

# the Break Out Report

Volume # 3, Issue # 14

May 15, 2005

## Strategies

### Buy High! Sell Higher!

One of the fascinating insights from William O'Neil's book *How to make Money in Stocks* is that stocks that are hitting new highs tend to go higher while stocks hitting new lows tend to go lower.

You'll recall that O'Neil developed his CANSLIM approach to investing by looking at the top performing stocks over a forty year period to see what they had in common. He found seven things for which he created the CANSLIM acronym. They are:

- **C**urrent earnings growth
- **A**nnual earnings growth
- **N**ew (new management, new products and even new highs)
- **S**upply and Demand
- **L**eadership
- **I**nstitutional Sponsorship
- **M**arket Direction

In my own search for stocks to feature in this newsletter, I start by looking for stocks hitting new highs. One of the main reasons for this is that it is an easy search to do and narrows the field of contenders very quickly. The Globeinvestor website has a handy button to bring up new highs in a box on the left hand side of the page labeled Market Action. It is customizable by exchange and industry and you can expand the search to weekly highs as well.

The Investools Online Investor Toolbox has superb search functions that are even more customizable. You can combine a search for stocks hitting new highs with earnings growth, relative performance and many other factors.

While O'Neil identified new highs as a factor that might indicate a stock is going higher, one might wonder why this is so. Doesn't this go against the conventional wisdom of buy low, sell high? Shouldn't we look for stocks that are hitting lows?

While it may seem paradoxical, there is logic behind O'Neil's findings. First, stocks don't go up and down in a vacuum. There are reasons for a stock's move. The ultimate reason, of course, is sales and earnings growth. But speculative stocks are often moved by investor perception, emotion, and news. This is particularly so with mining stocks, biotechs and other technology stocks.

The point is that the factors moving a stock have a certain momentum and shelf life. If certain factors have driven a stock to new highs, the stock should continue to hit new highs until those

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In This Issue: Taking a Dive! (See Page 4)

**Buy High! Sell Higher!** (from page 1)

factors change. For example, if a stock is moving steadily higher on strong revenue and earnings growth, it should continue to do so until such growth starts to falter. If a biotech stock has moved higher on positive clinical trials, it should continue to do so until there is an adverse ruling or some other factor mitigates the good news. If a speculative mining stock issues strong test results, the stock should continue to move higher until contrary news hits the market.

The most reliable factor, in my opinion, is earnings growth. If a company has consistently and reliably generated continuing revenue and earnings growth in the past, it should continue to do so in the future until other factors intervene. These other factors could be new competition, market saturation or whatever. But until such factors arrive, growth should continue.

Just as in the physical world we have the law of conservation of momentum, so too does the investing world. In physics, an object in motion tends to stay in motion until acted upon by some outside force. In the stock market, a stock should continue to forge ahead until acted upon by some outside force.

Another reason for starting one's stock search with stocks hitting new highs is simple logic. If you want to invest in a stock that will double, triple, quadruple or more in value, that stock must first hit a new high. It must then continue to hit new highs as it hits those benchmarks. The best way to find such stocks is to find ones that have already started on the road to huge gains.

It's true that you can make larger gains by finding those stocks before they start to go up. That is the impetus behind speculative investing. And it is also true that you can make larger gains by finding out-of-favour stocks with strong fundamentals and being patient while waiting for the market to discover them.

The advantage of looking for stocks hitting new highs is that the growth phase has already started. And finding them is less research intensive. You just hit a button on a website and there they are. It narrows the field quickly.

But just how good is this approach to finding good stocks? O'Neil says his evidence was conclusive.

I decided to test out the method by looking at the stocks making new highs the week the TSX Composite Index hit its low point in 2002. There were only 26 securities hitting new highs that week. Of those, three were rights, three were notes and one has since been de-listed and I can't find a record of how it did. I looked at the remaining 19 to see how they did by year's end, by mid-2003 and by the end of 2003. The results were interesting and as I expected and are shown on the table on the next page.

Of the 19 stocks making new highs that week ending Oct. 11, 2002, all but two were higher by the middle of 2003. All but four were higher by the end of 2003. The average gain to June 30, 2003 was 25.20%. The average gain to the end of 2003 was 43.51%. Two stocks were up over 200%.

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## The Break Out Report

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**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.

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**Buy High! Sell Higher!** (from page 2)

Company Name	Symbol	High That Week	Dec. 31 2002	Change	June 30 2003	Change	Dec. 31 2003	Change
Ketch Resources	KER	\$2.48	\$3.80	53.23%	\$7.25	192.34%	\$9.00	262.90%
Peyto Exploration & Development	PEY	\$8.77	\$11.15	27.14%	\$15.41	75.71%	\$27.25	210.72%
Thunder Energy	THY	\$4.70	\$5.50	17.02%	\$6.20	31.91%	\$8.36	77.87%
FET Resources	FTX	\$10.94	\$10.28	-6.03%	\$13.20	20.66%	\$17.77	62.43%
Viracocha Energy	VCA	\$1.90	\$1.83	-3.68%	\$2.40	26.32%	\$2.60	36.84%
GSW Inc.	GSW.B	\$17.00	\$17.40	2.35%	\$23.00	35.29%	\$23.00	35.29%
GSW Inc.	GSW.A	\$17.50	\$18.30	4.57%	\$23.00	31.43%	\$23.00	31.43%
Superior Propane Income Fund	SPF.UN	\$20.00	\$19.68	-1.60%	\$21.50	7.50%	\$25.66	28.30%
Metalore Resources	MET	\$8.75	\$10.35	18.29%	\$12.00	37.14%	\$11.00	25.71%
Home Equity Income Trust	HEQ.UN	\$11.63	\$11.40	-1.98%	\$12.61	8.43%	\$14.40	23.82%
Swiss Water Decaf Coffee	SWS.UN	\$11.20	\$11.20	0.00%	\$12.40	10.71%	\$13.85	23.66%
Pathfinder Income Fund	PAZ.UN	\$9.80	\$10.00	2.04%	\$10.00	2.04%	\$11.29	15.20%
Synex International	SXI	\$0.36	\$0.40	11.11%	\$0.38	4.17%	\$0.41	12.50%
Citadel SMaRT Fund	CRT.UN	\$26.55	\$25.89	-2.49%	\$26.61	0.23%	\$28.36	6.82%
EPCOR Preferred Equity Inc.	EPE.PR.A	\$25.40	\$25.30	-0.39%	\$25.95	2.17%	\$26.70	5.12%
HI PAYS	PAY.PR.A	\$26.50	\$26.00	-1.89%	\$26.70	0.75%	\$26.35	-0.57%
Promatek Industries	PMK	\$3.17	\$2.85	-10.09%	\$3.65	15.14%	\$3.15	-0.63%
ClubLink Corp.	LNK	\$8.25	\$7.85	-4.85%	\$7.60	-7.88%	\$7.30	-11.52%
Hub International	HBG	\$27.12	\$20.13	-25.77%	\$23.00	-15.19%	\$21.90	-19.25%
<b>Aggregate Change</b>				<b>76.97%</b>		<b>478.87%</b>		<b>826.66%</b>
<b>Average Change</b>				<b>4.05%</b>		<b>25.20%</b>		<b>43.51%</b>
<b>TSX Composite</b>		<b>5695.33</b>	<b>6614.54</b>	<b>16.14%</b>	<b>6983.14</b>	<b>22.61%</b>	<b>8220.89</b>	<b>44.34%</b>

But here's the rub. The TSX gain for that period was almost identical. The TSX was up 22.61% by mid-2003 and up 44.34% by the end of 2003. One could have achieved the same results by just buying an index fund.

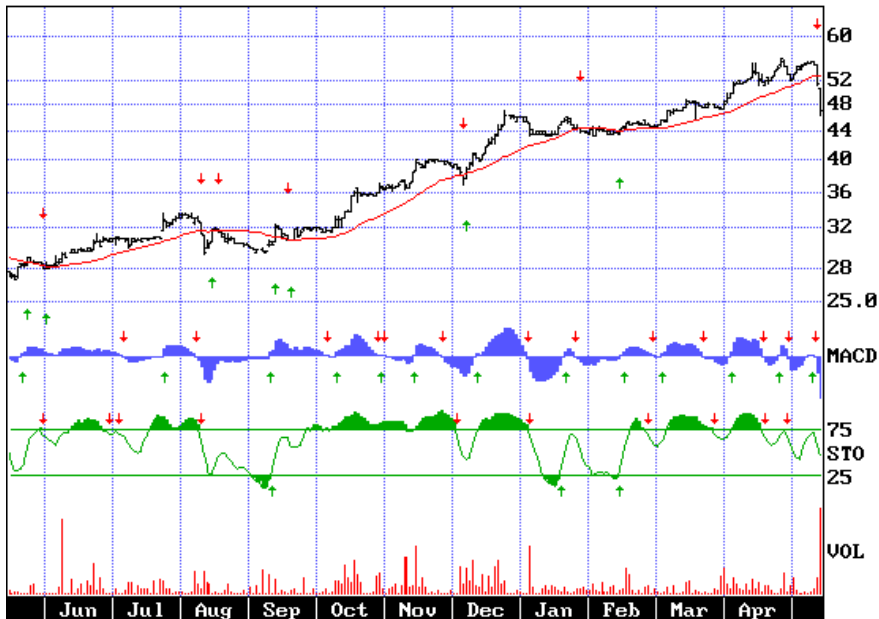
But our quick look back considers only whether the stocks in question made new highs at the time. The other factors I look for, such as revenue and earnings growth are not considered. Two of the stocks making the new highs that week were preferred shares designed for dividend distribution, not growth.

In all likelihood, refining the list by eliminating those with no or low earnings growth would have improved the performance of the remaining stocks significantly.

Using new highs as a starting point in our search, at least with the one example noted above, has us at least matching the performance of the TSX. Adding our other parameters has given us the ability to consistently beat the TSX with our Model Portfolio and with our Watched List.

**Good News, Bad News****What Causes a Sudden Dive?**

We bought 200 shares of Great Canadian Gaming for our Model Portfolio on April 18<sup>th</sup>. But it never did much and this past week, the roof caved in. Take a look at the chart below.



As you can see, the stock plunged in the last few days. It closed at \$55.25 on Tuesday May 10<sup>th</sup>. It dropped a bit to \$54.66 on Wednesday and then plunged to \$51.50 Thursday, a drop of 5.78% for the day. But the bleeding wasn't over. On Friday it nosedived to \$47.08, a further drop of 8.58%. Since Tuesday the stock has dropped 14.79%.

You have to wonder why a stock with such a beautiful chart could drop like that. What sort of bad

news rattles investors to have them bail out?

I pass the Coquitlam Casino on my way home from work every day. They are in an expansion phase and construction is well underway that will see the casino more than double in size. The parking lot is usually filled and the new expansion includes a parkade. Things are bustling.

And the quarterly report released on Thursday looks good on the surface. The company acquired Orangeville Raceway making the company the largest horse racing operator in British Columbia. It acquired Georgian Downs in Ontario giving it leverage to expand beyond B.C. And revenues for the quarter were up 64% over the year before with earnings per share up 50%.

But here's the rub. While earnings were up year over year, they were down quarter over quarter. Revenues were down 3.6% and earnings per share were down 11.6%. Although the company said that revenues and earnings were in line with expectations and that the company was in a transition phase as it expanded the scale of operations, the investor did not see it that way.

Because the stock hit our stop loss, it was sold from our Model Portfolio. But such a steep decline is often unsustainable and in my personal portfolio, I am putting aside my rule for a couple of days to see if the stock recovers. The prospects for growth remain strong and I believe the stock is now oversold. The moving average is still trending up. Sometimes you have to put aside a rule and follow your gut and this is one such occasion.



Check out *Lesley Scorgie's*

**Rich by Thirty**

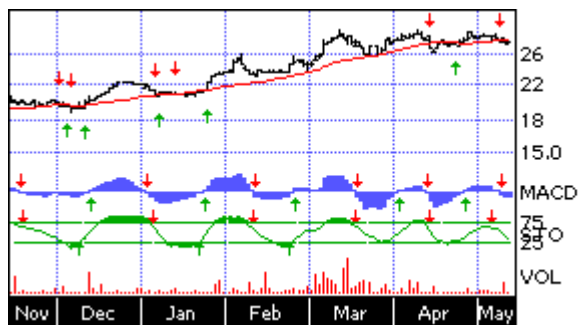
*Newsletter*

<http://richbythirty.com>

**Watched List Update**

**Movin' On Up!!!**

Five companies moved back into up trends in the last week, although some look marginal in the small charts below. Two are buys and two I suggest waiting a bit for stronger confirmation of the new up move. But if you're a daring soul, you could jump in now. With the market as weak as it has been lately, it might be better to err on the side of caution. But one thing to commend these particular stocks is that they regained up trends even as the market was faltering. That is a good sign.

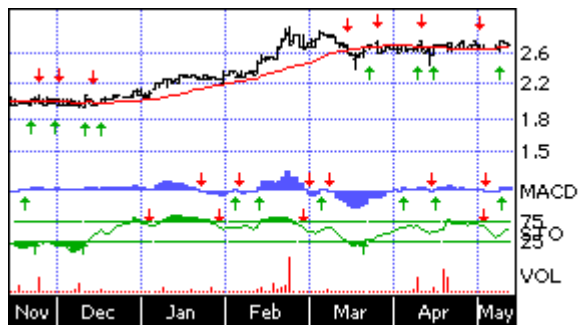
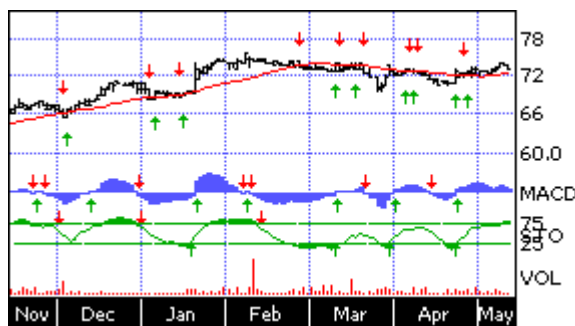


<b>CCS Inc. Fund (CCR.UN)</b>	<b>Profiled: 05/18/03</b>
<b>Price then: \$10.15</b>	<b>Now: \$27.50</b>

⇐ CCS Income Fund has been a dynamo since we first profiled it. In fact, it was a dynamo before that. It's been in our Model Portfolio for two years without generating a stop loss. Since featured, it's up 170.94%. It has been flat since March and may now be starting to advance again. You gotta love a stock that's this easy to manage.

<b>Fortis Inc. (FTS)</b>	<b>Profiled: 03/16/01</b>
<b>Price then: \$38.00</b>	<b>Price Now: \$73.00</b>

This power company based in Newfoundland has been a solid and steady performer and pays nice dividends too. It's up 92.11% since featured. It's been as high as \$75.50 recently and is now pulling out of a very minor slump that has been mostly flat. It will join our double baggers soon. Definitely a buy. ⇒

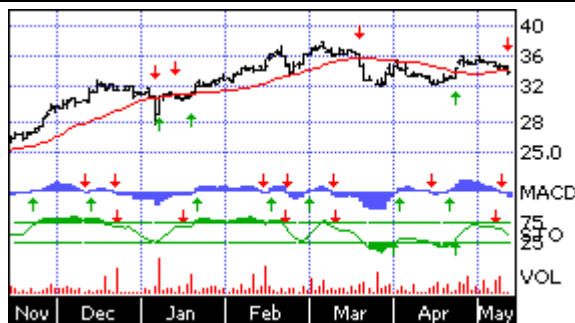


<b>Killam Properties (KMP)</b>	<b>Profiled: 01/18/04</b>
<b>Price then: \$2.36</b>	<b>Price Now: \$2.70</b>

⇐ A pick in the Globe and Mail's One and Only Contest for 2004, Killam didn't do that well but has risen to the occasion this year. It's up 14.4% overall and up 31.7% for the year-to-date. After a very flat April, the stock is starting to move up again though without any oomph yet. It's rated wait for now.

<b>Home Capital (HCG)</b>	<b>Profiled: 11/20/00</b>
<b>Price then: \$3.00</b>	<b>Price Now: \$33.84</b>

One of the first stocks we featured, Home Capital Group is up a honking 1028.0% since then, our top performer. It ran into a bumpy stretch in March and April and the 30 day moving average is now sloping up again. Not quite a buy yet, but close. ⇒



## Software Pick

### Cryptologic (CRY - TSX, CRYP - NASDAQ) (website: [www.cryptologic.com](http://www.cryptologic.com))

You might call Cryptologic one of the dot-coms that made it. The company was a pioneer in the development of software for the Internet gaming industry.

Launched in 1995 by two brothers, Andrew and Mark Rivkin, the company offered its first products in 1996. Ecash offered secure online transactions. Its subsidiary, WagerLogic, developed the first gaming software. InterCasino, its first licensee, was the first cash casino on the Internet and is still operating today.

The company offers software for more than 80 different casino, bingo and poker games in multiple languages and currencies. The games are fully integrated with the Ecash transaction management system and offers 24/7 customer support.



**Interface for Punto Banco**

The software has undergone continuous enhancement and offers such features as progressive jackpots, vivid customizable colours, real slot machine and other casino sounds and even croupier voices.

Since 1996, Cryptologic's software has processed over US\$20 billion in wagers from



**Interface for Slot Machine**

1.9 million players in 240 countries worldwide.

The company went public through a reverse takeover of a shell company on the OTC Canadian Dealing Network in 1996 and in 1998 jumped to the TSX. In 2000 the company was listed on the NASDAQ market and in 2003 it began trading on the London Stock Exchange.

The company lost money as late as 2002 and turned around to profitability in 2003. Earnings per share grew 36.36% in 2004. The first quarter of 2005 saw continued growth as the company beat earlier forecasts.

Poker fees make up 25% of the company's revenues and benefited strongly from poker's surging popularity as they grew 200% for the quarter compared to the same period of a year ago.

The stock has doubled since October and more than quadrupled since the fall of 2002. With the popularity of online gaming especially poker growing, continued growth seems likely.

#### Quarterly Earnings per Share

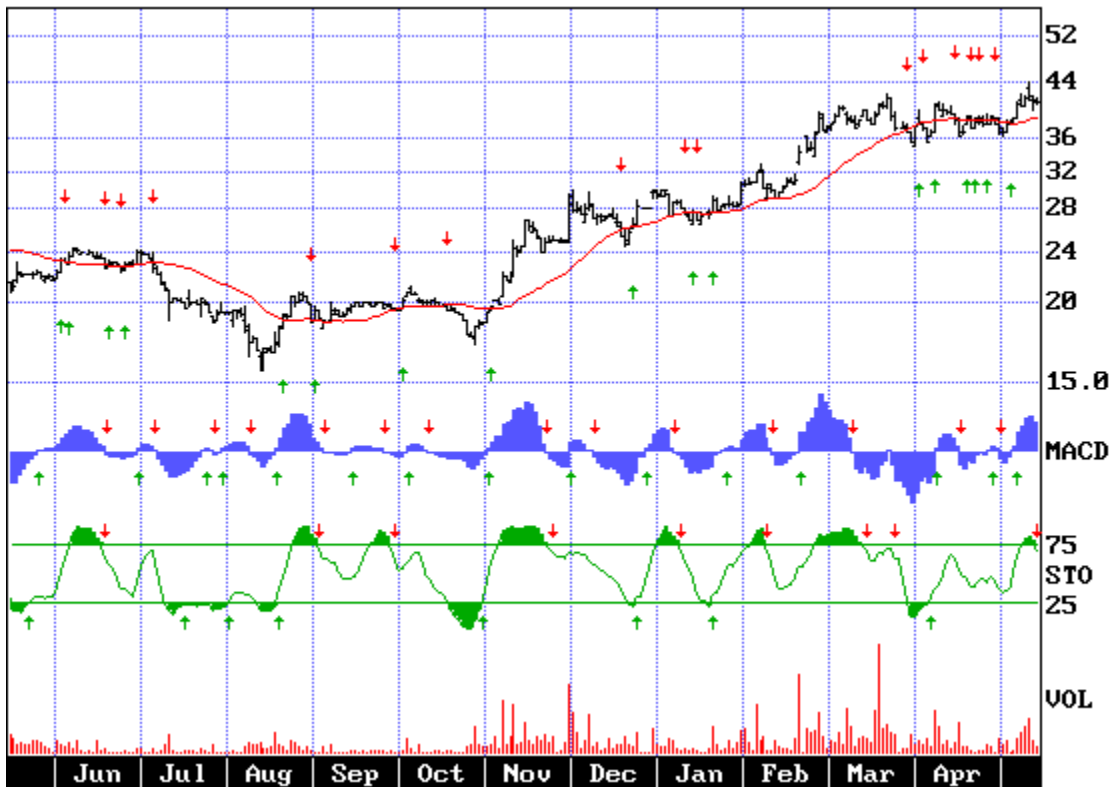
To Mar. 31st	2004	2005	% Change
EPS	\$0.28	\$0.34	+21.43%
Revenues (000s)	\$15,200	\$20,300	+33.56%

#### Annual Earnings per Share

To Dec. 31st	2002	2003	% Change	2004	% Change
EPS	-\$0.17	\$0.77	turnaround	\$1.05	+36.36%
Revenues (000s)	\$35,099	\$44,902	+27.93%	\$65,007	+44.78%

(continued on page 7)

**Cryptologic (from page 6)**



**Chart Analysis:** Cryptologic has doubled since October. At the height of the Internet boom, the stock topped out at \$68.50 on March 6, 2000. After crashing to around \$12, it rose to \$46.10 on July 31, 2001. That was the last hurrah as a money-losing stock and it dropped to \$5 in 2002. Its turnaround to profitability has seen a solid resurgence that has yet to see an end. Cryptologic was flat through March and April and its recent strong quarterly has seen it start to climb again on rising volume. A good time to get in if you don't already own it.

Stats as of 05/13/05	Phase 2 Analysis
▪ Hi/Lo Ratio: 2.68	▪ Price Pattern: A
▪ RS: 93.54	▪ Volatility: A
▪ Shares: 13,729,130	▪ Estimates: B+
▪ P/E: 30.55	▪ Snapshot: A
▪ Price: \$42.05	▪ News: A

**Phase 2:** We give Cryptologic an A for price pattern and an A for volatility as it is has shown solid growth with minor corrections since October. Analyst consensus is 2.0 or buy so we give it a B+. Snapshot shows steadily growing revenues for the last three years and a turnaround to profitability in 2003. Return on equity for 2004 was a solid 22.29. We give it an A. News is solid with record revenues and earnings and an exclusive licensing agreement for the popular "Bejeweled" online game. Another A.

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

## Industrial Pick

### McCoy Brothers (MCB –TSX)

(website: [www.mccoybros.com](http://www.mccoybros.com))

Founded as a blacksmith shop by Henry McCoy in 1914, McCoy Brothers has grown with the economy of Alberta leaving the horse and buggy days far behind. Or rather, the focus has shifted from the horses to the buggies. McCoy Brothers is a leading manufacturer of trailers and rolling stock for industry. Agriculture, oil and gas, forestry and construction are all served by McCoy and they even make recreational vehicles.

The company operates four divisions. Scona Trailer Manufacturing makes low bed trailers, oilfield floats, log trailers and custom trailers. All are designed for durability to handle both off-road, rough terrain conditions as well as highway service.

ISO 9002 Certified Farr Canada manufactures hydraulic power tongs for use in drilling rigs in the oil industry. The company does custom design work for specialized applications as well as making “off-the-rack” models. The company also markets power units, Kelly spinners, urethane thread protectors and Wincatt computer-analyzed torque turn systems.

Another division, Peerless, was an Oregon-based manufacturer of logging trailers since 1944. It expanded to British Columbia in 1973 and was acquired by McCoy in September last year.

The last division still carries the McCoy name. McCoy Service, with two locations in Edmonton, one in Red Deer, Alberta and one in Fort St. John, B.C., is an industry leader in heavy-duty truck and trailer repairs. Services include fleet maintenance, equipment installations, suspension and spring work, brake services, alignments, frame straightening, axles, hydraulics and welding. With over 90 years of experience, “we really know trucks,” says the company website.

With the booming Alberta economy, McCoy has also boomed with earnings per share more than doubled in fiscal 2004. Sales for the most recent quarter were up over 170% with profits up 400%. Demand should stay strong as Alberta continues to prosper.



**Trailer Assembly at a Scona Plant**

#### Quarterly Earnings per Share

To Mar. 31st	2004	2005	% Change
<b>EPS</b>	\$0.01	\$0.05	+400.00%
<b>Revenues (000s)</b>	\$7,915	\$21,602	+172.92%

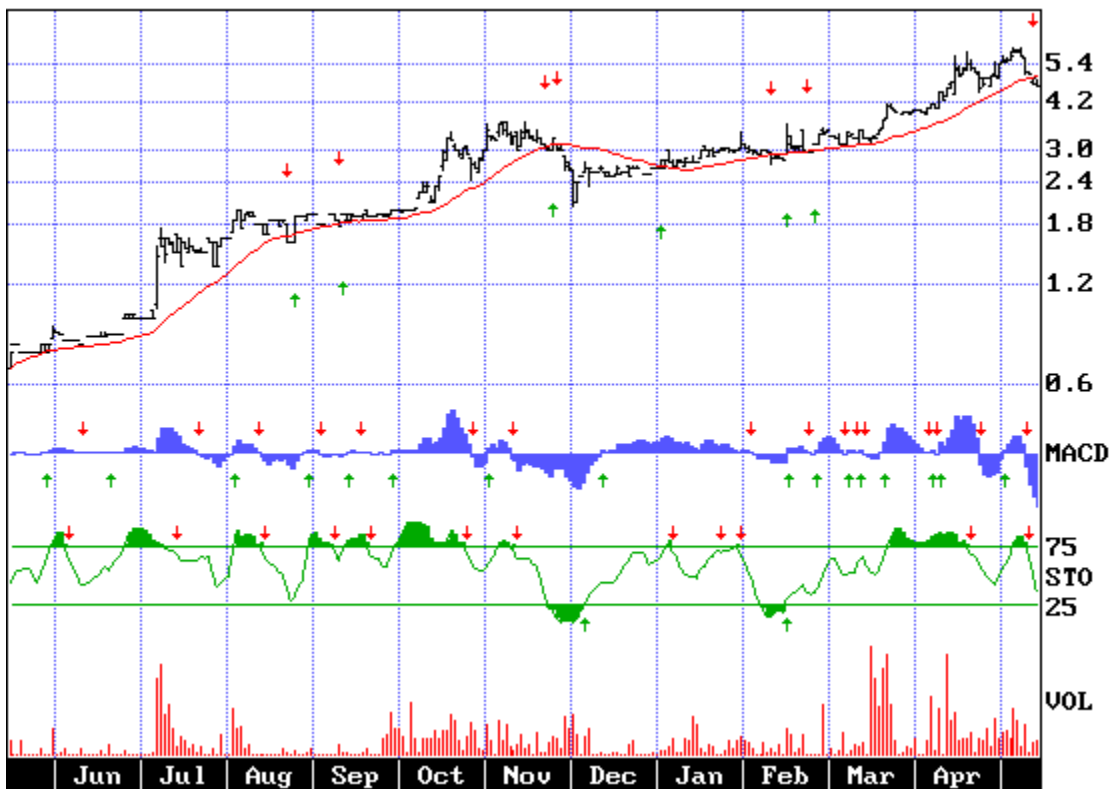
#### Annual Earnings per Share

To Dec. 31st	2002	2003	% Change	2004	% Change
<b>EPS</b>	-\$0.17	\$0.06	turnaround	\$0.13	+116.67%
<b>Revenues (000s)</b>	\$27,123	\$30,786	+13.51%	\$52,379	+70.14%

(Continued on page 9)



McCoy Brothers (from page 8)



**Chart Analysis:** As you can see, McCoy Brothers has been on a tear. Just a year ago it traded under a dollar a share. Recently it climbed above \$5. It took a major jump on strong volume in July 2004 and has been climbing ever since. A sharp correction in November has given way to measured growth since then. The stock is the fifth best performing stock on the TSX over the last year, up 520.0%. Currently the stock price has retreated to just below the moving average and is poised to bounce to the upside. A nice buy point.

Stats as of 05/13/05	Phase 2 Analysis
▪ Hi/Lo Ratio: 8.96	▪ Price Pattern: A
▪ RS: 99.76	▪ Volatility: A-
▪ Shares: 17,837,973	▪ Estimates: n/a
▪ P/E: 29.10	▪ Snapshot: A
▪ Price: \$4.65	▪ News: A

**Phase 2:** We give McCoy an A for price pattern and an A- for volatility because of the sharp correction in November. There are no estimates so we leave that out. Our snapshot show surging revenues and earnings, particularly in the most recent quarter. Return on equity is a solid 22.71. But there was that loss in 2002. We give it an A. News is solid with the acquisition of Peerless 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.*

**Mutual Funds**

## Marco's Power Performers (for April 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.

The number of Super Power Performers dropped for a second month running, falling to 5 from 8. The number of Power Performers did likewise, sliding to 9 from 13.

The number of Performers rose slightly to 31 from 29 for a grand total of 45, down from 50 in March and 73 in February.

Continuing market weakness is taking its toll. Nevertheless, 3573 of 5980 mutual funds in Canada are in positive territory for the year-to-date. There are twenty with a better ten percent return. Of this top twenty for the year-to-date, four are also in our Power Performer tables. They are noted below:

<b>Performers With Better Than 10% Return Year-to-Date</b>				
Fund name	YTD	1 yr	3 yr	5 yr
Resolute Growth	21.94	73.87	34.96	32.88
Norrep Fund	11.58	39.65	25.84	32.55
CI Global Energy Corporate Class	10.97	44.96	19.67	18.68
CI Global Energy RSP	10.87	44.44	19.24	18.20

Of the other Top 20 for the year so far, seven are hedge funds, one invests in futures, and the rest are in equities including two science and technology funds, two natural resources funds and a healthcare fund.

### **Profile: Mackenzie Universal Canadian Resource (US\$)**

This fund is the best overall performer from Mackenzie Financial. Its top holdings are varied and include Alcan, Placer Dome, Impala Platinum Holdings, Precision Drilling, Suzano Bahia Sul Papel E Celul, Barrick Gold, Canfor, Companhia Vale Do Rio Doce, Zed.i Solutions, and Cambior.

Interestingly, two of its top holdings are in Brazil, one a producer of iron ore and the other a pulp and paper company.

Under the management of resource specialist Fred Sturm, the fund has done extremely well. So

*(continued on page 11)*

<b>Super Power Performers</b>			
Fund name	1 yr	3 yr	5 yr
Resolute Growth	73.87	34.96	32.88
Norrep Fund	39.65	25.84	32.55
Mackenzie Universal Canadian Resource (US\$)	31.77	30.45	28.78
Front Street Special Opportunities Canadian	27.72	39.39	28.27
Adaly Opportunity-A	28.55	25.76	25.67
<b>Power Performers</b>			
Dominion Equity Resource	24.95	25.65	31.90
Front Street Small Cap Canadian	25.27	26.12	24.91
Mackenzie Universal Canadian Resource	20.83	21.19	24.62
GGOF Monthly High Income Classic	28.20	20.49	22.68
CI Global Energy Corp Class (US\$)	58.00	28.81	22.62
CIBC Energy	39.50	29.51	21.82
RBC Energy	38.56	20.18	21.57
Sentry Canadian Resource	23.10	21.81	21.27
TD Energy	35.10	20.46	21.22

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

far this year, the US dollar version of the fund has done better than the Canadian version as the US dollar has made a bit of a comeback. If the Yankee sawbuck should slide against the loonie, the Canadian version will do better.

On the website, the fund management avers that they “remain persistent but moderate bulls” on energy prices expecting oil prices to range from \$35 to \$55 for several years. They also note that the energy service sector looks attractive because “spending on services seems to be time delayed relative to energy prices, with the result that profits and revenues can continue to rise for months past the peak in energy prices.” That is interesting to note in the wake of sliding oil prices recently.

The company also likes foreign companies and has interests in Thai Oil as well as China's Sinopec Zhenhai, an oil refiner and distributor. They believe that a revaluation of the Chinese currency upwards will be a boon to the stock as the cost of acquiring oil will go down. And the company is “enthusiastic about the competitive cost advantage of Brazilian companies in metals and forest products.”

They also note that while energy inventories have been rising, “base metals inventories have continued to decline, supporting strong pricing including a 70% increase for iron ore this year.” They expect base metals stocks to trade higher.

However, the company does see rising interest rates and slowing growth as problem that “may mute the long-term positive dynamics for a few months or quarters.” And so the company currently “has built the largest cash cushion in some time” though they remain “mostly invested.”

**Below are this month's Performers.**

Performers							
Fund name	1 yr	3 yr	5 yr	Fund name	1 yr	3 yr	5 yr
Sprott Canadian Equity	19.85	18.09	31.45	CI Global Energy RSP	44.44	19.24	18.20
Northwest Specialty Equity	17.96	23.57	24.46	GWL Canadian Resources (A) NL	26.28	18.46	18.11
London Life Canadian Resource (MF)	19.80	19.79	23.67	Desjardins Finacial Pool Bissett SmallCap	24.43	15.59	18.03
Mawer New Canada	22.64	19.92	22.83	CI Signature High Income	20.72	16.19	17.42
Bissett Income-F	27.02	19.89	22.44	Altamira Resource	27.65	24.16	17.22
GGO Monthly High Income Mutual	27.98	19.91	22.04	Dynamic Global Resource	29.55	29.12	17.17
Renaissance Canadian Income Trust	30.08	18.35	21.86	Vertex Fund - A	18.65	19.34	16.75
Sentry Canadian Energy Growth	24.84	18.92	21.66	Dynamic FocusPlus Real Estate	22.31	15.00	16.71
CI Signature Canadian Resource	25.17	16.48	20.91	Montrusco Bolton Cdn. Small Cap 'B'	22.56	19.66	16.47
Bissett Microcap-F	25.95	18.18	19.93	Clarica SF CI Signature Canadian Resource A	23.51	15.11	16.33
Mavrix Dividend & Income	16.67	16.70	19.64	Acuity Pooled Conservative Asset Allocation	21.30	20.47	16.30
Elliott & Page Monthly High Income	19.03	15.46	19.17	AGF Global Resources Class (US\$)	25.69	23.06	16.28
Acuity Pooled High Income	16.77	19.43	18.77	Clarica SF CI Signature Canadian Resource	23.54	15.09	16.28
CI Global Energy Corporate Class	44.96	19.67	18.68	Sceptre Equity Growth	18.84	24.03	16.23
AGF Canadian Resources	27.57	19.57	18.40	Middlefield Enhanced Yield	27.53	18.55	15.60
GWL Canadian Resources (A) DSC	26.55	18.71	18.37	<b>Power Performers © Marco den Ouden</b>			

## Our Model Portfolio

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

**Current Position: \$126,092.05 (Up 152.18%) Up 3.05% YTD**

Since last month's newsletter the market has continued to be volatile. We were forced out of three stocks and replaced them with three others. Nevertheless, we gained for the month. And we remain solidly ahead of the TSX Composite Index. Our cash position after distributions (one of which is coming on Monday) is \$109.40.

Impressively, CCS Income Fund has not generated a stop loss in two years and GSW hasn't generated one for the last year. Both were bought in May of their respective years. We added three more this month – will they also last over a year without generating a stop? We'll see!!!

<p><b>Big Rock Brewery Inc. Fund (BR.UN – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 490</td> <td>Bought: May 16/05</td> </tr> <tr> <td>Price Then: \$19.14</td> <td>Price Now: \$19.14</td> </tr> <tr> <td>Gain: +0.00%</td> <td>Stop: \$17.23</td> </tr> </table> <p><b>Notes:</b> Big Rock Brewery is a craft brewery based in Alberta. It has been a solid growth stock as well as distributing income.</p>	# of Shares: 490	Bought: May 16/05	Price Then: \$19.14	Price Now: \$19.14	Gain: +0.00%	Stop: \$17.23	<p><b>CCS Income Fund (CCR.UN – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 480</td> <td>Bought: May 19/03</td> </tr> <tr> <td>Price Then: \$10.15</td> <td>Price Now: \$27.50</td> </tr> <tr> <td>Gain: +171.07%</td> <td>Stop: \$23.20</td> </tr> </table> <p><b>Notes:</b> Formerly Canadian Crude Separators, CCS works on environmental solutions for the oil industry.</p>	# of Shares: 480	Bought: May 19/03	Price Then: \$10.15	Price Now: \$27.50	Gain: +171.07%	Stop: \$23.20
# of Shares: 490	Bought: May 16/05												
Price Then: \$19.14	Price Now: \$19.14												
Gain: +0.00%	Stop: \$17.23												
# of Shares: 480	Bought: May 19/03												
Price Then: \$10.15	Price Now: \$27.50												
Gain: +171.07%	Stop: \$23.20												
<p><b>Chartwell Technologies (CWH – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 110</td> <td>Bought: May 19/03</td> </tr> <tr> <td>Price Then: \$8.90</td> <td>Price Now: \$10.40</td> </tr> <tr> <td>Gain: +16.85%</td> <td>Stop: \$10.14</td> </tr> </table> <p><b>Notes:</b> Chartwell Technologies is a leading developer of gambling software for the Internet. It has done well since first profiled in Dec. 2004.</p>	# of Shares: 110	Bought: May 19/03	Price Then: \$8.90	Price Now: \$10.40	Gain: +16.85%	Stop: \$10.14	<p><b>GSW Inc. (GSW.B – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 275</td> <td>Bought: May 17/04</td> </tr> <tr> <td>Price Then: \$34.73</td> <td>Price Now: \$52.75</td> </tr> <tr> <td>Gain: +51.89%</td> <td>Stop: \$46.76</td> </tr> </table> <p><b>Notes:</b> GSW Inc. is a leading manufacturer of water heaters for the commercial and residential markets.</p>	# of Shares: 275	Bought: May 17/04	Price Then: \$34.73	Price Now: \$52.75	Gain: +51.89%	Stop: \$46.76
# of Shares: 110	Bought: May 19/03												
Price Then: \$8.90	Price Now: \$10.40												
Gain: +16.85%	Stop: \$10.14												
# of Shares: 275	Bought: May 17/04												
Price Then: \$34.73	Price Now: \$52.75												
Gain: +51.89%	Stop: \$46.76												
<p><b>Home Capital Group (HCG – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 450</td> <td>Bought: Aug. 9/04</td> </tr> <tr> <td>Price Then: \$21.49</td> <td>Price Now: \$33.84</td> </tr> <tr> <td>Gain: +57.47%</td> <td>Stop: \$31.00</td> </tr> </table> <p><b>Notes:</b> Home Capital Group is a fast growing alternative mortgage provider. One of our best picks ever.</p>	# of Shares: 450	Bought: Aug. 9/04	Price Then: \$21.49	Price Now: \$33.84	Gain: +57.47%	Stop: \$31.00	<p><b>Kingsway Financial (KFS – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 625</td> <td>Bought: May 24/04</td> </tr> <tr> <td>Price Then: \$15.00</td> <td>Price Now: \$20.08</td> </tr> <tr> <td>Gain: +33.87%</td> <td>Stop: \$17.70</td> </tr> </table> <p><b>Notes:</b> Kingsway Financial is a leading supplier of alternative insurance services. After a slump in early 2004, the stock is on the move again.</p>	# of Shares: 625	Bought: May 24/04	Price Then: \$15.00	Price Now: \$20.08	Gain: +33.87%	Stop: \$17.70
# of Shares: 450	Bought: Aug. 9/04												
Price Then: \$21.49	Price Now: \$33.84												
Gain: +57.47%	Stop: \$31.00												
# of Shares: 625	Bought: May 24/04												
Price Then: \$15.00	Price Now: \$20.08												
Gain: +33.87%	Stop: \$17.70												
<p><b>Peyto Energy Trust (PEY.UN – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 300</td> <td>Bought: Mar. 29/04</td> </tr> <tr> <td>Price Then: \$30.30</td> <td>Price Now: \$51.22</td> </tr> <tr> <td>Gain: +69.04%</td> <td>Stop: \$45.30</td> </tr> </table> <p><b>Notes:</b> 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.</p>	# of Shares: 300	Bought: Mar. 29/04	Price Then: \$30.30	Price Now: \$51.22	Gain: +69.04%	Stop: \$45.30	<p><b>Reitmans (RET.NV.A – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 770</td> <td>Bought: May 9/05</td> </tr> <tr> <td>Price Then: \$15.05</td> <td>Price Now: \$15.25</td> </tr> <tr> <td>Gain: +1.33%</td> <td>Stop: \$14.34</td> </tr> </table> <p><b>Notes:</b> Reitman's is a leading Canadian women's fashions retailer. The stock has been a solid performer in the last year.</p>	# of Shares: 770	Bought: May 9/05	Price Then: \$15.05	Price Now: \$15.25	Gain: +1.33%	Stop: \$14.34
# of Shares: 300	Bought: Mar. 29/04												
Price Then: \$30.30	Price Now: \$51.22												
Gain: +69.04%	Stop: \$45.30												
# of Shares: 770	Bought: May 9/05												
Price Then: \$15.05	Price Now: \$15.25												
Gain: +1.33%	Stop: \$14.34												
<p><b>Richelieu Hardware (RCH – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 410</td> <td>Bought: May 2/05</td> </tr> <tr> <td>Price Then: \$24.92</td> <td>Price Now: \$23.61</td> </tr> <tr> <td>Gain: -5.26%</td> <td>Stop: \$22.43</td> </tr> </table> <p><b>Notes:</b> Richelieu Hardware has been a solid stock since first profiled. Too bad we didn't add it to the portfolio sooner!</p>	# of Shares: 410	Bought: May 2/05	Price Then: \$24.92	Price Now: \$23.61	Gain: -5.26%	Stop: \$22.43	<p><b>RONA Inc. (RON – TSX)</b></p> <table border="1"> <tr> <td># of Shares: 560</td> <td>Bought: Sept. 27/04</td> </tr> <tr> <td>Price Then: \$16.05</td> <td>Price Now: \$23.02</td> </tr> <tr> <td>Gain: +43.43%</td> <td>Stop: \$21.67</td> </tr> </table> <p><b>Notes:</b> RONA is Canada's largest home improvement company – yes – even larger than Home Depot. Recently split 2-1.</p>	# of Shares: 560	Bought: Sept. 27/04	Price Then: \$16.05	Price Now: \$23.02	Gain: +43.43%	Stop: \$21.67
# of Shares: 410	Bought: May 2/05												
Price Then: \$24.92	Price Now: \$23.61												
Gain: -5.26%	Stop: \$22.43												
# of Shares: 560	Bought: Sept. 27/04												
Price Then: \$16.05	Price Now: \$23.02												
Gain: +43.43%	Stop: \$21.67												