Inc. **US**  
Becton, Dickinson and Co. **US**  
Boston Scientific Corp. **US**  
Centene Corp. **US**  
UnitedHealth Group Inc. **US**

1.60%  
2.70%  
2.56%  
1.47%  
1.32%

### MATERIALS -- 2.35%

CCL Industries Inc., Class B

2.35%

### CONSUMER DISCRETIONARY -- 12.72%

Alibaba Group Holding Ltd. ADR **US**  
Amazon.com Inc. **US**  
Netflix Inc. **US**  
Six Flags Entertainment Corp. **US**  
The Home Depot Inc. **US**

2.77%  
3.44%  
2.49%  
2.22%  
1.80%

### CONSUMER STAPLES -- 1.14%

The Coca-Cola Co. **US**

1.14%

### FINANCIAL SERVICES -- 14.94%

Bank of Montreal  
Canadian Imperial Bank of Commerce  
East West Bancorp Inc. **US**  
First Republic Bank **US**  
National Bank of Canada  
Royal Bank of Canada  
The Bank of Nova Scotia  
The Toronto-Dominion Bank

2.10%  
1.47%  
1.87%  
1.79%  
1.03%  
2.14%  
1.88%  
2.66%

### INDUSTRIAL PRODUCTS -- 9.50%

Canadian National Railway  
Canadian Pacific Railway Ltd.  
Rockwell Automation Inc. **US**  
Siemens AG, ADR **US**  
The Boeing Co. **US**

1.03%  
1.03%  
1.45%  
1.69%  
4.30%

### ENERGY -- 5.60%

Keyera Corp.  
Suncor Energy Inc.  
TransCanada Corp.

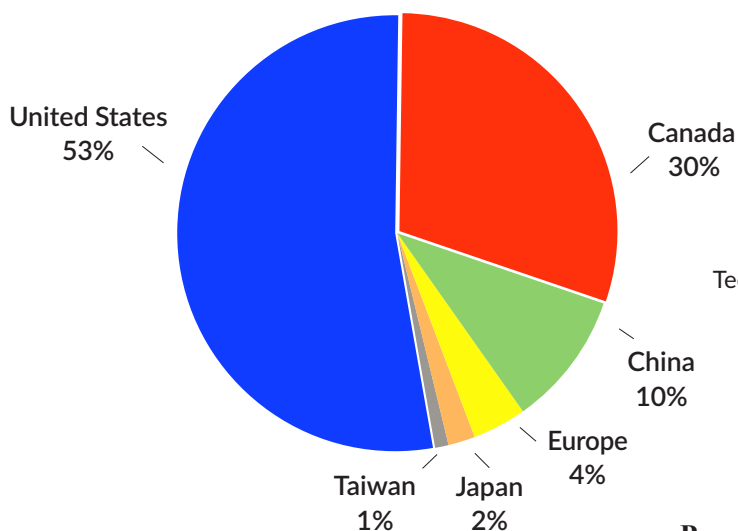
1.56%  
2.18%  
1.86%

### TELECOMMUNICATIONS -- 1.46%

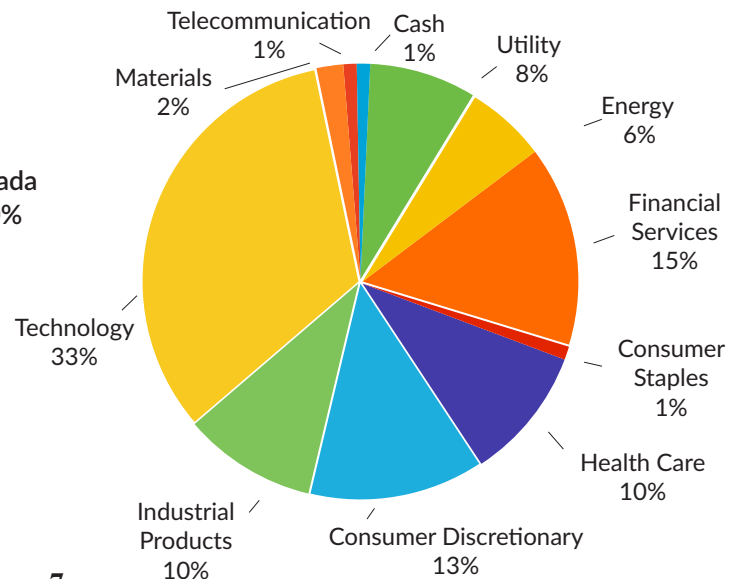
SoftBank Group Corp., ADR **US**

1.46%

## Geographic Allocation



## Sector Allocation







**ABC Funds**™

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## TWO FAVOURED ABC COMMON STOCK HOLDINGS

**Becton Dickinson and Co.:** is a New Jersey based global medical device company that develops, manufactures, and distributes a diverse range of products to institutions, laboratories, pharmaceutical companies and consumers. We believe Becton is well-positioned to service a growing worldwide aging population. More importantly, with its recent acquisition of its health care peer, CR Bard, Becton will broaden its clinical outcomes and disease management, accelerate its revenue and earnings growth and place itself as an important one-stop shop for hospitals. Furthermore, Becton is strongly positioned internationally with double digit growth in emerging markets and China, which should offer additional revenue opportunities.

**Brunswick Corporation:** is a diversified manufacturer of recreational consumer products including marine engines and higher performance boats, as well as fitness, fishing, and billiards equipment. We believe that Brunswick offers a solid investment opportunity, trading at a very inexpensive 13x forward price to earnings multiple combined with an impressive five year earnings and revenue growth track record. Moreover, the company generates considerable free cash flow, which it has been using to fund its dividend and to repurchase common stock. Of note, in its first quarter of 2018, Brunswick announced a proposal to spin off its fitness division, which holds the renowned Life Fitness brand. This event could be a very positive catalyst for the company, as we believe that Brunswick represents a prime example of the sum of the parts being worth more than the whole.

### Administrative Information

- There are units of the ABC North American Equity Fund & ABC Global Equity Fund available for purchase. Contact our office for more information.
- Purchase requests must reach our office by the last business day of the month and redemption requests (for our open funds) must reach our office no later than ten business days before the last business day of the month.
- Clients that are invested in our closed-end funds are able to redeem their reinvested distribution units on a monthly basis. Also, you can participate in the annual 10% redemption right if you provide the completed form by November 30 for a December 29 transaction date. If you need assistance with either of these options, please do not hesitate to contact our office.
- All cheques are to be made payable to RBC Investor Services.
- All client requests are to be directed to ABC Funds.
- We continue to request that clients assist in updating their "Know Your Client" forms. This information is a regulatory requirement to assess the suitability of our various ABC Funds to individual client's needs.
- RBCITS is the custodian of the ABC Funds and is responsible for providing our clients with account statements, tax slips and requested funds. We ask that you retain all statements for your records as there may be additional costs for retrieving historical data.
- Please contact our office to inform us of any changes in mailing or email addresses. If we do not have your current contact information, you may not receive the information we are sending out.

This newsletter is published by I.A. Michael Investment Counsel Ltd. and the ABC Funds

18 King Street East, Suite 1010 Toronto, Ontario M5C 1C4 Telephone: (416)365-9696 Toll Free: 1-888-OPEN ABC Fax: (416)365-9705

Web site: [www.abcfunds.com](http://www.abcfunds.com) Email: [invest@abcfunds.com](mailto:invest@abcfunds.com)

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