Newsletters

A Great Newsletter at a Great Price

There are a lot of great investment newsletters out there and some come at quite a price. A solicitation arrived in my mailbox Friday for Bob Czechin's Oil Option Hotline, possibly the most expensive newsletter in the world. Special deal to the first 250 respondents – a year at half price – only $2500 (US dollars of course). Yikes! The guy only has to sell 400 subscriptions to make a million bucks!

But one of the best little newsletters out there is absolutely free. Launched in 1996, it had been a pioneer in the heyday of the Internet with online electronic distribution and revenues derived solely from a few well placed ads. Its style and approach intrigued readers and circulation soared to 80,000.

What intrigued readers was newsletter creator Jeff Walker's proprietary computer generated Asset Allocation Model. Jeff feared a market top was coming and so he created a computer model to evaluate the market and assess its risk. He created four investment categories depending on the reader's risk tolerance ranging from the Super Bear Strategy to the Graduated Strategy. His website, lowrisk.com, featured fascinating charts comparing the NASDAQ boom to the Dow boom in 1929. After the crash, he updated these, superimposing the NASDAQ crash on the 1929 Dow crash. The parallels were uncanny.

Jeff's models proved accurate and some time after successfully warning his readers of the impending stock market crash in 2000, Jeff pulled the plug. The reason was the dreaded spam. Because of his tremendous circulation, his newsletter was being rejected by spam filters. Moreover, he was getting piles of spam himself. He threw in the towel.

But now, with improvements in technology, Jeff is back. The first issue of his newly re-launched letter came out July 14th and Jeff kindly gave me permission to excerpt it for my readers. You'll find it on page 7. Read and enjoy. Then head over to lowrisk.com and sign up. It's free!

Reader's Query

Occasionally readers write with a question. The question below deserves a longer reply which follows. If you have a question, please send it along.

S.D. writes: Could you please explain with an example about how a particular stock changes from Sell--Wait--Buy?

Go to page 13 for the answer!

In This Issue: Quarterly Review of Our Watched List (see page 2)

Quarterly Review

Showdown at the Not-OK Corral

The hardest thing about putting together my quarterly review of the Watched List is coming up with a snappy, clever title. I've alluded to haircuts (Just a Quick Trim), animal over-population (Culling the Herd), the US presidency (State of the Watched List), forestry (Wielding the Axe) and gardening (Time to Weed the Garden). So this issue I reached into movie titles as we review our Watched List again to see which stocks are worth keeping on the list and which are not OK. The stocks we end up dropping may turn around and surprise us as some of the stocks we've dropped have done in the past, but most of the stocks we end up dropping do go on to falter or to stay flat.

We drop stocks from our Watched List that meet all three of the following criteria:

- It did not make the Top 500 in June or dropped 5 or more RS points
- It is in a sustained downtrend
- It has a loss in the most recently reported quarter, its earnings per share have dropped 50% or more, or it has had two consecutive quarters of declining earnings.

We're also axing any that have been on our list for over a year and grown less than 25% or over two years and grown less than 50% unless they are in an up trend or growing earnings.

But before we do that, let's look at the ten best and ten worst performing stocks for the second quarter of 2005. First the gainers:

Top Ten for Q2 2005					
Name	**Symbol**	**Date Featured**	**Change Q2**	**Change YTD**	**Change Since Profiled**
GSW Inc.	GSW.SV.B	May 16/04	60.00%	73.33%	124.59%
Steeplejack Industrial Group	SID	Jan. 18/04	51.25%	51.63%	105.08%
Reitmans (Canada)	RET.NV.A	July 6/01	26.33%	21.47%	586.22%
La Senza	LSZ.SV	April 17/05	23.89%	23.89%	23.89%
McCoy Brothers	MCB	May 15/05	20.43%	20.43%	20.43%
TSX Group	X	Jan. 18/04	16.55%	36.00%	62.27%
Trican Well Service	TCW	Apr. 18/04	15.85%	35.88%	147.63%
Peyto Energy Trust	PEY.UN	Feb. 22/02	13.15%	22.31%	1035.92%
Goldcorp Inc.	G	May 25/01	13.05%	7.92%	148.91%
Pason Systems	PSI	May 16/04	12.55%	15.14%	42.00%

None of our Top Ten for the quarter are repeats from Q1. Two of them, in fact, were only profiled since the last Quarterly Review, meaning that the gains shown above are for less than the full three months. Those are La Senza, featured in our April issue and McCoy Brothers, featured in our May issue. Note too that success breeds success as six of the stocks that were top performers for the quarter have more than doubled since we first featured them.

(continued on page 3)

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Quarterly Review (from page 2)

And, as usual, we also take a look at the worst performers for the quarter.

Bottom Ten for Q2 2005					
Name	**Symbol**	**Date Featured**	**Change Q2**	**Change YTD**	**Change Since Profiled**
Mad Catz Interactive	MCZ	Feb. 20/05	-31.16%	-20.35%	-20.35%
Falconbridge Ltd.	FL	Mar. 14/04	-14.03%	19.97%	7.37%
Ketch Resources Trust	KER.UN	July 18/04	-13.64%	-32.86%	4.01%
Centurion Energy	CUX	Jan. 16/05	-12.92%	-7.20%	-7.20%
Westjet Airlines	WJA	Jan. 18/04	-12.78%	13.84%	-34.91%
Cryptologic	CRY	May 15/05	-12.32%	-12.32%	-12.32%
Contrans Income Fund	CSS.UN	Oct. 12/01	-10.58%	1.85%	293.66%
Richelieu Hardware	RCH	Dec. 4/00	-9.96%	2.46%	221.57%
Calian Technology	CTY	Oct. 1/02	-9.19%	-18.22%	218.18%
Axcan Pharma	AXP	June 20/04	-8.59%	-19.97%	-32.08%

Now here we have some repeaters. Ketch Resources Trust continued falling heavily this past quarter as did Axcan Pharma. As you'll see in the tables that follow, we have decided to drop these two stocks from our Watched List as well as three others.

And now on to our Quarterly Review. Previously our trend indicator looked at the average trend for the quarter, not the leading edge trend that we use in our Weekly Trend Watch Updates. We have revised that a bit so the trend now looks at the most recent sustained trend. This could be anywhere from four weeks to the full three months. So a stock that dropped from April to mid-May and then climbed back again would have been logged as a flat trend before but now would be logged as an up trend. This is a little more intuitive.

Our Quarterly Review

Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled	June RS Change	Recent Trend	QEPS Change	Status
Home Cap. Grp.	HCG	11/20/00	$3.00	8.40%	16.83%	1117.00%	+1.07	↑	+34.5%	Keep
Peyto Energy Tr.	PEY.UN	02/22/02	$2.58	13.15%	22.31%	1035.92%	+1.20	↑	+45.3%	Keep
Reitmans	RET.A	07/06/01	$2.53	26.33%	21.47%	586.22%	-3.58	↑	+47.4%	Keep
Alimentation Couche-Tard	ATD.SV.B	12/04/00	$2.88	6.61%	5.41%	550.78%	+0.29	↑	+90.0%	Keep
TransForce	TIF.UN	01/18/02	$3.11	2.65%	9.52%	436.33%	-2.97	→	+50.0%	Keep
Zargon Oil & Gas	ZAR.UN	01/29/01	$4.70	2.08%	5.07%	433.19%	+2.31	↑	+6.7%	Keep
Canada Bread	CBY	05/18/01	$13.00	0.40%	17.00%	323.00%	+0.03	↑	-2.1%	Keep
SNC-Lavalin	SNC	03/23/01	$16.25	-1.85%	18.28%	322.15%	-1.93	→	+27.0%	Keep
Contrans Inc Fund	CSS.UN	10/12/01	$3.63	-10.58%	1.85%	293.66%	-9.40	↓	0.0%	Keep

(continued on page 4)

Quarterly Review *(from page 3)*

Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled	June RS Change	Recent Trend	QEPS Change	Status
Stantec Inc.	STN	04/20/01	$8.25	2.23%	12.73%	261.82%	off list	↑	+16.7%	Keep
Melcor Dev.	MRD	03/02/01	$20.30	10.51%	39.22%	249.75%	-0.68	↑	-3.4%	Keep
Richelieu Hardware	RCH	12/04/00	$7.00	-9.96%	2.46%	221.57%	off list	↓	+10.3%	Keep
Calian Tech.	CTY	Oct. 1/02	$3.85	-9.19%	-18.22%	218.18%	off list	↓	-43.2%	Drop
CCS Inc. Fund	CCR.UN	05/18/03	$10.15	4.28%	32.03%	185.86%	+0.51	→	+48.6%	Keep
Niko Resources	NKO	11/17/02	$22.20	-7.61%	14.31%	159.86%	-2.58	↑	+530.0%	Keep
Goldcorp Inc.	G	05/25/01	$7.83	13.05%	7.92%	148.91%	new	↑	+22.2%	Keep
Trican Well Svc.	TCW	04/18/04	$12.16	15.85%	35.88%	147.63%	-1.29	↑	+50.4%	Keep
AlarmForce	AF	09/21/03	$1.92	4.49%	30.99%	142.19%	new	→	-1.9%	Keep
CML Healthcare	CLC.UN	04/12/02	$5.85	1.84%	3.75%	136.75%	new	↑	+66.7%	Keep
GSW Inc.	GSW.B	05/16/04	$34.73	60.00%	73.33%	124.59%	+4.31	↑	+58.0%	Keep
Finning Intl.	FTT	05/11/01	$16.40	9.95%	3.32%	120.43%	off list	↑	+40.0%	Keep
Steeplejack	SID	01/18/04	$2.95	51.25%	51.63%	105.08%	new	↑	L	Keep
Fortis Inc.	FTS	03/16/01	$38.00	8.87%	11.84%	104.55%	+3.51	↑	+29.5%	Keep
BMTC Group	GBT.SV.A	08/20/02	$6.98	-3.92%	6.22%	93.41%	new	↑	-33.3%	Keep
RONA Inc.	RON	11/16/03	$12.78	4.36%	20.98%	93.19%	-1.09	→	+20.0%	Keep
TSX Group	X	01/18/04	$22.50	16.55%	36.00%	62.27%	+8.12	↑	+15.8%	Keep
ZCL Composites	ZCL	06/20/04	$2.05	9.43%	-4.97%	58.54%	-4.70	→	+133.3%	Keep
Cameco Corp.	CCO	11/19/04	$36.87	2.02%	30.27%	48.22%	-1.44	↑	-31.8%	Keep
Chartwell Tech.	CWH	12/17/04	$5.60	-8.57%	19.40%	42.86%	-2.28	↓	-16.7%	Keep
Pason Systems	PSI	05/16/04	$15.00	12.55%	15.14%	42.00%	-0.17	↑	+25.0%	Keep
La Senza	LSZ.SV	04/17/05	$14.65	23.89%	23.89%	23.89%	+2.86	↑	T	Keep

(continued on page 5)

Quarterly Review *(from page 4)*

Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled	June RS Change	Recent Trend	QEPS Change	Status
McCoy Brothers	MCB	05/15/05	$4.65	20.43%	20.43%	20.43%	+0.05	↑	+400.0%	Keep
Big Rock Brewery Income Trust	BR.UN	10/15/04	$16.05	5.21%	3.17%	15.70%	+0.61	→	-29.2%	Keep
Killam Properties	KMP	01/18/04	$2.36	2.26%	32.68%	15.25%	-5.82	→	L	Keep
CIBC	CM	02/15/04	$66.15	3.31%	4.93%	14.57%	off list	↑	-9.8%	Keep
easyhome	EH	12/17/04	$12.93	2.84%	14.48%	12.12%	-0.60	→	+8.7%	Keep
Kingsway Financial Services	KFS	07/20/03	$18.60	11.29%	9.47%	11.83%	-4.79	↑	+49.1%	Keep
BlackRock Ventures	BVI	01/16/05	$8.92	-6.63%	10.54%	10.54%	new	↑	0.0%	Keep
Le Chateau	CTU.SV.A	06/19/05	$39.06	10.06%	10.06%	10.06%	+1.92	↑	+90.0%	Keep
Sherritt International	S	11/19/04	$8.66	-5.96%	-6.34%	7.51%	-1.92	↑	-19.2%	Keep
Falconbridge	FAL.LV	03/14/04	$34.75	-14.03%	19.97%	7.37%	off list	→	+19.8%	Keep
Ketch Resources Trust	KER.UN	07/18/04	$10.96	-13.64%	-32.86%	4.01%	off list	↓	-69.2%	Drop
Xceed Mortgage Corporation	XMC	01/16/05	$5.05	4.00%	2.97%	2.97%	off list	↑	+57.1%	Keep
Great Canadian Gaming	GCD	03/20/05	$19.32	1.77%	1.45%	1.45%	-2.64	↑	+50.0%	Keep
Draxis Health	DAX	02/15/04	$6.05	-2.72%	2.18%	0.66%	off list	→	+100.0%	Keep
Savannah Energy Services	SVY	02/20/05	$19.35	1.74%	0.00%	0.00%	+0.92	↑	+50.0%	Keep
Ainsworth Lumber	ANS	08/15/04	$30.40	-7.86%	20.00%	-2.11%	off list	→	T	Keep
Potash Corp.	POT	06/19/05	$119.85	-2.42%	-2.42%	-2.42%	-1.48	↑	+144.7%	Keep
Research In Motion	RIM	09/19/04	$94.82	-2.74%	-8.72%	-4.90%	-0.15	→	+139.3%	Keep

(continued on page 6)

Quarterly Review *(from page 5)*

Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled	June RS Change	Recent Trend	QEPS Change	Status
Centurion Energy	CUX	01/16/05	$14.45	-12.92%	-7.20%	-7.20%	-0.15	↑	+166.7%	Keep
Cinram	CRW	08/17/03	$25.83	-8.45%	6.19%	-9.02%	off list	↓	-73.1%	Drop
Cryptologic	CRY	05/15/05	$42.05	-12.32%	-12.32%	-12.32%	-5.27	→	+21.4%	Keep
Calfrac Well Services	CFW	03/20/05	$36.75	-4.88%	-15.65%	-15.65%	-1.98	→	+34.1%	Keep
Mad Catz Interactive	MCZ	02/20/05	$1.72	-31.16%	-20.35%	-20.35%	-3.92	↓	+100.0%	Keep
Axcan Pharma	AXP	06/20/04	$27.43	-8.59%	-19.97%	-32.08%	off list	→	-50.0%	Drop
Westjet Airlines	WJA	01/18/04	$20.97	-12.78%	13.84%	-34.91%	off list	↓	L	Drop
Aggregate Change				**174.85%**	**612.38%**	**7883.34%**				
Average Change				**3.12%**	**10.94%**	**140.77%**				

Dropped (with YTD and Total Gain in brackets) are Axcan Pharma (-19.97%, -32.08%), Calian Technology (-18.22%, 218.18%), Cinram (+6.19%, -9.02%), Ketch Resources Trust (-32.86%, +4.01%), Westjet (+13.84%, -34.91%)

We've had Axcan Pharma on our list since June 2004 and it has failed to perform. Two consecutive quarters of declining earnings per share with no up trend has us drop it from our list. It's also lost 32% since we profiled it. Calian Technology has been one of our better performing stocks since featured, up 218%. But it has had two consecutive quarters of declining earnings as well, is off the Top 500 list and is in a down trend. We're opting to drop it from our Watched List. Cinram continues to be problematic with a decline in earnings of over 70% and a continuing down trend. In almost two years the stock has lost 9% and so we're dropping it. Ketch Resources was added to our list as a result of a merger between our featured stock Bear Creek Energy and Ketch Resources. Bear Creek was doing well before and so was Ketch, but since the merger the income trust has been in decline. It's out. And finally, Westjet. I like the company but it has not proved a very good investment for us. We had featured it a few years ago and dropped it only to see it soar. We added it again in January 2004 and it has had a mess of woes since. Two consecutive quarters of losses says "bye bye".

Killam Properties is a marginal hold. We could go either way on this one but opt to keep it for now. Losses are narrowing and it looks poised to make some gains. Additionally, its asset base has soared.

For the year-to-date our Watched List is up 10.94%, 3.12% for the second quarter. All the stocks on our Watched List are up an average of 140.77% since profiled with two posting gains over 1000% and 23 up over 100%. That's out of a Watched List of 56 stocks. Ten are in negative territory but five of those have been on the list less than six months. Some of our picks are a little slower out of the gate than others so we continue to cut them some slack.

All in all, we're quite pleased with our Watched List's performance.

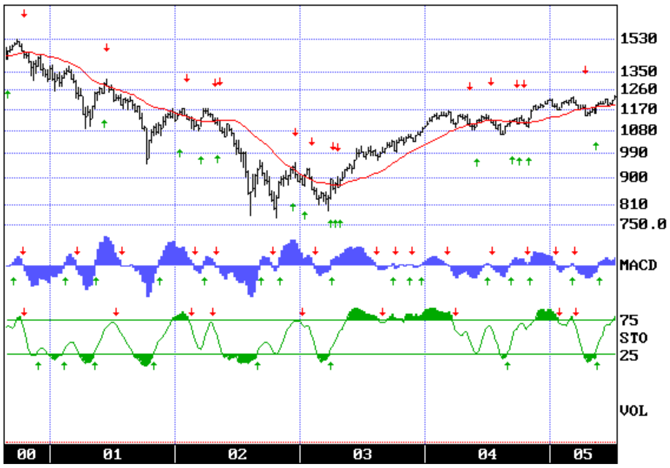
Newsletter Excerpt

Walker Market Letter

July 14, 2005

Today was an interesting day in the stock market. The SP500 traded at its highest level in four years. The high on Thursday was 1233, a level we haven't seen since July 2001. Meanwhile, the Nasdaq Composite is only about 30 points away from a similar accomplishment - hitting its highest high since July 2001.

What is startling about those two charts is how different they look...



5 Year S&P 500

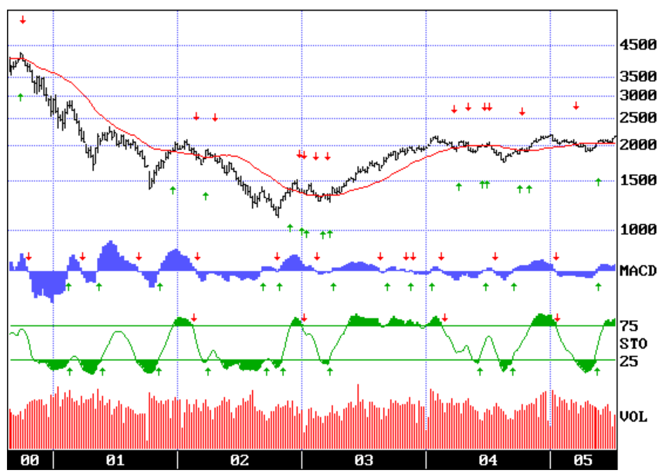
The SP500 closed approximately 21.9% below its all time peak back in 2000. Meanwhile, the Nasdaq Composite is still 58.1% below its peak in 2000.

And a couple more points of contrast... the Dow Industrials are only 9.5% below their all time peak, and the Russell 2000 is actually at an all time high.

This just all points to the rather fractured nature of the market - something that we have seen more and more of in the last few years. Right now my systems are all "in the market". However, even with the last few days of rally, I can't say that I am all that impressed with the market here.

We have basically had a "trading range" for the last seven months or so... with the market mostly going sideways in a rather good sized range. Right now most of the averages are bouncing up against the top of that range. Any time you develop a trading range, the top of the range acts as "resistance" while the bottom of the range acts as "support".

As the trading range continues to develop, it gets harder and harder for the market to break above the top of the range or below the bottom of the range. Now don't get me wrong - sooner or later, the range will get broken on one side or the other.



5 Year NASDAQ

HOWEVER, when the market is running into either side of the range, the odds are generally better that the market will get turned back.

In this case, the market (especially the SP500) is up against resistance at the top of the range. That means that it is going to be "swimming against the tide" here, and further gains could be tough.

In short, there might be "good news" this week, but this is the time to keep the market on a "short leash".

Note: *The charts were added by myself and are copyright by Investools. The article is copyright by Jeff Walker. You can subscribe to the Walker Market Letter by visiting http://www.lowrisk.com/ It's free! I've always enjoyed reading Jeff and I think you might too.*

Energy Sector Pick

Western Lakota Energy Services (WLE–TSX)

(website: www.westernlakota.com)

One of the fastest growing drilling companies in the Alberta oil patch, Western Lakota has grown from just over $5 million in revenues in 2002 to over $37 million in 2004. And it's still growing. The first quarter of 2005 saw revenues soar to almost $20 million while generating earnings per share equal to over 50% of the earnings per share for all of 2004. The company is the sixth largest drilling contractor in the province and also serves parts of British Columbia.

The company is focused on drilling, constructing state-of-the-art drilling rigs at its Nisku plant which it contracts out. One of the advantages of operating a drilling company over operating an actual oil production company is that the company is less prone to suffer the price fluctuations of crude. At any one time it has so many drills contracted out at a specified price. The price of oil may dip, but the revenues for the drilling contractor remain steady. As long as prices remain relatively strong (and they'd have to drop substantially to stem the interest in well development), the demand for rigs will stay high.

Western Lakota started 2004 with eleven rigs in the field and ended the year with fifteen. It projected adding nine more in 2005. More recent projections call for thirty rigs in operation by year end. 2004 also saw the company diversify its client base from five customers to twenty. That is expected to grow throughout 2005. This diversification has helped reduce some of the risk associated with the company as its largest client used to account for 57% of revenues. That has shrunk to 38% and is expected to shrink further to 20%.

Chief Makokis of Saddle Lake First Nation at the Rig #4 Opening Ceremony

If the Lakota name sounds almost tribal, it reflects this up and coming drilling company's strong commitment to working with and developing partnerships with the aboriginal people of Alberta. The company and its native partners typically create a 50/50 ownership in a rig through a limited partnership. The company now has partnerships with the Dene Tha' First nation, Samson Creek Nation, Saddle Lake First Nation, Métis Nation of Alberta, the Blood Tribe, Duncan's First Nation and the Horse Creek First Nation. The Métis Nation rig is 100% owned by the native community and operated by Western Lakota. Twenty percent of the company's workforce is aboriginal and the company operates a Drilling Rig Training Program for native communities.

While the federal government clings to an outdated aboriginal policy that condemns the native community to perpetual poverty as welfare clients, Western Lakota is proving that the native community can be effective partners and productive employees and that production, not welfare is the solution to the so-called aboriginal problem. Kudos to them!

Quarterly Earnings per Share

To Mar. 31st	2004	2005	% Change
EPS (continuing operations)	$0.07	$0.16	+128.57%
Revenues (000s)	$8,829	$19,687	+122.98%

Annual Earnings per Share

To Dec. 31st	2002	2003	% Change	2004	% Change
EPS	$0.08	$0.14	+75.00%	$0.28	+100.00%
Revenues (000s)	$5,383	$17,483	+224.78%	$37,188	+112.71%

(continued on page 9)

Western Lakota Energy Services *(from page 8)*

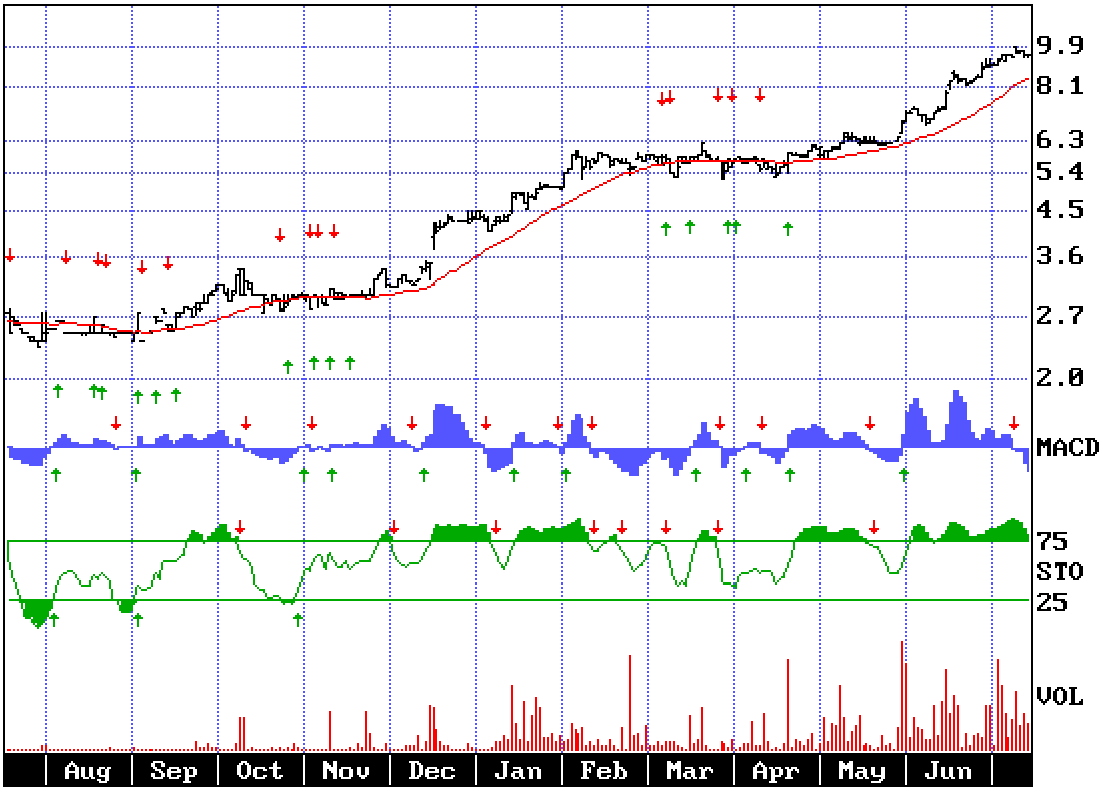


Chart Analysis: Talk about a beautiful chart! Western Lakota is up over 200% in the last year and up over 110% for the year-to-date. One of the intriguing things about this chart is that while the broad market underwent a correction in the first quarter of the year, Western Lakota managed to maintain an even keel. Although the stock could be leveling off and could remain flat for three months at this point, the prospects for continued growth are good. Too bad this company didn't catch our attention in mid-May but at the time it was not yet listed on the TSX.

Stats as of 7/15/05	Phase 2 Analysis
▪ Hi/Lo Ratio: 4.19	▪ Price Pattern: A+
▪ RS: 99.12	▪ Volatility: A+
▪ Shares: 38,730,175	▪ Estimates: A
▪ P/E: 24.87	▪ Snapshot: A+
▪ Price: $9.45	▪ News: A+

Phase 2: We give WLE an A+ for price pattern and an A+ for volatility as it is growing strongly with little in the way of corrections along the way. Estimates are up sharply with a 1.7 or buy rating. We give it an A. Snapshot is very strong with galloping revenues and earnings for the last three years and a return on equity in 2004 of 30.21. Again an A+. And news is also strong with a move to the TSX from the Venture Exchange, an amazing first quarter, and new rigs and contracts added to its stable. Again an 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 June 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.

Super Power Performers			
Fund name	**1 yr**	**3 yr**	**5 yr**
Resolute Growth	82.01	38.97	33.34
Norrep Fund	49.10	29.65	28.99
Mackenzie Universal Cdn. Resource (US$)	34.52	32.67	28.38
Dominion Equity Resource	41.80	28.13	27.63
Front Street Special Opportunities Canadian	42.37	43.58	26.90
Adaly Opportunity-A	28.97	26.48	25.08
Power Performers			
Sprott Canadian Equity	22.24	20.47	28.00
Northwest Specialty Equity	22.88	24.44	24.94
CI Global Energy Corp Class (US$)	71.05	35.60	24.72
Front Street Small Cap Canadian	33.38	32.29	23.85
Mackenzie Universal Canadian Resource	23.00	23.52	23.64
London Life Canadian Resource (MF)	21.99	22.30	23.13
RBC Energy	59.23	27.93	22.86
Sentry Canadian Energy Growth	43.33	24.43	22.36
Dynamic FocusPlus Resource	22.03	21.66	22.26
CIBC Energy	56.64	36.48	22.05
TD Energy	50.69	27.22	21.60
GGOF Monthly High Income Classic	32.27	21.09	21.55
GGOF Monthly High Income Mutual	32.04	20.50	20.90
Sentry Canadian Resource	35.10	26.12	20.21
CI Global Energy Corporate Class	57.27	26.29	20.09

June saw the number of Super Power Performers climb by one to six. The number of Power Performers soared to 15 from 7. And the number of Performers jumped to 43 from 37 giving us a grand total of 54, up from 49 in May.

We've profiled all of the funds making the Super Power Performer list except the Front Street Fund so that's the one we look at this issue.

Fund Profile: Front Street Special Opportunities Canadian Fund

Formerly a small fund called Special Opportunities, this fund, along with its sister fund Multiple Opportunities, was managed by an obscure Vancouver company and available only to B.C. residents. It specialized in volatile small cap stocks and boasted spectacular returns.

All the mutual fund books of the day lauded the two funds' performance but called them high risk. Eventually the company was bought by Toronto's Front Street Capital and the two funds continue to enjoy stellar performance today.

How stellar? Well, let's just look at the Special Opportunities Fund. The one year, three year and five year track records are in the table above – 42.37%, 43.58% and 26.90% respectively landing the fund in our Super Power Performer List. But look further and you'll see that the ten year performance is 20.06% annualized compound return. It's a Power Performer over ten years. And looking at fifteen years, it's record is 15.60% annualized. Since inception in 1990 it's annualized average return is 15.62%.

The Front Street Small Cap Canadian Fund (formerly Multiple Opportunities) is even better at 16.88% since inception in 1985. To sustain such growth over twenty years is nothing short of spectacular. This fund, however, only returned 23.85% for the five year period and so did not make the top tier list. Both funds bounce between the Power and Super Power lists periodically.

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

Looking at the actual annual returns (and Globefund only gives them going back to 1998), we see that each fund only had one losing year in the last seven and that was 1998. During the years following the market crash of 2000, each fund gained while the broad markets dipped. And when the broad market made its nice recovery in 2003, the Special Opportunities Fund soared 121.21%.

The managers of the Special Opportunities Fund follow a top down fundamental approach to find potential investee companies. "Alternative investment strategies are employed, including event-related special situations investing, such as investments in companies undergoing or undertaking tenders, mergers and acquisitions, liquidations, spin-offs and recapitalizations, as well as investments in undervalued shares."

Norm Lamarche has been managing the fund since 1999 and hasn't had a losing year. Top holdings are all in energy and metals.

Performers

Fund name	1 yr	3 yr	5 yr	Fund name	1 yr	3 yr	5 yr
Trimark Canadian Resources	19.00	18.44	22.82	Friedberg Diversified (US$)	269.58	26.99	17.38
Mawer New Canada	22.00	19.68	22.04	GWL Canadian Resources (A) NL	31.01	22.82	17.30
Bissett Income-F	26.19	19.77	21.15	Bissett Small Cap-F	27.50	17.34	17.22
Ethical Special Equity	20.47	19.52	20.99	Vertex Fund - A	28.67	21.58	17.16
CI Signature Canadian Resource	28.14	18.74	20.86	IA Group Dividends	23.83	17.00	17.06
Renaissance Canadian Income Trust	33.34	18.76	20.68	Acuity High Income	20.59	17.93	17.02
Clarington Canadian Small-Cap	19.93	18.40	20.46	Sceptre Equity Growth	20.66	25.74	16.92
Bissett Microcap-F	35.12	19.21	19.74	Altamira Resource	33.02	27.17	16.86
Acuity Pooled High Income	22.85	20.51	19.71	North Growth U.S. Equity (US$)	15.17	24.60	16.76
Mackenzie Cundill Recovery 'C'(US$)	21.58	22.88	19.67	Montrusco Bolton Canadian Small Cap 'B'	27.50	21.99	16.73
CI Global Energy RSP	56.74	25.86	19.61	CI Signature High Income	21.67	16.42	16.48
Assante Canadian Equity Value Pool	23.98	16.53	19.59	Goodwood Fund-A	46.33	15.59	16.34
BMO Resource	21.94	16.11	19.49	Acuity Pooled Conservative Asset Allocation	27.00	21.83	16.24
Desjardins Financial Pool Bissett SmallCap	28.94	19.04	18.88	Hillsdale Canadian Performance Equity A	18.72	20.17	16.16
Mavrix Dividend & Income	17.58	17.39	18.23	Middlefield Enhanced Yield	28.60	18.17	16.10
Elliott & Page Monthly High Income	19.98	15.27	18.01	Dynamic FocusPlus Real Estate	21.32	15.87	15.53
AGF Global Resources Class (US$)	30.21	26.80	17.98	Canada Life Gens Small Cap Equity (Biss)	25.21	15.35	15.38
Dynamic Global Resource	30.34	28.82	17.83	Millennia III B Small Cap 3	25.50	15.49	15.22
TD Resource	28.23	16.93	17.65	Millennia III B Small Cap 4	25.36	15.36	15.12
GWL Canadian Resources (A) DSC	31.29	23.09	17.56	Concordia Special Growth	17.71	15.62	15.10
AGF Canadian Resources	32.80	23.79	17.52	Clarica SF CI Signature Canadian Resource A	26.74	18.27	15.04
Saxon High Income	17.07	15.02	17.41	**Power Performers Copyright © Marco den Ouden**			

Our Model Portfolio

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

Current Position: $146,796.25 (Up 193.59%) Up 19.97% YTD

Last issue I reported our Model Portfolio was up 10.50% for the year with a value of $135,210.50. During the last month, most of our stocks made gains. None hit a stop loss. And our portfolio gained over $12,000 in value. The biggest gain was in GSW Inc. which soared on takeover talks. It jumped from $59 a share to $85 a share for an aggregate gain of $7150 by itself. Lesser gains in our other stocks boosted the portfolio by another $5000. Cash distributions from our income trusts raised our cash position to $539.35.

Big Rock Brewery Inc. Fund (BR.UN – TSX)

# of Shares: 490	**Bought:** May 16/05
Price Then: $19.14	**Price Now:** $18.90
Gain: -1.25%	**Stop:** $16.36

Notes: Big Rock Brewery is a craft brewery based in Alberta. It has been a solid growth stock as well as distributing income.

CCS Income Fund (CCR.UN – TSX)

# of Shares: 480	**Bought:** May 19/03
Price Then: $10.15	**Price Now:** $31.15
Gain: +207.05%	**Stop:** $25.14

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

GSW Inc. (GSW.B – TSX)

# of Shares: 275	**Bought:** May 17/04
Price Then: $34.73	**Price Now:** $85.00
Gain: +144.75%	**Stop:** $68.00

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

Home Capital Group (HCG – TSX)

# of Shares: 450	**Bought:** Aug. 9/04
Price Then: $21.49	**Price Now:** $38.55
Gain: +79.39%	**Stop:** $30.84

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

Kingsway Financial (KFS – TSX)

# of Shares: 625	**Bought:** May 24/04
Price Then: $15.00	**Price Now:** $21.46
Gain: +43.07%	**Stop:** $18.51

Notes: Kingsway Financial is a leading supplier of alternative insurance services. After a slump in early 2004, the stock is on the move again.

McCoy Brothers (MCB – TSX)

# of Shares: 2100	**Bought:** May 30/05
Price Then: $5.05	**Price Now:** $6.40
Gain: +26.73%	**Stop:** $5.44

Notes: McCoy Brothers is an Alberta based manufacturer of trucks for industry as well as a truck fleet maintenance specialist.

Peyto Energy Trust (PEY.UN – TSX)

# of Shares: 300	**Bought:** Mar. 29/04
Price Then: $15.15	**Price Now:** $30.00
Gain: +98.02%	**Stop:** $24.80

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.

Reitmans (RET.NV.A – TSX)

# of Shares: 770	**Bought:** May 9/05
Price Then: $15.05	**Price Now:** $17.00
Gain: +12.96%	**Stop:** $15.20

Notes: Reitman's is a leading Canadian women's fashions retailer. The stock has been a solid performer in the last year.

Richelieu Hardware (RCH – TSX)

# of Shares: 410	**Bought:** May 2/05
Price Then: $24.92	**Price Now:** $23.49
Gain: -5.74%	**Stop:** $20.80

Notes: Richelieu Hardware has been a solid stock since first profiled. Too bad we didn't add it to the portfolio sooner!

RONA Inc. (RON – TSX)

# of Shares: 560	**Bought:** Sept. 27/04
Price Then: $16.05	**Price Now:** $24.55
Gain: +52.96%	**Stop:** $21.50

Notes: RONA is Canada's largest home improvement company – yes – even larger than Home Depot.

Reader's Query *(from page 1)*

How does the rating on a particular stock change from Sell to Wait to Buy?

Every week I publish a feature called Trend Watch in the Subcribers Area of the website. In Trend Watch I look at the market indices and give a short analysis. But the meat of the matter for readers is the weekly update of my Watched List. Not all the stocks on the Watched List are rated buy at any particular time. The ratings change as circumstances change.

I should interject quickly at this time that my ratings are not to be construed as investment advice or recommendations. I am not a licensed investment advisor and my ratings are just an opinion, nothing more. Readers are advised to consult a professional investment advisor and Ken and I assume no liability for losses that might occur from readers acting on our opinions.

That said, let's get on with the answer to the question.

First, when do I change a buy rating to a sell rating? That one is simplicity itself. When it hits its stop loss. As discussed in recent issues, we have revised our stop losses significantly to make them simpler. The stop loss is a trailing stop either 15% or 20% below the most recent closing high depending on how profitable the stock has been for us since it was rated buy. If it has returned more than 50% at its peak, the stop loss is a trailing 20%. If less than 50%, then the stop loss is a trailing 15%.

Now on to our reader's question. When does a sell rating change to wait and then to buy? We have three criteria that must be met for a stock to be rated buy after being downgraded to sell.

- The stock must rise 10% from its Recent Low and
- The leading edge of the 30 day moving average must slope upwards and
- The stock price must have tested the 30 day moving average and bounced to the upside since changing direction.

A stock is rated wait if it meets one or two of our criteria for upgrading to buy but does not meet all three. In other words, the stock is in transition. It has shown it is in the process of changing direction but has not confirmed it strongly enough for us.

The first criterion is quite simple. Every day we look at the stock's closing price. If it is lower than it has been since it was rated sell, that closing price becomes the new Recent Low. If it goes up the next day, the Recent Low stays the same. If it falls further, the Recent Low gets lower.

If the stock goes up in price, we calculate how much it has risen from the Recent Low. It must rise ten percent before we consider changing the rating to buy.

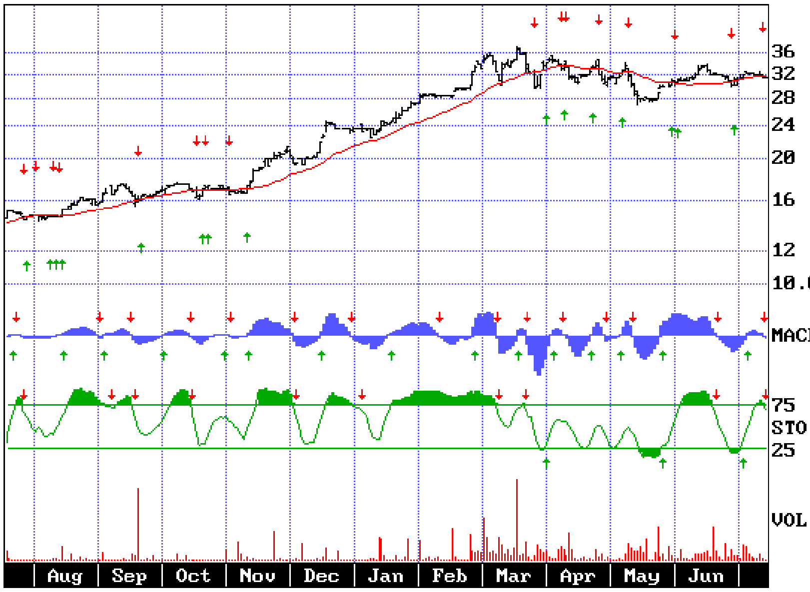
The next two criteria taken together offer more of a challenge. We want the slope of the 30 day moving average to be up. So if a stock has risen ten percent from its Recent Low but the moving average is still sloping down or sideways, the stock is rated wait. If the stock has risen ten percent from its recent low and the moving average is sloping up but has not yet tested the moving average, we continue to rate it wait.

The best way to explain it is to look at examples as our reader has asked.

(continued on page 14)

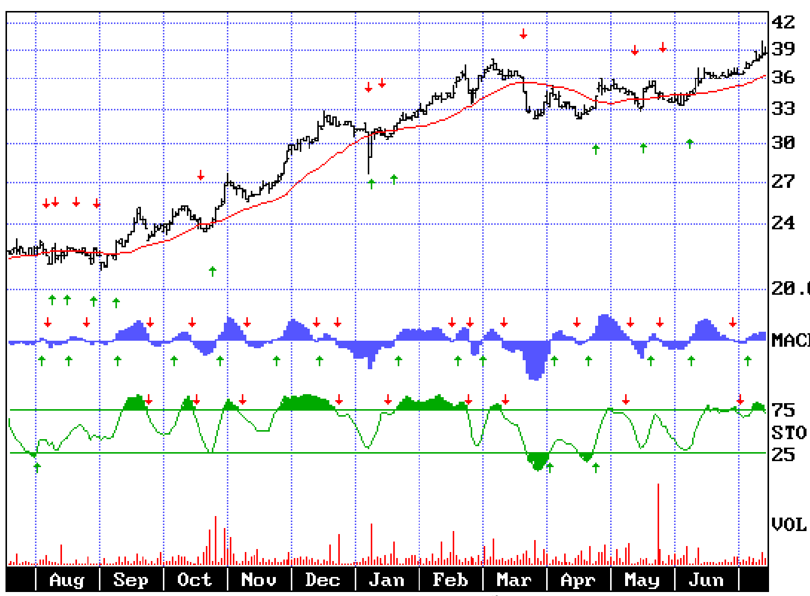
Reader's Query *(from page 1)*

On June 24, Calfrac Well Services was rated wait in our Trend Watch feature. It had hit a low of $27.23 while rated sell and was up 14.35% from that point. But the slope of the moving average was sideways. See the chart below.



The next week in our July 1st Trend watch, the slope of the moving average was up. And in fact, since the stock reversed in mid-May, it peaked in mid-June and fell back a bit. By July 1st, it was starting to move up again. In other words, it had tested the moving average and bounced to the upside. It was a weak test of the moving average but enough for us to decide to change the rating to buy. Looking at the chart today, Calfrac is starting to move sideways a bit. Maybe we changed the rating too soon. But we think the potential is for an up move as this has been a very strong stock in the past. And as an oil services company, it is not as prone to the adverse effects of a drop in the price of oil.

Another example is Home Capital Group, shown below.



In our June 10th Trend Watch, Home Capital was listed as being in an up trend by moving average but it was only 7.09% above its Recent Low. So it was rated wait.

A week later on June 17th, Home Capital was up the required 10% and it had tested its new up trend successfully twice, rising and falling twice, each low higher than the previous low. I changed the rating to buy. The timing was perfect as the stock has moved up strongly since.

The question may arise, why was Home Capital Group still in our Model Portfolio on June 10th and not sold off when it had been downgraded to sell? That is because it had a profit level of over 50% in our Model Portfolio and our sell rules varied with the profit level depending on when you bought the stock. In our Trend Watch tables we assumed the reader had just bought the stock and so our 10% stop loss applied. We have since upped the 10% stop loss to 15% or 20% according to its performance while in our Watched List and not on when you bought it. This eliminates discrepancies between the Watched List and the Model Portfolio. Be sure to check the Trend Watch feature weekly online!