Brief Notes

Leapin' Lizards Sandy!

It was Little Orphan Annie who used to crack the phrase "Leapin' Lizards!" in times of excitement, usually when talking to her dog Sandy. And in this issue, we've got something for you to get excited about – the opportunity to buy good stocks for ten cents on the dollar. Almost sounds too good to be true!

It's not stocks actually, but a stock equivalent – 2006 LEAPs on Canadian bank stocks. They actually sell at close to ten cents on the dollar and the way Canadian bank stocks have been performing in the last year, they're certainly worth looking at.

Also in this issue, you'll find a new stock analyzed, our regular Power Performers Mutual Fund Report and of course, our Model Portfolio update. The last week was superb for our portfolio and we're now up almost 80% since we launched the portfolio two years ago.

On page 2 you'll find more of our book, The House Advantage. We continue where we left off last time with a discussion of basic economics as it applies to the stock market.

Long time readers know I'm heavily influenced by the CANSLIM approach to investing developed by William O'Neill, founder of *Investors Business Daily*. In this issue we are revisiting the CANSLIM philosophy with a series of articles we first published online when I was a Guide for New York based About.com. Newer readers will find it a handy introduction to O'Neill's work.

CANSLIM Revisited

C is for… Current Quarterly Earnings

Current Quarterly Earnings per Share, says O'Neil, is the "one key variable (that) stood out from all the rest in importance" in his study of the top 500 stocks from 1953 – 1993. In fact, three out of four of them showed earnings increases averaging over 70% in the most recent quarter. And that was *before* the stocks exploded in value! And what about the one in four that didn't? They showed average increases of 90% in the following quarter.

The name of the game in stocks is clearly earnings, earnings, earnings!

But O'Neil warns that there are pitfalls. Corporations tend to put their best foot forward in their quarterly reports, and sometimes they can give misleading information. This is even more true in their press releases. Here are some pitfalls to avoid:

- Look at Quarterly Earnings *per Share*, not gross earnings. A company may have diluted the earnings per share by issuing new stock, which will not be reflected in a gross earnings report.

- Look at *Quarterly* Earnings, not six month or nine month earnings as some companies often report. If a company reports six or nine month earnings figures, break it down into quarters and make sure the most recent quarter does not represent a drop in earnings.

(Continued on page 5)

In This Issue: Stocks for 10¢ on the Dollar! (See Page 8)

The House Advantage

Supply & Demand and the Stock Market

In December we presented half of the first chapter from our forthcoming book The House Advantage. Here is more of the chapter.

First let's answer the basic question, "What is a stock?" A stock is partial ownership of a business or company.

Companies typically start out as privately held ventures. Joe Smith may start a business in his basement making widgets. He sells them to friends and neighbours who tell their friends and soon Joe is doing a booming business. He opens a store front and the business continues to prosper and grow. It grows so well, in fact, that Joe decides he wants to expand.

When companies want to raise money for research and development, exploration, promotion, expansion or whatever else a company might need money for, they often sell part of the business to the public. In our example, Joe may start by selling an interest in his business to friends and family. This interest is called stock shares. Shares privately held by Joe and his friends and family at this stage are not publicly traded. They can only be sold by privately negotiating a deal with another investor.

But as the business grows and the demand for capital increases, Joe decides to go public. After going through the required legal stuff, an initial public offering (or IPO) for Joe's Widgets is launched. The underwriting brokerage makes these shares available to selected clients at a set IPO price. After the offering is complete, the stock starts trading on a stock exchange.

Not all the shares that the company is allowed to issue are sold. The company may just sell some of them and keep the remaining shares "in treasury". The shares that are sold and are traded on the public market are called the public float. The shares in treasury are not traded and do not affect the supply and demand for a company's stock. But the company reserves the right to sell some or all of these shares in the future through another public offering.

A stock exchange, as the name implies, is a marketplace where people and corporations can buy and sell stock in publicly traded companies. The people handling these transactions are called brokers.

With many buyers and sellers in the market, prospective buyers call up their broker and offer to buy a specified number shares of a specified company at a specified price. For example, Sam Jones may call his broker to ask him to buy 100 shares of Joe's Widgets at $9.50 a share. Meanwhile, Fred Flint may call up his broker telling him to sell his 100 shares of Joe's Widgets at $10.00 a share.

If they are the only two people proposing to trade that day, there is an impasse. Sam's offer is only $9.50 while Fred's asking price is $10.00. The respective brokers notify their clients of this impasse and Sam and Fred may each decide to meet in the middle, in which case the shares change hands at $9.75 a share.

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The Break Out Report

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Supply & Demand and the Stock Market *(from page 2)*

Some companies, in fact, are what are called thinly traded. They may go days without any transactions taking place. They are said to be illiquid. Others are very heavily traded. Major corporations usually fall into this category. Because there is so much action in these shares, buyers and sellers can opt to buy or sell "at the market", which means that they buy or sell at whatever the current price is when the deal goes through.

With modern computer technology you can buy stocks over the Internet from an online broker and have the transaction entered and completed within seconds. I use E-Trade Canada as my broker and they are so confident of their ability to process transactions quickly that they offer the "Ten Second Advantage". If they fail to complete your order for an even lot number (multiples of 100) at the market within ten seconds, they waive their broker fee.

Supply and demand are felt in the stock market in a very real bidding war by buyers and sellers negotiating transactions. The key to success in the stock market is to understand the economics of the stock market. It is to understand the factors that affect the supply and/or demand of a stock. So let's look at those factors.

The Economics of the Stock Market

Ultimately, the value of a stock is determined by the potential the company has to bring in profit. It is this, and this alone, that drives a stock's price. What that potential is, however, is always a matter of opinion tempered by fact. And opinions differ and change. Hence stock prices change.

The same laws of supply and demand apply to stocks as to anything else, even though stocks are not "consumed" in the sense other goods and services in the marketplace are. If the supply of a stock goes up (shifts to the right), the value of the stock will fall, all other things being equal. If the supply drops, the price goes up.

On the demand side, if the stock becomes more attractive to investors (increased demand), the stock goes up in price. If investors lose interest, demand falls and so do prices.

As with goods and services, other things are never equal. So here are the factors that affect supply and demand for stocks:

Supply

- If a new share offering is conducted to raise additional capital, this increases the supply of shares on the market.
- If employee stock options are granted, this has the potential to increase the supply of shares when the options are exercised.
- If a company has a stock split, this increases the supply of shares on the market.
- If a company buys back its shares and cancels them (called a normal course issuer bid), the supply of shares decreases.
- If a major shareholder liquidates a major portion of his or her personal shares, this has the *effect* of increasing the supply of shares on the market, though strictly speaking, these shares were already part of the public float.

Demand

Demand for a stock is affected by a number of factors:

- If profits reported are greater than expected, demand increases.
- If profits reported are less than expected, demand decreases.
- If the company is not profitable, expectations of profit are what drives demand.

(continued on page 4)

Supply & Demand and the Stock Market *(from page 3)*

- Sales are also drivers of demand. Important new contracts will send demand up while shortfalls in sales will send demand down.
- The company's debt load can affect demand. If the company takes on too much debt, demand could fall if the public believes the debt to be unmanageable.
- News about a company can change the demand for its shares. Good news increases demand. Bad news lowers demand. As a good news example, demand for shares in a drug or biotechnology company will increase if the FDA approves one of its products. An example of bad news could be a mining company reporting that a core drilling program turned up empty.
- Mass psychology can play a huge role in demand. Individual stocks as well as whole markets can move quickly if there is a general belief among investors that the stock or the market will go up or down even if there is no rational basis for such movement. Extreme movements to the upside are called bubbles. Extreme movements to the downside are called panic selling.
- Mass psychology is characterized by the concepts of fear and greed. These can be augmented by real life events unrelated to the market. For example, the tragic events of September 11, 2001 sent the market crashing with the Dow Jones Industrial Average suffering its sharpest weekly decline since 1933, the second worst since 1915, as it plunged 14.3%.

These are just some of the factors affecting the supply and demand for stocks. The interesting thing about stocks, though, is that the inter-relationship of supply and demand can be graphically depicted by stock charts. And a whole science called technical analysis has sprung up. Technical analysts believe they can predict future movements of a stock based on past movements, at least in the short term.

The reason technical analysis can be an effective tool is because stock charts are dynamic snapshots of the law of supply and demand in action. Every change in price and volume represent shifts in supply and demand and the setting of new equilibrium levels.

And sometimes these shifting equilibrium points tell us a great deal about the make-up of the mass of buyers and sellers in a particular stock.

Why do they change? The reasons cited above are certainly a factor, but there is also another dynamic. The buyers and sellers themselves are also a factor in the mix.

Consider this hypothetical case: The previous day's closing price for Joe's Widgets was $10. As the market opens the next trading day, there are 100 people interested in buying 100 shares each of Joe's Widgets. And there are 100 people interested in selling 100 shares each. But these buyers and sellers are not a homogenous lot.

With the sellers there are ten who will not accept less than $10 a share. There are another fifty who will not accept less than $10.25 a share. Another twenty-five want at least $10.50 a share. Ten more are adamant about getting at least $10.75. And the last five want $11.

With the buyers, there are no buyers willing to pay $11. There are fifteen willing to pay no more than $10.75. Another twenty-five are willing to pay $10.50 but not a dime more. Twenty more won't pay more than $10.25. Thirty are willing to pay the $10 price of the previous close. And the last ten are bargain hunters who will pay no more than $9.75.

As the day progresses and trades are made, the supply and demand for the stock shifts as buyers and sellers are satisfied. The unsatisfied traders make up a new mix. Here is how the trading might go.

The ten bargain hunters who are willing to pay $9.75 are unable to find sellers. Their orders go unfilled until they are willing to raise their bid. Ten of the thirty willing to pay $10 get filled. The other twenty cannot get filled until they raise their bid. The price quoted on the market is $10.

But there are twenty who are willing to pay $10.25. Their orders are now quickly filled and the quote goes up to $10.25. The next twenty-five buyers who are willing to pay $10.50 find they can actually get the stock for $10.25 and get filled at that price. And five of the fifteen willing to pay $10.75

(continued on page 5)

Supply & Demand and the Stock Market *(from page 4)*

get a real bargain at $10.25.

The $10.25 sellers are now exhausted and the ten remaining buyers willing to pay $10.75 get filled at $10.50. The last quote is $10.50.

# of Buyers	Buyers Maximum Bid	# of Sellers	Sellers Minimum Ask	Trade
10	$9.75			10 buy orders unfilled
30	$10.00	10	$10	10 orders filled, 20 orders unfilled
20	$10.25	50	$10.25	20 orders filled
25	$10.50	25	$10.50	25 orders filled at $10.25
15	$10.75	10	$10.75	5 orders filled at $10.25, 10 orders filled at $10.50
		5	$11.00	

The remaining sellers are asking more than the remaining buyers are willing to pay and the remaining buyers are willing to pay less than the sellers want. There is an impasse and unless new buyers and sellers enter the market or existing interested parties change their bid, trading will stop.

You can see the dynamic here as the supply and demand shifts. Seeing that the stock is rising, some hesitant buyers may up their bid. Depending on their eagerness to sell, some of the sellers may lower their ask price.

Looking at a chart of past price action, we can sometimes pick out patterns. Perhaps at $12, Joe Widget shareholders start selling and taking profits. The upward pressure on the stock price peaks and it starts going down. At $9.75, bargain hunters start flooding in and snap up the available stock, and the price starts moving up again.

The alternating peaks and troughs of the trading action can be analysed to determine what are called support and resistance levels. At a support point, buyers jump in to grab bargains. At a resistance point, sellers jump in to take profits. In our next issue we'll look at some actual charts to see what they tell us.

C is for Current Quarterly Earnings *(from page 1)*

- Omit one time extraordinary gains. Companies sometimes have windfall profits from the sale of assets. Calculate the earnings after such non-recurring gains.

Additionally investors should look for accelerating earnings per share. These are commonly called an "earnings surprise" and are a good sign. Accelerating earnings virtually always show up prior to a stock's big move according to O'Neil.

On the other hand, decelerating earnings can spell big trouble. No, the stock won't necessarily tank. But it can mean "prolonged sideways movement". But O'Neil says he doesn't turn sour on a stock until it has two quarters of slowdown as even "the best of organizations can periodically have one slow quarter".

One tip O'Neil suggests is to consult logarithmic scale rather than arithmetic scale graphs. Log scales show changes by percentage. The increment from 1 to 2 (a 100% increase) is the same as the increment from 2 to 4 (also a 100% increase). The changing slope of the graph created shows whether earnings (or whatever else you're charting) are accelerating or not. So a stock whose earnings go from a dollar to two dollars and then to three dollars would show a slope that starts flattening out in the second quarter rather than continuing in an un-interrupted straight line.

Finally O'Neil recommends checking other stocks in the same industry. He says you should be able to find at least one other stock also showing good earnings growth as a confirming factor. If you can't find one, the earnings growth may be an anomaly and the trend unsustainable.

How much earnings growth should you look for? O'Neil says at least 18% or 20%. In a bull market you should look for 40% or more.

Pharmaceutical Pick

Draxis Health (DAX –TSX, DRAX - NASDAQ)

(website: www.draxis.com)

In 2001 Montreal-based Draxis Health Inc. started to transform itself by selling off its dermatology product lines and its Canadian prescription pharmaceutical sales business to focus on two niche markets it served, radiopharmaceuticals and contract manufacturing. The result has been a stunning turnaround from a loss for fiscal 2001 to profit in 2002 and growth in 2003.

The company's DRAXIMAGE subsidiary was founded in 1955 as the radiopharmaceutical division of Merck Frosst Canada and split off in 1997. It focuses on discovering, developing, manufacturing and marketing radiopharmaceuticals. These are diagnostic and therapeutic products used in Nuclear Medicine and Oncology, including cancer treatments.

DRAXIMAGE is a leading supplier of Iodine-131 and Iodine-125 radiopharmaceuticals as well as treatments based on radioactive isotopes of Indium, Cobalt, Chromium, Phosphorus and Xenon. Their products include BrachySeed™ implants based on Iodine-125 and Palladium-103 for treatment of prostate cancer.

DRAXIMAGE's R&D division has a pipeline of four new diagnostic products under development including Fibrimage™, an imaging agent for detection of Deep Vein Thrombosis, Amiscan™ for the detection of Acute Myocardial Infarcts, Somatoscan™ for detection and treatment of various cancers including lung cancer and lymphoma, and INFECTON™ which may be the first radiopharmaceutical capable of distinguishing inflammation from infection.

The DRAXIMAGE subsidiary is expected to be a key driver of growth in the United States.

The Draxis Pharma subdivision focuses on contract manufacturing and makes products sold in over 100 countries worldwide. Its state-of-the-art 247,000 square foot manufacturing facility makes sterile injectables, topicals and ointments, lypholized (freeze-dried) pharmaceuticals, pills and capsules and a variety of medications ranging from skin creams to cough syrups.

The company's aggressive goal is to increase radiopharmaceutical revenues threefold from 2002 levels by 2007. On the contract pharma end, it aims to double revenues in that time frame. Total target revenues for 2007 are $70-85 million. The company is well on its way towards meeting these goals and has achieved its goal of generating positive operating cash flow in 2003.

Not surprisingly, the market has reacted positively to these achievements and the company's stock was up 88.8% for the year. 2004 could be even better as it is already up 38.1% for the year-to-date.

Quarterly Earnings per Share

To Dec. 31st	2002	2003	% Change
EPS	$0.019	$0.041	+115.79%
Revenues (000s)	$9,836	$14,385	+46.25%

Annual Earnings per Share

To Dec. 31st	2001	2002	% Change	2003	% Change
EPS	-$0.06	$0.058	n/a	$0.355	+512.07%
Revenues (000s)	$33,903	$38,640	+13.97%	$49,193	+27.31%

(Continued on page 7)

Draxis Health Inc. *(from page 6)*

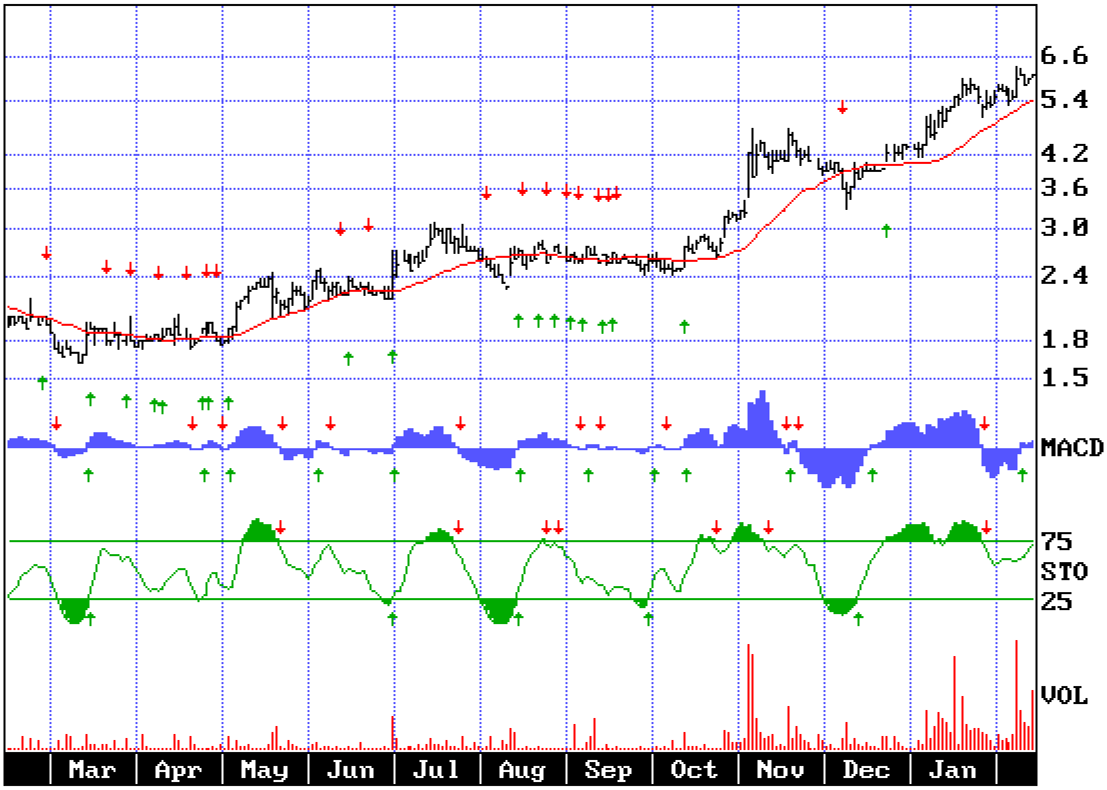


Chart Analysis: Draxis Health Inc. followed a stairstep pattern for much of last year – flat through March and April, rising from May to the end of July, flat again from August to mid-October, and then rising sharply before forming another step in November and December. Earlier this month a green arrow for MACD and a phantom green for Stochastics sent the stock sharply up on very strong volume, the third such surge on strong volume in the last four months. The stock is clearly under accumulation and should show continued upside growth.

Stats as of 02/13/04	Phase 2 Analysis
▪ Hi/Lo Ratio: 3.91	▪ Price Pattern: A
▪ RS: 95.87	▪ Volatility: A-
▪ Shares: 37,297,817	▪ Estimates: n/a
▪ P/E: 37.80	▪ Snapshot: A
▪ Price: $6.05	▪ News: A

Phase 2: We give DAX an A for price pattern and an A- for volatility. Few analysts are following the company according to Globeinvestor so we can't rate estimates. Snapshot shows growing revenues and shrinking losses from 2000 to 2001 followed by growing earnings. Return on equity for 2002 is still low at 8.26 but improved for 2003. We give it an A. And news includes ISO certification, resolution of a patent dispute, and record revenues and earnings. Another A.

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

Options Strategies

Stocks for 10 Cents on the Dollar

As a rule, we put a stop loss ten percent below our buying price on new purchases of stock. So if we buy a $10 stock, we put in a stop at $9. This limits our losses should the stock go against us.

But what if we could buy a stock for ten percent down and put the rest of our planned investment into something else, say a money market fund or other safe investment? What if our risk was just the ten percent down payment?

Which would make more sense – buying 1000 shares of a $10 stock, an investment of $10,000 or putting $9000 in a secure investment and just putting $1000 down on the stock with the option of forfeiting the down payment if the stock goes south?

This is exactly what you can do by buying LEAPS instead of stock. LEAPS are Long term Equity AnticiPation units, or long term options. They always expire in January of the year and are usually sold one or two years ahead. For example, LEAPS today can be bought with a January 2005 or a January 2006 expiry.

Canadian options sold on the Montreal Stock Exchange are quite limited in number compared to US options. There are, in fact, only 79 optionable stocks. And there are even fewer LEAPS. There are only only thirteen 2005 and 2006 LEAPS. The good thing about that is I can give you the scoop on all of them in one short article!

Six of the thirteen 2006 LEAPS are banks. The balance are mainly in mining and technology. The table below lists info on the 2006 LEAPS as of February 11, 2004. We are using the strike price closest to and above the actual stock price and the average between bid and asked for the LEAP price.

Stock	Symbol	Option Symbol	Stock Price	Strike Price	LEAP Price	LEAP/Stock Ratio
Bank of Montreal	BMO	WBM	$57.13	$60.00	$4.40	0.077
Bank of Nova Scotia	BNS	WBQ	$68.38	$70.00	$5.25	0.077
Barrick Gold	ABX	WBA	$28.10	$30.00	$4.40	0.157
BCE Inc.	BCE	WBC	$28.99	$30.00	$2.275	0.078
Bombardier Inc.	BBD.B	WBB	$6.80	$7.00	$1.675	0.246
CIBC	CM	WCO	$66.45	$70.00	$5.15	0.078
Celestica Inc.	CLS	WSL	$24.35	$25.00	$6.225	0.256
National Bank	NA	WNA	$45.18	$46.00	$3.85	0.085
Noranda Inc.	NRD	WRD	$21.45	$22.00	$3.20	0.149
Nortel Networks	NT	WNT	$10.64	$11.00	$3.375	0.317
Placer Dome	PDG	WDP	$23.55	$24.00	$5.25	0.223
Royal Bank	RY	WYR	$63.70	$65.00	$5.10	0.080
Toronto-Dominion Bank	TD	WTD	$44.70	$45.00	$5.10	0.114

As shown, the average price varies from a low of about eight cents on the dollar for five of the banks to a high of 32 cents on the dollar for Nortel. Canadian banks are considered very safe, stable stocks without a lot of volatility. So they have a low implied volatility rating and a low option price. TD Bank has been a bit more volatile and so the options cost just a bit more.

The three mining stocks, Noranda, Barrick Gold and Placer Dome, vary from 15 cents on the dollar to 22 cents. And the more volatile techs, Bombardier, Celestica and Nortel, vary from 25 cents on the dollar to 32 cents. The remaining stock, BCE Inc., is priced similar to the banks. It is, of course, a telephone company, a regulated industry and is considered low volatility.

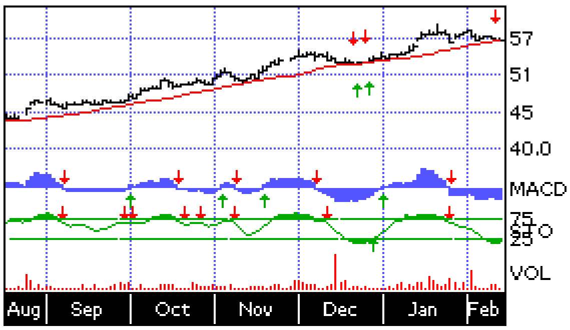
(Continued on page 9)

Stocks for 10 Cents on the Dollar *(from page 8)*

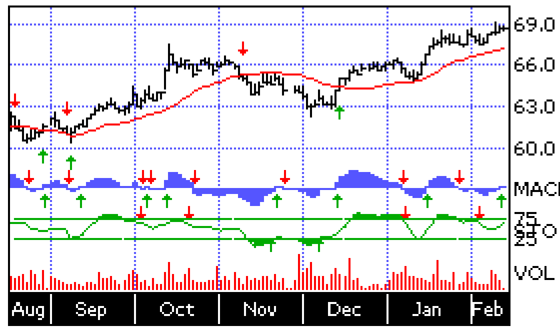
Canadian Banks – Excellent LEAPs Candidates

The banks have been up on average in six of the last ten years. They've been trading sideways in three and down in just one. To break even, say, on a 2006 LEAP for the Bank of Montreal, the stock would have to climb to $64.40, a gain of 12.73%.

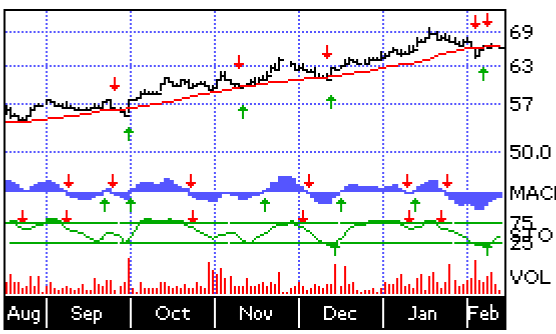
Five of these six bank LEAPs can be had for less than ten cents on the dollar at a strike price one above the current price. My favorites are Bank of Montreal and CIBC. In fact, I own LEAPs on BMO. The Commerce is profiled in more detail on the next page.



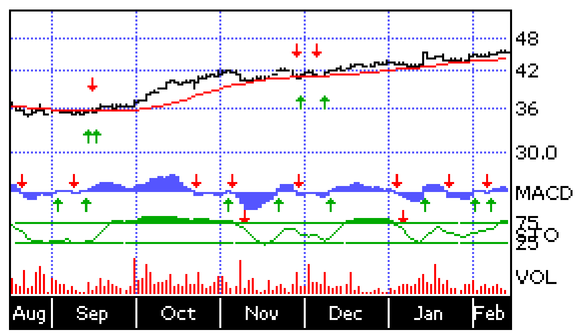
Bank of Montreal (BMO)
Current Price: $56.82



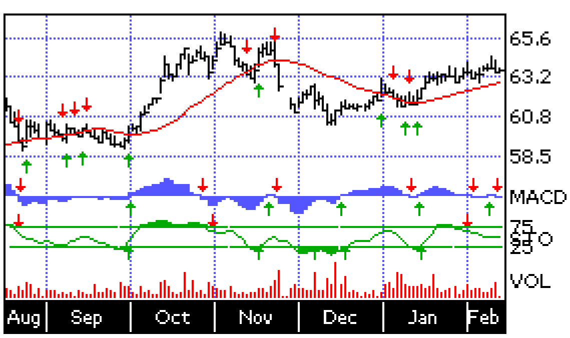
Bank of Nova Scotia (BNS)
Current Price: $68.70



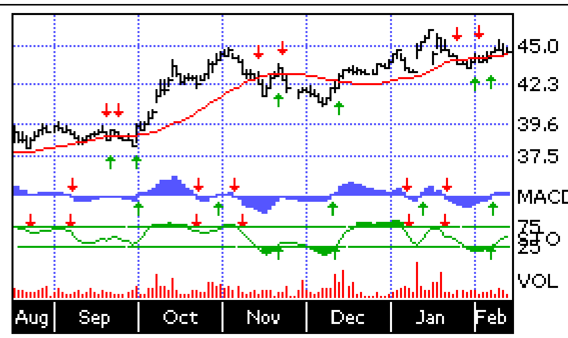
Canadian Imperial Bank of Commerce (CM)
Current Price: $66.15



National Bank of Canada (NA)
Current Price: $45.24



Royal Bank of Canada (RY)
Current Price: $63.60

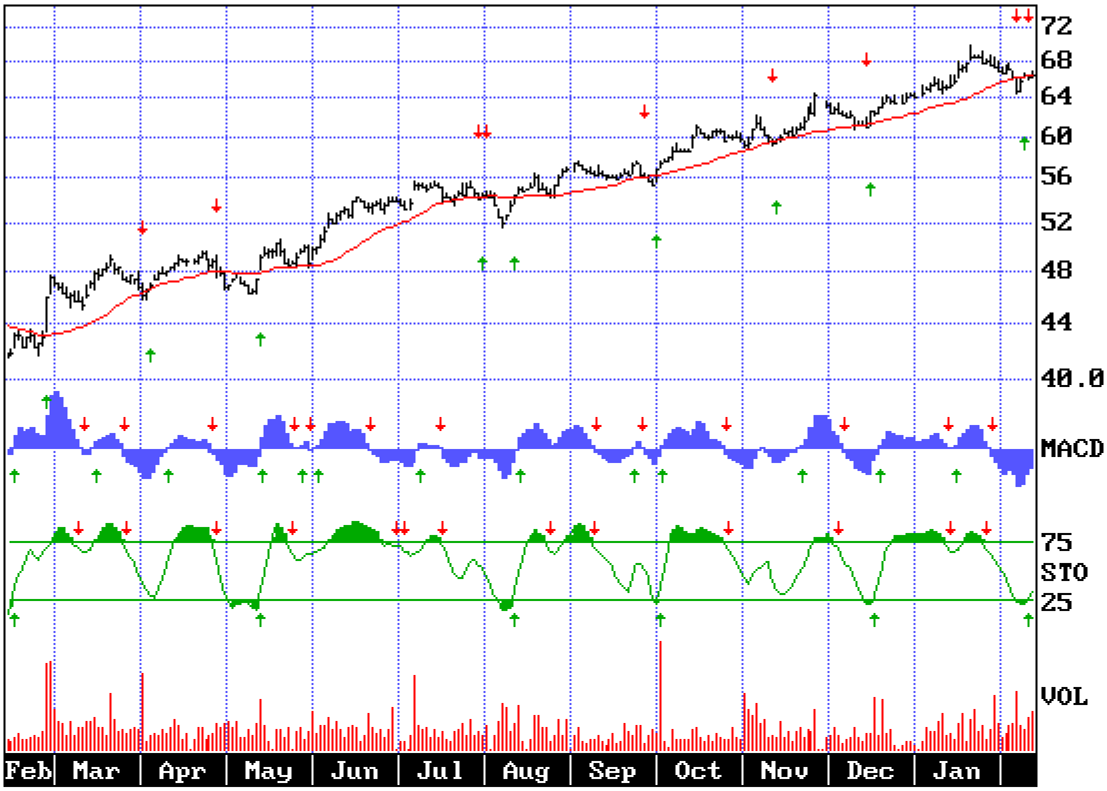


Toronto Dominion Bank (TD)
Current Price: $44.52

LEAPs Play

Canadian Imperial Bank of Commerce (CM – TSX)

(website: www.cibc.com)



Annual Earnings per Share

To Oct. 31st	2001	2002	% Change	2003	% Change
EPS	$4.19	$1.37	-67.30%	$5.21	+280.29%
Revenues (000,000s)	$21,387	$17,055	-20.26%	$17,122	+0.39%

Coming out of a disastrous 2002 (which was disastrous for all the Canadian banks), the Commerce Bank has recovered nicely and shows the best chart for the last year. It's risen around 60% for the year.

The company faced losses and scandal for loans to Enron, Livent and Global Crossing but the market seems to have factored all the bad news in and expects a quick and satisfactory resolution to its ongoing problems with the regulators, particularly in the United States. NY Attorney General Eliot Spitzer is pursuing action against the Canadian Bank for the financing of two American hedge funds allegedly involved in "deceptive" practices. This creates some downside risk. But at less than eight cents on the dollar for 2006 LEAPS, the opportunity for profit is high.

Recommended LEAPS: The $70 strike at $5.15 is attractive. The stock needs to rise 13.09% in two years to break even. If it continues on its current trend, the stock could rise $15 over the next six months, for a profit of over 100%. At that point, the LEAPs could be sold, profits taken and new 2007 LEAPS bought. Determine how much you would buy if you were to actually buy the stock (say 200 shares) and buy the corresponding number of contracts or possibly double that if your risk tolerance is higher. More than that and you are gambling rather than buying a low risk stock substitute.

Mutual Funds

Marco's Power Performers

(for January 2004)

Definitions

Power Performers – Mutual Funds returning better than 20% in each of the one year, three year and five year time periods.
Super Power Performers – funds returning better than 25% in the three relevant time periods.
Performers – funds returning better than 15% in each of the time periods.

We have ten Super Power Performers for January, down three from December. The number of Power Performers stayed the same at 14 and the number of Performers increased to 42 from 34. Combined there was an increase to 66 from 61.

Once again precious metals and small caps dominate the lists. But as we noted last month, funds focusing on income are starting to make gains and showing up in numbers. And a few China focused funds are also cropping up.

One area we haven't looked at in our mutual fund reviews is annual returns. To some extent our methodology selects fairly consistent performers. But even this does not mean these funds necessarily have gone through five winning years.

Super Power Performers			
Fund name	**1 yr %**	**3 yr %**	**5 yr %**
Sprott Canadian Equity	34.01	33.17	40.87
Dominion Equity Resource	34.25	28.00	35.78
Mackenzie Universal Precious Metals(US$)	44.00	56.19	35.38
Front Street Special Opportunities Canadian	120.04	39.09	35.11
RBC Precious Metals	46.75	71.42	33.12
Norrep Fund	45.33	27.16	32.98
Mackenzie Universal Canadian Res. (US$)	67.41	36.38	27.68
AGF Precious Metal	55.30	55.95	27.66
Front Street Small Cap Canadian	57.70	29.14	27.04
Dynamic Global Precious Metals	64.82	57.09	26.79
Power Performers			
Resolute Growth	22.38	25.83	35.25
Mackenzie Universal Precious Metals	24.92	49.91	31.96
Bissett Microcap-F	20.58	25.23	27.03
BluMont Hirsch Performance	35.08	21.18	24.48
Mackenzie Universal Canadian Resource	45.23	30.90	24.45
Mackenzie Cundill Recovery 'C' (US$)	92.87	26.20	23.92
Dynamic Canadian Precious Metals	33.59	52.27	23.18
London Life Canadian Resource (MF)	43.90	28.26	22.42
AGF China Focus Class (US$)	89.47	25.90	22.22
Trimark Canadian Resources	37.89	26.99	22.12
London Life Precious Metals (MF)	23.73	41.76	21.25
Mackenzie Cundill Recovery 'C'	67.31	21.14	20.79
Northwest Specialty Equity	44.69	33.48	20.47
Maritime Life Canadian Growth-R	69.96	26.15	20.34

Many of the precious metals funds, for example, had losing years in both 1999 and 2000. Exceptional years from 2001-2003 pulled them up. So we decided to check the annual returns for the 86 mutual funds that had a better than 15% average annual return over 5 years. 49 of them had positive returns for every year from 1999 through 2003. Some of the 49 funds noted above have been around longer than five years and had losing years prior to 1999. But two of them had positive returns for every single one of the seven years tabulated by Globefund. These two funds and their annual returns are shown in the table below.

Fund Name	YTD	2003	2002	2001	2000	1999	1998	1997	Inception
McElvaine Investment Trust	3.04	28.18	5.01	28.02	19.14	29.49	16.60	12.88	19.57 (1996)
Saxon Small Cap Fund	6.21	38.45	4.67	24.08	2.07	12.91	4.18	28.09	11.08 (01986)

(continued on page 12)

Power Performers Update *(from page 11)*

Unfortunately the McElvaine fund requires a minimum investment of $150,000. The Saxon Small Cap Fund is more within reach for the average investor with a minimum of $5000. In fact, the Saxon fund is one of the few I own. There were eleven others that have only been around for five years. In other words, they have never had a losing year. These stellar funds are the Elliott & Page Growth Opportunities Fund (which I also own), the R Small Cap Canadian Equity, Mackenzie Cundill Recovery “C” US$, Mackenzie Cundill Recovery “C”, London Life Canadian Resource, Trimark Canadian Resources, Dynamic FocusPlus Resource, Trimark Canadian Small Companies, Keystone Saxon Smaller Companies, IA Group Dividends, and MB Canadian Equity Value. Not all of these are on our Performer lists, but they have managed to avoid losses which is important if risk management is important to you.

Twelve more had six positive years out of seven. All missed in 1998. Must have been a bad year!

Our Performers are listed below.

Performers							
Vertex Fund	48.67	16.55	27.95	Trimark Canadian Small Companies	23.91	19.13	18.37
Sentry Canadian Energy Growth	28.88	19.61	25.37	Bissett Income-F	27.85	19.22	18.27
Elliott & Page Growth Opportunities	37.78	19.89	23.94	Ethical Special Equity	38.48	30.84	18.18
R Small Cap Canadian Equity	38.38	19.95	23.72	GGOF Monthly High Income Mutual	30.44	18.28	17.86
Hillsdale Canadian Performance Equity	50.63	19.98	23.22	Renaissance Canadian Income Trust	25.08	17.91	17.79
CI Signature Canadian Resource	33.01	18.68	22.07	Clarington Canadian Small-Cap	35.41	30.26	17.68
CIBC Energy	33.22	17.66	21.61	AGF Canadian Resources	40.00	20.38	17.36
McElvaine Investment Trust	27.14	19.71	21.61	IG Beutel Goodman Canadian Small-Cap-C	39.86	16.60	17.33
RBC Energy	26.62	15.31	21.56	Mavrix Dividend & Income	31.75	16.50	17.22
TD Precious Metals	16.45	38.40	20.58	GWL Canadian Resource (A) DSC	37.31	20.21	16.88
Altamira Precious & Strategic Metal	49.02	49.54	19.86	ABC Fundamental Value	27.59	18.27	16.81
CIBC Canadian Emerging Company	56.80	17.08	19.24	Saxon Small Cap Fund	48.66	22.02	16.67
AGF China Focus Class	64.33	20.79	19.14	Templeton Global Smaller Companies (US$)	66.89	18.13	16.64
North Growth U.S. Equity (US$)	54.20	16.53	18.97	Elliott & Page Monthly High Income	20.56	16.03	16.61
TD Resource	27.46	19.50	18.97	GWL Canadian Resource (A) NL	37.02	19.95	16.61
Beutel Goodman Small Cap	41.64	18.53	18.72	Talvest Millennium High Income	19.95	15.70	16.34
Mawer New Canada	26.05	26.51	18.72	Optima Strategy Canadian Equity Value Pool	24.99	16.52	16.01
BMO Resource	26.06	23.51	18.64	Sceptre Equity Growth	67.35	23.20	15.82
CIBC Precious Metals	41.68	45.82	18.60	Friedberg Equity-Hedge (US$)	17.35	15.52	15.62
Dynamic FocusPlus Resource	33.93	25.20	18.45	ABC American-Value	41.14	25.21	15.47
GGOF Monthly High Income Classic	31.23	19.04	18.44	Keystone Saxon Smaller Companies	41.34	21.34	15.27

Our Model Portfolio

Initial Position: $50,000 (Jan. 11, 2002)

Current Position: $89,981.60 (+79.96%) Up 6.31% YTD

Since our last issue we have made a few trades. One of our larger positions, Peyto Energy Trust, hit our stop loss on Feb. 4th and was sold out. We bought a new position in Steeplejack and used the rest of the cash to rebalance our stocks. We also sold a covered call on Nortel. And this weekend we're collecting $166.25 in distributions to bring our cash balance to $705.70. Our portfolio is updated weekly in the Subscribers Only area of the website. Buy price shown is the weighted average.

Alimentation Couche-Tard (ATD.B – TSX)

# of Shares: 345	**Bought:** 10/27:02/09
Price Then: $21.94	**Price Now:** $25.54
Gain: 16.41%	**Stop:** $22.73

Notes: Couche-Tard is now North America's second largest convenience store operator after 7-11. It's shooting for number one!

BMTC Group (GBT.A – TSX)

# of Shares: 620	**Bought:** Nov. 24th
Price Then: $12.88	**Price Now:** $12.85
Gain: -0.19%	**Stop:** $11.93

Notes: BMTC Group is a leader in the furniture retailing business in Quebec. The stock recently split 2 for 1.

Calian Technology (CTY – TSX)

# of Shares: 600	**Bought:** Dec. 15th
Price Then: $11.68	**Price Now:** $13.40
Gain: 14.73%	**Stop:** $12.80

Notes: Calian Technology is active in the telecommunications infrastructure business with clients in both government and business.

CCS Income Fund (CCR.UN – TSX)

# of Shares: 240	**Bought:** May 19th
Price Then: $20.29	**Price Now:** $31.80
Gain: 56.73%	**Stop:** $27.20

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

Glendale International (GIN – TSX)

# of Shares: 725	**Bought:** Aug. 4th
Price Then: $5.90	**Price Now:** $7.00
Gain: 18.44%	**Stop:** $6.23

Notes: A leading manufacturer of mobile homes and trailers, Glendale recently paid out a $1.00 distribution to shareowners.

Home Capital Group (HCG.B – TSX)

# of Shares: 740	**Bought:** Oct. 16/02
Price Then: $6.625	**Price Now:** $23.09
Gain: 248.53%	**Stop:** $19.63

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

Nortel Networks (NT – TSX)

# of Shares: 700	**Bought:** 02/04:02/09
Price Then: $10.55	**Price Now:** $10.72
Gain: 1.61%	**Stop:** $9.85

Notes: Nortel Networks is once again Canada's largest company by market capitalization. It's a leader in networking technology.

Parkland Income Fund (PKI.UN – TSX)

# of Shares: 420	**Bought:** 05/19:02/09
Price Then: $16.55	**Price Now:** $19.30
Gain: 16.62%	**Stop:** $17.11

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

RONA Inc. (RON – TSX)

# of Shares: 325	**Bought on:** Nov. 17
Price Then: $25.55	**Price Now:** $32.82
Gain: 28.45%	**Stop:** $28.88

Notes: RONA is Canada's largest retailer of hardware and home improvement supplies. It goes toe to toe with Home Depot and wins.

Steeplejack Industrial Group (SID – TSX)

# of Shares: 2750	**Bought on:** Feb. 9th
Price Then: $2.90	**Price Now:** $3.05
Gain: 5.17%	**Stop:** $2.79

Notes: RONA is Canada's largest retailer of hardware and home improvement supplies. It goes toe to toe with Home Depot and wins.