the Break Out Report

Volume # 1, Issue # 22 Sept. 21, 2003

Trend Watch

Chinatown Calculation

Doug and the Slugs sang about 'the new mystery man" who "knows his business" in their hit Chinatown Calculation. They could have been singing about the astute masterminds behind China's monetary policy. They pegged the yuan to the American dollar and it's driving everyone crazy.

The Yanks hate it because it keeps China competitive with the United States even as the US dollar continues to sink. And other Asian countries hate it because as their own currencies appreciate against the greenback, they lose competitive advantage.

As pundit Michael Campbell pointed out recently, we're in a regime of competing currency devaluations. And the cool Chinese are just following the world's strongest economy.

But there is trouble brewing ahead. The United States, Canada and other G7 nations are expected to issue an unprecedented call to "other major economic areas" to float their currencies. This is aimed primarily at the Chinese policy. The IMF also urged a floating yuan earlier this month.

Japan has been caught in the middle of the crossfire. Its currency floats and has been under strong upward pressure, so the Japanese have spent $77.6 billion intervening in currency markets to keep the yen competitive.

The Asian markets, in fact, are becoming the

(Continued on page 2)

Advanced Option Strategy

Calendar Spreads

Two popular options strategies are LEAPS and covered calls. LEAPS stands for Long-term Equity AnticiPation units and are, basically, long-term options. Typically they are options that expire more than seven months out on the January of the following year or the year after that. When the time to expiry is less than seven months, the option reverts to being an ordinary option and new LEAPS are issued. So, for example, in June new 2006 LEAPS were issued for stocks that have LEAPS options.

You would buy a LEAPS option on a stock or index you believe will be going up in the period to expiry. Buying the LEAPS instead of the actual stock gives you leverage. It also gives you time to ride out the ups and downs of the market.

A covered call is selling a call on a stock you own to generate cash flow. The covered call writer will usually sell a call a month out at a strike price he believes the option will expire worthless. This can be a higher price if the stock is rising, or the same price if the stock is flat or even a lower price if the stock is falling. Technical indicators are very important in selecting the right strike price.

Which brings us to the Calendar Spread. This strategy combines LEAPS and covered call writing. You buy a LEAPS option and then you write short-term calls against it. This gives you a leveraged long-term play as well as cash flow.

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In This Issue: Nortel Nirvana! (Page 6)

Trend Watch *(from page 1)*

new economic powerhouses. A recent survey by A.T. Kearney reports that China remains the number one choice for direct foreign investment in the world for the second year running. The United States was bumped from top spot in 2002.

But it's not just China showing strength in the face of US weakness. Jacqueline Thorpe reported in the National Post in late August that Asia is recovering well from the financial crisis that plagued the continent in 1997. The Thai economy grew by 6.7% in the first quarter of 2003. Hong Kong and the Philippines both grew 4.5%. Malaysia's economy was up 4%. And South Korea grew 3.7%.

And if we think the NASDAQ has done well with its 42.69% rise so far this year, it's lagging the Thailand Stock Index which is up 50% this year.

Along with economic strength comes an assertion of independence from Western economic policies. Thailand paid back the last of its US$17.2 billion aid package this summer reports Thorpe, and the Thai Prime Minister vowed never again to "fall prey to world capitalism" or need IMF help.

The surging Asian economies, especially China, have sparked massive demand for commodities and nickel, copper, silver, platinum and gold are climbing to new multi-year highs.

But here is where the crunch comes in. Bill Gross writes in his September Investment Outlook that the US recovery we are currently seeing is built on debt. Personal debt is rising as consumers remortgage their houses to buy doodads. Should that "goofy Hummer" be "macho black or maybe that outlandish canary yellow?" he asks. In fact, he says the US consumer is borrowing 4-6% of his annual income to pay for these doodads and has been for years. No one is saving. This individual trade deficit is exacerbated by the US government's ballooning deficit, currently over $450 billion a year. The US government is talking about a floating debt ceiling. The $450 billion, says Gross, is "paying for overconsumption, for Hummers in L.A. and Hummvees in Iraq" and it is "increasingly owe(d) to foreign creditors".

Which brings us back to China. It is running a US$120 billion a year trade surplus with the US adding to its dollar reserves. At some point, says Gross, the Chinese and other Asian countries will realize the debt based US economy is too risky. They'll call in their chits, so to speak, selling off their US debt paper or maybe even revaluing the yuan.

The result? "Reflation's second round will have begun, US interest rates will rise, goods in the malls and showrooms will be less affordable, and the process of national belt tightening and increased savings will have begun".

Now here's the irony. When the 1997 currency crisis struck Asia, countries requiring IMF aid were told to tighten their belts, raise interest rates and cut government spending. The last few years has seen the United States do the exact opposite – lowering interest rates and spending like profligate sailors.

What's that saying about chickens coming home to roost? As Doug and the Slugs put it, "Your abacus spoke deadly sense".

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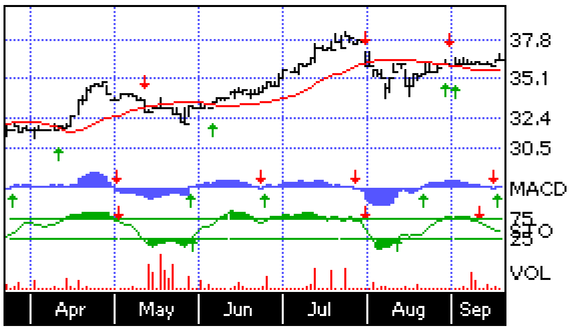
Watched List Update

New Uptrends

If you check out our Subscriber Only section at the website regularly, you know that I update our Watched List with changes in trends noted as well as changes in our buy/sell recommendations. The four stocks below are ones whose moving average has started to slope upwards again after a down period. These often go on to make further gains. Check them out, take a look at recent news, and see what you think.



CML Healthcare (CLC) Profiled: Apr. 12/02

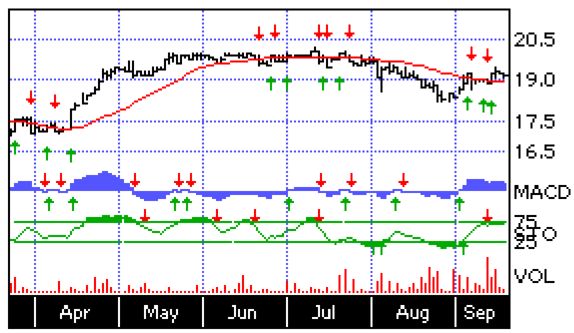
Price then: $28.10 Price Now: $36.25

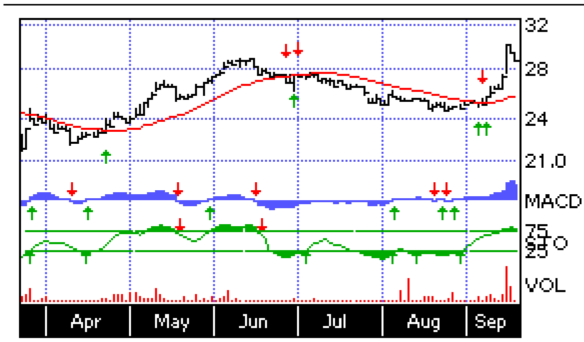
⇦ Canadian Medical Labs, now CML Healthcare, has gained 29.0% since we profiled it a year and a half ago. The stock seems to undergo steady growth periods followed by violent corrections, the last at the end of July. It looks about to embark on another upleg. But watch this one closely. It's volatile.

Metro Inc. (MRU.A) Profiled: Jan. 8/01

Price then: $10.25 Price Now: $19.10

Quebec-based grocer Metro Inc. was featured ⇨ in January 2001 at a price of $10.25. It's now up 86.3% since profiled. It climbed strongly throughout 2001 and half way through 2002 when it started fluctuating, correcting from a high of $22 to the $16 level. It is turning up again after a two month correction.





Niko Res. (NKO) Profiled: Nov. 17/02

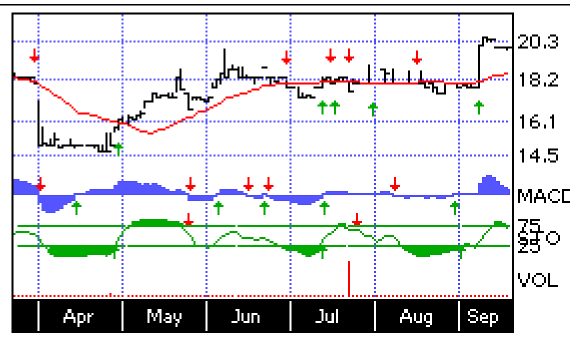
Price then: $22.20 Price Now: $28.76

⇦ Oil producer Niko Resources was featured in our November newsletter at $22.20 and is now up 29.5%. The stock is somewhat volatile and recently spiked up on strong volume to new 52 week highs. Its previous high around the $28 level could now become support as Niko continues its long-term ascent.

Reitman's (RET.A) Profiled: July 6/01

Price then: $10.13 Price Now: $20.00

Clothing retailer Reitman's was featured on ⇨ July 6, 2001 at $10.13 and is now up 97.4%. It soared as high as $25 in December but corrected sharply to the $15 level through the end of May. After trading flat around $18 for three months, it spiked up on a strong quarterly.



Calendar Spreads *(from page 1)*

There are two important considerations when playing a Calendar Spread. The first is buying an appropriate LEAPS option. Because you are buying the LEAPS as a substitute for stock so you can write covered calls against it, you want to buy a LEAPS option that acts like a stock, moving on an almost dollar-for-dollar basis with the underlying stock. This means buying a LEAPS option that is deep in-the-money with a delta of 0.9 or better. (See our February 16th issue for a review of delta and other option Greeks.)

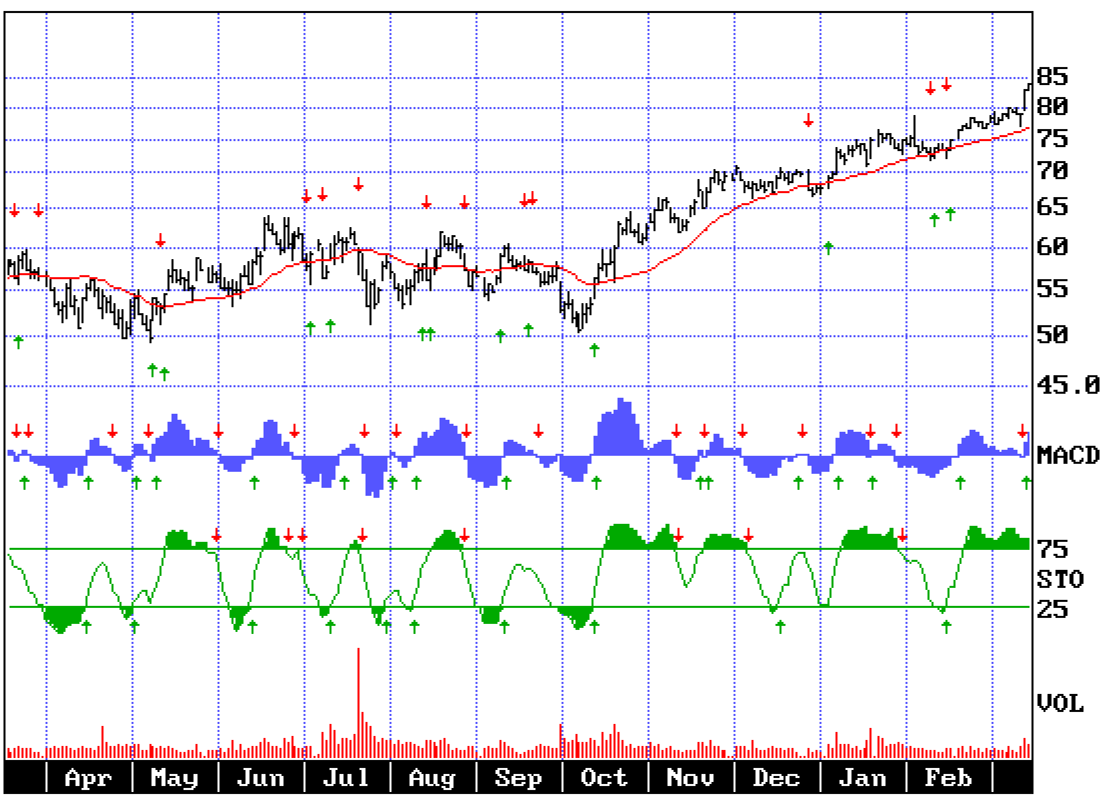
Why do we want the high priced LEAPS? Because in writing covered calls, you face the risk of being called out. Writing a covered call on an out-of-the-money LEAPS option is like writing a naked call. It is risky and could put the writer in jeopardy if the stock runs away on you.

With a covered call on a stock you own, if the call expires in-the-money, you are obligated to sell the underlying stock at the strike price. No problem. The stock is sitting there in your portfolio and your broker sells it to satisfy your obligation. But if you are doing a Calendar Spread, you need to be able to exercise your LEAPS to cover your obligation. You can’t exercise an out-of-the-money LEAPS.

In practice though, the Calendar Spread player will manage his covered calls so as not to be called out. Which brings us to the second important consideration. When and at what strike price do we write the covered calls?

The first thing to note is that you don’t write covered calls on the LEAPS every month. If the stock is rising, your covered call will be losing money as fast as your LEAPS option is making money, balancing out. It is a pointless exercise.

But stocks rarely move in a straight line. They have their ups and downs. You want to sell calls when the stock is starting to turn down. The best indicator, according to Ross Jardine of Investools, is the Stochastics. See the chart below for eBay.



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Calendar Spreads *(from page 4)*

EBay was one of the few dot-coms with solid revenues and earnings growth and an excellent business model. Although it lost ground in the tech wreck, it has turned around nicely. It could be an excellent candidate for a calendar spread.

Using stochastics as our signal, we want to leave the LEAPS uncovered whenever the stock is rising and cover it on weakness. If the stochastics is in the lower or the neutral zone or has just given a green arrow, don't cover. Let the LEAPS ride the trend up.

When the stochastics are in the upper zone or have just given a red arrow marking a reversal, consider writing a call.

We only write calls one month out close to expiry date. In the chart above we can see that we would have left the LEAPS uncovered in April but would have sold in May. Likely we would have sold the $60 strike price.

As you can also see, the stock took a sudden jump up mid-month to $64. If the stock stays above the strike price for a day or two, you should roll up and out the call. This means buying back the call and moving out a month further, rolling up to the next higher strike price. You might take a small loss on this which can be claimed as a tax loss.

In our example, you would roll up and out selling the July 65 call. This would expire worthless. In fact, the stochastics were in the upper range near expiry in May, June, July and August and 65 calls could have been sold in all of them without being called out. 60s could have been played for higher premiums but would have had to be bought back and rolled forward twice. September would have been an uncovered month. In October you would have sold the November 65s and had to roll out and up to 70. They would have had to be bought back for a tiny premium close to expiry for safety in December and you would have stood aside leaving the LEAPS uncovered. In January you could have sold the 80s as the stochastics were in the upper range once more. They would have expired worthless to the buyer but profitable to you in February.

It's just like shampoo. Lather, rinse, repeat! Try it for shiny hair and a shiny bank account! But on paper first, okay?

<u>Toolbox Tip</u>

Canadian Options

In case you hadn't noticed, the Online Investor's Toolbox now carries Canadian options chains. Yes! You can now get the same detailed information on Canadian options that you get for US options. What a boon for Canadian Toolbox users.

To see if a Canadian stock has options, just click on the Listed Options link as you would for an American traded stock. The options chain will show up. Clicking on Option Greeks will give you the relevant Greek data as well.

Stocks that are dual traded, such as Nortel Networks, will show different options chains for the Canadian and American listed stocks. Using just NT as the symbol will give you the NYSE listed data as well as the US traded options on Nortel. Using T.NT will give you TSX data and will also bring up the Montreal options info.

Canadian options actually offer a wider variety of choices to the customer. Nortel is an interesting case in point. US Nortel options are incremented by $2.50 up to the $25 strike price whereas Canadian Nortel options are incremented by dollars. This lets you choose tighter ranges for covered calls and for just about any options transaction.

There are fewer Canadian optionable stocks though. You'll find a complete list of them by visiting the Canadian section of the Toolbox. Click on Education in the upper menu, then click on Canadian Resources in the left hand menu. Now click on Canadian Options. You'll find a complete table of Canadian options with links to the Toolbox option chains. It includes LEAPS where available. There were only fourteen Canadian LEAPS options when I updated this table for Investools a few weeks ago.

The number of optionable stocks constantly changes as do the number of stocks on the TSX. Options also have IPOs and delistings. But you'll find a link at the top of the page to the Montreal Exchange for a current update.

In any event, clicking on the Listed Options link for any Canadian stock will tell you quickly whether or not there are options.

Check 'em out!

Recovering Technology Pick

Nortel Networks (NT-TSX, NT-NYSE)

(website: www.nortelnetworks.com)

Do we have to explain who Nortel Networks is? I don't think so. It's just Canada's behemoth of the electronic age, the technology giant that goes toe-to-toe with such companies as Lucent Technologies, Motorola, and Cisco Systems in supplying the hardware that makes modern communications networks possible. In its heyday in the late 90's, Nortel grew to become Canada's largest company. It grew so large that it dominated the Toronto 300 Stock Index with a 30% weighting. The Toronto Index is built on a market weight model. The bigger a company's value, the bigger a piece of the TSX pie it becomes.

At its peak in July 2000, Nortel shares hit a high of over $124 and a market cap approaching half a trillion dollars. It then slid to a low of just $0.67 in October last year. That's a drop of 99.5%. Talk about ouch!

And small wonder. Look at the numbers in the tables below. Revenues dropped by two-thirds from 2000 to 2002. In 2001 the company posted a massive loss of $8.60 a share. With prospects looking gloomy, there was even talk last fall of Nortel going under. That was when the stock spun out to under a buck.

But look at it now! It's not yet profitable, but losses are shrinking fast. The $8.60 a share loss in 2001 was reduced to $0.93 in 2002. Trailing figures to June 30, 2003 show the per share loss shrinking again to $0.48 from $1.98 though revenues continued to decline. The stock is soaring, closing at $6.24 on September 19th, up 831% since last October. It's up 38.9% since the beginning of September alone.

And here's the reason. Nortel is starting to win the large contracts again. Sept. 4th – a US$1 billion deal to expand and upgrade Verizon's networks in San Diego, Los Angeles, Las Vegas, Detroit, Atlanta and Cleveland. It's the largest deal for Nortel since 2001. On Sept. 8th – a $200 million deal with Bell Canada. And on Sept. 17th – another billion dollar deal, this time with Orange SA, the third largest wireless carrier in Europe and a smaller contract (US$139 million) with China Unicom. Nortel's revenues are starting to grow again after nine quarters of declines. John Wilson of RBC Capital Markets projects an 8% revenue growth for Nortel in 2004, better than the expected industry average.

Nevertheless, some analysts such as Blaylock & Partners, argues that tech stocks are more than overvalued. "Now we are in a place where we are moving from overvalued to stupidly overvalued," says Blaylock.

But there is another factor to consider. Remember Nortel is still in the TSX Index. It is now Canada's fifth largest company. As its stock price climbs, there will be increasing upside pressure as Index funds are forced to load up on the stock. An interesting situation!

Quarterly Earnings per Share (in US$)

To June 30th	2002	2003	% Change
EPS	-$0.20	$0.00	Turnaround
Revenues (000s)	$2,773	$2,326	-16.1%

Annual Earnings per Share

To Dec. 31st	2000	2001	% Change	2002	% Change
EPS	-$1.00	-$8.60	-760.0%	-$0.93	n/a
Revenues (000s)	$29,142,000	$17,035,000	-41.5%	$10,621,000	-37.7%

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Nortel Networks *(from page 6)*

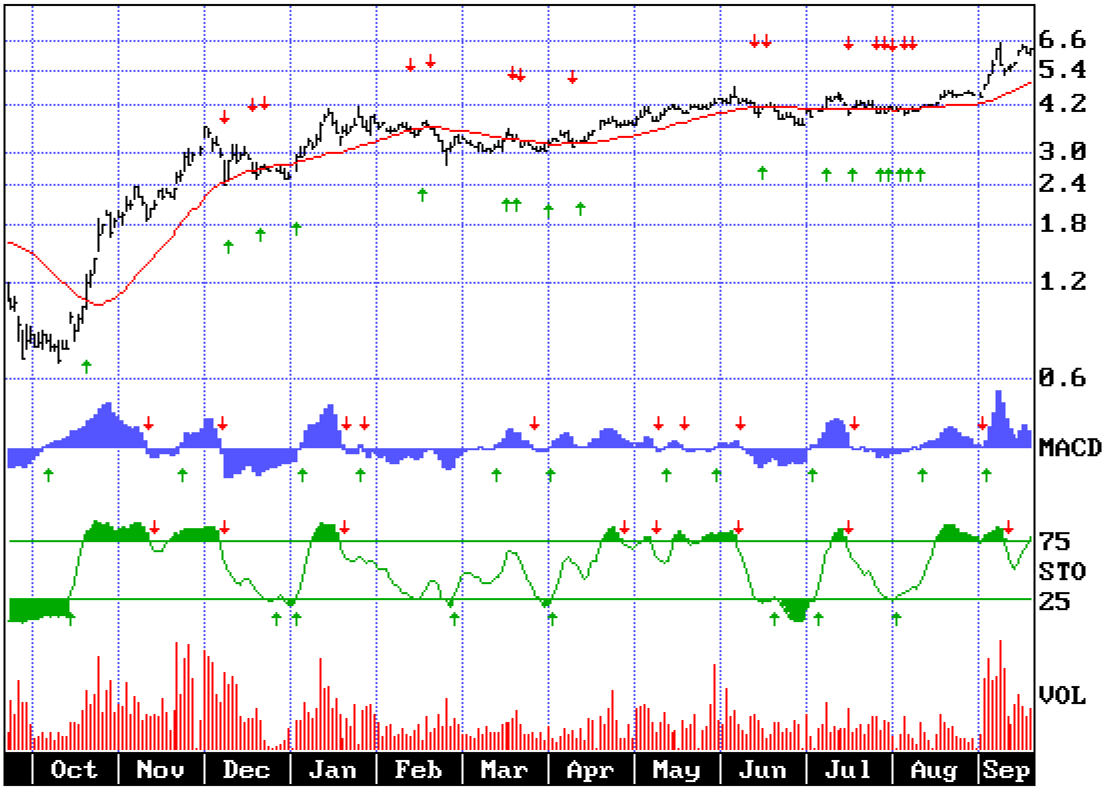

Chart Analysis: Look at that chart! After bottoming at $0.67, Nortel has soared to become one of the hottest performers on the TSX. After climbing to $3.50 in December, it tested the moving average and climbed to $4.20. Then it hung in a trading range between $3.00 and $4.20 for seven months, sticking to the upper range from June on. In mid-August it started to move again but look at September! Strong growth on huge volume! The stock is now consolidating after its recent gains. It may correct to the $5 level yet but could well hold above the $5.40 mark.

Stats as of 09/19/03	Phase 2 Analysis
▪ Hi/Lo Ratio: 9.70 ▪ RS: 98.87 ▪ Shares: 3,973,586,911 ▪ P/E: n/a ▪ Price: $6.24	▪ Price Pattern: A ▪ Volatility: A ▪ Estimates: B ▪ Snapshot: C ▪ News: A

Phase 2: We give NT an A for both price pattern and volatility as it has been rising without wild fluctuations. Analysts have boosted their predictions sharply projecting profits for 2003 and 2004 as against losses a year ago. The overall rating is Hold so we give it a B. The snapshot is weak with declining revenues for three years running and substantial losses in 2001, but losses are shrinking. We give it a C. Remember, this is a turnaround play. Strong news with two billion dollar contracts in September and analysts and bond rating upgrades. Another A.

All charts courtesy of Investools. Visit their website at http://me.investortoolbox.com for more information on their courses and online tools.

See Page 11 for a special Nortel Options Strategy

Technology Pick

AlarmForce Industries (AF –TSX)

(website: www.alarmforce.com)

If you listen to the radio at all, you've no doubt heard the ads for this company. An authoritative voice blares out "Attention! This is the AlarmForce central station. Identify yourself immediately; the police have been dispatched!" Then company president Joel Matlin suggests that this is the most effective home security system available. No burglar in his right mind will stick around with AlarmForce in action.

AlarmForce is the pioneer and, as far as I know, the only alarm service using two way voice communication. Not only that, they developed AlarmPlus, a patented two-way technology that enables the system if the telephone lines are cut.

Since they were founded in 1988, the company has grown steadily to become a national presence. This is partly due to their innovative technology and partly because of their effective saturation advertising. From zero customers, they've grown to a customer base of over 38,000 homes.

Joel Matlin himself has a long history in the security industry. In 1969 he founded Frisco Bay Industries, the ubiquitous camera surveillance systems you'll see in banks, malls and shops across the country. But in 1988, he decided there was a bigger future in home security and sold Frisco Bay to his partner to launch AlarmForce.

Part of the beauty of the AlarmForce marketing plan, aside from president and pitchman Matlin's ad campaign, is the business model. They don't sell the alarm system. They supply it and install it free. Their income comes from the $25 monthly monitoring fee. It's a perfect residual income model. One time initial capital outlay followed by perpetual recurring income. Sure, there are sundry ongoing costs – manning the central station in Toronto, operating 30 offices around the country to handle sales and install systems, but these are largely fixed or correlate to growth. The company does commit money to ongoing research and development as well.

In June 2003, AlarmForce was named one of the 200 fastest growing companies in Canada by Profit Magazine. Their five year revenue growth was 164%. It's not spectacular, but it is steady and consistent. But as the company grows, past capital costs are being paid off and continuing revenues are contributing more to the bottom line. That can be seen in the figures in the table below. Earnings growth is far outstripping revenue growth. That's the residual income model at work!

President and CEO Matlin considers the company undervalued compared to its peers in the industry. With a P/E ratio of just 13.7, it could well be.

Quarterly Earnings per Share

To July 31st	2001	2002	% Change
EPS	$0.011	$0.019	+72.7%
Revenues (000s)	$2,683	$3,178	+18.4%

Annual Earnings per Share

To Oct. 31st	2000	2001	% Change	2002	% Change
EPS	$0.08	$0.08	0.0%	$0.12	+50.0%
Revenues (000s)	$7,293	$8,362	+14.7%	$10,302	+23.2%

(Continued on page 9)

AlarmForce Industries *(from page 8)*

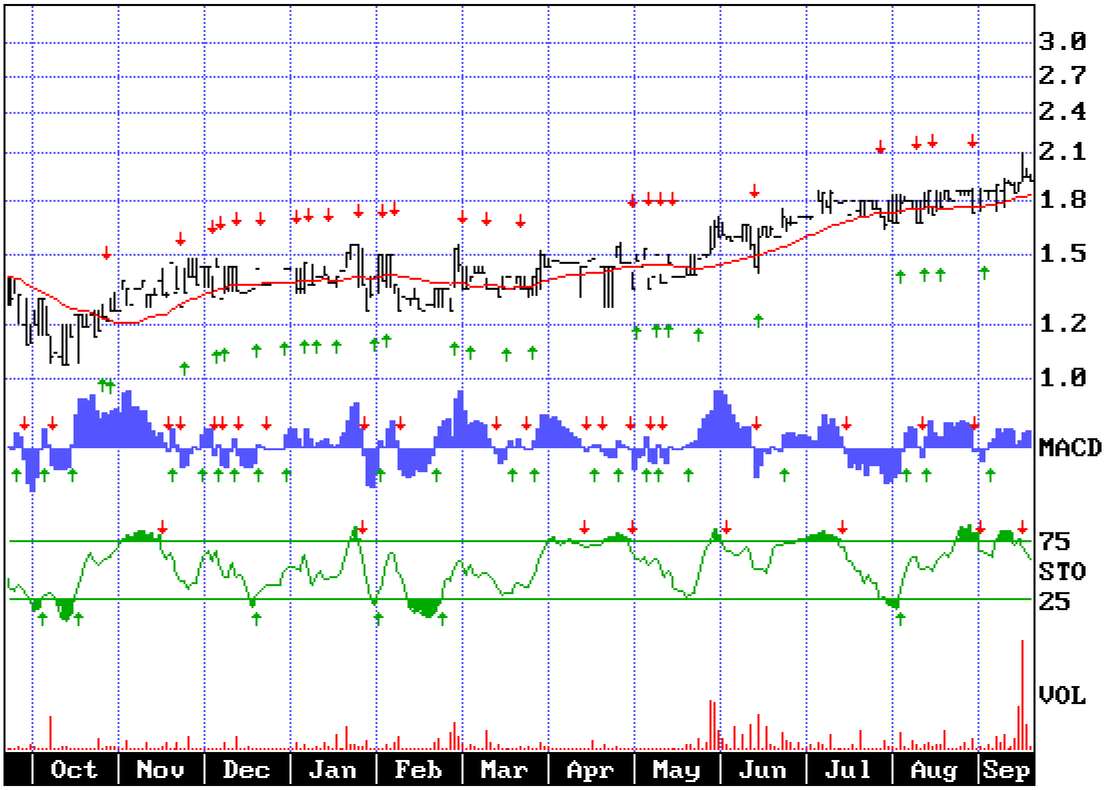

Chart Analysis: Since last October, AlarmForce has exhibited steady and consistent share price growth, rising from $1.05 to a recent high of $2.10. It's a considerable change from its five year chart which shows strong fluctuations. The stock is now close to its all-time high set in 2001. On Sept. 17th there was a huge surge in volume as the market reacted to a very strong third quarter. The stock may consolidate around the $2 level in the short term, but should show continued growth as revenues and earnings continue to grow.

Stats as of 09/19/03	Phase 2 Analysis
▪ Hi/Lo Ratio: 2.00	▪ Price Pattern: A
▪ RS: 81.85	▪ Volatility: A
▪ Shares: 8,381,403	▪ Estimates: A
▪ P/E: 13.70	▪ Snapshot: B+
▪ Price: $1.92	▪ News: A

Phase 2: We give AF an A for both price pattern and volatility as it has been gaining steadily. No analysts are covering AlarmForce though we known that newsletter writer Pat McKeough has recommended it for quite a while now. We give it an A regardless. The company snapshot shows growing revenues and earnings but its return on equity is only 13.72, not quite at the 18 we'd like but growing. We give it a B+. News is universally good with a record third quarter, a record year and lots of recent media exposure.

All charts courtesy of Investools. Visit their website at http://me.investortoolbox.com for more information on their courses and online tools.

Mutual Funds

Marco's Power Performers

(for August 2003)

One sure sign that the stock market is resurging is the growth in the number of mutual funds that are Power Performers. You'll recall that we categorize a mutual fund as a Power Performer if it has a return of better than 20% in each of the one year, three year and five year periods. Super Power Performers had better than 25% in each time period and the lowly Performer had 15%.

The bear market took such a big bite out of the number of Power Performers that I even lost interest in following them for a while. There weren't any so what was the point! However, we started following them again in 2003 with our report in February on the January results. At the time there were two Super Power Performers, one Power Performer and five Performers, a total of eight. This dwindled to zero in April, May and June. July saw one Super Power Performer, four Power Performers and eight Performers. And this month? We hit the mother lode! Eight Super Power Performers, seven Power Performers and twenty Performers for a total of thirty-five. With that many, we listed the Super Power and Power Performers in the table below. The Performers are on the next page.

Super Power Performers			
Fund name	**1 year**	**3 year**	**5 year**
Mackenzie Universal Precious Metals(US$)	50.75	47.74	36.99
Mackenzie Universal Precious Metals	33.94	44.77	33.56
Dominion Equity Resource	32.78	26.29	33.28
RBC Precious Metals	56.56	55.13	33.01
AGF Precious Metal	47.11	39.23	28.17
Dynamic Global Precious Metals	48.17	44.44	27.00
Dynamic Canadian Precious Metals	36.68	44.38	26.93
TD Precious Metals	25.90	32.53	26.48
Power Performers			
Resolute Growth	26.40	23.80	34.91
Norrep Fund	37.56	22.54	30.37
Mackenzie Universal Canadian Resources (US$)	43.60	23.90	25.49
London Life Precious Metals (MF)	32.80	35.98	24.04
Mackenzie Universal Canadian Resource	27.59	21.41	22.35
Trimark Canadian Resources	20.14	20.66	20.73
London Life Canadian Resource (MF)	26.47	21.02	20.24

As you can see, all of the Super Power Performers are precious metals and resource funds. And all but two of the Power Performers are also precious metals and resource funds. We've seen Resolute Growth here before. It's a small cap fund with major positions in Cangene, Morguard, Genesis Land Development, Enghouse Systems, Dimethaid Research, and four oil exploration and production companies. The Norrep Fund has major positions in Cinram, Home Capital Group, CP Ships, Forzani Group, Canadian Western Bank, Cott Corp., and also has four in resources, primarily in the oil and gas sector.

(Continued on page 11)

Marco's Power Performers *(from page 10)*

Below are the twenty funds making up our Performers group.

Performers			
Front Street Special Opportunities Canadian	64.09	18.33	29.32
Front Street Small Cap Canadian	53.25	18.58	22.51
Sentry Canadian Energy Growth	19.07	16.95	21.74
North Growth U.S. Equity (US$)	42.10	15.23	21.43
CI Signature Canadian Resource	17.31	15.65	21.19
McElvaine Investment Trust	17.47	21.06	20.67
Altamira Precious & Strategic Metal	43.29	34.35	19.82
GGOF Monthly High Income Classic	19.96	17.83	18.72
Bissett Income-F	19.25	18.61	18.52
GGOF Monthly High Income Mutual	19.19	17.14	18.16
Renaissance Canadian Income Trust	15.20	17.36	18.08
CIBC Precious Metals	37.58	35.80	18.06
Northwest Specialty Equity	39.49	26.15	17.99
Optima Strategy Canadian Equity Value Pool	16.25	17.56	17.48
Ethical Special Equity	20.66	20.42	16.76
Mavrix Dividend & Income	24.68	16.78	16.73
Maritime Life Canadian Growth-R	37.61	16.02	16.53
Talvest Millennium High Income	15.14	15.16	16.49
Clarington Canadian Small-Cap	18.72	20.00	16.20
Sentry Precious Metals Growth	18.34	24.74	15.73

The twenty Performers include precious metals funds, resources, small caps and, interestingly enough, seven funds investing in income and royalty trusts!

Special Option Strategy

Richard Croft's Nortel Strategy

Richard Croft is Canada's leading authority on options and the writer of a regular column on the topic in the *Financial Post* section of the *National Post*. On Sept. 9th, as Nortel was well into its monumental increase this month, Croft averred that Nortel right now poses three risks. The first is the risk of "missing a strong continuing upward spike in the value of Nortel" as the economy starts to ramp up its technology spending. The second risk is "that Nortel has already overstated its short-term potential". And the third risk is that "there is always a chance that the stock will correct significantly". In other words, Nortel could go up, down or sideways.

So he suggests an interesting strategy. Go long – buy 1000 shares of Nortel. Then sell 10 contracts of the January 2005 LEAPS calls and 10 contracts of the January 2005 puts. At the time of writing, Nortel was at $5.60 and the options brought in $3 for a net cost of $2.60. If Nortel stays above $5, you net a gain of 92.3%. (Bought at $2.60, sold at $5.00). If the stock declines below $5, you are assigned the puts and end up with 2000 shares at an average cost of $3.80. This strategy can be applied to other stocks as well, especially those with high options premiums. Of course, says Croft, you "want to be comfortable owning stock at average cost".

Our Model Portfolio

Initial Position: $50,000 (Jan. 11, 2002)
Current Position: $72,792.35 (+45.58%) Up16.67% YTD

Since we decided to revise our strategy by staying fully invested and replacing stocks that give us sell signals with new ones, our portfolio has soared. We're now up 16.67% for the year. Our current Portfolio is shown below. Glendale International has been adjusted to reflect a major cash distribution. We also collected $163.85 in distributions from the three income trusts in our portfolio this month.

Bennett Environmental (BEV – TSX)

# of Shares: 315	**Bought on:** May 5th
Price Then: $14.49	**Price Now:** $22.93
Gain: 58.25%	**Stop:** $19.55

Notes: The last month has seen tremendous gains in Bennett. We're expecting more of the same.

Calian Technology (CTY – TSX)

# of Shares: 700	**Bought on:** June 2nd
Price Then: $7.01	**Price Now:** $9.27
Gain: 32.24%	**Stop:** $8.51

Notes: Although Calian Technology is now in a consolidation phase, we expect it to resume its strong growth in the near future.

CCS Income Fund (CCR.UN – TSX)

# of Shares: 240	**Bought on:** May 19th
Price Then: $20.29	**Price Now:** $23.43
Gain: 15.48%	**Stop:** $22.48

Notes: Formerly Canadian Crude Separators, CCS works on environmental solutions for the oil industry.

CoolBrands International (COB.A – TSX)

# of Shares: 375	**Bought on:** July 21st
Price Then: $15.95	**Price Now:** $17.20
Gain: 7.84%	**Stop:** $16.42

Notes: CoolBrands makes Eskimo Pie among other things. A hot stock in a cool business, it's a leader in frozen desserts.

Hip Interactive (HP – TSX)

# of Shares: 3600	**Bought on:** July 21st
Price Then: $1.65	**Price Now:** $2.79
Gain: 69.09%	**Stop:** $2.45

Notes: Hip is a leader in interactive gaming in Canada, supplying major name brand products to small retailers.

Home Capital Group (HCG.B – TSX)

# of Shares: 370	**Bought on:** Oct. 16th
Price Then: $13.25	**Price Now:** $26.00
Gain: 96.23%	**Stop:** $22.10

Notes: Niche markets in finance seem to be very successful as evidenced by Home Capital's success.

Cinram (CRW – TSX)

# of Shares: 190	**Bought on:** Aug. 25
Price Then: $28.74	**Price Now:** $28.20
Gain: -1.88%	**Stop:** $26.42

Notes: Cinram is one of the world's largest manufacturers of CDs and DVDs. Stock has done well YTD, but not since we added it.

Glendale International (GIN – TSX)

# of Shares: 725	**Bought on:** Aug. 4th
Price Then: $5.91	**Price Now:** $6.55
Gain: 10.83%	**Stop:** $6.14

Notes: Glendale recently distributed a dollar a share to shareowners, reducing our effective purchase price.

Parkland Income Fund (PKI.UN – TSX)

# of Shares: 310	**Bought on:** May 19th
Price Then: $15.62	**Price Now:** $17.15
Gain: 9.80%	**Stop:** $16.06

Notes: Parkland operates a chain of gas stations and convenience stores across Alberta and BC.

Peyto Energy Trust (PEY.UN – TSX)

# of Shares: 555	**Bought on:** July 14th
Price Then: $17.05	**Price Now:** $19.85
Gain: 16.42%	**Stop:** $17.89

Notes: Peyto recently converted to an income trust. The stock did well before and should continue to do well going forward.