

the Break Out Report

Volume # 3, Issue # 4

December 19, 2004

News Watch

Where's the Beef?

Market Timing Ain't No Sin – The big news Thursday was the fining of a number of major mutual fund companies and brokers by the Investment Dealers Association for allowing market timing by some of their clients. The fines totaled almost \$200 million and the companies assessed were CI Fund Management, AGF Funds, Investors Group and AIC Limited as well as bank-owned brokers TD Waterhouse, RBC Dominion Securities and BMO Nesbitt Burns.

The allegation was that these companies allowed a few select large players to actively trade in and out of mutual funds, sometimes with deals worth millions. Some of these major players were hedge funds.

The interesting thing to note is that such trades are *not* illegal. They are merely frowned upon by the IDA, a self-regulatory body governing the business. The trades are regarded as “serious misconduct” because they supposedly hurt small investors and long term investors. How? Beats me! It is alleged that such actions increase volatility. It could also force some fund companies to close out positions to generate the cash to meet redemptions. And some fund companies complained to the IDA because the practice caused them some headaches.

But the big question for me is, so what? What's wrong with that? If some investors, including some with big stakes, are smart enough

(Continued on page 3)

Strategies

What should go in Your RRSP?

Conservative advisors usually recommend putting GICs and interest generating investments in your RRSP. Stocks are considered too risky.

The rationale is two-fold. First, interest is fully taxed. Thus it should be put in a tax shelter like an RRSP. Capital gains, on the other hand, are taxed at a more favorable rate. Second, stocks sometimes come a cropper and lose money. Outside an RRSP, capital losses can be deducted from capital gains, reducing your tax load.

That argument, to me, is a load of codswallop. It's based on the presumption that you're going to lose money stock investing. It's based on a worst case scenario. How pessimistic!

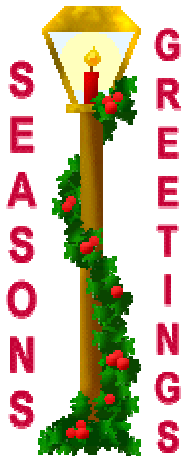
Consider: Suppose you have \$100,000 earning 5% in a GIC and \$100,000 invested in stocks, say our Model Portfolio, which is up 40% this year. Suppose a marginal tax rate of 50%. Capital gains are taxed at half of that or 25%. With the GIC inside the RRSP and the stocks outside, your tax bite is \$10,000 (25% of your \$40,000 capital gain).

With the stocks inside and GIC outside, your tax bite is just \$2500 (50% of \$5000).

The “conservative” way is better only if interest rates are high or you can't make at least twice as much in capital gains as in fixed income instruments. One year GICs are currently paying 3% max. Do the math!

In This Issue: New Buying Opportunities (See Page 5)

Best Wishes for Christmas And the New Year!!!



Ken and I would like to wish all our subscribers and their families the merriest of Christmases (or Chanukah, Kwanza or whatever the case might be!)

Reflecting on the year past, we should count our blessings. Think about the blessings of family and friends, fulfilling work, and the people and events that inspired us and urged us to excel.

And think about the year ahead. What can you do to make your life and the lives of your loved ones better in 2005? Maybe it's taking a course to improve your skill set so you can make more money. Maybe it's taking up a new hobby or spending more time with an old one. Maybe it's taking more time away from the workaday world to spend with family. Maybe it's



**We wish you peace
and prosperity
for 2005.**

pledging to break some bad habits – give up smoking, exercise more, be a better listener.

Set Goals for 2005

For several years now, I have been a student in the Raymond Aaron Monthly Mentor program. One of the things we do every year is set goals for the following year. But you don't have to be a Monthly Mentor member to do this. Here is how you can do it at home.

On a clean sheet of paper (or a blank word processing page), write the heading My Goals for 2005. Below that list your goals. It's important to write your goals properly to facilitate their accomplishment. Make sure you state all goals in an active voice and positive way. Make your goals time specific. Set a deadline for accomplishment. And make the goal measurable. Set yourself minimum, target and outrageous objectives for each goal.

Besides your run of the mill goals – cleaning the garage, taking a course, etc. – set a few “dream” goals even if you think you might not accomplish them. A dream vacation maybe. Or a dream house. Or even a dream job or a dream income. Set your sights high. You may be amazed at the results!

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News Watch (from page 1)

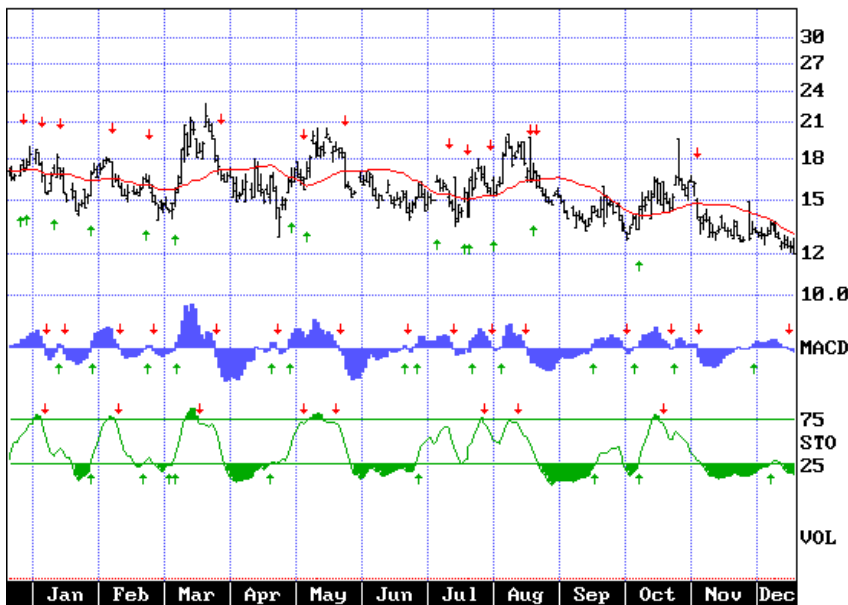
to read the markets and accurately predict impending changes in the market, why should they not be allowed to act on this knowledge?

Last January, in fact, I was “guilty” of just such action. I closed out my precious metal mutual fund holdings and moved them into small caps. I was right. Every single one of the precious metals funds listed by Globefund is down for the year-to-date anywhere from 8.30% to 25.19%. The latter was the fund I had my money in. Small caps, meanwhile, had only three losers out of 89 funds. The rest all had gains up to 35.45%. I market timed myself from a losing position into a winning position. This is wrong? Is the IDA telling me I and other investors must stick with losers because it is “inconvenient” to some mutual fund companies? The regulators are out to lunch on this one!

NASDAQ Tempting Fate? – The best source of news is often not the headline stories but the columnists. One such is William Hanley of the Financial Post. Always insightful, Hanley often drops information that one might not find elsewhere. Sometimes it derives from interviews with savvy and often contrarian investment mavens. But often it’s just his conservative and cautious bent on the markets that leads to interesting tidbits. One such was Friday’s column which featured the heading I used here. Hanley points out that the current NASDAQ rally has pushed the average P/E ratio on NASDAQ stocks to an astounding 52. And while earnings are growing, even based on projected earnings the P/E is 36.

Hanley cites Don Coxe, a portfolio strategist for BMO Financial Group, who avers that a rally led by NASDAQ techs is not to be believed. He says to watch for one led by solid dividend paying stocks. He also notes that market sentiment is at the “highest levels I’ve ever known – and they’ve got nowhere to go but down.” He says there is “real risk” in the current market.

Of course, he’s talking about the VIX, the measure of market sentiment. To find this in the Investor Toolbox, click on Strategies in the top menu and then on Market Posture in the left hand money. The VIX mini-chart is the fourth one on the right hand side. Click the link to get the full-sized version – shown below.



The VIX is at 11.95, its lowest level in eight years. Although the correlation is loose, typically the VIX goes higher as markets fall and goes lower as markets rise. As Investools puts it, “as the VIX nears a point of support or a low for the year, it’s wise to tighten up on your stop loss orders and perhaps take some profits off the table”.

Coxe goes on to say that “strong currencies beget strong markets” and this bodes well for the Canadian market, which as we noted last issue, has out-

performed the US markets on an exchange adjusted basis. The current rally in the US dollar, he says, is a typical year end rally as multinationals repatriate currency for tax and other reasons. The continuing long-term trend for the greenback is down, baby, down!

(continued on page 4)

News Watch (from page 3)

Gold Heading Down? – E*Trade issued an advisory Thursday on gold. The CBOE Gold Index, the note advises, has formed a “megaphone top” and they predict a drop to 74-76. The equivalent for the XAU would be a drop to around 85. My own take is a bit different. Below is the five year XAU with trend lines drawn in.



As you can see, the XAU has been in an uptrend since late 2000. It has fluctuated widely between a fairly definite bottom trend line and two different upper trend lines. The pattern so far has been to hit the lower of the upper trend lines, retrace to the bottom trend line, break through to the higher of the upper trend lines and repeat.

I had thought the lower of the upper trend lines might prove to be support earlier this year when the XAU rode it for a while, but it collapsed abruptly in April. From May through mid-August it fluctuated in a tight triangle formation before breaking through. A new short term trend line was formed at which the index now sits. The Index can go either way in my view. It can retrace to the lower trend line – about 85, or it can bounce off the short term trend line to the upside. Eventually the XAU will break through to the upper trend line again as the US dollar continues to weaken. The XAU barely moved last week so we are still waiting to see which way it will go. Next week may tell the story.

The One and Only Contest – Not yet in the news but soon to be - the results of the 2004 One and Only Stock Picking Contest in the Globe and Mail. You’ll recall that yours truly’s entry was Peyto Energy Trust. Well, allow me to toot my own horn, but as you can see in the table below, Peyto is at the top of the heap. The percentage gain shown does not include distributions which would add another \$1.53 (including the final distribution which would be paid in mid-January). That would bring the return to 76.44%. I am not the winner, however, as Professor Moshe Milevsky locked in his gains on Forbes Medi-Tech after the first quarter. That stock subsequently plunged.

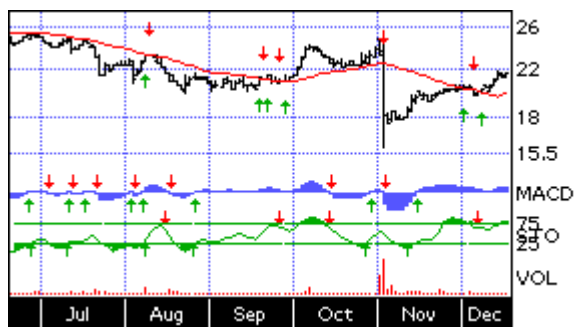
I’ve already been asked to submit next year’s entry. We’ll tell you which stock I’ve picked after it’s published in the G&M.

Name	Symbol	Price	Cost	Gain/Loss
Peyto Energy Trust	PEY.UN	\$46.55	\$27.25	70.8%
TSX Group	X	\$53.99	\$42.90	25.9%
GMP Capital Corp.	GMP	\$19.89	\$16.68	19.2%
Killam Properties	KMP	\$2.00	\$1.74	14.9%
Forbes Medi-Tech	FMI	\$3.22	\$3.47	-7.2%
Husky Injection Molding	HKY	\$4.65	\$5.61	-17.1%
QLT Inc.	QLT	\$19.00	\$24.50	-22.4%
Biovail	BVF	\$19.40	\$27.91	-30.5%
Tan Range Exploration	TNX	1.09	1.67	-34.7%
WestJet Airlines	WJA	11.65	28.45	-38.6%

Watched List Update

New Buying Opportunities

The following four stocks all changed rating from Sell or Wait to Buy this week. So if you're looking to add new positions, particularly in stocks that may have been weak for a while and are now starting to gain strength, these might fill the bill. As always, don't take our word for it. Do your own due diligence.

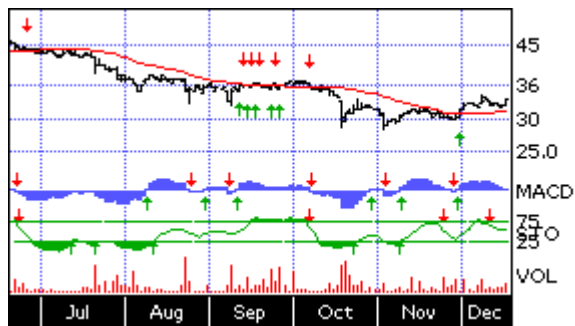
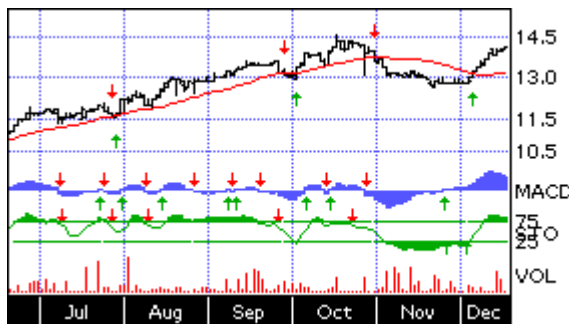


Cinram (CRW)	Profiled: 08/17/03
Price then: \$25.83	Price Now: \$21.55

↔ This manufacturer of CDs and DVDs was a powerhouse through September 2003 and then started to falter. Despite a solid third quarter report, it failed to meet expectations and dropped sharply in early November. Since bottoming it has been climbing steadily and we've now given it the green light. Down 16.57% since featured.

Contrans (CSS.UN)	Profiled: 10/12/01
Price then: \$3.63	Price Now: \$14.10

Trucker Contrans has soared 288.43% since we featured it three years ago. During this time it was converted from a stock to an income trust and continued to thrive. In late October it underwent a correction which has now ended and we think it will continue to advance from here. It pays a nice distribution too.

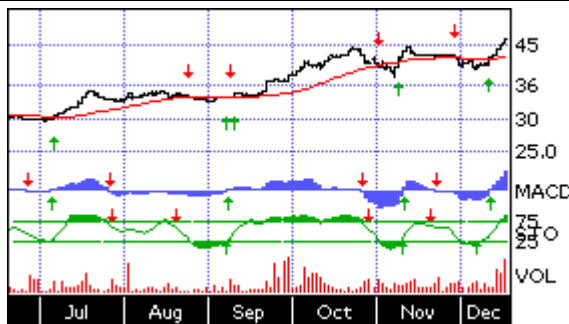


Cott Corp. (CTY)	Profiled: 07/27/01
Price then: \$20.50	Price Now: \$33.30

↔ Also featured in 2001, Cott Corporation has proven to be a strong performer and is up 62.44%. It had soared to almost \$46 in June this year when it started to nosedive when a major shareholder dumped over 6 million shares on the market. That has now been absorbed and the stock is recovering.

Peyto (PEY.UN)	Profiled: 02/22/02
Price then: \$5.15	Price Now: \$46.55

This low-cost natural gas producer has been a powerhouse in our portfolio and is up 803.88% since first featured. It hit our soft stop last week while it was in a short term sideways trend so we rated it a sell. A mistake as it turns out as the stock gained over \$5 this week. We may re-evaluate our selling criteria as a result.



Technology Pick

Chartwell Technology (CWH –TSX)

(website: www.chartwelltechnology.com)

There's a little bit of the gambler in all of us and a lot of the gambler in some of us. Let's face it. Gambling is fun. Put up a small amount of money and who knows? You might win the big jackpot. That's why lotteries have been such consistent money makers for governments.

Alberta-based Chartwell Technology is a leading developer of gambling software for the Internet. Founded in 1998, the company has managed to weather the tempest of the technology crash and the controversies sometimes surrounding similar companies. One Vancouver-based company, for example, was raided by the RCMP for illegal gaming and eventually moved offshore to a tax haven in the Caribbean to escape legal problems.

Chartwell has managed to escape such problems by focusing on developing software, not on operating it. They license their software to third parties in jurisdictions where such companies can operate legally. So most of Chartwell's business is in the European and Asian markets, both of which are growing venues for online gaming.

In their 2003 Annual Report, Chartwell noted that the gaming market is moving from the entrepreneurial phase to one of being professionally run and managed. And governments are working "to legitimize the industry and provide a legal framework for operators to work within." Britain may pass new Internet gaming legislation as early as 2005 and Chartwell has opened a London office to take advantage of the new opportunities arising. The Isle of Man, Malta, Gibraltar and Alderney are already thriving jurisdictions for online gambling.

In a study, Sapient estimated online gambling in Europe alone would increase from 1.6 million participants in 2002 to 2.8 million in 2004 and 3.3 million in 2005. Revenues are expected to hit 6.3 billion Euros in 2005.

Which brings us to Chartwell's products, an integrated suite of software products that include casino games, Bingo, poker and slots as well as management tools like CyberBoss and CyberBanx to administer the games. Chartwell customizes these products to the client's color schemes and designs. The company is also a recognized leader in Java-based mobile applications that allow players to continue their games using PDAs and other mobile devices.

Chartwell employs 60 people in Calgary, Vancouver and London, England. It is debt free. And after two years of losses, the company turned a profit of \$0.11 a share in 2003. Numbers for 2004 are not in yet, but trailing revenues to July 31, 2004 are 43.67% higher than fiscal 2003 revenues. Earnings have doubled. When fourth quarter numbers are in, those figures should look even better.

Quarterly Earnings per Share

To July 31st	2003	2004	% Change
EPS	\$0.02	\$0.07	+250.00%
Revenues (000s)	\$1,966.1	\$3,597.6	+82.98%

Annual Earnings per Share

To Oct. 31st	2002	2003	% Change	2004 (TTM 7/31/04)	% Change
EPS	-\$0.10	\$0.12	turnaround	\$0.24	+100.00%
Revenues (000s)	\$3,845	\$7,330	+90.64%	\$10,531	+43.67%

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Chartwell Technology (from page 6)

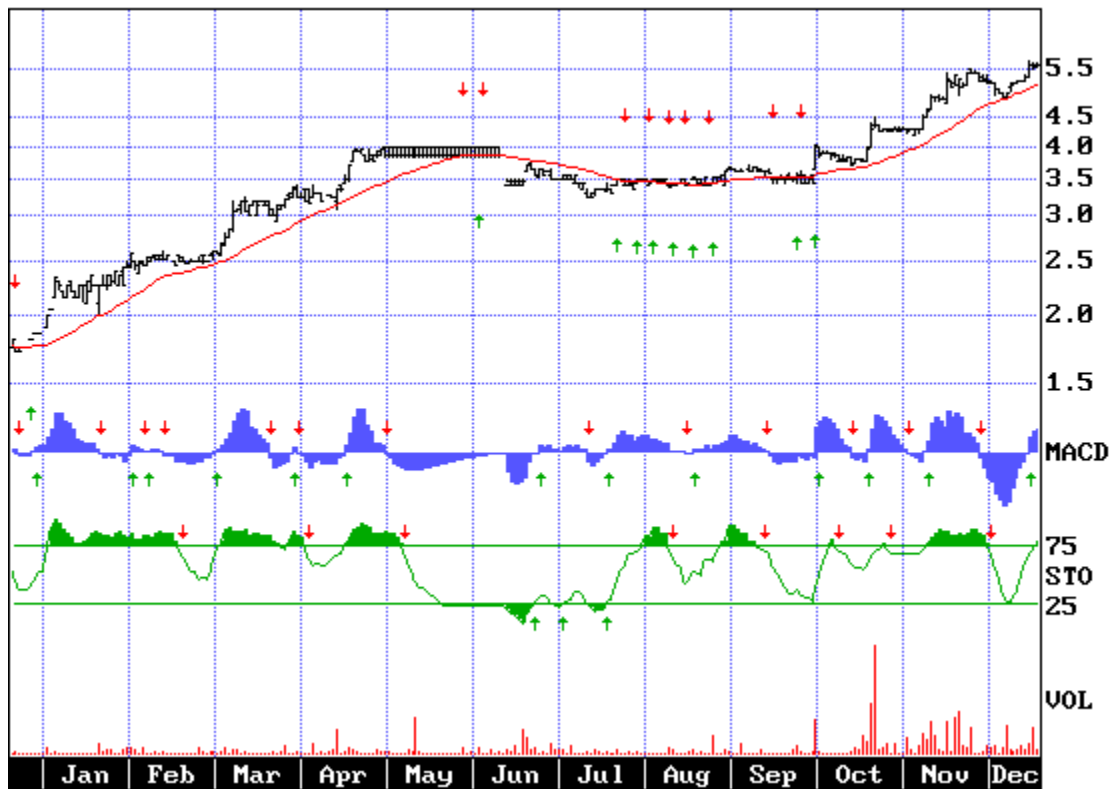


Chart Analysis: Chartwell soared to the \$7 mark during the tech boom and crashed to under a dollar in the subsequent rout. It then climbed back to \$2.50 before crashing back to its lows around \$0.75 again in 2002. That formed a double bottom from which the stock has steadily risen since. This year, in fact, has been a dynamic one that has seen Chartwell gain 202.7% since January 1st (It's the 19th best performer on the TSX so far this year.) As the chart shows, the stock is on the move again after consolidating its gains from mid-April through to the end of September. It took a strong jump up in October on strong volume. It bounced off the moving average to the upside in early December. Further growth is likely.

Stats as of 12/17/04	Phase 2 Analysis
▪ Hi/Lo Ratio: 3.31	▪ Price Pattern: A
▪ RS: 99.02	▪ Volatility: A
▪ Shares: 16,062,566	▪ Estimates: A+
▪ P/E: 20.74	▪ Snapshot: A-
▪ Price: \$5.60	▪ News: A

Phase 2: We give Chartwell an A for price pattern and for volatility as it is growing but not showing wild swings. Estimates for 2005 are up sharply and it has a 1.5 or Strong Buy rating so we give it an A+. Overall rating is 2.0 or buy based on reports from nine analysts. So we give it a B-. Snapshot shows steadily growing revenues and significantly growing earnings but losses in 2001 and 2002. Return on equity is strong at 21.67 for fiscal 2003 and improving. We give it an A-. News is solid with a move up to the TSX in April, strong quarterlies, new financing and recognition as the sixth fastest growing technology company in Canada by Deloitte & Touche. We give it an A.

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

Retailing Pick

easyhome (EH –TSX)
(website: www.easyhome.ca)

Catering to people's dreams is big business and easyhome has carved out a nice niche doing just that. The company rents out everything from top-quality household furnishings to appliances and home electronics. Want to get that large screen TV but can't afford to cough up three to five grand to buy one? Visit easyhome and lease one for a week, a month or longer. Quit anytime with no penalties. Great if you want to have, say, a Grey Cup party or Super Bowl party. What could be easier?

Or rent small appliances and electronics. Going on vacation and you want to film it but don't want to cough up \$600 for a movie camera? Rent one for \$14 to \$22 a week.

Their vision as stated on their website is "Everyone should be given the opportunity to enhance their home and lifestyle. We are the leader in helping people get exactly what they want for as long as they want... right now!" Call it instant gratification.

This model has proven spectacularly successful and easyhome is now Canada's largest merchandise rental company and the fourth largest in North America. It has 142 stores in all ten provinces coast to coast.

The company showed a loss for fiscal 2001 but turned the picture around in 2002. And while sales growth has been a modest 5-10% a year, earnings per share grew by 41.67% in 2003. Trailing twelve months numbers to Sept. 30, 2004 show revenues up by 11.27% and earnings more than doubled. Things are starting to accelerate as the company starts to get known. It is still a relatively unknown company to the home consumer. I hadn't heard of it except in doing research for this report. As it gets more well known, the potential is terrific.

Equally important, it is not well known among investors and trades a small float of just 6 million shares. As it attracts attention, the limited supply of stock will help propel it higher. The price to earnings ratio remains a relatively low 12.85.

Quarterly Earnings per Share

To Sept. 30th	2003	2004	% Change
EPS	\$0.23	\$0.61	+165.22%
Revenues (000s)	\$19,335	\$22,036	+13.97%

Annual Earnings per Share

To Dec. 31st	2001	2002	% Change	2003	% Change
EPS	-\$0.45	\$0.60	turnaround	\$0.85	+41.67%
Revenues (000s)	\$67,759	\$72,437	+6.90%	\$78,718	+8.67%

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easyhome (from page 6)

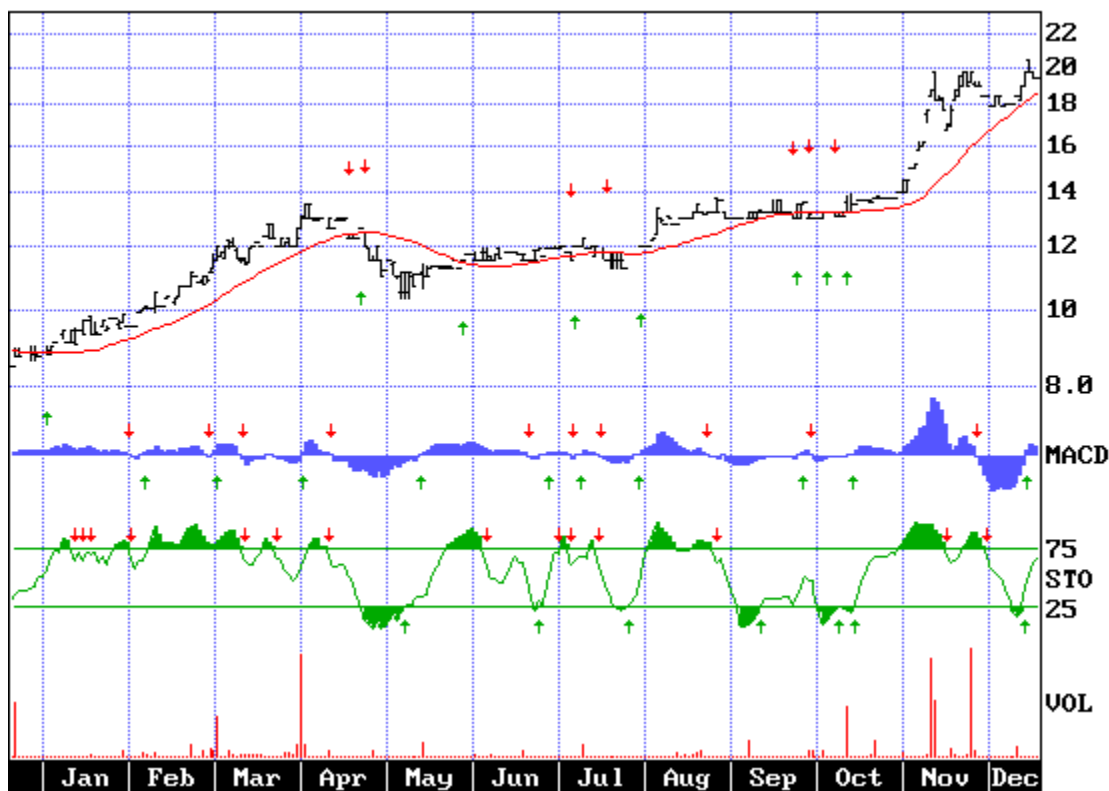


Chart Analysis: Easyhome has been on a tear for the last year, more than doubling in price. It gapped up strongly in November on large volume and has just bounced off the moving average to the upside. A strong third quarter was the impetus. The stock shot as high as \$15 in 2000 before dropping to almost \$2 in 2001. Since then it has been advancing steadily.

Stats as of 12/17/04	Phase 2 Analysis
<ul style="list-style-type: none"> ▪ Hi/Lo Ratio: 2.42 ▪ RS: 97.17 ▪ Shares: 6,080,129 ▪ P/E: 12.85 ▪ Price: \$19.40 	<ul style="list-style-type: none"> ▪ Price Pattern: A ▪ Volatility: A ▪ Estimates: A+ ▪ Snapshot: A ▪ News: A

Phase 2: We give EH an A for both price pattern and volatility as it has been climbing steadily with only minor corrections all year. Although covered by just two analysts, estimates are up strongly for this year and next and the overall rating is 1.0 or Strong Buy. We give it an A+. The snapshot shows only modest growth in sales but a loss in 2001 turned into a strong profit in 2002 followed by continued strong profit growth in 2003. Trailing twelve months figures to Sept. 30th show profits more than doubling. Return on equity was weak in 2003 at 9.93 but should improve substantially when 2004 numbers are out. We give it an A. News is just quarterly reports but they have been good and getting better so we give it 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 November 2004)

Definitions

Power Performers – Mutual Funds returning better than 20% in each of the one year, three year and five year time periods.

Super Power Performers – funds returning better than 25% in the three relevant time periods.

Performers – funds returning better than 15% in each of the time periods.

The last few months have been a powerhouse as the TSX Index soared from a low of 8132.34 on August 12th to close at 9030.05 on November 30th. That's a gain of 11.04% in three and a half months. This surge is now starting to show up in the number of funds making our tables.

The number of our Super Power Performers actually dropped by one in November to four. But the number of Power Performers soared big time to 24 from just five in October. And the number of Performers also gained, climbing to 40 from 38. Grand total: 68 funds compared to 48 for October.

The mix continues to be small caps and resource funds. Resource funds making our list were focused more on energy than precious metals. Precious metals funds still have negative numbers for one year return and pure precious metal funds did not make any of our lists.

25 of our funds had track records of ten years or more. And interestingly enough, some met our 15% return requirement for the ten year and even the fifteen year periods. The table at right shows that Resolute Growth meets the

Super Power Performers

Fund Name	1 yr	3 yr	5 yr
Resolute Growth	52.62	37.45	43.04
Sprott Canadian Equity	38.68	36.50	40.80
Dominion Equity Resource	46.59	36.01	33.16
Mackenzie Universal Canadian Resource (US\$)	47.31	46.69	29.99

Power Performers

Norrep Fund	21.85	28.58	29.41
Front Street Small Cap Canadian	23.46	39.01	29.17
Mackenzie Universal Canadian Resource	35.17	33.71	24.57
London Life Canadian Resource (MF)	33.93	33.37	24.49
Sentry Canadian Energy Growth	36.28	23.37	23.75
RBC Energy	51.18	23.92	23.68
Vertex Fund	28.73	21.23	23.47
CIBC Energy	57.19	33.05	23.06
TD Energy	45.77	23.87	22.92
Mawer New Canada	28.71	27.04	22.91
Northwest Specialty Equity	24.73	33.45	22.54
CI Signature Canadian Resource	30.71	23.15	22.45
CI Global Energy (US\$)	74.63	31.51	22.25
Bissett Income-F	25.59	21.22	21.99
Elliott & Page Growth Opportunities	20.09	22.13	21.91
R Small Cap Canadian Equity	20.67	22.67	21.91
Ethical Special Equity	20.50	28.38	21.54
Trimark Canadian Resources	24.32	24.97	21.39
Hillsdale Canadian Performance Equity	29.78	22.98	21.31
GGOF Monthly High Income Classic	26.64	21.46	21.23
Sceptre Equity Growth	26.08	33.12	20.82
GGOF Monthly High Income Mutual	25.81	20.67	20.64
Dynamic FocusPlus Resource	35.78	30.97	20.54
Mackenzie Cundill Recovery 'C'(US\$)	21.57	32.69	20.03

Long Term Super Power Performer

Fund name	1 yr	3 yr	5 yr	10 yr	15 yr
Resolute Growth	52.62	37.45	43.04	25.22	n/a

Long Term Power Performer

Front Street Small Cap Canadian	23.46	39.01	29.17	22.24	19.49
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Marco's Power Performers (from page 10)

Super Power Performer criteria for the ten year period as well as the one, three and five year periods. And Front Street Small Cap Canadian makes the Power Performer criteria for ten years and just misses on the fifteen year. The table below shows some additional notables in the Performer category. The ABC Fundamental Value misses on the ten year but makes it on the fifteen year so we have included it in our table.

Long Term Performers					
Fund name	1 yr	3 yr	5 yr	10 yr	15 yr
Front Street Special Opportunities Canadian	18.81	45.32	32.07	20.93	n/a
Dominion Equity Resource	46.59	36.01	33.16	17.69	15.38
Mawer New Canada	28.71	27.04	22.91	15.76	15.71
Northwest Specialty Equity	24.73	33.45	22.54	15.77	16.69
Sceptre Equity Growth	26.08	33.12	20.82	16.34	13.00
Assante Canadian Equity Value Pool	21.15	17.19	18.64	16.80	n/a
ABC Fundamental Value	26.85	20.20	17.99	14.13	17.48
Saxon Small Cap Fund	18.06	21.11	17.09	16.12	12.18
Concordia Special Growth	12.72	17.11	16.23	15.34	n/a

Below are this month's Performers.

Performers							
Fund Name	1 Yr	3 Yr	5 Yr	Fund Name	1 Yr	3 Yr	5 Yr
Front Street Special Opportunities Canadian	18.81	45.32	32.07	BMO Resource	22.26	22.79	17.78
Clarington Canadian Small-Cap	19.37	27.39	21.25	IA Group Dividends	21.03	15.20	17.61
Renaissance Canadian Income Trust	24.35	18.99	21.03	Montrusco Bolton Canadian Small Cap 'B'	25.30	23.30	17.37
Bissett Microcap-F	19.61	26.06	21.00	Saxon High Income	16.19	15.43	17.37
Mavrix Dividend & Income	21.12	18.27	19.92	Altamira Resource	31.31	32.76	17.16
AGF Canadian Resources	27.91	29.11	19.72	Saxon Small Cap Fund	18.06	21.11	17.09
Desjardins Financial Pool Bissett SmallCap	28.81	21.82	19.68	CI Global Energy Sector	59.36	19.67	17.03
GWL Canadian Resource (A) DSC	27.11	28.71	19.63	Clarica SF CI Signature Cdn. Res.	28.46	23.67	17.01
Acuity Pooled High Income	23.22	20.78	19.39	Acuity High Income	20.98	17.96	16.66
GWL Canadian Resource (A) NL	26.84	28.44	19.36	Mackenzie Cundill Value 'C' (US\$)	24.66	19.41	16.44
TD Resource	16.52	23.89	19.18	Renaissance Canadian Small-Cap	22.01	16.23	16.32
Acuity Pooled Cons. Asset Alloc.	16.54	18.69	18.89	Dynamic FocusPlus Real Estate	19.62	15.45	16.29
Trimark Cdn. Small Companies	15.67	15.56	18.77	CI Signature High Income	21.72	16.55	16.26
Elliott & Page Monthly High Income	20.10	16.58	18.65	Concordia Special Growth	12.72	17.11	16.23
Assante Cdn. Equity Value Pool	21.15	17.19	18.64	ABC American-Value	21.24	21.42	16.20
ABC Fundamental Value	26.85	20.20	17.99	Canada Life Gens Small Cap Equity	24.93	18.00	16.15
Bissett Small Cap-F	27.22	19.99	17.97	Templeton Global Smaller Companies (US\$)	21.07	23.55	16.01
Beutel Goodman Small Cap	15.00	17.01	17.93	KEYSTONE Saxon Smaller Companies	20.88	18.83	15.98
Empire Small Cap Equity	18.58	19.49	17.88	Montrusco Bolton Cdn. Equity Plus	28.70	19.99	15.30
Talvest Millennium High Income	17.32	15.08	17.84	Trimark Global Balanced (US\$)	19.45	19.67	15.20

Our Model Portfolio

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

Current Position: \$119,014.15 (+138.03%) Up 40.61% YTD

Our portfolio made strong gains since our last issue and is now up 40.61% for the year. If it was a mutual fund it would now be ranked 4th out of 5741 funds in Canada for the year to date. This past week saw our cash position augmented by distributions from our income trusts. It now stands at \$408.50. Be sure to follow our trades as they are updated weekly in the Subscribers Only section of the website.

<p style="text-align: center;">Alimentation Couche-Tard (ATD.B – TSX)</p> <table border="1"> <tr> <td># of Shares: 260</td> <td>Bought: Aug. 16/04</td> </tr> <tr> <td>Price Then: \$27.20</td> <td>Price Now: \$34.80</td> </tr> <tr> <td>Gain: +27.94%</td> <td>Stop: \$30.62</td> </tr> </table> <p>Notes: Couche-Tard is Canada's largest convenience store chain with brand names such as Mac's and Winks.</p>	# of Shares: 260	Bought: Aug. 16/04	Price Then: \$27.20	Price Now: \$34.80	Gain: +27.94%	Stop: \$30.62	<p style="text-align: center;">Canada Bread (CBY – TSX)</p> <table border="1"> <tr> <td># of Shares: 245</td> <td>Bought: July 26/04</td> </tr> <tr> <td>Price Then: \$28.35</td> <td>Price Now: \$43.30</td> </tr> <tr> <td>Gain: +53.09%</td> <td>Stop: \$36.89</td> </tr> </table> <p>Notes: Canada Bread goes through periods of substantial growth making bread for both customers and investors.</p>	# of Shares: 245	Bought: July 26/04	Price Then: \$28.35	Price Now: \$43.30	Gain: +53.09%	Stop: \$36.89
# of Shares: 260	Bought: Aug. 16/04												
Price Then: \$27.20	Price Now: \$34.80												
Gain: +27.94%	Stop: \$30.62												
# of Shares: 245	Bought: July 26/04												
Price Then: \$28.35	Price Now: \$43.30												
Gain: +53.09%	Stop: \$36.89												
<p style="text-align: center;">CCS Income Fund (CCR.UN – TSX)</p> <table border="1"> <tr> <td># of Shares: 240</td> <td>Bought: May 19/03</td> </tr> <tr> <td>Price Then: \$20.29</td> <td>Price Now: \$41.40</td> </tr> <tr> <td>Gain: +104.04%</td> <td>Stop: \$35.19</td> </tr> </table> <p>Notes: Formerly Canadian Crude Separators, CCS works on environmental solutions for the oil industry.</p>	# of Shares: 240	Bought: May 19/03	Price Then: \$20.29	Price Now: \$41.40	Gain: +104.04%	Stop: \$35.19	<p style="text-align: center;">GSW Inc. (GSW.B – TSX)</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: \$44.43</td> </tr> <tr> <td>Gain: +27.93%</td> <td>Stop: \$40.59</td> </tr> </table> <p>Notes: 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: \$44.43	Gain: +27.93%	Stop: \$40.59
# of Shares: 240	Bought: May 19/03												
Price Then: \$20.29	Price Now: \$41.40												
Gain: +104.04%	Stop: \$35.19												
# of Shares: 275	Bought: May 17/04												
Price Then: \$34.73	Price Now: \$44.43												
Gain: +27.93%	Stop: \$40.59												
<p style="text-align: center;">Home Capital Group (HCG – TSX)</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: \$32.00</td> </tr> <tr> <td>Gain: +23.31%</td> <td>Stop: \$27.50</td> </tr> </table> <p>Notes: 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: \$32.00	Gain: +23.31%	Stop: \$27.50	<p style="text-align: center;">Kingsway Financial (KFS – TSX)</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: \$18.51</td> </tr> <tr> <td>Gain: +23.40%</td> <td>Stop: \$16.49</td> </tr> </table> <p>Notes: Kingsway Financial is a leading supplier of alternative insurance services. After a slump, the stock is on the move again.</p>	# of Shares: 625	Bought: May 24/04	Price Then: \$15.00	Price Now: \$18.51	Gain: +23.40%	Stop: \$16.49
# of Shares: 450	Bought: Aug. 9/04												
Price Then: \$21.49	Price Now: \$32.00												
Gain: +23.31%	Stop: \$27.50												
# of Shares: 625	Bought: May 24/04												
Price Then: \$15.00	Price Now: \$18.51												
Gain: +23.40%	Stop: \$16.49												
<p style="text-align: center;">Peyto Energy Trust (PEY.UN – TSX)</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: \$46.55</td> </tr> <tr> <td>Gain: +53.63%</td> <td>Stop: \$39.57</td> </tr> </table> <p>Notes: Peyto Energy Trust has gained over 1000% in the last three years. It's my featured stock in the Globe's One and Only Contest.</p>	# of Shares: 300	Bought: Mar. 29/04	Price Then: \$30.30	Price Now: \$46.55	Gain: +53.63%	Stop: \$39.57	<p style="text-align: center;">Reitman's (RET.A – TSX)</p> <table border="1"> <tr> <td># of Shares: 500</td> <td>Bought: Oct. 18/04</td> </tr> <tr> <td>Price Then: \$20.00</td> <td>Price Now: \$27.00</td> </tr> <tr> <td>Gain: +35.00%</td> <td>Stop: \$23.49</td> </tr> </table> <p>Notes: Reitman's is Canada's largest women's fashions retailer with over 800 stores across the country.</p>	# of Shares: 500	Bought: Oct. 18/04	Price Then: \$20.00	Price Now: \$27.00	Gain: +35.00%	Stop: \$23.49
# of Shares: 300	Bought: Mar. 29/04												
Price Then: \$30.30	Price Now: \$46.55												
Gain: +53.63%	Stop: \$39.57												
# of Shares: 500	Bought: Oct. 18/04												
Price Then: \$20.00	Price Now: \$27.00												
Gain: +35.00%	Stop: \$23.49												
<p style="text-align: center;">RONA Inc. (RON – TSX)</p> <table border="1"> <tr> <td># of Shares: 280</td> <td>Bought: Sept. 27/04</td> </tr> <tr> <td>Price Then: \$32.10</td> <td>Price Now: \$40.03</td> </tr> <tr> <td>Gain: +24.70%</td> <td>Stop: \$36.30</td> </tr> </table> <p>Notes: RONA is Canada's largest home improvement company – yes – even larger than Home Depot.</p>	# of Shares: 280	Bought: Sept. 27/04	Price Then: \$32.10	Price Now: \$40.03	Gain: +24.70%	Stop: \$36.30	<p style="text-align: center;">Zargon Energy Trust (ZAR.UN – TSX)</p> <table border="1"> <tr> <td># of Shares: 515</td> <td>Bought on: Apr 19/04</td> </tr> <tr> <td>Price Then: \$17.70</td> <td>Price Now: \$23.55</td> </tr> <tr> <td>Gain: +33.05%</td> <td>Stop: \$20.78</td> </tr> </table> <p>Notes: Zargon Energy Trust is an aggressive junior exploration company based in Alberta and converted to an energy trust in Aug. 2004.</p>	# of Shares: 515	Bought on: Apr 19/04	Price Then: \$17.70	Price Now: \$23.55	Gain: +33.05%	Stop: \$20.78
# of Shares: 280	Bought: Sept. 27/04												
Price Then: \$32.10	Price Now: \$40.03												
Gain: +24.70%	Stop: \$36.30												
# of Shares: 515	Bought on: Apr 19/04												
Price Then: \$17.70	Price Now: \$23.55												
Gain: +33.05%	Stop: \$20.78												