Oil and Gas

How High Can Oil Prices Go?

It wasn't the largest headline but it was the most significant one. After oil prices hit new highs on August 10th, Tuesday's Financial Post blared in bold letters – "Oil could hit US$100 a barrel". Oil had topped $45. Prices are up 39% from a year ago. The latest rise came when Iraq cut oil shipments after warnings of possible terrorist attacks on infrastructure.

Adam Sieminski, oil strategist at Deutsche Bank AG in London avers that if accidents, natural disasters or sabotage cut supplies in two producing countries at the same time, the price could soar to $100. This observation was tempered by the claim that such a sustained disruption was extremely unlikely and that oil held in reserves would be released to deflate the price pressures.

The last time there was talk of $100 oil was in the 1980s after the Iranian revolution. In fact, in 2004 equivalent dollars the price of oil peaked in 1981 at $84. Then it plummeted. Is today different?

The article cites Daniel Yergin, chairman of Cambridge Energy Research Associates who says there's a 50/50 chance of oil topping $50 a barrel in the next fifty days. "The world has one of the smallest cushions ever for absorbing a loss of supply," says Yergin, "while demand growth is the strongest in a generation." The situation, he says, "is even tighter now than it was during the 1973 oil crisis."

If there is a surge in price of such magnitude, it can only be temporary. Economist Julian Simon noted in his classic 1980 book, *The Ultimate Resource*, that commodity prices inexorably fall over the long run. Simon set out to challenge the predominant doom and gloomers of the day. Amid almost daily cries that the world was overpopulated, that our air and water was deteriorating, that food would become scarce and expensive as a result, that the world was on the threshold of ever increasing scarcity, Simon pulled out his tables of facts and figures to prove that food production per capita has been steadily increasing, that air and water are cleaner than before and improving, that the price of resources was declining and so on.

Simon challenged his detractors to a bet "that the cost of non-government controlled raw materials (including grain and oil) will not rise in the long run". In 1980 Paul Ehrlich, the fear-monger about over-population, took up the challenge. Simon let Ehrlich choose five commodities. Simon's bet was that the commodities would be cheaper after ten years. The commodities chosen were chromium, copper, nickel, tin, and tungsten. They bought, on paper, $200 of each, then waited ten years. In 1990, Simon collected a check for $576.07, the amount by which the aggregate price of the commodities had dropped. Tin, for example, had dropped from $8.72 a pound in 1980 to $3.88 in 1990. Times have changed but the principles haven't.

(continued on page 2)

In This Issue: In Oil We Trust! (See Page 3)

Oil Prices *(from page 1)*

In the long run and in real terms (in constant dollars), the price of oil will come down. Factors driving it down are already in action. Witness the powerful surge in exploration, the exploration of new energy sources like coal bed methane or liquefied natural gas, the development of alternative fuels such as the hydrogen fuel cell. But perhaps the most powerful impetus for prices to level off and eventually moderate are Alberta's oil sands. As oil prices climb, the impetus to develop such alternatives as oil sands and fuel cells grows. In fact, in some respects, the oil sands are already cheaper to bring to market than conventional oil.

On its website, Western Oil Sands (WTO – TSX) compares the cost of producing a barrel of conventional oil and its equivalent at the Athabaska Oil Sands Project. While the operating costs are almost half for conventional oil, when you factor in exploration and development costs and royalties, conventional oil is much more expensive as shown in the table below.

Factors	Conventional Exploration & Production	Athabaska Oil Sands Production Costs
Finding and Development Costs	$12.90	$3.36
Royalties	$4.00	$0.15
Operating Costs	$6.63	$12.39
Total Cost	$23.53	$15.90

Moreover, the reserves of bitumen or oil sands deposits are staggering. Alberta has 62.0 billion barrels of conventional oil in the ground of which 1.6 billion barrels are proven recoverable and 5.0 billion probable. On the other hand, there is 25 times as much in the form of oil sands – 1.6 trillion barrels, with 174.4 billion proven recoverable and 311.2 billion probable. That's 109 times as much proven recoverable oil sands barrels and 62 times as much probable.

In fact, if you include the oil sands, Canada is second only to Saudi Arabia in terms of world reserves of oil. And in terms of recoverable oil, Canada's reserves are larger than Saudi Arabia's. When you consider that 80% of Canada's oil sands capacity is still available for exploration and leasing , Canada could, in fact, make North America more than self-sufficient in oil.

There were 1807 oil sands lease agreements with the Province of Alberta and 25 companies in production and paying royalties at the end of 2002. Production for that year was 740,000 barrels a day. That's a third of Canada's total oil production according to the Canadian Association of Petroleum Producers. Production from oil sands is forecast to grow to 1.9 million barrels a day by 2010 and 3 million barrels a day by 2020.

Major players in oil sands development include such giants as Imperial Oil, Encana, Canadian Natural Resources and Petro-Canada. The largest player is Suncor, a featured stock pick of Ken's in the July 4th issue. Even with all the activity in oil sands exploration today, the surface has barely been scratched. With high oil prices, the comparatively high operating costs of oil sands production are proving less of a barrier to further development though the capital costs to start production are still staggering. As the industry develops, those costs will come down. The real answer to terrorist threats to Middle Eastern oil production lies right in Canada's back yard!

The Break Out Report

is published twice a month by Break Out Publishing.

Editors: Marco den Ouden & Ken Ballard **Email us:** marco@breakoutreport.com
Website: http://breakoutreport.com ken@breakoutreport.com
Articles this issue by Marco den Ouden unless otherwise indicated. Subscription: US $14.95 a month

Income Trusts

A Look at Oil and Gas Income Trusts

The increasing popularity of income and royalty trusts over the last few years has been driven in part by a low interest rate environment. People started looking for alternatives to low yield fixed income investments and income trusts seemed to fill the bill.

And they have grown in number like topsy. In January 2001 there were around 100 of them. When we wrote on income trusts in our May 18, 2003 issue, there were 208. Today there are 293 of them. Some were newly launched as IPOs but many were formerly operating companies that converted to the income trust structure to enhance shareholder value.

Yields range from nothing (16 trusts including several that are too new to have issued any distributions yet, hedge funds and funds that have plain run into trouble) to 34.65% for the AGF Master Limited Partnership. Such high payouts sometimes mean the fund is unwinding and returning all capital to its investors.

In any event, the highest yields on average are in the oil and gas sector. According to data compiled by CIBC World Markets, yields on 28 oil and gas funds varied from a low of 4.1% for the Canadian Oil Sands Trust to a high of 17.1% for the NAV Energy Trust. The average is 12.45%.

Trust Name	Symbol	Aug. 5	Yield	YTD Change	YTD Total Return
Bonterra Energy Income Trust	BNE.UN	$24.85	7.70%	60.30%	65.60%
Zargon Energy Trust	ZAR.UN	$18.91	8.90%	40.07%	40.07%
Enterra Energy	ENT.UN	$18.01	10.60%	24.10%	31.10%
Harvest Energy Trust	HTE.UN	$16.80	14.30%	19.40%	29.40%
Acclaim Energy Trust	AE.UN	$14.33	13.60%	19.40%	28.90%
Vermillion Energy Trust	VET.UN	$18.55	11.00%	20.90%	28.70%
Peyto Energy Trust	PEY.UN	$33.74	6.00%	23.80%	28.00%
Baytex Energy	BTE.UN	$12.69	14.20%	17.00%	26.60%
NAL Oil and Gas Trust	NAE.UN	$12.55	14.30%	14.70%	24.30%
Crescent Point Energy	CPG.UN	$14.99	13.60%	13.10%	22.10%
NAV Energy Trust	NVG.UN	$10.54	17.10%	10.00%	20.90%
Bonavista Energy Trust	BNP.UN	$23.48	12.80%	11.90%	20.20%
Advantage Energy Income Fund	AVN.UN	$19.41	14.20%	8.20%	17.20%
Paramount Energy Trust	PMT.UN	$13.67	15.80%	17.00%	17.00%
ARC Energy Trust	AET.UN	$15.93	11.30%	8.10%	15.20%
Viking Energy Income Trust	VKR.UN	$5.92	16.20%	4.80%	14.70%
Focus Energy Trust	FET.UN	$16.00	11.30%	6.70%	13.50%
Shiningbank Energy Income Fund	SHN.UN	$19.55	14.10%	4.90%	13.50%
Canadian Oil Sands Trust	COS.UN	$49.25	4.10%	7.80%	11.10%
Enerplus Resources Fund	ERF.UN	$39.42	10.70%	0.20%	6.40%
Calpine Natural Gas Trust	CXT.UN	$11.87	15.20%	-2.70%	5.90%
Progress Energy Trust	PGX.UN	$13.05	12.90%	4.40%	5.52%
APF Energy Trust	AY.UN	$11.55	16.60%	-7.90%	1.60%
Pengrowth Energy Trust	PGF.UN	$19.70	13.40%	-7.30%	-0.30%
Provident Energy Trust	PVE.UN	$10.40	13.80%	-9.00%	-1.70%
Freehold Royalty Trust	FRU.UN	$15.10	10.60%	-7.60%	-2.20%
PrimeWest Energy Trust	PWI.UN	$24.90	12.00%	-9.70%	-3.00%
Petrofund Energy Trust	PTF.UN	$15.49	12.40%	-17.60%	-11.60%
Average Gain			**12.45%**	**9.82%**	**16.74%**

The table above, compiled from the CIBC report as published in the Financial Post, has been ordered by year-to-date total return. Two trusts (PGX.UN and ZAR.UN) did not have YTD performance in the CIBC report as they converted to trusts during the year. I have included their

(continued on page 4)

Oil and Gas Income Trusts *(from page 3)*

performance for the combined period as both company and income trust.

As you can see, the oil and gas trusts also have been great performers as growth vehicles. The average oil and gas trust is up 9.82% for the year compared to a loss of a half percent for the TSX. 21 of the 28 funds were in positive territory and if you include yield, only five funds were in a losing position.

Interestingly, some of the funds with a lower yield are better performers as a stock. The best performer, Bonterra Energy Income Trust, is up 60.3% for the year with a yield of 7.7% for a total return of 65.6%. Of course it started the year with a higher yield which is shrinking as the price keeps going up. Our favorite, Peyto Energy Trust, has a yield of just 6.0% but is up 23.8% for the year with a total return of 28.0%.

One of the perennial bugbears about oil and gas trusts is whether their current price levels are sustainable. Bill Wheeler of Leith Wheeler Investment Counsel argues that both junior oils and the income trusts are over-valued. He compares it to a Ponzi game. Public likes trusts and bids them up. Juniors convert to trusts to increase shareholder value. New stock issued as a trust brings in revenue which they use to acquire other juniors, bidding up the price in the process. In a recent report to clients he argued that at some point “this bonanza – where everyone wins – will end.”

This may be the case with some trusts. But others operate as an exploration and development company in spite of the trust structure. They internally generate new supply to keep the company going. Peyto is one of these, and its comparatively low yield is because of this.

To remain sustainable, an oil and gas trust must add reserves sufficient to replace the resource taken and marketed. An example would be the APF Energy Trust. It has the second highest yield in the group at 16.6% but has declined 7.9% so far this year. Its total return YTD is 1.60%.

APF Energy Trust soared in value from $7.00 in the Spring of 2000 to $13 in the summer of 2001, its final surge forming a classic blow-out top. It then retraced and traded in a range from $9.50 to $11.50 until May 2003. It then climbed again to find a new trading range between $11.50 and $12.50. During this time it consistently paid out royalties at a high rate. It’s now in the lower end of this range and an interesting buy if you’re looking for yield. (Disclosure – I recently bought some.)

APF Energy Trust has, over the last four years, replaced 106% of production each year on average “through drilling and other production enhancement techniques.” In its recent second quarterly report, the trust noted the drilling of 46 wells with a 100% success rate in the quarter. This was an increase of 44% over the year before. It recently reduced its distribution from $0.17 a share monthly to $0.16 in order to fund more exploration from cash flow. It also made a major acquisition with the purchase of Great Northern Exploration.

Since inception in 1996, APF Energy Trust has generated an annual compounded rate of return of 22%, making it one of the top performing income trusts on the TSX.

Mr. Wheeler may be right about some trusts, he’s not necessarily right about all of them or even most of them. As long as a trust can replace its production with new reserves, the trust is sustainable.

Things to look for in an oil and gas trust are:

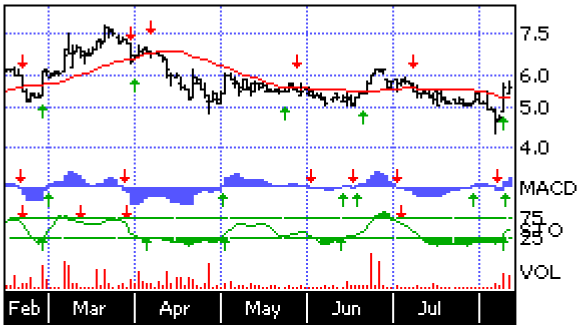
- Annual replacement of production with new reserves
- A reasonable portion of cash flow retained for exploration and acquisition of producing properties
- A disinclination to fund acquisitions through additional share sales
- A good mix of growth and yield
- A good track record of consistent distributions and growth

But, of course, good things sometimes come to an end. Two factors could kill the popularity of oil and gas income trusts. One, of course, is higher interest rates. As a fixed income substitute, rising rates will mean competition for the income seeking dollar. And the other factor is declining oil and gas prices. When these start to drop significantly, oil and gas related equities will also drop. But until they do, if you’re looking for a mix of yield and growth, you can’t beat them!

Watched List Update

Wait and See!!!

Our Watched List is in ragged shape these days with only 13 of 46 stocks in an uptrend. Four stocks have a “wait” rating, which means they are either up 10% from their interim lows but not yet in an uptrend, in an uptrend but not yet up 10% from their interim lows, or, in one case, both up more than 10% and in an uptrend, but we are waiting for consolidation. Below are the four stocks currently rated “wait” which could become buys soon. I may be overly cautious with my ratings and you could buy some of these now.

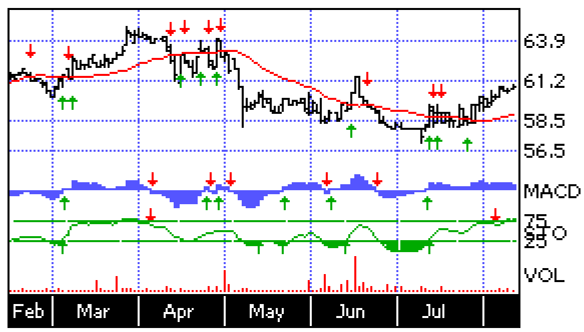


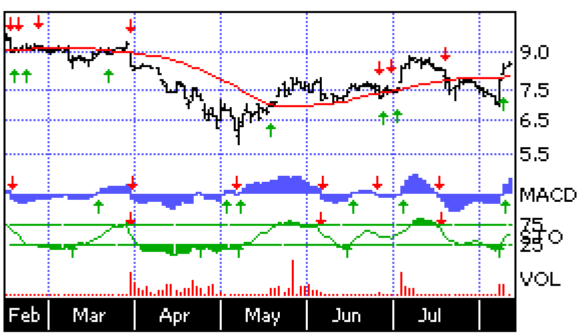
Draxis Health (DAX)	Profiled: 02/15/04
Price then: $6.05	Price Now: $5.59

⇦ Draxis has faltered since featured as the current slump has taken its toll. It’s now down 7.6%. But the second quarter reported Thursday saw revenues climb 42.06% and EPS up 51.35%. The stock soared giving three green arrows. MA is still sloping down. Buy now or wait for consolidation and a renewed uptrend.

Fortis Inc. (FTS)	Profiled: 03/16/01
Price then: $38.00	Price Now: $60.69

Profiled in the first few months we started ⇨ doing this, Newfoundland power giant Fortis has been a steady performer with a high dividend yield of 3.58% ($2.16 a year). Now up 59.71%. Several times Fortis has just barely triggered our stop loss before climbing back again. You can buy now or wait for more confirmation.



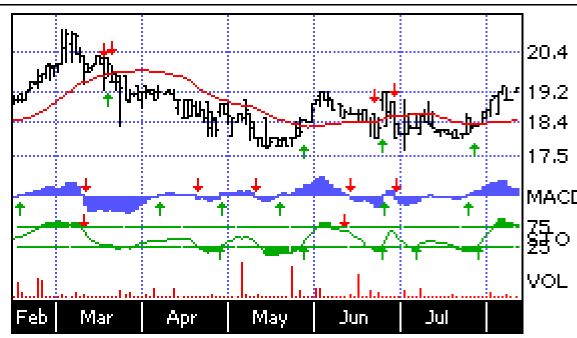


Iamgold (IMG)	Profiled: 03/16/01
Price then: $1.63	Price Now: $8.50

⇦ Originally featured as Repadre Capital in March 2001, merged with Iamgold in January 2003. If bought and held through conversion, you’re up 421.47%. Iamgold has been subject of a takeover play and was bought by Gold Fields of South Africa last week. Wait for consolidation or continue to hold if you still have it.

Richelieu (RCH)	Profiled: 12/04/00
Price then: $7.00	Price Now: $19.35

One of the first ten stocks we profiled, ⇨ Richelieu Hardware has been a solid performer throughout the tech wreck until March when it peaked. Now up 176.43%. Latest quarter saw revenues up 10.73% and EPS up 11.54%. Long term trend remains up. Buy now or wait for consolidation.



Resource Pick

Ainsworth Lumber (ANS –TSX)

(website: www.ainsworth.ca)

For fifty years, Ainsworth Lumber has been providing quality finished building materials for the construction industry. With forest properties in British Columbia and Alberta and manufacturing plants in those provinces and Ontario, Ainsworth is well able to serve the Canadian market.

Products include engineered and patented products such as High Density Overlay (HDO) Concrete Forming Panels. These panels are used to make construction site forms into which concrete can be poured. They're designed for superior strength with abrasion and moisture resistant surfaces, allowing for maximum reuse.

Another product is Oriented Strand Board (OSB), something like plywood that is used for sheathing. OSB is that mottled looking sheeting that's shaped like plywood but is really pressed fiber. It's used for floors and walls.

The company also manufactures conventional plywood as well as finger-joined studs, tongue and grooved Durastrand flooring panels and Durastrand Rimboard or I-joists.

After several years of losses, the company hit the motherlode as housing starts and new construction soared across the country. This new-found wealth let Ainsworth acquire Voyageur Panel, an OSB manufacturing company based in Barwick, Ontario in May 2004.

How large was the turnaround for Ainsworth? Look at the numbers below. From a loss of $1.75 in 2001 and $1.23 in 2002, the company's earnings soared to $8.49 a share in 2003.

I had been hesitant to profile the company because the price also soared – it's up 406.7% in the last year and 147.6% for the year-to-date. Pretty heady numbers. But the quarterly report for the end of June shows the company continuing to grow revenues and earnings. Earnings for the quarter were $4.87, over half of the full year earnings for 2003. Trailing twelve months revenues to June 30th are $734,849,000, an increase of 31.69%.

Interest rates are up and rising, and there may be some slowdown in the housing market after the recent boom, so some caution may be in order here. But because Ainsworth's earnings are so high, the price to earnings ratio is extremely low at just 3.60. It's certainly not overvalued if current earnings can be sustained.

Ainsworth will be issuing a special one-time dividend of $1.00 payable on Sept. 7th to shareholders of record on August 24th.

Quarterly Earnings per Share

To June 30th	2003	2004	% Change
EPS	$1.90	$4.87	+156.32%
Revenues (000s)	$106,236	$241,090	+126.94%

Annual Earnings per Share

To Dec. 31st	2001	2002	% Change	2003	% Change
EPS	-$1.75	-$1.23	n/a	$8.49	Turnaround
Revenues (000s)	$329,432	$363,235	+10.26%	$558,005	+53.62%

(continued on page 7)

Ainsworth Lumber *(from page 6)*

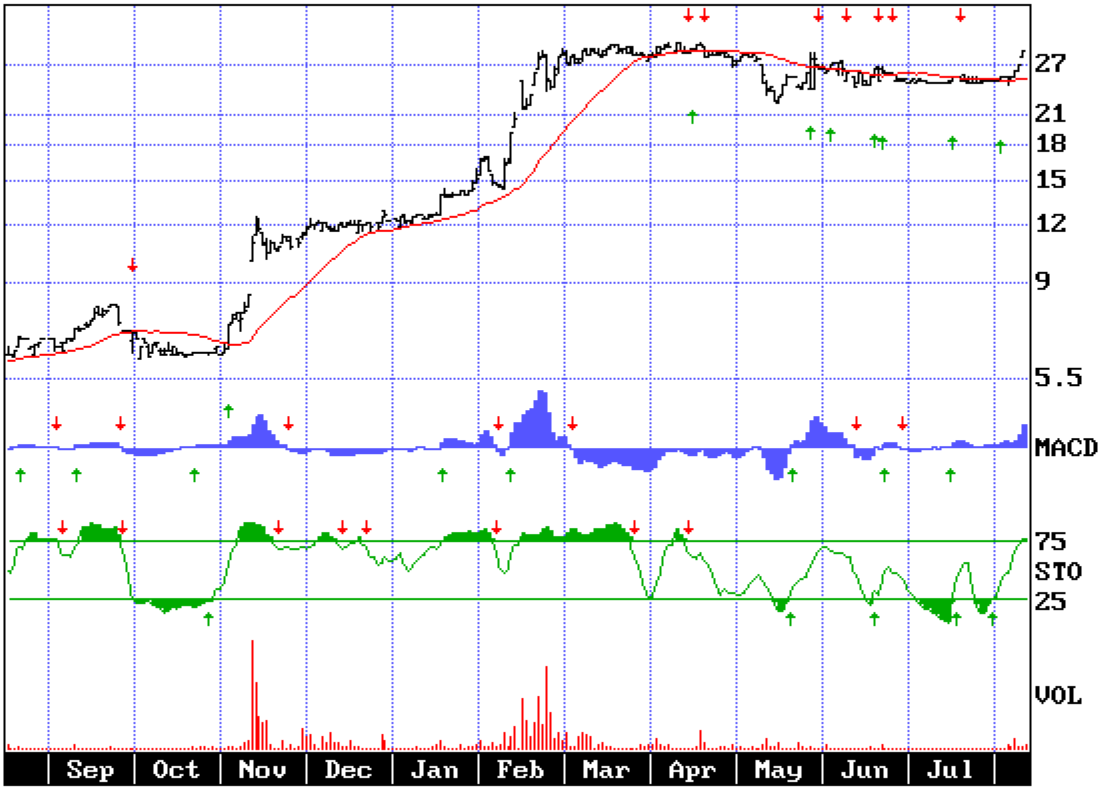


Chart Analysis: From the end of 1999 through May 2003, Ainsworth fell steadily from $9 to $3. But then it took off like a rocket as its fortunes changed. In February 2004, as the market went into a slump, Ainsworth fell modestly but managed to retain most of its substantial gains. With the release of its most recent quarterly report, the stock is once more on a tear and again hitting new highs. It's up $5 in the last two weeks. The Bollinger Bands had squeezed to an extremely tight fit just prior to this break out and we could see significant gains in the weeks ahead.

Stats as of 8/15/04	Phase 2 Analysis
▪ Hi/Lo Ratio: 5.07	▪ Price Pattern: A
▪ RS: 99.42	▪ Volatility: A
▪ Shares: 14,544,800	▪ Estimates: A-
▪ P/E: 3.60	▪ Snapshot: A
▪ Price: $30.40	▪ News: A

Phase 2: We give ANS an A for price pattern as it has been climbing steadily and gave back little in the current market malaise. And we give it an A for volatility for its relative stability. Estimates are up with a 2.5 or buy rating overall. An A-. The snapshot is good with revenues growing year by year. But the company did have losses for two years before turning around in 2003. The power of that turnaround along with a return on equity of 112.33 gives us another A. News is excellent with a new acquisition in May, a special dividend and a solid second quarter. Another A.

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

Retailing Pick

Alimentation Couche-Tard (ATD.B - TSX)

(website: www.couche-tard.com)

We first featured Alimentation Couche-Tard on our website before we launched our subscription edition of the Break Out Report. It was Dec. 4, 2001 and the stock was trading at $5.75. Today it is at $27.20, up 373.04%, much of the gain made during the throes of a bear market.

What exactly is this company with the unusual French name? Literally it means food for those who sleep in. Couche-Tard as it's known for short, is Canada's leading convenience store company. Yeah, I know everybody thinks it's 7-11 but it isn't. Couche-Tard, in fact, operates over 1900 stores across Canada under a variety of brands, notably Couche-Tard, Provi-Soir, Tabatout, and Depanneur 7 Jours in Quebec and Mac's, Wink's, Mike's Mart, Becker's and Daisy Mart in Ontario and Western Canada.

It all started with a dream when young Alain Bouchard started working in a convenience store in Quebec. He went on to open his first store of his own in 1980. Five years later he had 34 of them, 31 of them franchised. The company went public in 1986 on the Montreal Exchange.

In 1993 the company expanded further with the acquisition of 60 Mac's/La Maisonnée stores. That was followed by 86 Perrette stores in 1994.

2001 marked a breakthrough as the company took over 225 Bigfoot convenience stores from Johnson Oil, marking its first foray into the United States. Many smaller takeovers came to a climax with the purchase of the Circle K Corporation from Conoco Philips in December 2003. This added 1663 corporate stores and 616 franchised or licensed stores to its US network and made it the fourth largest convenience store chain in North America. Many of Couche-Tard's outlets are also gas bars, particularly in the United States.

In August 2003 the company acquired the master franchise for Dunkin' Donuts in Quebec. It is developing an ambitious 5 year plan to open another 100 stores to add to the existing 104 Dunkin' Donuts outlets in Quebec. Tim Horton's, watch out!

Today US sales contribute 78.4% of revenues. It has 1924 stores in Canada and 2124 in the US as well as 803 affiliates in the US. Grand total, 4881 stores.

Contributing to Couche-Tard's huge success is its innovative Store 2000 concept – attractive store layout, extra products, value-added services and a focus on building customer loyalty. This included partnerships to introduce the A.L. Van Houtte, Sunshine Joe Coffee and Seattle Best Coffee brands as an integral part of store design. With economies of scale and sound management, the future looks bright for Couche-Tard as acquisitions are integrated and new ones made.

Quarterly Earnings per Share

To June 30th	2003	2004	% Change
EPS	$0.13	$0.21	+61.54%
Revenues (000s)	$815,777	$2,289,014	+95.20%

Annual Earnings per Share

To Apr. 25th	2002	2003	% Change	2004	% Change
EPS	$0.63	$0.78	+23.81%	$0.89	+14.10%
Revenues (000s)	$2,443,592	$3,315,194	+35.66%	$5,872,394	+77.13%

(Continued on page 9)

Alimentation Couche-Tard *(from page 8)*

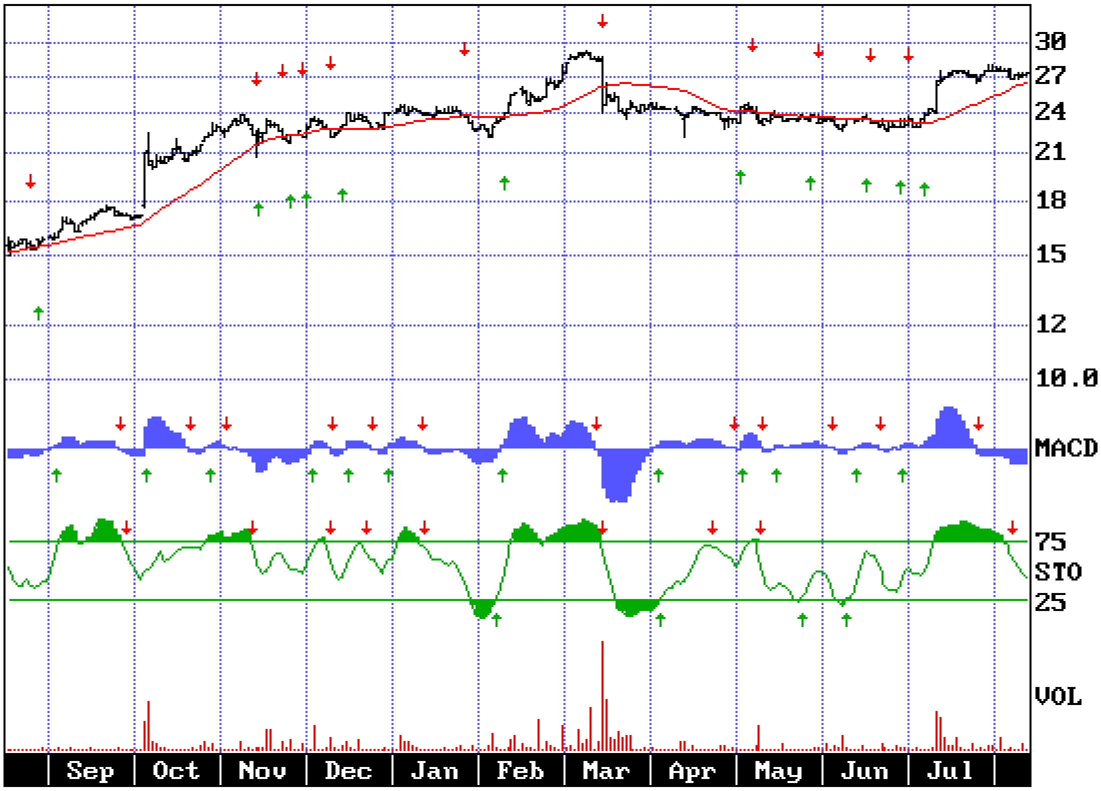


Chart Analysis: After the announcement of the acquisition of Circle K, Couche-Tard traded flat from November through January before climbing up in February and March. It plunged on huge volume when the 3rd quarter report came out on March 16th. Despite successful integration of the Circle K acquisition, earnings were down 43.75% a share. But support held at the $24 level and the year end report in July sent the stock right back up again on increased volume. After a minor correction, the stock is once more on the move with $35 or higher a not unreasonable expectation.

Stats as of 8/15/04	Phase 2 Analysis
▪ Hi/Lo Ratio: 1.95	▪ Price Pattern: A-
▪ RS: 90.41	▪ Volatility: A-
▪ Shares: 72,109,356	▪ Estimates: A
▪ P/E: 32.00	▪ Snapshot: A-
▪ Price: $27.20	▪ News: A

Phase 2: We give ATD.B an A- for price pattern as the long term uptrend is unbroken despite two flat patches during the year. And we give it an A- for volatility as it is relatively smooth despite some sudden moves here and there. The stock is well followed with a strong increase in projections and a 1.8 or buy rating. We give it an A. Snapshot shows growing revenues and earnings. Return on equity is a bit weak at 13.39. We give it an A-. And news has been positive with growing revenues and earnings, major acquisitions and recently a new buy recommendation from a major brokerage.

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 July 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.

Super Power Performers			
Fund Name	**1 yr**	**3 yr**	**5 yr**
Sprott Canadian Equity	41.48	29.02	39.54
RBC Precious Metals	22.39	52.23	31.44
Front Street Special Opportunities Canadian	56.49	31.58	30.75
AGF Precious Metal	32.51	47.55	25.19
Power Performers			
Resolute Growth	26.72	20.67	30.36
Dominion Equity Resource	34.19	22.51	25.58
Norrep Fund	26.94	21.91	22.53
Front Street Small Cap Canadian	41.06	25.77	21.81
Mackenzie Universal Cdn. Resource (US$)	53.99	32.01	21.22

The number of Super Power Performers stayed the same at four while the Power Performers dropped one to five. Performers dropped eight to 30 giving us a total of 39 qualifying funds. This is down sharply from 48 in June and reflects the general shakiness of the market in July.

Performers							
Fund Name	**1 Yr**	**2 Yr**	**3 Yr**	**Fund Name**	**1 Yr**	**2 Yr**	**3 Yr**
Vertex Fund	33.00	16.17	23.01	Bissett Income-F	19.56	16.49	17.02
BluMont Hirsch Performance	24.55	16.28	22.20	Mavrix Dividend & Income	19.84	17.22	16.87
Hillsdale Cdn. Performance Equity	35.63	18.23	20.19	Sentry Canadian Energy Growth	24.01	17.26	16.83
Elliott & Page Growth Opp.	25.56	16.86	20.15	GGOF Monthly High Inc. Classic	20.35	17.01	16.54
R Small Cap Canadian Equity	26.21	16.98	20.14	TD Energy	35.79	16.49	16.48
Bissett Microcap-F	19.22	21.52	19.02	Northwest Specialty Equity	35.41	29.06	16.40
London Life Cdn. Resource (MF)	44.12	26.94	18.86	RBC Energy	38.12	17.16	16.34
Trimark Canadian Resources	36.55	22.99	18.25	Beutel Goodman Small Cap	21.00	15.37	16.24
Mackenzie Universal Cdn. Res.	45.45	25.95	18.23	GGOF Monthly High Income Mutual	19.59	16.24	15.97
Mawer New Canada	31.76	23.06	18.10	Sceptre Equity Growth	34.66	26.55	15.88
Ethical Special Equity	31.75	24.09	17.93	Acuity Pooled High Income	22.19	18.30	15.63
McElvaine Investment Trust	18.75	15.78	17.56	Dynamic FocusPlus Resource	36.94	23.89	15.56
CI Signature Canadian Resource	32.55	16.55	17.45	Maritime Life Canadian Growth-R	29.73	20.96	15.16
Clarington Canadian Small-Cap	30.72	23.23	17.40	BMO Resource	33.51	22.75	15.08
Altamira Precious & Strategic Metal	19.01	35.45	17.18	Desjardins Financial Pool Bissett SmallCap	24.40	16.21	15.04

Once again, small caps, resources and precious metals dominate the field, but as we have noted, some are hanging on because of past glory and you should check out short term results as well. The best performers for the year-to-date are hedge funds and real return bond funds.

Also doing well are funds investing in income trusts. We have a special report on them on the next page.

(continued on page 11)

Power Performers Update *(from page 11)*

Mutual Funds Investing in Income Trusts

There are 53 mutual funds invested in income trusts. The table below shows the ones with track records of five years or more, a mere twelve of them. They're ranked by 5 year performance.

Fund Name	30 day	YTD	1 yr	3 yr	5 yr
Bissett Income-F	2.66	7.06	19.56	16.49	17.02
GGOF Monthly High Income Classic	2.58	5.93	20.35	17.01	16.54
Talvest Millennium High Income	1.72	5.83	14.54	14.67	16.46
Elliott & Page Monthly High Income	1.41	5.69	15.18	14.61	15.98
GGOF Monthly High Income Mutual	2.54	5.54	19.59	16.24	15.97
Renaissance Canadian Income Trust	1.96	3.70	15.73	14.46	15.84
Saxon High Income	1.22	3.78	16.44	14.58	14.41
CI Signature High Income	0.68	6.36	19.06	14.12	13.09
CI Signature High Income Seg.	0.51	5.28	17.05	12.34	11.82
Middlefield Enhanced Yield	2.22	4.66	16.74	13.17	11.46
CI Signature High Income B Seg. I	0.57	5.28	17.06	12.27	9.47
@rgentum Income Portfolio	0.51	-0.42	0.35	-1.04	2.87

As you can see, all except one of them has positive returns for the year-to-date. All but one have a five year average compounded return better than 9%. All except the lack luster @rgentum Income Portfolio Fund have five star ratings from Globefund. And, in fact, three of them are Performers by our criteria, the Bissett Income-F Fund, the GGOF Monthly High Income Classic Fund and the GGOF Monthly High Income Mutual Fund.

The investor may reinvest distributions or take delivery. High income funds may be particularly advantageous for people reaching retirement age.

RRSP rules require you to convert to an RRIF or an annuity by age 69. An RRIF lets you stay invested in equities of your choice but you are required to make withdrawals of a certain percentage of the value of the RRIF every year. These range from 4% at age 65 to 5% at age 70 to 10.33% at age 85 to 20% at age 94. After that you are required to withdraw 20% every year.

If the distributions match or exceed the required withdrawals, your capital remains intact and may even grow. With your money invested in a GIC or other low return investment, your capital gets eaten up fairly quickly. With a 5% return on a GIC, you start eating into capital at age 71. With a 10% return, your capital keeps growing until age 81 and then doesn't drop below your original capital until you reach age 94. With a 15% return, your capital keeps growing until age 90 and at age 99 you'll still have twice as much money as when you started withdrawals at age 65. Of course, inflation may have cut into the buying power but you will have gotten a "raise" every year to age 94.

Visit www.retireware.com/rrif.html for a fascinating calculator to play around with.

If the top five funds noted above can continue their performance, they are good candidates for a RRIF, though most investment advisors would probably balk at such a suggestion as "too risky". If you want to go the "safe" route, make sure you have lots of money at retirement!!!

Which income trusts are the top performing mutual funds above invested in? The Bisset-F's top ten holdings are RioCan REIT, Davis & Henderson Income Fund, Superior Plus Income Fund, Canadian Real Estate Investment Trust, Inter Pipeline Fund Class A LP Units, BFI Canada Income Fund, Arc Energy Trust, Pembina Pipeline Income Fund, Connors Brothers Income Fund, and Canadian Hotel Income Properties. Lots of real estate trusts there. The GGOF funds are heavier into energy funds but also have a smattering of REITS. Check out full details at Globefund.

Our Model Portfolio

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

Current Position: $94,044.60 (+88.09%) Up 11.11% YTD

The last month has been good to our portfolio even though the market is taking a dive and even though we were stopped out of three stocks during the month. Cash position is $101.90 though distributions will add to that next week. All of our trades are tracked weekly at our website. Log on to the subscriber area and check out the Portfolio Update weekly. We sell during the week if stops are hit, but we buy only on Mondays after advising you via the website.

Alimentation Couche-Tard (ATD.B – TSX)

# of Shares: 260	**Bought:** Aug. 16/04
Price Then: $27.20	**Price Now:** $27.20
Gain: 0.00%	**Stop:** $26.24

Notes: Couche-Tard is Canada's largest convenience store chain with brand names such as Mac's and Winks.

Canada Bread (CBY – TSX)

# of Shares: 245	**Bought:** July 26/04
Price Then: $28.35	**Price Now:** $29.90
Gain: +5.47%	**Stop:** $26.91

Notes: Canada Bread goes through periods of substantial growth making bread for both customers and investors.

CCS Income Fund (CCR.UN – TSX)

# of Shares: 240	**Bought:** May 19/03
Price Then: $20.29	**Price Now:** $31.68
Gain: +56.14%	**Stop:** $27.20

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

GSW Inc. (GSW.B – TSX)

# of Shares: 275	**Bought:** May 17/04
Price Then: $34.73	**Price Now:** $40.10
Gain: +15.46%	**Stop:** $38.72

Notes: GSW Inc. is a leading manufacturer of water heaters for the commercial and residential markets.

Home Capital Group (HCG – TSX)

# of Shares: 450	**Bought:** Aug. 9/04
Price Then: $21.49	**Price Now:** $22.05
Gain: +2.61%	**Stop:** $19.85

Notes: Home Capital Group is a fast growing alternative mortgage provider. One of our best picks ever.

Kingsway Financial (KFS – TSX)

# of Shares: 625	**Bought:** May 24/04
Price Then: $15.00	**Price Now:** $15.26
Gain: +1.73%	**Stop:** $14.36

Notes: Kingsway Financial is a leading supplier of alternative insurance services. After a slump, the stock is on the move again.

Pason Systems(PSI – TSX)

# of Shares: 320	**Bought:** May 17/04
Price Then: $30.00	**Price Now:** $33.05
Gain: +10.17%	**Stop:** $30.81

Notes: Pason Systems makes and leases high tech monitoring equipment for the oil patch. It had a stellar year in 2003.

Peyto Energy Trust (PEY.UN – TSX)

# of Shares: 300	**Bought:** Mar. 29/04
Price Then: $30.30	**Price Now:** $34.65
Gain: +14.36%	**Stop:** $31.08

Notes: Peyto Energy Trust has gained over 1000% in the last three years. It's my featured stock in the Globe's One and Only Contest.

Trican Well Service (TCW – TSX)

# of Shares: 250	**Bought on:** May 3/04
Price Then: $37.50	**Price Now:** $43.00
Gain: +14.67%	**Stop:** $39.13

Notes: Trican Well Service supplies specialized services to the oil industry including such things as cementing and fracturing.

Zargon Energy Trust (ZAR.UN – TSX)

# of Shares: 515	**Bought on:** Apr 19/04
Price Then: $17.70	**Price Now:** $18.90
Gain: +6.78%	**Stop:** $17.24

Notes: Zargon Energy Trust is an aggressive junior exploration company based in Alberta and converted to an energy trust in Aug. 2004.