

the Break Out Report

Volume # 3, Issue # 10

March 20, 2005

Tax Time

Abolish the Income Tax!!!

Nothing is certain but death and taxes goes the old saying. And we are making great strides towards delaying, if not exactly conquering, death. Our life spans are improving and many aging movie stars are still considered sex symbols in their seventies.

So if we can beat back the Grim Reaper, how come we aren't making any headway against the Tax Collector (a Grim Reaper if ever there was one!!!)

The reason is because we work from an old paradigm. A paradigm that considers government as necessarily financed from current revenues. A paradigm that looks at government as an agency that taxes and spends. What is needed is a paradigm shift, as Stephen Covey puts it. A different way of looking at things. A different model for government.

And what model would make the difference? Well, take a look around you. What do you see? People. Do people plan to work forever? Right down to their dying day? No. They plan to eventually retire from the work force. They save and invest to build up a nest egg to generate income for their retirement years. In fact, the government encourages us to do so with tax incentives such as Registered Retirement Savings Plans.

What if governments applied the philosophy guiding individuals to the financing of government? What if we made a paradigm shift from government as an agency that taxes and spends to government as an agency that saves and invests? What if government built up a nest egg over time that would eventually be large enough to generate enough income to abolish the income tax forever?

Imagine Canada as a tax free country. A tax free country that still maintains the services we have come to expect from government – policing, law courts, defense, even domestic welfare, medical care and foreign aid. Investment would pour in. Businesses would relocate from the United States and elsewhere to take advantage of our tax free status. Canada could, conceivably, become the economic dynamo of the world.

A pipe dream you say? Think again. Recently the government produced a new budget, the seventh consecutive budget with a surplus. Over the last five fiscal periods, the government showed revenues and surpluses as summarized below. Data is in millions of dollars.

| | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 |
|----------|-----------|-----------|-----------|-----------|-----------|
| Revenues | \$180,336 | \$193,825 | \$192,304 | \$191,418 | \$199,801 |
| Surplus | \$6999 | \$9213 | \$7351 | \$2780 | \$6779 |

(continued on page 2)

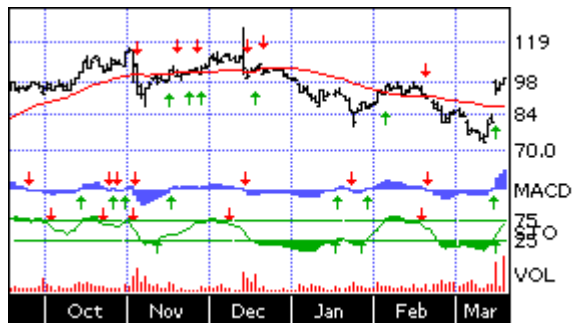
In This Issue: No Guts, No Glory! (See Page 4)

Watched List Update

New Up Trends This Week

Four companies moved back into up trends in the last week, a couple of them coming on like gangbusters. Unfortunately, we had sell ratings on those two before, and so you may have missed out on those gains (as I did). But their resurgence is, in my opinion, sustainable.

When the market moves in a steady way, the emerging trends are often predictable. But when some dynamic piece of news is the prime mover, the changes usually come too quickly to capture the early gains.

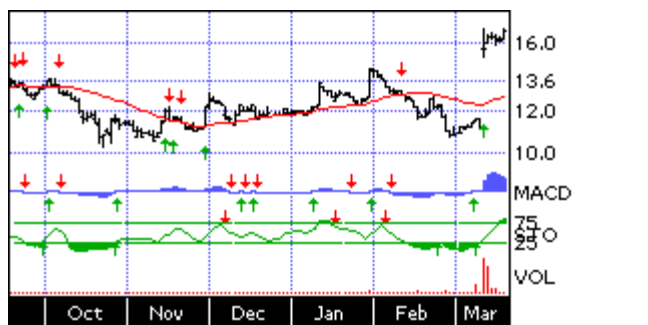
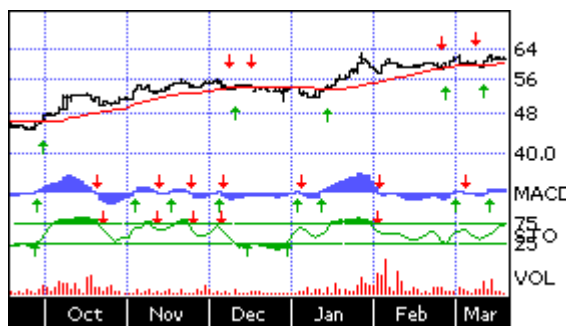


| | |
|-------------------------------|---------------------------|
| Research in Mot. (RIM) | Profiled: 09/19/04 |
| Price then: \$94.82 | Price Now: \$99.99 |

⇐ To say Research in Motion has been rather volatile since we featured it is an understatement. It's been like a yo-yo. But now the patent infringement lawsuit against it has been settled and it can get on with things and the stock soared \$14 in one day. We're not rating it a buy quite yet but soon.

| | |
|----------------------------|---------------------------|
| TSX Group (X) | Profiled: 01/18/05 |
| Price then: \$45.00 | Price Now: \$61.10 |

The stock of the stock exchange itself was a guest pick from last year's Globe & Mail One & Only contest. It's up 35.78% since then and is starting to develop some momentum. Revenues in 2004 were up 26% and net income up 29%. It just declared a 40 cent dividend and announced plans for a two for one split.

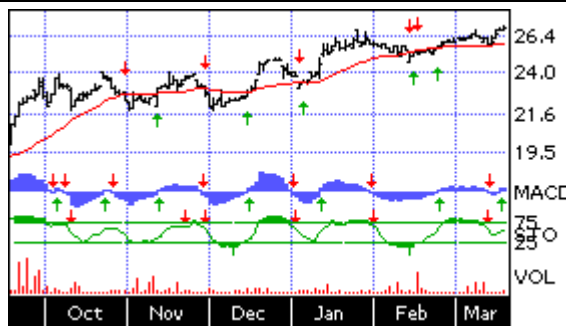


| | |
|----------------------------|---------------------------|
| Westjet (WJA) | Profiled: 01/18/04 |
| Price then: \$20.97 | Price Now: \$16.80 |

⇐ Also a pick from last year's G&M One and Only Contest, Westjet had a poor year on the market as it was plagued by lawsuits and fierce competition. It was starting to recover then dipped on a huge loss. But the bankruptcy of competitor Jetsgo sent the stock up 40% in one day. (See article on page 4.) It's rated buy now.

| | |
|-------------------------------------|---------------------------|
| Zargon Energy Trust (ZAR.UN) | Profiled: 01/29/01 |
| Price then: \$4.70 | Price Now: \$26.90 |

We featured Zargon in early 2001. It's up a whopping 472.34% since then but has been flat since mid-January. It's just starting to move again and is up over 50% since it was added to our Model Portfolio. (See page 12.)



Revisiting Last Month's Strategy Article

No Guts, No Glory!

Only those who dare to fail greatly can ever achieve greatly.

- Robert F. Kennedy

Right now I'm reading Jack Canfield's new book *The Success Principles*, one of which is Feel the Fear and Do It Anyway. Canfield writes about how fear can often paralyze us into inaction or inhibit us from taking advantage of an opportunity. A case in point came strikingly home two weeks ago.

Last month I wrote a strategy article on acute versus chronic problems (See Vol. 3, # 8 – page 4). An acute problem is one that strikes quickly, is temporary in nature and goes away. A chronic problem is one that lingers and continues to plague the afflicted business for a long time. As an example, I looked at the recently released quarterly report for Westjet. The company suffered its first quarterly loss in eight years and it was a whopping \$46 million. This loss wiped out an entire year's profits. The stock took a hit, dropping from \$12.65 to \$12.16. The next few days saw it drop further to \$11.70, a total of 7.5% in three days. But, I pointed out, Westjet's loss was entirely attributable to a write-off of \$47.6 million the company incurred as it replaced its aging fleet of Boeing 737-200s. A blip in its computerized booking system also contributed to the loss.



jumped to \$14 and I thought all was well with the world. But then it started sinking and the news of the \$46 million loss drove it down further.

While my logical brain inspired the acute versus chronic article, my safety principles had me sell the options at a loss. And indeed, the stock continued to drop, hitting \$10.80 on March 1st. My plan was to wait until the stock showed signs of recovery and then buy back the options. It was the safe play, not the gutsy play.

The gutsy play would have been to buy more options at drastically reduced prices as it dropped. The \$11 calls could have been bought at under a dollar instead of the \$2.50 I paid. Or I could have bought calls further out.

Comes March 11th and Jetsgo declares bankruptcy. Westjet jumps to \$15.60. In the next few days it climbed to \$16.80. I could have made a small fortune. Instead I took a loss. I sure wish I'd read Canfield a month earlier. Maybe it would have given me the guts to reap the glory of fantastic profits in Westjet!!! Further gains lie ahead as Westjet picks up Jetsgo customers and raises prices.

These problems were acute problems – fleeting in nature. Westjet's purchase gave it the most advanced fuel efficient planes in Canada and will give it cost savings of \$30 million a year going forward.

I also pointed out that rumours were circulating that rival Jetsgo was in trouble and could go under.

In my own account, I had bought 6 contracts of April \$11 calls on Westjet when the stock was around \$13. It cost me around \$2500. The stock quickly

Asset Allocation

Our Watched List Mix

In trying to decide what stocks to write about this issue, I reviewed our Watched List to see if any sectors were under-represented. The results were interesting as shown below.

Technology

- **Computer Hardware and Software:** Chartwell Technologies, Calian Technology, Mad Catz Interactive, Research in Motion
- **Medical and Biotech:** Axcan Pharma, CML Healthcare Fund, Draxis Healthcare, QLT Inc.

Retail and Consumer

- **Food and Drink:** Alimentation Couche-Tard, Big Rock Brewery Income Fund, Canada Bread, Coolbrands, Cott Corporation
- **Clothing:** Reitmans
- **Home Products & Services:** AlarmForce, BMTC Group, easyhome, Richelieu Hardware, RONA Inc.
- **Manufactured Goods:** Cinram, GSW Inc.

Industrial

- **Industrial Products:** Finning International, Steeplejack Industrial Group, ZCL Composites, Zenon Environmental
- **Transportation:** Contrans Income Fund, Transforce Income Fund, Westjet Airlines
- **Engineering:** SNC Lavalin, Stantec

Banking and Finance

- **Financial Services:** CIBC, Home Capital Group, Kingsway Financial, Xceed Mortgage
- **Investment:** TSX Group
- **Real Estate:** Killam Properties, Melcor Developments

Energy, Resources and Mining

- **Electricity:** Fortis Inc.
- **Mining:** Cameco Inc., Falconbridge Inc., Goldcorp, Sherritt International
- **Oil and Gas Exploration and Production:** BlackRock Ventures, Centurion Energy, Ketch Resources Trust, Niko Petroleum, Peyto Energy Trust, Zargon Energy Trust
- **Oil and Gas Services and Support:** CCS Income Trust, Pason Systems, Savannah Energy Services, Trican Well Service
- **Forest Products:** Ainsworth Lumber

So our Watched List seems to have a very broad mix of stocks from many sectors. This month's additions add a new category under Retail and Consumer, namely Entertainment. And we add another stock to Oil and Gas Services and Support.

Next month we do our Quarterly Review and we'll take a look to see which sectors have done best for us.

Gaming Sector Pick**Great Canadian Gaming (GCD-TSX)****(website: www.greatcanadiancasinos.com)**

Gambling is big business in the United States and it's starting to become a big business here in Canada. And one of the big players is Great Canadian Gaming Corporation of Richmond, B.C.

The company started modestly enough in 1982 as an operator of temporary casinos. At the time, proceeds of gambling had to go to charities. Since charities were ill-equipped to run casinos and bingo halls, professional operators like Great Canadian Gaming established permanent locations that were operated on behalf of charities. In 1997, slot machines were allowed. And in 1998, charity-designated casinos were converted to regulatory controlled under the control of the British Columbia Lottery Corporation.

Great Canadian established its first permanent location at the Holiday Inn in Vancouver in 1986. This was followed by the opening of casinos in Kamloops, Prince George, Nanaimo, Richmond, Langley, Vernon, Surrey, Kelowna and Coquitlam. Some were later sold.

The company has also launched the Great American Casino Company in the United States and owns or has an interest in four casinos in Washington State.

2004 was a banner year as the company opened Phase 1 of the River Rock Casino in Richmond, B.C. and acquired Hastings Entertainment which operates the Hastings Park race track. Late in the year it entered into an agreement to buy Orangeville Raceway Limited which operates the Fraser Downs Raceway and Casino as well as Sandown Park Racecourse. The deal is expected to close this month.

Further expansion projects will be completed at the Coquitlam Casino, River Rock Phases II and III, Bear Mountain Bingo and Fraser Downs in 2005.

The company also increased its stake in the Washington casinos it had a partial interest in.

Today the company operates six casinos, a thoroughbred racecourse, a community gaming centre, a marina and a number of licensed restaurants in British Columbia and four gaming and entertainment complexes in Washington State. With the completion of the Orangeville acquisition, it will own two standardbred racetracks as well, one of which has a casino.

One of the fellows I work with used to be a dealer in one of the early casinos while a student in university. He was offered the opportunity to enter management and acquire stock options in the company but decided he wanted to be a reporter instead. He achieved that goal and is now a household name in British Columbia. If he had taken up the offer he would a millionaire today!

Although 2003 appears to show declining earnings, this is not the case. The numbers below reflect a change in accounting principles for 2003 and 2004.

Quarterly Earnings per Share

| To Dec. 31st | 2003 | 2004 | % Change |
|------------------------|----------|----------|----------|
| EPS | \$0.05 | \$0.34 | +580.00% |
| Revenues (000s) | \$31,155 | \$56,663 | +81.87% |

Annual Earnings per Share

| To Dec. 31st | 2002 | 2003 | % Change | 2004 | % Change |
|------------------------|----------|-----------|----------|-----------|----------|
| EPS | \$0.82 | \$0.62 | -24.39% | \$0.95 | +53.23% |
| Revenues (000s) | \$94,145 | \$114,482 | +21.60% | \$178,515 | +55.93% |

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Great Canadian Gaming (from page 6)

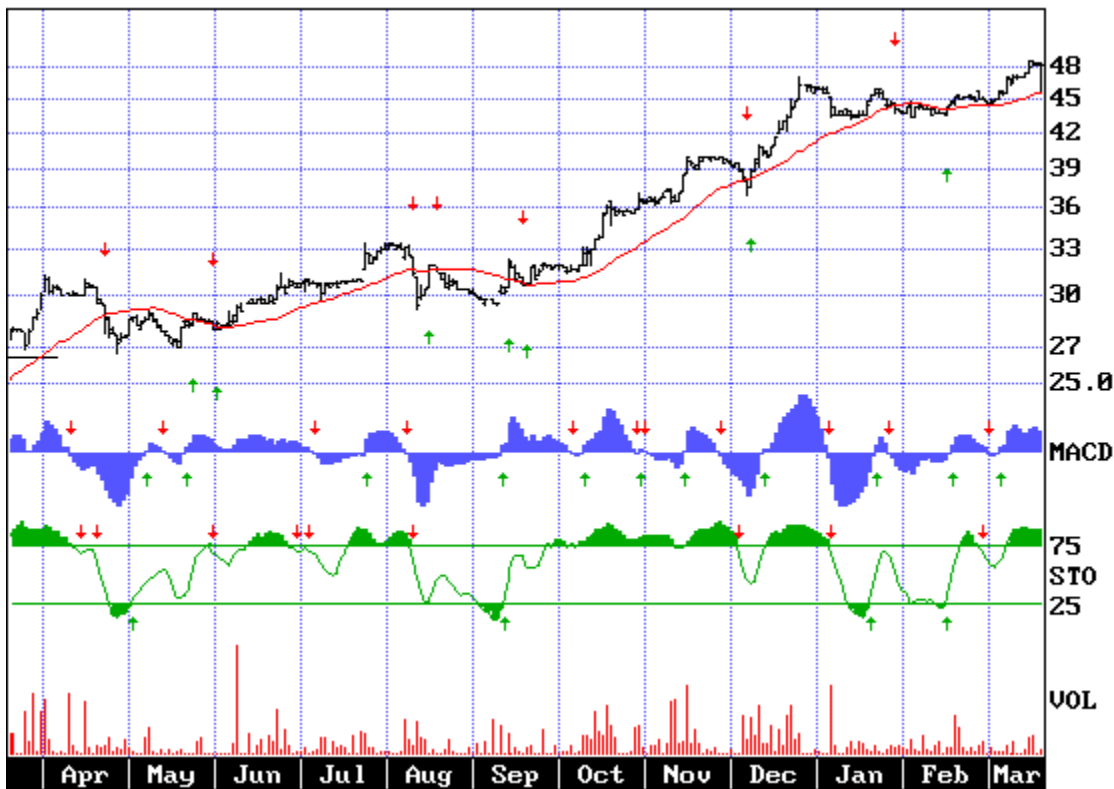


Chart Analysis: Great Canadian IPOed in 2004 and unlike another casino company (Gateway Casinos), has resisted the move to become an interest trust. It's still in expansion phase and wants to hold off on that for now. As you can see from the chart, the stock has close to doubled in the last year. The trend is solidly up with the occasional modest correction. After a sharp run up in December, the stock moved sideways in a narrow range until early March. It then bounced solidly off the moving average to the upside and recently broke out to new 52 week highs. Its uptrend is back in stride again. Friday it had a large drop in early trading and resurged almost to its former level very quickly. That indicates strength should continue going forward.

| Stats as of 03/18/05 | Phase 2 Analysis |
|----------------------|--------------------|
| ▪ Hi/Lo Ratio: 1.88 | ▪ Price Pattern: A |
| ▪ RS: 94.97 | ▪ Volatility: A- |
| ▪ Shares: 29,771,403 | ▪ Estimates: A- |
| ▪ P/E: 50.80 | ▪ Snapshot: A |
| ▪ Price: \$48.30 | ▪ News: A |

Phase 2: We give Great Canadian an A for price pattern and an A- for volatility as it is has the occasional sharp but short-lived downturn (April, August, December, and January). Estimates are up across the board with an average rating of 2.5 or buy. We give it an A- . Snapshot shows steadily growing revenues and earnings for the last three years. Return on equity for 2003 was 29.69. We give it an A. News is solid with a new casino, a racetrack acquisition 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.

Oil Services Pick

Calfrac Well Services (CFW –TSX) (website: www.calfrac.com)

This week saw oil prices surge to over \$56 for the first time. Is it any wonder then that oil companies and oil services companies have been reaping profits and seeing their stock prices soar?

With this increasing demand for oil, anything that can increase the productivity of existing wells is also in high demand. Enter the fracturing business.

The path from oil reservoir to oil well is not always smooth. Kinks in the geological landscape can form impediments to smooth flow, much like a kink in your garden hose. Unkink the hose and the fluid flows more freely. Fracturing is a technology that removes the kink in the underground oil hose, so to speak.

Founded in 1999, Calfrac launched operations from its field station in Medicine Hat, Alberta with a shallow coiled tubing cleanout. A few weeks later it landed its first hydraulic fracturing job. In January 2000, the company opened its second field office in Red Deer, Alberta. And in October that year, a third field office was launched in Grande Prairie, Alberta to serve the north of the province.

The company started serving a modest client base in Montana in 2001 and opened a U.S. field office near Denver, Colorado in February 2002. From this base, the company also serves clients in New Mexico and Wyoming.

Centrally located Red Deer became the primary base of operations in 2003 with the construction of a 15,000 square foot facility to house its expanding fleet.

Headquartered in Calgary, the heart of Alberta's oil patch, the company today boasts nine complete fleets of trucks for stimulating conventional sand and carbonates reservoirs as well as two high rate nitrogen fleets for the stimulation of Natural Gas from Coal. Capabilities include nitrogen, fracturing, coiled tubing and acidizing. The company's equipment is state of the art and includes many innovative, proprietary solutions that have kept Calfrac on the leading edge of the industry and expanding rapidly.



A CalFrac TP Pumper Truck

Quarterly Earnings per Share

| To Dec. 31st | 2003 | 2004 | % Change |
|------------------------|----------|----------|----------|
| EPS | \$0.38 | \$0.64 | +68.42% |
| Revenues (000s) | \$48,064 | \$82,477 | +71.60% |

Annual Earnings per Share

| To Dec. 31st | 2002 | 2003 | % Change | 2004 | % Change |
|------------------------|----------|-----------|-----------|-----------|----------|
| EPS | \$0.18 | \$2.02 | +1022.22% | \$2.89 | +43.07% |
| Revenues (000s) | \$38,088 | \$156,558 | +311.04% | \$241,397 | +54.19% |

(Continued on page 9)

Calfrac Well Services (from page 6)



Chart Analysis: My favorite chart, the inclined plane, has shown up yet again. Calfrac has risen over 200% in the last year so some may doubt it can move any higher. Dispel those doubts. With trailing stops in place we can ride this puppy as far as it will go. Who knows? It may be a ten bagger in the making, in which case this is an excellent entry point. The stock recently bounced off its moving average to the upside after a rather sharp correction. But note – the moving average held. That is a sign of strength and we expect further gains ahead. We started writing this stock up early in the week and Friday it surged \$2.15 on huge volume. Something is afoot! Buy!

| Stats as of 03/18/05 | Phase 2 Analysis |
|----------------------|---------------------|
| ▪ Hi/Lo Ratio: 3.60 | ▪ Price Pattern: A+ |
| ▪ RS: 98.94 | ▪ Volatility: A |
| ▪ Shares: 36,214,554 | ▪ Estimates: A |
| ▪ P/E: 25.30 | ▪ Snapshot: A+ |
| ▪ Price: \$36.75 | ▪ News: A |

Phase 2: We give CFW an A+ for price pattern and an A+ for volatility as it has been climbing steadily with only minor corrections for over a year. All corrections have held at the moving average. Estimates are up across the board with an average rating of 2.0 or buy. We give it an A. The snapshot shows exceptional growth in both revenues and earnings with a return on equity of 39.27. That’s huge and an A+. News is solid with stellar quarterly reports and a stock split within a year of IPO. 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 February 2005)

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.

Talk about a sea change! The number of Super Power Performers took a flying leap up in February to 16 from 4 in January. That's 16 mutual funds that have returned better than 25% annual compounded return for each of the one year, three year and five year periods. And of those, four have done better than 30% in each time frame. That's up in the Warren Buffett league, though Buffet managed to do it consistently for over thirty years.

The number of Power Performers dropped to 19 from 25, as some of the ones from last month moved up a notch. And our Performers stayed even at 38 for a grand total of 73, up from 67 in January.

Profile: Dominion Equity Resource Fund

This independent fund was founded in 1951 and since 1994 has been available to the public by prospectus. It is available only in Alberta, Ontario and British Columbia and has a minimum investment requirement of \$10,000. The fund is RRSP eligible.

The fund invests primarily in small to mid cap Canadian oil and

Super Power Performers

| Fund Name | 1 yr | 3 yr | 5 yr |
|---|-------|-------|-------|
| Dominion Equity Resource | 46.79 | 34.70 | 38.16 |
| Resolute Growth | 77.51 | 45.83 | 37.85 |
| Norrep Fund | 33.60 | 28.30 | 34.92 |
| Sprott Canadian Equity | 34.33 | 28.94 | 32.75 |
| Mackenzie Universal Canadian Resources (US\$) | 38.78 | 41.50 | 32.61 |
| Front Street Special Opportunities Canadian | 35.94 | 49.59 | 32.27 |
| CI Global Energy (US\$) | 69.66 | 35.76 | 28.61 |
| Mackenzie Universal Canadian Resource | 27.53 | 29.55 | 28.37 |
| London Life Canadian Resource (MF) | 26.36 | 27.98 | 28.33 |
| RBC Energy | 52.40 | 26.83 | 28.01 |
| Sentry Canadian Energy Growth | 33.98 | 25.61 | 27.99 |
| CIBC Energy | 57.15 | 37.21 | 27.65 |
| Front Street Small Cap Canadian | 40.33 | 38.13 | 27.44 |
| TD Energy | 41.13 | 25.07 | 25.95 |
| Northwest Specialty Equity | 27.82 | 32.60 | 25.37 |
| Adaly Opportunity-A | 28.35 | 29.36 | 25.35 |
| Power Performers | | | |
| CI Signature Canadian Resource | 31.72 | 22.81 | 26.75 |
| GGOF Monthly High Income Classic | 24.98 | 22.41 | 26.35 |
| Bissett Income-F | 21.68 | 21.29 | 26.32 |
| Renaissance Canadian Income Trust | 25.87 | 20.42 | 26.05 |
| GGOF Monthly High Income Mutual | 24.77 | 21.82 | 25.72 |
| Trimark Canadian Resources | 21.08 | 21.96 | 25.10 |
| Dynamic FocusPlus Resource | 22.57 | 27.87 | 24.88 |
| CI Global Energy Sector | 56.69 | 24.40 | 24.53 |
| CI Global Energy RSP | 56.03 | 23.94 | 24.03 |
| AGF Canadian Resources | 37.76 | 28.94 | 24.00 |
| GWL Canadian Resources (A) DSC | 36.86 | 28.23 | 23.90 |
| GWL Canadian Resources (A) NL | 36.56 | 27.96 | 23.63 |
| Mawer New Canada | 30.09 | 25.82 | 23.37 |
| Altamira Resource | 37.80 | 33.36 | 22.24 |
| TD Resource | 22.39 | 21.96 | 21.29 |
| Acuity Pooled High Income | 20.52 | 21.80 | 20.87 |
| Clarica SF CI Signature Canadian Resource A | 29.91 | 22.48 | 20.60 |
| Dynamic Global Resource | 28.18 | 37.20 | 20.57 |
| Clarica SF CI Signature Canadian Resource | 29.94 | 22.45 | 20.54 |

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Marco's Power Performers (from page 10)

gas exploration and related companies. The manager since August 2004 has been William D. Bonner, President of Network Portfolio Management of Calgary.

Bonner takes a bottom up approach to investing and talks directly to the management of companies it invests in "to assess operating strategies, operational momentum, financial capacity and liquidity." This is an ongoing process and investments are continually reviewed and the fund "is prepared to act when companies have achieved levels that cannot be exceeded or when material change affects the quality or momentum of an investment."

This approach seems to have worked well for Bonner as the fund is up 49.8% in the six months to February 28, 2005.

Top ten holdings of the company as of February 28, 2005 are Crew Energy, Kick Energy, Penn West Petroleum, Fairborne Energy, Blizzard Energy "A", Innova Exploration, True Energy, Imperial Oil, Signalgene Inc., and Technicoil Corporation. These companies make up anywhere from 3.2% to 5.5% of assets under management.

In February, Dominion Equity Resource Fund topped our Super Power Performers list for the first time.

Below are this month's Performers.

| Performers | | | | | | | |
|---------------------------------------|-------|-------|-------|--|-------|-------|-------|
| Fund Name | 1 yr | 3 yr | 5 yr | Fund Name | 1 yr | 3 yr | 5 yr |
| Mavrix Dividend & Income | 19.76 | 18.98 | 23.34 | CI Signature High Income Segregated | 18.83 | 15.75 | 18.15 |
| Assante Canadian Equity Value Pool | 21.20 | 16.79 | 22.33 | CI Signature High Income GIF-A | 18.94 | 15.90 | 18.10 |
| BMO Resource | 16.66 | 19.64 | 22.17 | CI Signature High Income Seg II | 18.80 | 15.76 | 18.06 |
| Thornmark Dividend & Income | 28.93 | 19.18 | 21.17 | Vertex Fund - A | 22.01 | 22.39 | 18.04 |
| Elliott & Page Monthly High Income | 16.76 | 16.13 | 21.07 | National Bank Natural Resources | 24.53 | 15.83 | 17.68 |
| Talvest Millennium High Income | 16.90 | 16.01 | 20.98 | Middlefield Enhanced Yield | 22.89 | 19.42 | 17.32 |
| North Growth U.S. Equity (US\$) | 15.22 | 22.66 | 20.42 | Montrusco Bolton Canadian Small Cap 'B' | 26.92 | 25.24 | 17.22 |
| Ethical Special Equity | 16.31 | 23.55 | 20.09 | Desjardins Financial Pool Bissett SmallCap | 30.14 | 22.10 | 17.12 |
| Middlefield Growth | 26.96 | 19.35 | 19.80 | AGF Global Real Estate Equity (US\$) | 20.03 | 20.70 | 16.44 |
| CI Signature High Income | 20.81 | 17.71 | 19.65 | R Small Cap Canadian Equity | 17.90 | 20.81 | 16.19 |
| Clarington Canadian Small-Cap | 15.90 | 22.65 | 19.65 | Elliott & Page Growth Opportunities | 18.02 | 20.60 | 16.17 |
| Sceptre Equity Growth | 27.48 | 33.04 | 19.51 | Mackenzie Cundill Value 'C' (US\$) | 19.18 | 20.34 | 16.01 |
| IA Group Dividends | 18.45 | 15.82 | 19.33 | Trimark Global Balanced (US\$) | 15.23 | 19.87 | 15.81 |
| Dynamic FocusPlus Real Estate | 16.43 | 15.80 | 19.32 | CI Harbour Sector Shares (US\$) | 27.95 | 19.59 | 15.52 |
| ABC Fundamental Value | 19.08 | 18.22 | 19.19 | Bissett Small Cap-F | 28.55 | 20.30 | 15.36 |
| Hillsdale Canadian Performance Equity | 17.78 | 23.37 | 19.13 | Investors Canadian Natural Resource-C | 30.33 | 17.68 | 15.35 |
| Bissett Microcap-F | 33.09 | 25.30 | 19.03 | Dynamic Canadian Dividend Ltd. | 26.37 | 15.76 | 15.20 |
| Trans IMS Canadian Resources | 37.21 | 21.06 | 18.24 | CIBC Canadian Resource | 32.64 | 19.18 | 15.11 |
| Acuity High Income | 18.22 | 19.13 | 18.16 | RBC O'Shaughnessy Canadian Equity | 19.46 | 16.03 | 15.10 |

Our Model Portfolio

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

Current Position: \$135,005.45 (Up 170.01%) Up 10.33% YTD

Incredible! Three of the stocks in our Model Portfolio underwent stock splits in the last two weeks! Alimentation Couche-Tard, CCS Income Fund and RONA Inc. all split two for one. In the last month, our portfolio as a whole gained \$6261.20. It's up 10.33% for the year to date and 170.01% since launched in January 2002. And we are collecting distributions of over \$160 a month from our income trusts. Things are going well so far this year!

| | | | |
|--|----------------------------|--|-----------------------------|
| Alimentation Couche-Tard (ATD.B – TSX) | | BlackRock Ventures ((BVI – TSX) | |
| # of Shares: 520 | Bought: Aug. 16/04 | # of Shares: 1180 | Bought: Jan. 17/05 |
| Price Then: \$13.60 | Price Now: \$18.40 | Price Then: \$8.92 | Price Now: \$11.30 |
| Gain: +35.29% | Stop: \$17.23 | Gain: +26.68% | Stop: \$10.44 |
| Notes: Couche-Tard is Canada's largest convenience store chain with brand names such as Mac's and Winks. Recently split 2-1. | | Notes: BlackRock Ventures is a junior exploration and production company focusing on heavy oil and oil sands development. | |
| CCS Income Fund (CCR.UN – TSX) | | GSW Inc. (GSW.B – TSX) | |
| # of Shares: 580 | Bought: May 19/03 | # of Shares: 275 | Bought: May 17/04 |
| Price Then: \$10.15 | Price Now: \$27.50 | Price Then: \$34.73 | Price Now: \$46.00 |
| Gain: +171.07% | Stop: \$22.96 | Gain: +32.45% | Stop: \$40.59 |
| Notes: Formerly Canadian Crude Separators, CCS works on environmental solutions for the oil industry. Recently split 2-1. | | Notes: GSW Inc. is a leading manufacturer of water heaters for the commercial and residential markets. | |
| Home Capital Group (HCG – TSX) | | Kingsway Financial (KFS – TSX) | |
| # of Shares: 450 | Bought: Aug. 9/04 | # of Shares: 625 | Bought: May 24/04 |
| Price Then: \$21.49 | Price Now: \$36.35 | Price Then: \$15.00 | Price Now: \$19.11 |
| Gain: +69.15% | Stop: \$31.00 | Gain: +27.40% | Stop: \$17.67 |
| Notes: Home Capital Group is a fast growing alternative mortgage provider. One of our best picks ever. | | Notes: Kingsway Financial is a leading supplier of alternative insurance services. After a slump in early 2004, the stock is on the move again. | |
| Peyto Energy Trust (PEY.UN – TSX) | | Sherritt International (S – TSX) | |
| # of Shares: 300 | Bought: Mar. 29/04 | # of Shares: 1125 | Bought: Jan. 17/05 |
| Price Then: \$30.30 | Price Now: \$54.41 | Price Then: \$10.17 | Price Now: \$10.60 |
| Gain: +79.57% | Stop: \$44.75 | Gain: +4.23% | Stop: \$9.72 |
| Notes: Peyto Energy Trust has gained over 1000% in the last three years. It was my pick in the Globe's One and Only Contest for 2004. | | Notes: Sherritt International has interests in energy, oil and strategic minerals. It's my One and Only Contest pick for 2005. | |
| RONA Inc. (RON – TSX) | | Zargon Energy Trust (ZAR.UN – TSX) | |
| # of Shares: 560 | Bought: Sept. 27/04 | # of Shares: 515 | Bought on: Apr 19/04 |
| Price Then: \$16.05 | Price Now: \$25.37 | Price Then: \$17.70 | Price Now: \$26.90 |
| Gain: +58.07% | Stop: \$21.67 | Gain: +51.98% | Stop: \$22.87 |
| Notes: RONA is Canada's largest home improvement company – yes – even larger than Home Depot. Recently split 2-1. | | Notes: Zargon Energy Trust is an aggressive junior exploration company based in Alberta and converted to an energy trust in Aug. 2004. | |