

the Break Out Report

Volume # 2, Issue # 2

Nov. 16, 2003

Analysis

The Fast and the Furious

The Fast and the Furious is a film about a cop infiltrating a gang of street racers, speed freaks who like to drive hard and fast. There are thrills, chills and spills. But if you want thrills in the stock market, you want to drive a different vehicle. You want to ride those hot shot companies that are outperforming the competition by a wide margin. Companies that are growing fast.

Ideally we are looking for companies that are growing both revenues and earnings. Revenue growth in and of itself can be a useful indicator and may drive the stock price up for a while, but unless earnings kick in with a vengeance, the stock "car" you're driving may be in for a spill. Earnings are the added fuel to keep the stock on track. Losses are like loose steering. The stock will run off the road.

Fortunately there are a number of ways to find "fast and furious" stocks. Long time readers know I like to look for stocks hitting new highs on the Toronto Stock Exchange and then check them out to see how they fare on the earnings front.

But if you want a ready made list of potential winners, you can't go too far wrong in looking at a handy list published by accounting firm Deloitte and Touche every year. They're called the Fast Fifty. Released every year at the end of September, the Fast Fifty is a list of the fifty fastest growing technology companies in Canada by revenue. To be included, a company must meet the following criteria:

- Be a technology company, defined as follows:
 1. Develops proprietary technology that contributes to a significant portion of the company's operating revenues. Using other companies' technology in a unique way does not qualify.
 2. Devotes a high percentage of effort to research and development of technology.
- 1998 operating revenues must be at least \$75,000 CDN and 2002 operating revenues at least \$1 million CDN.
- Be in business a minimum of five years.
- Be controlled and headquartered in Canada.

The Fast Fifty was launched in 1997 in the United States and in Canada the following year. In fact, in the inaugural year of 1998, it was actually the Fast Fifty-Five. The next year it was reduced to fifty.

The list has some drawbacks. It is not exhaustive and not all companies are considered for inclusion. Companies must be nominated although they can nominate themselves. And, as noted, the prime consideration is revenue growth, not profitability. Companies need not be publicly traded

(continued on page 4)

In This Issue: Going to Extremes! (Page 6)

Trend Watch**Gold is on the Move!**

The big news this week is a huge surge in the price of gold as it gained 3.78% for the week. I thought a correction was in the offing after the recent run-up and that is still a possibility, but the metal has been showing considerable strength. For the year it is up 14.47% and approaching the gains made by the Dow and the TSX though it is still far behind the NASDAQ which is still up 44.53% for the year to date.

The cause of all this is continued weakness in the US dollar which is getting pummeled. The Canadian dollar soared to ten year highs during the week, topping 77 cents US. This has produced a potential reversal in interest rate policy on both sides of the border. The US is now talking about raising rates as their economy strengthens while there is speculation Canada may cut interest rates to curtail the negative effect on exports that our stronger dollar has. Lower rates should bring a lower dollar.

The US debt situation is still a mess and until Bush takes action to stem the flow of red ink, the US dollar will continue to sink and gold will continue to rise. The fear is that the US won't take action and foreign holders of US debt, particularly Japan and China, may call in their chits. That would produce a crisis and perhaps even insolvency. If these countries decide to convert their dollar reserves into gold bullion, watch for gold to really take off.

Whether Japan will do so is questionable. They have a vested interest in preserving the dollar because the weaker the US dollar gets, the stronger the negative effect on their own export markets. But China is a different matter. They have pegged their currency to the dollar and so are also reaping trade benefits from the weaker dollar. Interesting times!

Toolbox Tip**Trawling for Puts**

Last month we gave you a search that produced the inclined plane pattern. This month we offer a search that will find excellent put plays.

What are we looking for in a put? Ideally we want a stock in a strong downtrend that has just moved up to the moving average and is bouncing off it to the downside.

And here's how we find it:

- Click on Searches in the top menu
- Click on Power Prosearch in the left hand menu
- Select Category: Background, Criteria: Stock Type and Parameter: Optionable Stocks
- Select Category: Technical Indicators, Criteria: Moving Average 30 Day and Parameter: Low as Possible
- Select Category: Technical Indicators, Criteria: Moving Average 150 Day and Parameter: Low as Possible
- Select Category: Technical Indicators, Criteria: MACD Histogram 8/17/9 Day and Parameter: High as Possible
- Select Category: Technical Indicators, Criteria: Stochastics Value 9/3 Day and Parameter: High as Possible

This gives you downtrending stocks with the stock bouncing off the MA to the downside – a potential put play.

The Break Out Report

is published twice a month by Break Out Publishing.

The report and its writers are not registered investment advisors and the contents of the Break Out Report are not to be construed as investment advice. It is for information only. The material in these pages is derived from sources believed to be reliable but accuracy and completeness are not guaranteed. Readers are advised that past performance of companies featured in these pages is no guarantee of future performance. The Break Out Report and its writers accept no liability for losses incurred as a result of acting on this information.

Copyright © Break Out Publishing. Stock charts copyright © Investools and used by permission.

Chart for Extreme CCTV is copyright © StockCharts.com and used as per their usage agreement as posted on their website.

Editors: Marco den Ouden & Ken Ballard
Website: <http://breakoutreport.com>

Email us: marco@breakoutreport.com
ken@breakoutreport.com

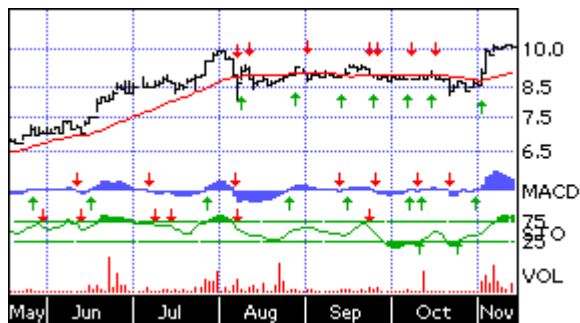
Articles this issue by Marco den Ouden unless otherwise indicated.

Subscription: \$14.95 a month or \$150 a year

Watched List Update

Reversals of Fortune

We maintain a Watched List of the stocks we are covering and every week we update it on our website. Not all of our picks are buys at any particular moment. Sometimes they enter temporary downtrends and we recommend selling until the stock has regained its footing. The stocks below have all undergone changes in rating or are close to a change in rating. To see the weekly updates online, go to the Members area and click on Trend Watch.

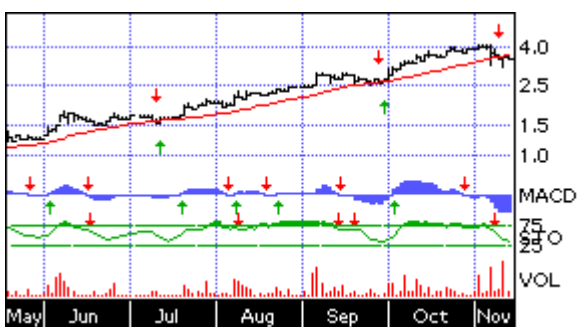
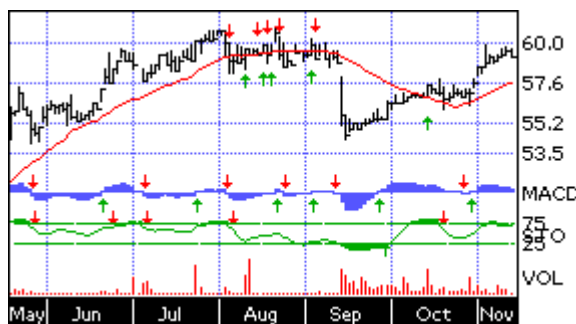


Calian Tech. (CTY) Profiled: Oct. 1/02
Price then: \$3.85 Price Now: \$10.10

⇐ We had Calian Technology in our Model Portfolio until Oct. 24th when it hit our stop loss after two and a half months of patiently waiting for it to take off again. The Bollinger bands indicated a break-out was possible and Oct. 24th said down, but it was a fake-out and Calian is now a buy again. It's up 162.34% since featured.

Fortis Inc. (FTS) Profiled: Mar. 16/01
Price then: \$38.00 Price Now: \$59.20

Fortis, Newfoundland's leading power company, offers the best of both worlds – solid growth potential and a solid dividend. It took a tumble in September but now seems to be climbing strongly again, resuming its long term uptrend. We've upgraded it to a buy again. The stock is up 55.79% since featured.

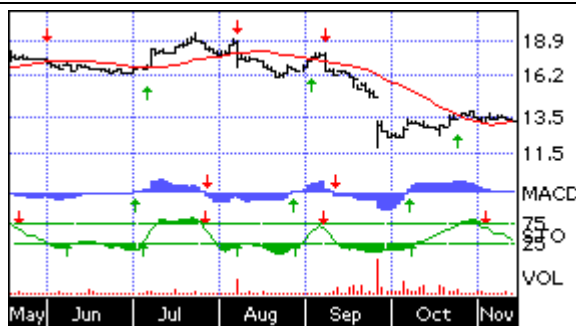


Hip Interactive (HP) Profiled: June 15/03
Price then: \$1.63 Price Now: \$3.45

⇐ We just sold Hip Interactive from our Model Portfolio last week despite the stock remaining in an uptrend as it hit our 15% maximum stop loss. It's dipped just below the MA and it should rebound to the upside, so you could hold if you are okay with looser stops. But it could also be in for a correction. Up 111.66% since featured.

Kingsway Financial Profiled: July 20/03
Price then: \$18.60 Price Now: \$13.35

Kingsway Financial crashed shortly after we featured it on news that the insurance company was re-evaluating its reserves. Since the beginning of September it has been slowly climbing again and we are in a waiting mode as we look for confirmation. Down 28.23% since featured.



The Fast and the Furious (from page 1)

so the list always includes a fair number of up and coming privately held businesses. This year's list, published in the October issue of the *National Post Business* magazine, has 17 private companies and 33 public companies.

I first wrote about the Fast Fifty on my website in October 2000 when the third list was published. The NASDAQ, the benchmark for technology stocks, had plummeted from its closing peak of 5132.52 set on March 10th that year to 3672.82 by the end of September or a 28.44% drop. Nevertheless, the stocks making the list in each of the first three years showed significant growth in price. Then there were 27 public companies on the list. 1999 had 26 and 1998 had 18. Some made the list more than once and there were a total of 40 altogether. Thirty were listed in either 1998 or 1999 or both and they generated some interesting statistics as shown below:

| Fast Fifty Stocks Performance to Oct. 4, 2000 | | | | |
|--|---|--|--|---|
| # of Stocks | # with gains over 100% at some time since featured | # with gains over 1000% at some time since featured | Average gain if bought when first featured and sold at peak | Average Gain if bought when first featured and still held at Oct. 4/00 |
| 30 | 22 | 5 | 704.2% | 340.8% |

Now that's pretty darn impressive results. But, of course, these stocks benefited from the latter two years of the technology and internet bubble. At September 30, 2000, the NASDAQ was set to plunge a further 2558.71 points or 69.66% (78.29% off its March peak) to Oct. 10, 2002. The question is, how have these stocks fared since?

I decided to look at just the publicly traded stocks that made the list in 2000 to the present. That includes the period of the NASDAQ plunge to 1114.11 and the subsequent recovery to Friday's 1930.26. As noted, there were 27 such stocks. The results are shown below:

| Fast Fifty Stocks Performance for Stocks Featured in Year 2000 to Present | | | | | |
|--|---|---|---|--|--|
| # of Stocks | # with gains over 100% at some time since 2000 | Average gain if bought on 9/29/00 and sold at peak | Average loss if bought on 9/29/00 and still held | Average gain if bought when first featured and sold at peak | Average gain if bought when first featured and still held |
| 27 | 4 | 74.87% | -7.10% | 675.22% | 178.47% |

If you had bought the 27 publicly traded stocks making the Fast Fifty list for 2000 on Sept. 29th of that year and held them until today, you would have not been able to escape the bear's mauling and would be down 7.10%. This is actually a far cry better than the NASDAQ which is still down 47.44% since then. But there was also opportunity for if you managed to sell at their peaks, you would be up 74.87%. But some of these stocks first made the Fast Fifty in earlier years and if you had bought them when they first made the list and held them, you would be up 178.47%.

Those are just the ones that made the cut in 2000. If you had invested in all the stocks when they first made the Fast Fifty since the list was launched in 1998 and held, you would be still up 85.45% in spite of the bear market. In other words, if you bought all the publicly traded Fast Fifty stocks for 1998 on Sept. 30th that year, bought any new ones making the list in 1999, and repeated through every year through 2002, holding them through thick and thin, you would be up 85.45%. If you had sold each at their peaks you would be up 376.13%. But of course it is almost impossible to pick a top, so if you just kept a 15% stop from the highest closing price and kept moving up your stops as needed, you'd be up 304.71%. There are 68 such stocks so if you had invested \$1000 in each (a \$68,000 investment spread over five years you'd now have \$275,202.80.) Fluctuations may have forced you out of some earlier than their peaks, but it is easy to see that investing in the Fast Fifty and managing your investments with stops can be a successful investment strategy.

(continued on page 5)

The Fast and the Furious (from page 4)**How Fast? How Furious?**

How fast and furious can the Fast Fifty be? Below is a list of the publicly traded Fast Fifty for 2003. I've charted them from their release on Sept. 30th until Nov. 14th – six and a half weeks, noting both highs and lows as well as closing numbers.

| Rank | Company | Symbol | Sept. 30 | High | Low | Nov. 14 | Change | Max |
|------|--------------------------------------|-----------|----------|---------|---------|---------|--------------|---------------|
| 1 | Extreme CCTV | EXC | \$2.84 | \$4.90 | \$2.70 | \$3.41 | 20.07% | 72.54% |
| 2 | QLT Inc. | QLT, QLTI | \$21.65 | \$22.85 | \$20.07 | \$20.07 | -7.30% | 5.54% |
| 4 | Haemacure Corp. | HAE | \$0.48 | \$0.51 | \$0.37 | \$0.39 | -18.75% | 6.25% |
| 5 | ID Biomedical Corp. | IDB, IDBC | \$23.33 | \$26.80 | \$15.08 | \$15.08 | -35.36% | 14.87% |
| 6 | Dynex Power Inc. | DNX | \$0.60 | \$0.63 | \$0.15 | \$0.60 | 0.00% | 5.00% |
| 7 | Waverider Comm. | WAVC | \$0.24 | \$0.35 | \$0.23 | \$0.25 | 5.83% | 45.83% |
| 8 | dot com Entertainment | DCEG | \$0.28 | \$0.28 | \$0.10 | \$0.11 | -61.07% | 0.00% |
| 10 | Boomerang Tracking | BMG | \$1.69 | \$2.19 | \$1.68 | \$1.96 | 15.98% | 29.59% |
| 11 | Mediagrif Interactive | MDF | \$8.75 | \$10.50 | \$8.65 | \$10.45 | 19.43% | 20.00% |
| 12 | Honeybee Technology | HBT | \$1.65 | \$1.90 | \$1.63 | \$1.85 | 12.12% | 15.15% |
| 13 | Hydrogenics | HYG, HYGS | \$6.66 | \$9.34 | \$6.45 | \$7.95 | 19.37% | 40.24% |
| 14 | Intrinsyc Software Inc. | ICS | \$1.25 | \$1.58 | \$1.04 | \$1.15 | -8.00% | 26.40% |
| 15 | Workstream | WSTM | \$1.70 | \$1.80 | \$1.53 | \$1.60 | -5.88% | 5.82% |
| 18 | Aeterna Laboratories | AEL, AELA | \$5.15 | \$5.15 | \$4.02 | \$4.23 | -17.86% | 0.00% |
| 20 | BCE Emergis Inc. | IFM | \$5.27 | \$5.95 | \$5.16 | \$5.76 | 9.30% | 12.90% |
| 24 | AirlQ Inc. | IQ | \$0.24 | \$0.66 | \$0.24 | \$0.55 | 129.17% | 175.00% |
| 25 | AnorMEd Inc. | AOM | \$4.20 | \$4.27 | \$3.62 | \$3.85 | -8.33% | 1.67% |
| 26 | Optimal Robotics | OPMR | \$8.46 | \$8.80 | \$7.57 | \$7.88 | -6.86% | 4.02% |
| 28 | Triant Technologies | TNT | \$0.46 | \$0.65 | \$0.44 | \$0.52 | 14.29% | 42.86% |
| 29 | Research in Motion | RIM, RIMM | \$51.60 | \$62.95 | \$51.16 | \$57.17 | 10.79% | 22.00% |
| 31 | ACD Systems Int. | ASA | \$2.80 | \$3.36 | \$2.80 | \$3.02 | 7.86% | 20.00% |
| 33 | Certicom Corporation | CIC | \$1.53 | \$4.00 | \$1.45 | \$2.78 | 81.70% | 161.44% |
| 34 | Surefire Commerce /Terra Payments | TPI | \$4.14 | \$4.49 | \$3.54 | \$4.05 | -2.17% | 8.45% |
| 35 | Infowave Software Inc. | IW | \$0.36 | \$0.38 | \$0.25 | \$0.25 | -29.58% | 5.63% |
| 38 | Wireless Matrix Corp. | WRX | \$1.68 | \$2.00 | \$1.49 | \$1.67 | -0.60% | 19.05% |
| 39 | Unity Wireless Corp. | UTYW | \$0.21 | \$0.30 | \$0.18 | \$0.23 | 9.52% | 42.86% |
| 40 | Isotechnika Inc. | ISA | \$3.30 | \$3.52 | \$3.10 | \$3.20 | -3.03% | 6.67% |
| 42 | Angiotech Pharma. | ANP, ANPI | \$58.83 | \$63.85 | \$55.68 | \$63.50 | 7.94% | 8.53% |
| 43 | Inex Pharmaceuticals | IEX | \$6.25 | \$6.86 | \$6.02 | \$6.10 | -2.40% | 9.76% |
| 44 | Glenbriar Tech. | GTI | \$0.06 | \$0.07 | \$0.04 | \$0.05 | -16.67% | 8.33% |
| 46 | Strategic Vista Int. | SVI | \$1.50 | \$1.90 | \$1.40 | \$1.70 | 13.33% | 26.67% |
| 49 | Zi Corporation | ZIC, ZICA | \$3.20 | \$4.20 | \$3.00 | \$3.50 | 9.37% | 31.25% |
| 50 | Absolute Software | ABT | \$0.70 | \$0.99 | \$0.70 | \$0.99 | 41.43% | 41.43% |
| | | | | | | | 3.71% | 12.67% |

Note that in just six short weeks, one of the stocks (AirlQ) has more than doubled with another (Certicom) more than doubled before correcting back to an 81.7% gain. The average gain is 3.71% with a peak gain of 12.67%. These stocks are both fast and furious (volatile).

I also checked out all the stocks making the lists for 2001 and 2002. These 43 stocks have an average gain of 35.97% with a peak gain of 124.50%. Seven have more than doubled.

The Fast Fifty make an interesting starting point for putting together a Watch List. Looking at them more closely to weed out unprofitable stocks will result in an interesting list though many of the big gainers so far are not profitable. We are featuring the number one Fast Fifty stock for 2003 as one of our picks of the week.

You'll find more, including additional tables, on our website.

Technology Pick

Extreme CCTV (SYM –TSX)

(website: www.extremecctv.com)

Their trademarked slogan says it all: "See the Light. Get the Picture." Extreme CCTV (closed circuit television) makes surveillance systems, specializing in night vision cameras using infrared technology. Founded in July 1997, the company has grown quickly and this year topped the Deloitte and Touche Fast Fifty list of the fastest growing technology companies in Canada. Its five year revenue growth of 12,689 percent easily outpaced the number two company, QLT Inc. with 8557 percent. Both are British Columbia based businesses.

One of the drivers of growth has been terrorism and an increased focus on security. Ironically, one of their major clients came from the Arab world. Islamic terrorists gunned down fifty-eight tourists and four Egyptians at the Temple of Hatshepsut in Luxor, Egypt in November 1997, just months after the company was started. While tourists were slowly lured back to the country over the next few years, the attacks of 9/11 killed the recovery and the Egyptian ministry of Tourism decided they needed to beef up security to allay fears. They turned to Extreme CCTV's night vision cameras and motion detectors.

Hazardous situations require additional features and the company also makes high-impact and explosion resistant models. And the company is a leader in the integration of infrared and digital technology. Combined with the increased bandwidth capabilities of the Internet, this allows for remote monitoring of homes and businesses anywhere in the world. Extreme CCTV's technology is also used to monitor jail cells, read license plate numbers, and monitor theme park rides. With power blackouts recently in the news, Extreme CCTV completed a prototype camera integrated with standby backup power units in August 2003.

The company is also expanding through acquisition with a strategic investment in Quebec-based Obzerv Technologies. The deal gives Extreme 31 percent of Obzerv's voting shares with an option to acquire the remaining shares in the future. Obzerv has developed long-range laser illumination technology that can pinpoint people in search and rescue situations at ten kilometers in complete darkness. It can also read a license plate at two kilometers. This partnership is expected to solidify Extreme's presence in the night vision technology field.

With its rapid growth, the company recently doubled its sales, administrative and manufacturing facilities in Newcastle, England. And it also moved to new quarters in Burnaby, BC with double its previous capacity.

Revenue and earnings growth in fiscal 2002 was very strong at over 200% each. The most recent quarter was somewhat lackluster with negligible growth and shrinking profits. This is partly due to the sliding US dollar and UK pound. With constant exchange rates, earnings would be an additional \$230,000.

Quarterly Earnings per Share

| To June 30th | 2002 | 2003 | % Change |
|-----------------|---------|---------|----------|
| EPS | \$0.05 | \$0.03 | -40.0% |
| Revenues (000s) | \$5,181 | \$5,183 | +0.04% |

Annual Earnings per Share

| To Sept. 30th | 2000 | 2001 | % Change | 2002 | % Change |
|-----------------|---------|---------|----------|----------|----------|
| EPS | \$0.00 | \$0.05 | n/a | \$0.17 | +240.0% |
| Revenues (000s) | \$5,108 | \$5,739 | +12.35% | \$17,649 | +207.53% |

(Continued on page 7)

Extreme CCTV (from page 6)



Chart Analysis: Extreme CCTV recently moved to the TSX from the Venture Exchange and the Toolbox charts have not yet integrated the change, creating a weird looking chart. So we're using the StockCharts.com chart instead. We had planned to feature EXC last month but it took a sudden spike upward to \$4.90 just before, which we thought was unsustainable in the short term. It moved on the takeover of rival Silent Witness at a hefty premium on speculation that Extreme would also be a takeover target. The stock has now come back to the 50 day moving average and is poised to bounce off in a renewed uptrend. The 30 day MA is down but skewed by the recent price spike.

| Stats as of 11/14/03 | Phase 2 Analysis |
|----------------------|--------------------|
| ▪ Hi/Lo Ratio: 2.01 | ▪ Price Pattern: B |
| ▪ RS: 67.15 | ▪ Volatility: C |
| ▪ Shares: 11,930,553 | ▪ Estimates: B |
| ▪ P/E: 20.1 | ▪ Snapshot: A |
| ▪ Price: \$3.41 | ▪ News: A |

Phase 2: We give EXC a B for price pattern and a C for volatility. Analysts have boosted their predictions slightly for 2004 with an overall rating of Hold and we give it a B. The snapshot is strong with growing earnings and revenues and a very strong return on equity of 54.02. We give it an A. And news is very strong with its listing at the top of the Fast Fifty, an acquisition, and new products and patents. The company is also defending its patents with a suit against rival Silent Witness. Again an A. EXC is a fairly volatile stock but has excellent long-term potential.

Retailing Pick

RONA Inc. (SYM –TSX)
(website: www.rona.ca)

Depending on where you live in the country, you're probably familiar with RONA and its subsidiaries – Revy, Dismat, Botanix and more. If you're a home handyman, you definitely know who they are – Canada's answer to Home Depot. They are, in fact, Canada's leading retailer of hardware, home improvement and gardening products with 540 dealer-owned, franchised and corporate stores across Canada and 16,000 employees and annual sales approaching \$3 billion.

The company's roots go back to 1939 when some hardware store operators in Quebec formed a cooperative alliance to circumvent a dominant supplier that was threatening their access to supplies. Two men by the names of Rolland Dansereau and Napoleon Pottle gained control of the company and renamed it Le Groupe RONA Inc. after the first two initials in each of their names.

Through the seventies the company expanded within Quebec. The eighties saw its first acquisitions, the Botanix dealer network and Dismat, as well as a purchasing alliance with Ontario's Home Hardware.

The nineties brought an alliance with Hardware Wholesalers of Fort Wayne, Indiana. And in 1994, the company launched its big box store format that now dominates the hardware and building supply markets. 1999 saw the opening of a new 654,000 square foot distribution warehouse.

And the turn of the century saw the company expand strongly with the acquisition of 66 Cashway Building Centre stores in Ontario and 51 Revelstoke, Revy and Lansing stores in Western Canada. The rural Quebec hardware cooperative had come of age and went public in November 2002.

In September 2003, the company received approval from the Competition Bureau to complete the acquisition of 19 Reno-Depot and Building Box stores in Quebec and Ontario. This acquisition moved RONA into first place in the Canadian hardware and building supply market with a 14% market share.

November saw further expansion with the start of construction on three more big box stores in Kingston, Kitchener-Waterloo and Regina. This will bring to 65 the number of mega-stores the company operates.

Despite inroads made by Home Depot in the Canadian hardware and home handyman markets, RONA has vigorously laid claim to the number one position. Its aggressive management should manage to keep them on top.

Revenues in the last reported quarter slumped a bit due to soft lumber prices and poor weather. But net earnings soared 47.1%. The earnings per share, however, grew only 12.8% as the company launched a subsidiary share issue to finance recent acquisitions. Once these start contributing to the bottom line, further growth seems likely.

Quarterly Earnings per Share

| To Dec. 31st | 2001 | 2002 | % Change |
|------------------------|-----------|-----------|----------|
| EPS | \$0.47 | \$0.53 | +12.8% |
| Revenues (000s) | \$717,767 | \$703,722 | -2.0% |

Annual Earnings per Share

| To Dec. 31st | 2000 | 2001 | % Change | 2002 | % Change |
|------------------------|-------------|-------------|----------|-------------|----------|
| EPS | \$0.59 | \$0.74 | +25.4% | \$1.12 | +51.4% |
| Revenues (000s) | \$1,317,505 | \$1,834,544 | +39.2% | \$2,332,119 | +27.1% |

(Continued on page 9)

Stock # 2 (from page 8)

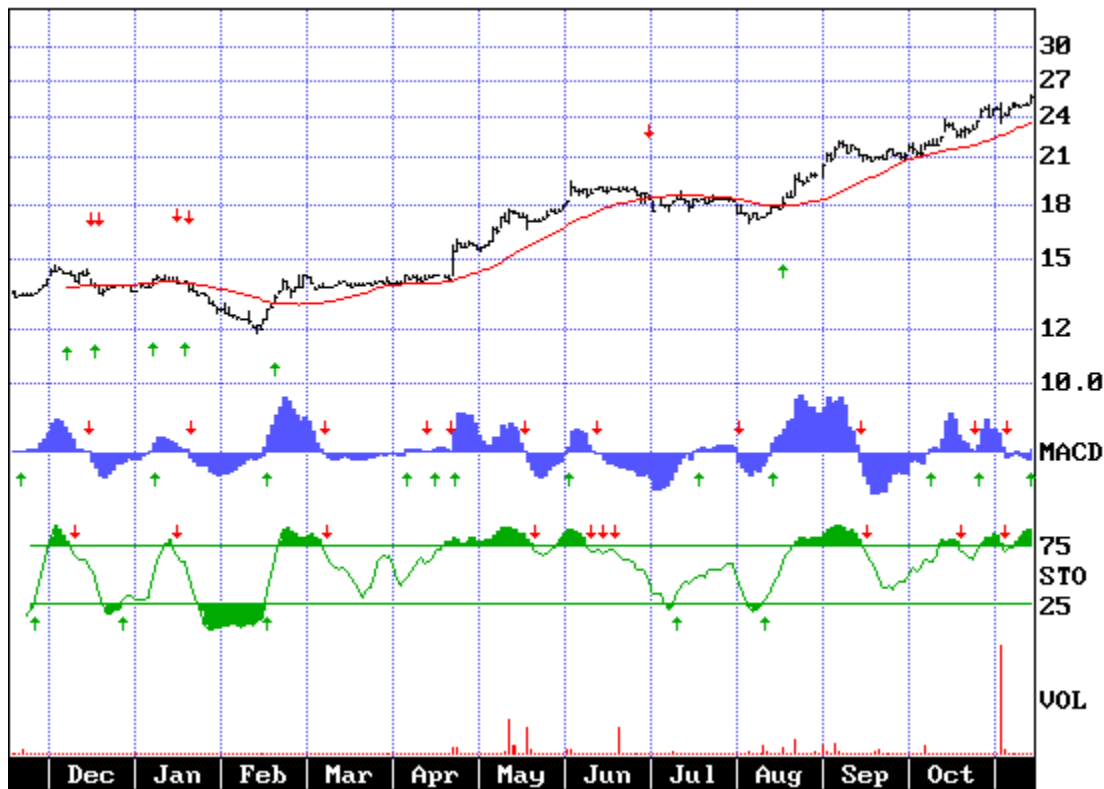


Chart Analysis: It's another inclined plane and a thing of beauty. RONA's share price has soared from \$12 in February to \$25.55 today. The volume has seen several sharp spikes in the last month with a very strong one on November 4th. This is an indication of strong institutional support. The stock bounced nicely off its moving average in March and April, corrected slightly through June, July and early August and has been trending upwards since then with another bounce off the MA at the end of September. Expect further growth as the company integrates its acquisitions and economies of scale boost the profit picture.

| Stats as of 11/14/03 | Phase 2 Analysis |
|----------------------|--------------------|
| ▪ Hi/Lo Ratio: 2.19 | ▪ Price Pattern: A |
| ▪ RS: 86.86 | ▪ Volatility: A |
| ▪ Shares: 56,807,065 | ▪ Estimates: A |
| ▪ P/E: 21.8 | ▪ Snapshot: A |
| ▪ Price: \$25.55 | ▪ News: A |

Phase 2: We give RON an A for both price pattern and volatility as it has been gaining steadily with only minor fluctuations. Estimates have risen strongly and the stock has a 1.8 or buy rating – an A in our book. Earnings and revenues have grown strongly over the last three years and the return on equity is 14.76, not quite as high as we would like but respectable. We give it another A. And news has been solid – gaining top spot in its market, acquisitions, record earnings and so on – another A.

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 October 2003)

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.

The number of Performers, Power Performers and Super Power Performers increased significantly in October and once again, precious metals funds led the way. Forty-six met our minimum criteria or better, of which eight were Power Performers and another eight were Super Power Performers.

We all know what makes up precious metals funds – gold stocks! And some also carry bullion. But let's look at the other funds making our list to see what they have going for them.

Top of our list is the Sprott Canadian Equity Fund, a small cap fund managed by Sprott Asset Management. Interestingly, half of its top ten holdings are also in precious metals, including Goldcorp, High River Gold, NovaGold Resources, the Japanese gold holding company Jipangu Inc. and pure bullion. Other top holdings include oil and gas producers Baytex Energy Trust and PetroKazakhstan, oil waste recycler Newalta Income Fund, and fitness product manufacturer Nautilus Group. They make such branded products as Stairmaster, Schwinn, Bowflex and Nautilus. Since inception in 1997, Sprott Canadian Equity has had an amazing compounded annual return of 28.09%.

The second up in the Super Power Performers list is Front Street Special Opportunities Canadian Fund. This small cap has major holdings in the oil and gas sector. These include Midnight Oil and Gas, Compton Petroleum, Tempest Energy, and Forte Oil. It also has two oil industry services companies in its top holdings - Savannah Energy Services as well as Altagas Services. Precious metals are represented by Wolfden Resources and Lionore Mining and it also has a solid position in Coretec, a company that makes circuit boards. Front Street has a track record of 14.95% average annual return since 1990.

One of the key differences between the Sprott fund and the Front Street fund, however, is their one year return. The Sprott fund has a 31.25% return while the Front Street fund has a return of 130.54%. But which would be the better fund to invest in? The Front Street fund suffers from a factor called Ending Date Bias. That is, exceptional performance in the most recent year can distort the returns for the other time periods.

Super Power Performers

| Fund Name | 1 yr % | 3 yr % | 5 yr % |
|---|--------|--------|--------|
| Sprott Canadian Equity | 31.25 | 29.69 | 46.10 |
| Front Street Special Opportunities Canadian | 130.54 | 33.31 | 36.06 |
| Mackenzie Universal Precious Metals(US\$) | 83.36 | 61.27 | 33.12 |
| RBC Precious Metals | 117.60 | 73.73 | 32.41 |
| Mackenzie Universal Precious Metals | 55.08 | 53.61 | 29.03 |
| Norrep Fund | 51.48 | 27.61 | 28.82 |
| Dominion Equity Resource | 30.60 | 25.50 | 27.66 |
| AGF Precious Metal | 96.04 | 57.07 | 26.92 |

Power Performers

| | | | |
|---|--------|-------|-------|
| Resolute Growth | 22.89 | 25.92 | 32.90 |
| Dynamic Global Precious Metals | 106.33 | 60.90 | 24.53 |
| Front Street Small Cap Canadian | 65.24 | 24.87 | 24.45 |
| Dynamic Canadian Precious Metals | 86.41 | 59.86 | 24.38 |
| Mackenzie Universal Canadian Res (US\$) | 67.39 | 33.60 | 22.92 |
| Mackenzie Cundill Recovery 'C'(US\$) | 92.81 | 24.48 | 21.27 |
| McElvaine Investment Trust | 25.90 | 21.27 | 21.14 |
| TD Precious Metals | 53.05 | 43.02 | 20.50 |

(continued on page 11)

Power Performers Update (from page 10)**A Word on Ending Date Bias**

If you look at the one year returns of the various funds on our lists you'll find four that have returned better than 100% in the year ending Oct. 31st. Those are superb returns but is jumping into such funds on the basis of those returns a good idea? Are those returns sustainable?

To give you an idea of how a spectacular year can skew the performance data to make a lackluster mutual fund look good, consider the following table. It shows what the average annual returns are for funds that have returned 0% for four years and then had a spectacular year.

| Fund | 1 Year | 3 Year | 5 Year |
|-----------------------------|--------|--------|--------|
| One Year Wonder Fund | 100% | 25.99% | 14.87% |
| One Year Power Fund | 150% | 35.72% | 20.11% |
| One Year Super Fund | 200% | 44.23% | 24.57% |
| One Year Extraordinary Fund | 300% | 58.74% | 31.95% |

In the examples above, the One Year Extraordinary Fund has an annual average compounded return of 31.95% over five years and a whopping 58.74% over three years. A cursory look will not tell you that the fund actually had four years of zero growth followed by one year of 300% growth.

So if you see a fund with a substantial one year return, check out the annual returns for the fund as well. The data for the Sprott and Front Street funds are shown below.

| Fund name | YTD % | 2002 % | 2001 % | 2000 % | 1999 % | 1998 % |
|---|--------|--------|--------|--------|--------|--------|
| Sprott Canadian Equity | 21.38 | 39.30 | 43.71 | 44.03 | 53.40 | -16.57 |
| Front Street Special Opportunities Canadian | 104.33 | 14.46 | 3.39 | 17.00 | 48.94 | -30.41 |

As you can see, the Sprott fund has superior returns across the board in the last five years except for 1998 when it lost 16.57%. The Front Street fund lost twice as much money in 1998 and had a lackluster year in 2001. Mind you, in the bear market from 2000-2003, both funds did much better than the major indices, but for stability and consistency, the Sprott fund is a far better pick.

The thirty Performer funds are listed below. Again, many are precious metals funds though small caps are also well represented.

| Performers | | | | | | | |
|----------------------------------|--------|--------|--------|--------------------------------|--------|--------|--------|
| Fund Name | 1 yr % | 3 yr % | 5 yr % | Fund Name | 1 yr % | 3 yr % | 5 yr % |
| Bissett Microcap-F | 15.40 | 19.57 | 27.54 | BMO Precious Metals | 21.03 | 40.13 | 16.95 |
| BluMont Hirsch Performance | 35.61 | 19.34 | 25.03 | AGF China Focus Class (US\$) | 81.57 | 23.53 | 16.90 |
| R Small Cap Canadian Equity | 33.29 | 16.27 | 22.68 | London Life Cdn Resource (MF) | 40.32 | 26.20 | 16.77 |
| North Growth U.S. Equity (US\$) | 48.67 | 16.17 | 21.58 | CIBC Precious Metals | 81.27 | 50.10 | 16.69 |
| London Life Precious Metals | 53.75 | 45.67 | 19.71 | Ethical Special Equity | 34.09 | 26.93 | 16.63 |
| Northwest Specialty Equity | 47.78 | 31.54 | 19.65 | Sentry Cdn Energy Growth | 23.09 | 17.42 | 16.59 |
| Mackenzie Univ. Cdn Resource | 41.58 | 27.26 | 19.14 | Trimark Cdn Small Companies | 16.64 | 18.21 | 16.40 |
| Altamira Prec. & Strategic Metal | 105.54 | 50.75 | 18.96 | TD Resource | 33.36 | 19.38 | 16.24 |
| National Bank Small Cap | 37.13 | 9.13 | 18.36 | Clarington Canadian Small-Cap | 31.46 | 26.52 | 16.18 |
| Maritime Life Cdn Growth-R | 63.64 | 21.56 | 18.31 | GGOF Monthly High Inc. Classic | 20.78 | 18.97 | 15.96 |
| CI Signature Cdn Resource | 30.00 | 17.44 | 17.81 | Bissett Income-F | 17.14 | 19.22 | 15.91 |
| Mawer New Canada | 24.13 | 23.52 | 17.75 | Saxon Small Cap Fund | 36.87 | 17.40 | 15.64 |
| Mackenzie Cundill Recovery 'C' | 63.07 | 18.57 | 17.59 | Renaissance Cdn Income Trust | 16.08 | 18.18 | 15.41 |
| Trimark Canadian Resources | 32.78 | 24.06 | 17.27 | GGOF Monthly High Inc. Mutual | 20.02 | 18.25 | 15.35 |
| Beutel Goodman Small Cap | 35.39 | 15.89 | 16.97 | Chou RRSP | 21.34 | 20.01 | 15.11 |

Our Model Portfolio

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

Current Position: \$79,924.45 (+59.85%) Up 28.10% YTD

The past week gave us a sell signal on Hip Interactive which we sold for a 106.06% profit. We're reinvesting part of the proceeds in RONA Inc., one of this week's new picks. We also added \$163.85 in income trust distributions to our cash position. Follow our portfolio online at http://breakoutreport.com/member/nav_modelportfolio.html to keep up with changes. We update every weekend.

| | | | | | | | | | | | | | |
|--|------------------------------|------------------------------|----------------------------|---------------------------|----------------------|----------------------|--|--------------------------|----------------------------|----------------------------|---------------------------|---------------------|----------------------|
| <p style="text-align: center;">AlarmForce Industries (AF – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 2750</td> <td>Bought on: Oct. 6th</td> </tr> <tr> <td>Price Then: \$2.11</td> <td>Price Now: \$2.80</td> </tr> <tr> <td>Gain: 32.70%</td> <td>Stop: \$2.62</td> </tr> </table> <p>Notes: AlarmForce is a leading supplier of home security systems with a winning profit formula. Watch it grow!</p> | # of Shares: 2750 | Bought on: Oct. 6th | Price Then: \$2.11 | Price Now: \$2.80 | Gain: 32.70% | Stop: \$2.62 | <p style="text-align: center;">ACD Systems Int. (ASA – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 2000</td> <td>Bought on: Oct. 6th</td> </tr> <tr> <td>Price Then: \$2.92</td> <td>Price Now: \$3.02</td> </tr> <tr> <td>Gain: 3.42%</td> <td>Stop: \$2.99</td> </tr> </table> <p>Notes: ACD Systems is a leading maker of digital photo management software. After a recent slump, it's moving again.</p> | # of Shares: 2000 | Bought on: Oct. 6th | Price Then: \$2.92 | Price Now: \$3.02 | Gain: 3.42% | Stop: \$2.99 |
| # of Shares: 2750 | Bought on: Oct. 6th | | | | | | | | | | | | |
| Price Then: \$2.11 | Price Now: \$2.80 | | | | | | | | | | | | |
| Gain: 32.70% | Stop: \$2.62 | | | | | | | | | | | | |
| # of Shares: 2000 | Bought on: Oct. 6th | | | | | | | | | | | | |
| Price Then: \$2.92 | Price Now: \$3.02 | | | | | | | | | | | | |
| Gain: 3.42% | Stop: \$2.99 | | | | | | | | | | | | |
| <p style="text-align: center;">Alimentation Couche-Tard (ATD.B – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 270</td> <td>Bought on: Oct. 27th</td> </tr> <tr> <td>Price Then: \$21.60</td> <td>Price Now: \$22.12</td> </tr> <tr> <td>Gain: 1.47%</td> <td>Stop: \$21.02</td> </tr> </table> <p>Notes: Couche-Tard is now North America's second largest convenience store operator after 7-11.</p> | # of Shares: 270 | Bought on: Oct. 27th | Price Then: \$21.60 | Price Now: \$22.12 | Gain: 1.47% | Stop: \$21.02 | <p style="text-align: center;">Bennett Environmental (BEV – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 315</td> <td>Bought on: May 5th</td> </tr> <tr> <td>Price Then: \$14.49</td> <td>Price Now: \$22.97</td> </tr> <tr> <td>Gain: 58.52%</td> <td>Stop: \$21.68</td> </tr> </table> <p>Notes: Bennett has been a stellar performer in the past and we're looking for more of the same.</p> | # of Shares: 315 | Bought on: May 5th | Price Then: \$14.49 | Price Now: \$22.97 | Gain: 58.52% | Stop: \$21.68 |
| # of Shares: 270 | Bought on: Oct. 27th | | | | | | | | | | | | |
| Price Then: \$21.60 | Price Now: \$22.12 | | | | | | | | | | | | |
| Gain: 1.47% | Stop: \$21.02 | | | | | | | | | | | | |
| # of Shares: 315 | Bought on: May 5th | | | | | | | | | | | | |
| Price Then: \$14.49 | Price Now: \$22.97 | | | | | | | | | | | | |
| Gain: 58.52% | Stop: \$21.68 | | | | | | | | | | | | |
| <p style="text-align: center;">CCS Income Fund (CCR.UN – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 240</td> <td>Bought on: May 19th</td> </tr> <tr> <td>Price Then: \$20.29</td> <td>Price Now: \$25.75</td> </tr> <tr> <td>Gain: 26.91%</td> <td>Stop: \$22.66</td> </tr> </table> <p>Notes: Formerly Canadian Crude Separators, CCS works on environmental solutions for the oil industry.</p> | # of Shares: 240 | Bought on: May 19th | Price Then: \$20.29 | Price Now: \$25.75 | Gain: 26.91% | Stop: \$22.66 | <p style="text-align: center;">Glendale International (GIN – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 725</td> <td>Bought on: Aug. 4th</td> </tr> <tr> <td>Price Then: \$5.90</td> <td>Price Now: \$6.20</td> </tr> <tr> <td>Gain: 4.91%</td> <td>Stop: \$6.14</td> </tr> </table> <p>Notes: A leading manufacturer of mobile homes and trailers, Glendale recently paid out a \$1.00 distribution to shareowners.</p> | # of Shares: 725 | Bought on: Aug. 4th | Price Then: \$5.90 | Price Now: \$6.20 | Gain: 4.91% | Stop: \$6.14 |
| # of Shares: 240 | Bought on: May 19th | | | | | | | | | | | | |
| Price Then: \$20.29 | Price Now: \$25.75 | | | | | | | | | | | | |
| Gain: 26.91% | Stop: \$22.66 | | | | | | | | | | | | |
| # of Shares: 725 | Bought on: Aug. 4th | | | | | | | | | | | | |
| Price Then: \$5.90 | Price Now: \$6.20 | | | | | | | | | | | | |
| Gain: 4.91% | Stop: \$6.14 | | | | | | | | | | | | |
| <p style="text-align: center;">Home Capital Group (HCG.B – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 370</td> <td>Bought on: Oct. 16/02</td> </tr> <tr> <td>Price Then: \$13.25</td> <td>Price Now: \$29.70</td> </tr> <tr> <td>Gain: 124.15%</td> <td>Stop: \$25.50</td> </tr> </table> <p>Notes: Niche markets in finance seem to be very successful as evidenced by Home Capital's success.</p> | # of Shares: 370 | Bought on: Oct. 16/02 | Price Then: \$13.25 | Price Now: \$29.70 | Gain: 124.15% | Stop: \$25.50 | <p style="text-align: center;">Parkland Income Fund (PKI.UN – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 310</td> <td>Bought on: May 19th</td> </tr> <tr> <td>Price Then: \$15.62</td> <td>Price Now: \$18.85</td> </tr> <tr> <td>Gain: 20.68%</td> <td>Stop: \$16.59</td> </tr> </table> <p>Notes: Parkland operates a chain of gas stations and convenience stores across Alberta and BC.</p> | # of Shares: 310 | Bought on: May 19th | Price Then: \$15.62 | Price Now: \$18.85 | Gain: 20.68% | Stop: \$16.59 |
| # of Shares: 370 | Bought on: Oct. 16/02 | | | | | | | | | | | | |
| Price Then: \$13.25 | Price Now: \$29.70 | | | | | | | | | | | | |
| Gain: 124.15% | Stop: \$25.50 | | | | | | | | | | | | |
| # of Shares: 310 | Bought on: May 19th | | | | | | | | | | | | |
| Price Then: \$15.62 | Price Now: \$18.85 | | | | | | | | | | | | |
| Gain: 20.68% | Stop: \$16.59 | | | | | | | | | | | | |
| <p style="text-align: center;">Peyto Energy Trust (PEY.UN – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 555</td> <td>Bought on: July 14th</td> </tr> <tr> <td>Price Then: \$17.05</td> <td>Price Now: \$23.44</td> </tr> <tr> <td>Gain: 37.48%</td> <td>Stop: \$20.66</td> </tr> </table> <p>Notes: Peyto converted to an income trust. The stock did well before and has continued to do well since.</p> | # of Shares: 555 | Bought on: July 14th | Price Then: \$17.05 | Price Now: \$23.44 | Gain: 37.48% | Stop: \$20.66 | <p style="text-align: center;">RONA Inc. (RON – TSX)</p> <table border="1" style="width: 100%;"> <tr> <td># of Shares: 325</td> <td>Bought on: Nov. 17</td> </tr> <tr> <td>Price Then: \$25.55</td> <td>Price Now: \$25.55</td> </tr> <tr> <td>Gain: 0.00%</td> <td>Stop: \$23.00</td> </tr> </table> <p>Notes: RONA is Canada's largest retailer of hardware and home improvement supplies. It goes toe to toe with Home Depot and wins.</p> | # of Shares: 325 | Bought on: Nov. 17 | Price Then: \$25.55 | Price Now: \$25.55 | Gain: 0.00% | Stop: \$23.00 |
| # of Shares: 555 | Bought on: July 14th | | | | | | | | | | | | |
| Price Then: \$17.05 | Price Now: \$23.44 | | | | | | | | | | | | |
| Gain: 37.48% | Stop: \$20.66 | | | | | | | | | | | | |
| # of Shares: 325 | Bought on: Nov. 17 | | | | | | | | | | | | |
| Price Then: \$25.55 | Price Now: \$25.55 | | | | | | | | | | | | |
| Gain: 0.00% | Stop: \$23.00 | | | | | | | | | | | | |