

the Break Out Report

Volume # 4, Issue # 10

March 19, 2006

Book Review

Empire of Debt by Bill Bonner & Addison Wiggin

reviewed by Marco den Ouden

I recently got two books for my birthday, both requested. They are opposites in approach and conclusions. One is pessimistic about the economy. The other is optimistic. One predicts doom and gloom and says we should buy gold. The other preaches pie in the sky – a Dow of 40,000 by the end of the decade and says we should buy stocks, or at least the indexes. In this issue I review the naysayers.

America is in hock up to its ears and is perfectly set up for a fall claim Bill Bonner and Addison Wiggin in their new book, *Empire of Debt*. And they may have a good case. The book is loaded with facts and figures and offers a spirited argument for their thesis. Indeed, it is not just the U.S. government that is running up an unimaginable debt, but the average Joe as well. Fueled by a bubble in housing prices, many Americans are re-mortgaging and taking equity out of their homes and spending it. The folly of it all clearly appalls the authors.

But they argue more than just economic folly. They make a political case as well. America has fallen philosophically from a constitutionally limited republic that minded its own business into a nosy parker empire that can't keep its nose *out* of anyone else's business. And like the empires of the past, Rome, Austria, Napoleonic France, the British Empire and the Soviet Empire, argue the authors, America too must ultimately meet its demise.

The American Empire started in 1913 with the creation of the Federal Reserve System, the addition of the 17th Amendment which weakened state power in favour of federal power and the addition of the 16th Amendment which authorized an income tax. And the bad boy who accelerated America's road to ruin was Woodrow Wilson who led the United States to join World War I, a stupid non-sensical war if ever there was one, according to the authors.

This busy-bodyism took another turn with Franklin Roosevelt who greatly augmented the size and power of the federal government and yet another turn when Richard Nixon severed all ties between the American dollar and gold. That set the stage for the modern form of imperialism that the authors say is now sweeping the globe – the pax dollarium. The US dollar is now the world's reserve currency. And the United States is using it to further its influence and to export inflation.

Now for the scary numbers. When Ronald Reagan took office, the United States had an accumulated debt of less than one trillion dollars. But his tax cuts and military build-up swelled that debt to \$2.6 trillion. Today it is over \$8 trillion. And if you add in unfunded liabilities such as social

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In This Issue: Stock on the Block! (See Page 6)

Book Review: Empire of Debt (from page 1)

security, that swells to \$37 trillion. Every baby born in the United States is already on the hook for a staggering \$128,560.

The news just gets worse. To finance this debt, the United States exports treasury bills to foreign governments, particularly in Asia. 45% of US government debt is now held by foreigners with Japan and China the largest creditors. If they call in their chits, they can bring America to its knees.

And while public debt soared, the private sector followed suit. Household debt also soared. In 2005 Americans spent \$20 for every \$19 they earned. In January 2005 the nation overspent at a rate of \$2 billion a day. They are taking the extra cash out of their home equity. Homeowner equity has dropped from 70% in the late 1970s to less than 55% today. Household debt today is 113% of annual income. Before 1980 it was 58%. Some Americans are even leaving good jobs to become full time real estate speculators – like the notorious flippers of the early 80s who got bitten badly when interest rates soared and house values plummeted.

And security for the future is less secure than ever. In 1983, two-thirds of older households earned a pension. By 2001 it was less than half. 37% of American households do not own a retirement account. And the average value of those that do is just \$95,943 with the median level just \$27,000. The median level for retirement accounts of those between 55 and 64 was a paltry \$55,000 in 2001.

And American saving has dropped to negligible levels, just 1.2% of income (borrowed since they're spending more than they make.) Meanwhile the Chinese, newly exposed to the wonders of capitalism and wealth creation, are saving at a rate of 25.5%. In India the savings rate is 24.3%. The great irony is that the poor nations of China and India are saving and investing while the United States stagnates. They are financing American spending through the purchase of American T-bills and stocks. It is through the good grace of thrifty poor people that Americans can spend like gluttons.

This, Bonner and Wiggin argue, is a formula for disaster. They expect the American Empire to collapse under its debt load, or at best fade away. Asia will be the new economic powerhouse of the future.

Bonner and Wiggin are not just sounding the alarm, calling out that the emperor has no clothes like the little boy in the story. They are morally outraged as well. They argue that this empire of debt is built on deceptions:

- the belief that one generation can consume and stick the next with the bill
- that you can get something for nothing
- that foreigners will happily keep buying US debt
- and that house prices will go up forever

The authors argue that the United States is lagging the Japanese by about ten years. After 1989 the Nikkei Dow fell from 38,915.87 to just 11,329 in June 2005. Japanese house prices dropped for 13 years in a row. In fact, prices in general in Japan fell for ten years as deflation set in. Even dropping interest rates to zero couldn't get the Japanese spending again. A similar scenario but worse awaits America.

How can one protect oneself? They really offer only two suggestions – invest like Warren Buffett, that is use the time honored methods of value investing and avoid expensive over-priced stocks. And

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Book Review: Empire of Debt (from page 2)

buy gold. Of course, the book also implies that individuals should save more and spend less. They should be cautious with their money and invest wisely, not speculatively.

The book is a tour de force filled with facts, figures and cogent argument and worth reading.

If there is a downside to the book it is in the author's style. While they aver that they are paragons of humility ("no one is more humble than we are"), they are actually self-righteously snotty and disdainful of anyone that disagrees with them. As early as page 6 they say, "If you deny that the United States is an empire, you are as big a fool as we were." In other words, if you don't agree with them, you're an idiot. They refer to the average investor as a "lumpen investor" borrowing from the Marxist term lumpen proletariat. According to Marx the term refers to the 'refuse of all classes,' including 'swindlers, confidence tricksters, brothel-keepers, rag-and-bone merchants, organ-grinders, beggars, and other flotsam of society.'

Criticizing the opinions on foreign policy of New York Times columnist Thomas L. Friedman, they proclaim that they themselves "have no position on foreign policy. We only notice that the people who do have them are idiots." In other words, if you have an opinion on foreign policy, you're an idiot.

I have an opinion on foreign policy. I think the United States should never have attacked Iraq. I guess that makes me an idiot even though, despite their protestations to the contrary, I suspect Bonner and Wiggin share that view.

Their disdain for foreign policy positions begs the question – how can we improve or change bad foreign policy without offering an alternative, even if that alternative is simply isolationism? Their claim to have no opinion is evasive or a lie because their opinion jumps out at you from almost any page in the book. They are anti-imperialist.

These "humble" fellows also drop in lots of foreign phrases such as the latin "panem et circensis" instead of bread and circuses further demonstrating their superiority over the "lumpen" reader. Bonner and Wiggin revile the reader by implication as an idiot "lumpen" fellow if he dares to disagree. This is a classic argument from intimidation and is unworthy of an otherwise excellent book.

And if they insult the reader, they positively slag their explicit enemies. Their snotty pseudo-humility is belied by the self-righteous anger and invective they hurl at their opponents. One example is their assault on Friedman. There is considerable irony in that some of what they say about the man could equally be applied to them. Take the following paragraph where I have replaced Friedman with the authors.

"Never for a moment do they stop to wonder why people do what they do. Nor has the thought crossed their minds that other people may have their own ideas about what they should do and no particular reason to think Bonner's and Wiggin's ideas are any better. There is no trace of modesty in their writing – no skepticism, no cynicism, no irony, no suspicion lurking in the corner of their brains that they might be jackasses. There is no hesitation or bewilderment in their opinions; that would require circumspection, a quality they completely lack."

You get the drift. They don't just have an opinion on these matters, they have an inside track to "truth". And all those "lumpen" idiots who don't see that truth deserve to get smacked upside the head good and hard. Their desire to see the "idiots" punished or "get what they deserve" as they put it, comes across in a number of passages. It is unfortunate that they take a superb and convincing treatise and undermine it with a self-righteous swagger that will alienate many readers.

So how doomed is America? By their own evidence, the Clinton administration managed to wrestle the debt problem down. (See chart on page 225). From 1992 to 2000, Clinton reduced the deficit to zero in his first two years in office. He started paying down the debt in the remaining six he served. It has only been under George W. Bush that America started revving up the spending again. Here in Canada, the Liberal governments of Chretien and Martin ran large surpluses year after year. Our debt situation was arguably worse than the U.S. situation is now. It can be done.

Bonner and Wiggin invoke an element of economic determinism, suggesting that the fall of America is inevitable. Let us hope it finds its way again and their doom and gloom scenario does not play out! The doom and gloomers were wrong in the 80s and 90s, wrong with Y2K and maybe they are wrong again.

TSX Venture Pick

Divestco Inc. (DVT-V) - \$5.10

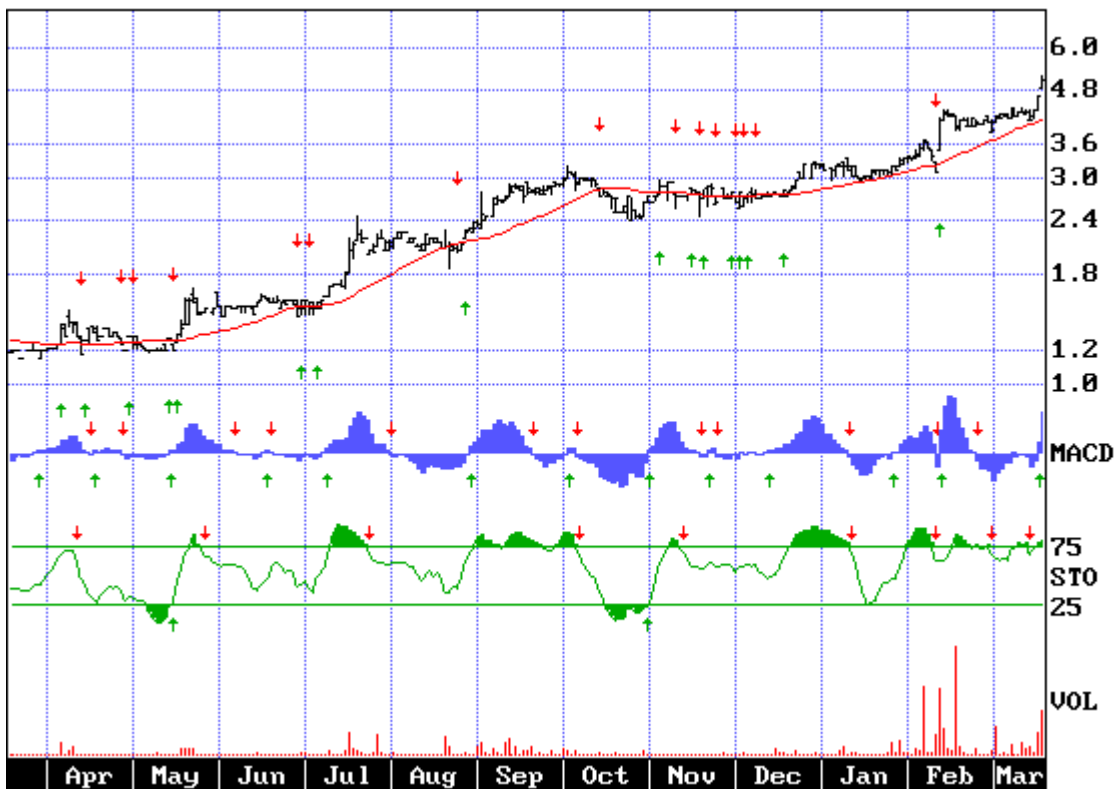
website: www.divestco.com

Before you can get oil out of the ground you've got to find it. Divestco is a specialty company providing integrated software, seismic and geophysical services to geologists and geophysicists with offices in Calgary, Edmonton, Vancouver, Denver and Houston.

As an example of something they do, in February the company completed the first seismic shoot of the Cutbank Region of British Columbia. They shot 326 square kilometers of seismic data and by May expects to have 1400 square kilometers covered. This 3D seismic data is then sold to clients. The total program is expensive at \$65 million but 70% of the costs are already recovered in participation agreements. Upon completion, Divestco will own over 3500 square kilometers of seismic data from the area. Information is king and the information sold by Divestco is very valuable to oil companies. The company projects revenues and profits to double in fiscal 2006.

Divestco was recognized as a Venture 50™ company in 2005, one of the top ten in its sector.

| Year | 2003 | 2004 | Change | 2005 TTM to 9/30 | Change | Quarter | 2004 | 2005 | Change |
|-------------------|----------|----------|---------|---------------------|--------|---------|-----------|---------|---------|
| Rev. | \$15,043 | \$26,038 | +73.1% | \$34,123 | +31.1% | Q Rev. | \$5,400 | \$7,900 | +46.3% |
| EPS | \$0.04 | \$0.16 | +300.0% | \$0.22 | +37.5% | Q EPS | \$0.02 | \$0.05 | +150.0% |
| Relative Strength | | 95.96 | | P/E Ratio | | 23.20 | P/S Ratio | | 4.66 |



Divestco bottomed around \$0.80 in late 2004 but strongly growing revenues and earnings sent the stock soaring since then. There were some powerful volume spikes in February, one of them coinciding with guidance released on Feb. 9th that projected a doubling of revenues and earnings in 2006. A volume spike on Feb. 15th indicates institutional interest building. The last three trading days has seen volume and price rising again. This could be a \$10 stock by the end of 2006.

TSX Venture Pick

Humboldt Capital (HMB-V) \$4.80

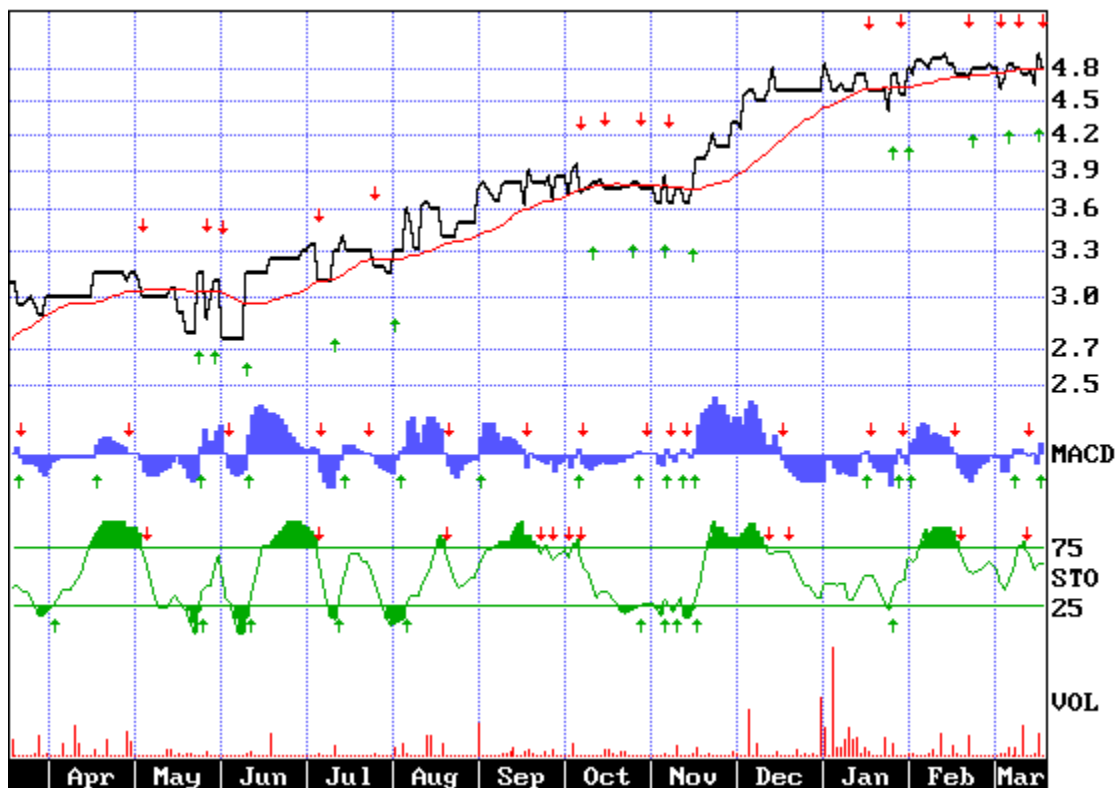
website: www.humboldtcapital.com

Few of us have the credentials and insider connections to get in on potentially lucrative early stage risk capital investments and private placements of stock. But you can get in by proxy by investing in a company like Humboldt Capital which specializes in investing in junior energy companies. It has both equity and loan interests in a couple of dozen with major interests in four – Diaz Resources, Sharon Energy, Highview Resources and Tuscany Energy. The company also has interests in some junior mining companies focusing on copper and zinc and some Australian oil and gas companies.

The major holdings make up 42% of Humboldt's assets. The company, in fact, owns 30% of Diaz shares, 34.9% of Sharon Energy, 19% of Highview and 30% of Tuscany. Humboldt also owns and manages the Humboldt Energy Fund. The Fund makes up 12.2% of Humboldt Capital's assets.

Revenue and profit declined in 2004 due to an accounting change that recognized unrealized gains in earlier years. Net asset value per share has grown steadily year over year and the NAVPS at Sept. 30th was \$5.65, 17.7% higher than the current value of the shares. The P/E ratio is a remarkably low 2.60 with a solid 19.38% return on equity in 2004.

| Year | 2003 | 2004 | Change | 2005 TTM to 9/30 | Change | Quarter | 2004 | 2005 | Change |
|-------------------|----------|----------|----------|------------------|---------|---------|-----------|---------|---------|
| Rev. | \$19,878 | \$11,160 | +703.58% | \$29,186 | +20.24% | Q Rev. | \$4,478 | \$7,892 | +76.24% |
| EPS | \$1.29 | \$0.72 | loss | \$1.88 | turn | Q EPS | \$0.01 | \$0.04 | +300.0% |
| Relative Strength | | | 76.84 | P/E Ratio | | 2.60 | P/S Ratio | | 2.04 |



Humboldt shares have climbed steadily from the IPO price of \$2 in 2002. The NAVPS has hugely outperformed the TSX Energy Index over the same period. The stock is currently consolidating and should be poised to move higher for the balance of 2006.

Service Sector Pick

Ritchie Brothers Auctioneers Inc. (RBA – TSX, RBA - NYSE) (website: www.rbauction.com)

Ritchie Brothers is a Vancouver-based auction house specializing in industrial equipment. It is, in fact, the largest industrial auctioneer in the world. It sells both new and used equipment for the construction, transportation, material handling, mining, forestry, petroleum, marine, real estate and agricultural industries.

The company had a humble beginning as a furniture store in Kelowna in 1958. One day the owner brothers Dave, Ken and John Ritchie found themselves short of cash with a \$2000 bank loan due. They decided to raise the money by auctioning off excess inventory. It was such a success that the brothers decided to go into the auction business.

In 1963 the company conducted its first industrial auction. With the success of that venture, the company expanded outside of B.C. into Alberta and Saskatchewan. It expanded further into the U.S. market in 1970. The company continued to grow and expanded into Europe, Asia, Australia and the Middle East throughout the 80s and 90s.

Today the company has 110 offices in 25 countries worldwide. It conducts over 150 unreserved industrial auctions a year. Although Ritchie Brothers auctions are live events, you can bid live online as well through their website. Or you can place a proxy bid ahead of the auction. Participating live online, you will actually hear the auctioneer call out the bids as you look at live video of the equipment being sold. In 2005, over US\$270 million was sold online. 38,000 customers from 137 countries are registered with the online service.

In 2005 it handled sales in excess of US\$2.09 billion with 213,000 registered bidders and 62,000 buyers. It handled 27,000 consignments with over 203,000 lots.

The company conducts unreserved auctions exclusively. This means there are no minimum or reserve prices. This means that there is always an opportunity to land a bargain and no artificial manipulation of the price. The consignee is forbidden from bidding on his own consignment.



**Parade of Bulldozers
at a Ritchie Bros. Auction**

The company's largest ever auction happened just last month in Orlando, Florida where the five day event drew 5125 registered bidders from 56 countries and all 50 states. The auction generated over US\$113 million in sales.

Quarterly Earnings per Share (in US\$)

| To Sept. 30th | 2004 | 2005 | % Change |
|------------------------|----------|----------|----------|
| EPS | \$0.33 | \$0.41 | +24.24% |
| Revenues (000s) | \$57,142 | \$59,933 | +4.88% |

Annual Earnings per Share (in US\$)

| To Dec. 31st | 2003 | 2004 | % Change | 2005 | % Change |
|------------------------|-----------|-----------|----------|-----------|----------|
| EPS | \$1.08 | \$1.01 | -6.48% | \$1.54 | +52.48% |
| Revenues (000s) | \$162,602 | \$183,081 | +12.59% | \$213,050 | +16.37% |

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Ritchie Brothers Auctioneers (from page 6)

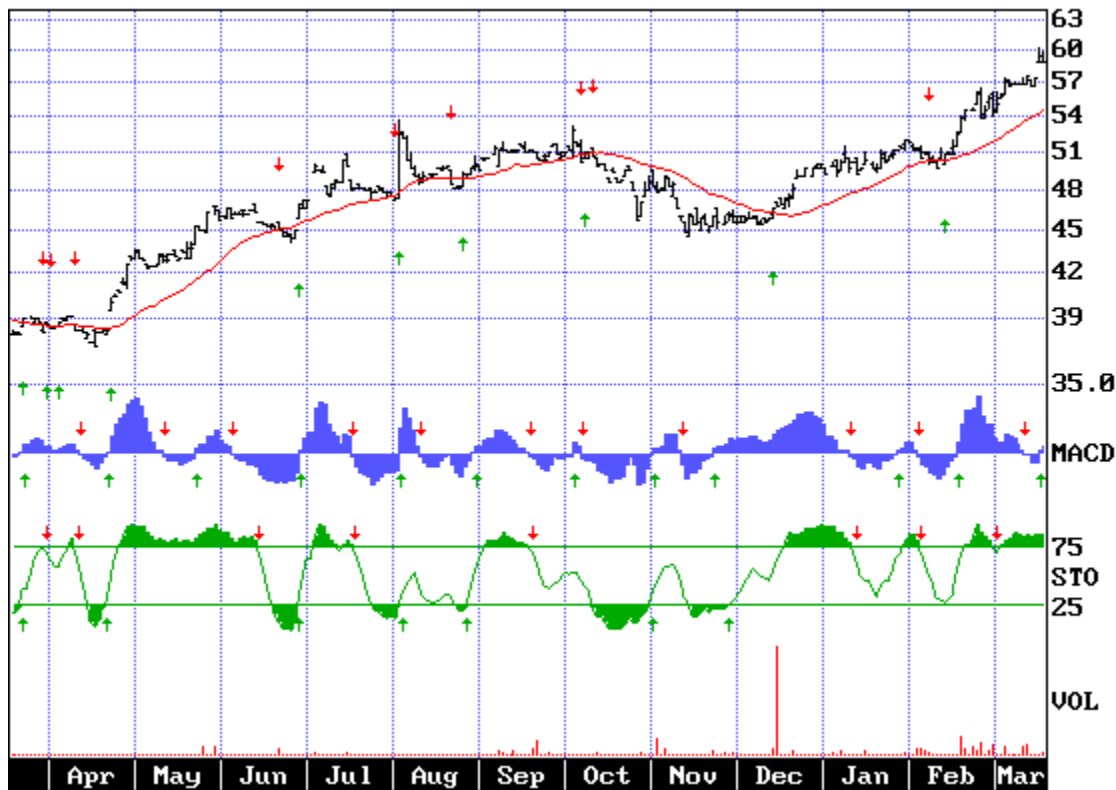


Chart Analysis: Most Canadian companies that dual list in Canada and the US list in Toronto first and then move on to New York or the NASDAQ. Ritchie Bros. did it the other way around. It's only been on the TSX since 2004 but has been listed on the NYSE since 1998. Looking back at its long term NYSE chart, the company has climbed from a low of \$9.06 in December 2000 to a recent high over \$50. The stock is traded more heavily on the NYSE but the two charts parallel each other. As you can see, except for the October-November correction, the stock has been on a solid up trend which should continue. It bounced off the moving average nicely in February.

| Stats as of 3/17/06 | Phase 2 Analysis |
|----------------------|--------------------|
| ▪ Hi/Lo Ratio: 1.61 | ▪ Price Pattern: A |
| ▪ RS: 87.60 | ▪ Volatility: A |
| ▪ Shares: 34,458,900 | ▪ Estimates: B |
| ▪ P/E: 32.80 | ▪ Snapshot: A- |
| ▪ Price: \$59.30 | ▪ News: A+ |

Phase 2: We give Ritchie Brothers an A for price pattern and an A for volatility as growth seems solid while corrections are minor. Estimates are up for the most part with a rating of 3.0 or hold. We give it a B. The snapshot looks good with revenues rising year over year. EPS dipped in 2004 slightly but roared back in 2005. Return on equity was 17.44 in 2005. We give it an A-. News is excellent with record breaking auctions all over the place. An A+ in our book.

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

Services Sector Pick**Intrawest Corporation (ITW – TSX, IDR - NYSE)****(website: www.intrawest.com)**

Okay, so you're a bit too late to buy a condo at Whistler. The property values have gone up too much and you just don't have a spare million lying around. Well, the next best thing might be to buy shares in Intrawest which owns Whistler Blackcomb Resort. In fact, Intrawest is the world leader in destination resorts with interests in ski resorts, heli-skiing and golf courses.

Besides Whistler Blackcomb, the company has interests in Panorama Mountain Village near Radium Hot Springs in B.C.; Blue Mountain, Ontario's largest mountain resort; Mont Tremblant in Quebec; Copper Colorado Ski Resort; Winter Park in Colorado; Mammoth Mountain Resort in California; Mountain Creek Resort in New Jersey; Snowshoe Mountain in West Virginia; Stratton Mountain in Vermont; Canadian Mountain Holidays, the world leader in heli-skiing; Club Intrawest, a point exchange based timeshare company affiliated with RCI and with owned and operated locations in B.C., Ontario, Quebec, Hawaii, California, Florida and Mexico; and Intrawest Golf with more than thirty golf courses in North America including the Raven Golf Clubs and Sandestin Golf and Beach Resort.

The company was founded in 1976 as a residential real estate company by CEO Joe Houssian. In 1980 he met Hugh Smythe, president of Blackcomb. They combined their real estate and resort operations expertise and today's Intrawest is the result.

In 2004 the company acquired a 67% interest in Abercrombie & Kent, recently voted the "world's Leading Luxury Tour Operator" by professionals from 80,000 travel agencies around the world. A&K organizes tours on every continent including such exotic locales as Australasia and the Galapagos.

In February this year, the company announced plans to enhance shareholder value through strategic partnerships and other changes. It retained Goldman Sachs to assist in its review. Shares surged on the news.

The company's largest shareholder, Pirate Capital LLC, has been urging the company to break itself up by selling off in parts. In mid-March Intrawest pocketed \$60 million in profit after taxes by selling off its interest in Mammoth Mountain. Estimates of the break-up value by Pirate Capital is US\$2.2 billion or US\$45 a share. It's currently trading at US\$32.50.

But even more challenging is the news on March 7th that Intrawest is looking to add five Chinese ski resorts to its stable. The potential in the newly affluent Orient is huge. The number of skiers in China jumped from 200,000 in 2000 to almost 4 million last year. The recent Olympics saw China garner the gold medal in aericals, further boosting interest.

The numbers look a bit shaky with earnings falling 46% in 2005. But that is largely due to write-offs and the renegotiation of a long term loan. The trailing 12 months to Dec. 12th saw earnings soar to \$2.61 a share from \$0.93 the year before. About \$1.19 of that was due to the Mammoth sale.

Quarterly Earnings per Share (in US\$)

| To Dec. 31st | 2004 | 2005 | % Change |
|-----------------|-----------|-----------|------------|
| EPS | -\$0.15 | \$1.41 | turnaround |
| Revenues (000s) | \$178,200 | \$193,400 | +8.53% |

Annual Earnings per Share (in US\$)

| To June 30th | 2003 | 2004 | % Change | 2005 | % Change |
|-----------------|-------------|-------------|----------|-------------|----------|
| EPS | \$0.73 | \$1.26 | +72.60% | \$0.68 | -46.03% |
| Revenues (000s) | \$1,103,199 | \$1,551,704 | +40.65% | \$1,677,155 | +8.08% |

(continued on page 9)

Intrawest Corporation (from page 8)

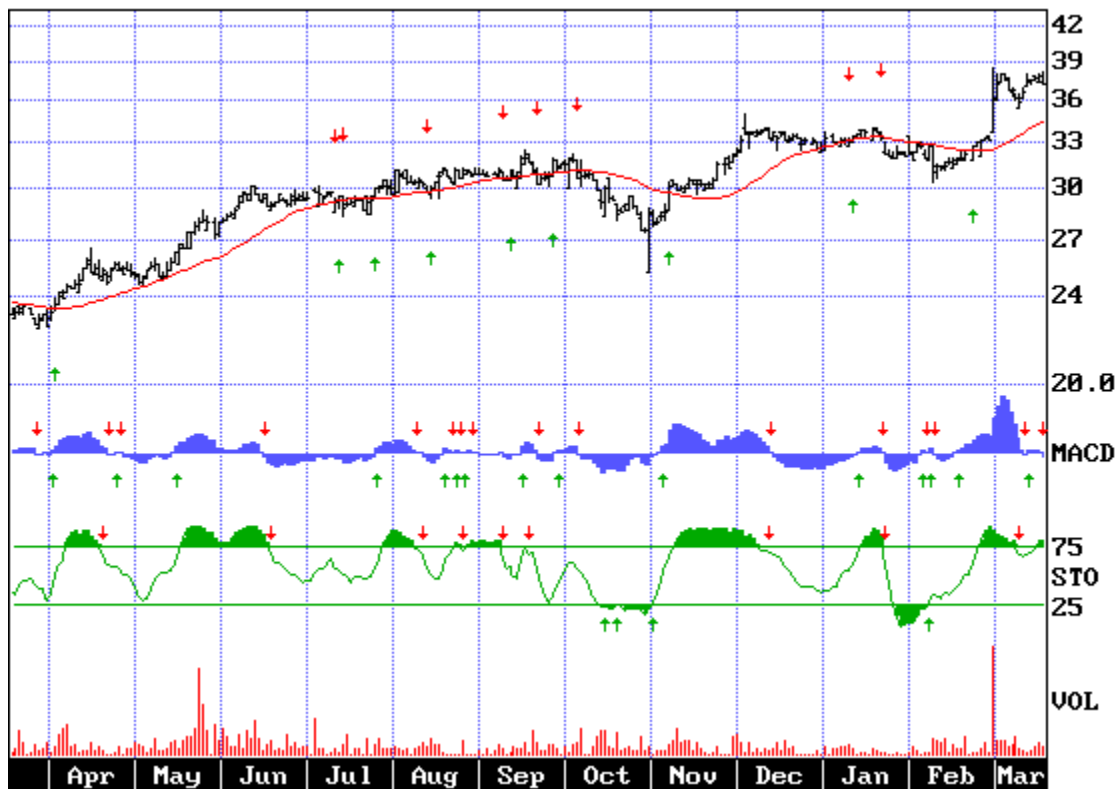


Chart Analysis: Intrawest shares took a sharp jump up when the company announced on Feb. 28th that it was retaining Goldman Sachs to look for ways to enhance shareholder value. While some have pooh-poohed this move, the chart speaks for itself. Coupled with Pirate Capital’s analysis that paints a value of US\$45 a share for the company, expect more upside.

| Stats as of 03/17/06 | Phase 2 Analysis |
|----------------------|--------------------|
| ▪ Hi/Lo Ratio: 1.72 | ▪ Price Pattern: A |
| ▪ RS: 89.20 | ▪ Volatility: A- |
| ▪ Shares: 48,936,326 | ▪ Estimates: B |
| ▪ P/E: 12.30 | ▪ Snapshot: B |
| ▪ Price: \$37.29 | ▪ News: A++ |

Phase 2: We give Intrawest an A for price pattern and an A- for volatility. While estimates are down with a 2.0 or buy rating, we see this as a value play and give it a B. Same with the snapshot. EPS was down in 2005 and return on equity was low at 3.98. Again a B. But news is dynamite. The company is trying to enhance shareholder value, a major hedge fund estimates its value at 38% higher than current value and it is looking to expand aggressively into China. A huge A++ for news here!

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

Mutual Funds

Marco's Power Performers (for February 2006)

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.

February was a correction month after the heady gains of January and this is reflected in the deterioration of our Performer tables.

The number of Super Power Performers was cut in half to 21 from 39. The number of Power Performers dropped a bit to 26 from 29. And the number of Performers climbed to 69 from 62 in January.

Grand total – 116 funds made our tables, down from 130 in January.

The markets have started to recover again after a brutal February and the TSX hit new all-time highs on Thursday and closed above 12,000 for three consecutive sessions Wednesday, Thursday and Friday, the first it has ever done that. This could be a sign of things to come! Yeah, color me bullish!

The Power Performer and Performer tables follow below.

Super Power Performers (21)

| Fund Name | 1 yr | 3 yr | 5 yr |
|--|--------|-------|-------|
| Resolute Growth | 84.85 | 62.27 | 46.85 |
| RBC Precious Metals | 38.03 | 26.09 | 44.04 |
| Mackenzie Universal Precious Metals(US\$) | 59.59 | 30.80 | 39.64 |
| AGF Precious Metal | 35.44 | 30.41 | 37.51 |
| Mackenzie Universal Canadian Resource (US\$) | 39.21 | 48.98 | 37.24 |
| Front Street Special Opportunities Canadian | 33.16 | 54.89 | 35.43 |
| CIBC Precious Metals | 41.93 | 26.92 | 31.89 |
| TDK Resource Fund Inc. | 32.73 | 37.25 | 31.09 |
| Front Street Small Cap Canadian | 36.53 | 42.26 | 31.03 |
| Friedberg Diversified (US\$) | 468.52 | 49.06 | 30.52 |
| Norrep Fund | 33.80 | 39.21 | 29.52 |
| Mackenzie Universal Canadian Resource | 28.49 | 36.21 | 29.29 |
| CI Global Energy Corp Class (US\$) | 44.92 | 54.23 | 27.94 |
| Dynamic FocusPlus Resource | 33.14 | 33.76 | 27.45 |
| London Life Canadian Resource (MF) | 27.36 | 34.99 | 27.30 |
| AGF Global Resources Class (US\$) | 41.32 | 47.36 | 26.66 |
| CIBC Energy | 25.87 | 38.89 | 26.43 |
| Sentry Precious Metals Growth | 57.54 | 26.75 | 26.23 |
| AGF Canadian Resources | 32.08 | 38.49 | 25.66 |
| Mackenzie Cundill Recovery 'C'(US\$) | 33.29 | 43.02 | 25.66 |
| BMO Resource | 37.22 | 31.47 | 25.41 |

Power Performers (1-14 of 26)

| Fund name | 1 yr | 3 yr | 5 yr | Fund name | 1 yr | 3 yr | 5 yr |
|--|-------|-------|-------|--------------------------------|-------|-------|-------|
| Epic Limited Partnership | 22.46 | 37.69 | 32.83 | Sentry Canadian Resource | 38.88 | 37.85 | 24.91 |
| Dynamic Precious Metals | 34.92 | 21.49 | 32.52 | GWL Canadian Resources (A) NL | 29.54 | 36.21 | 24.71 |
| Mackenzie Universal World Precious Metal Cap | 47.57 | 22.56 | 29.71 | CI Signature Canadian Resource | 35.63 | 36.07 | 24.58 |
| Sceptre Equity Growth - A | 20.16 | 39.45 | 27.77 | TD Latin Amer. Growth (US\$) | 60.90 | 62.11 | 24.33 |
| Ethical Special Equity | 22.63 | 27.44 | 27.37 | Trimark Canadian Resources | 20.21 | 28.34 | 24.33 |
| Clarington Canadian Small Cap | 23.08 | 26.50 | 26.95 | RBC Energy | 28.36 | 36.13 | 24.06 |
| GWL Canadian Resources (A) DSC | 29.82 | 36.50 | 24.98 | TD Energy | 39.08 | 36.64 | 23.96 |

(continued on page 11)

Marco's Power Performers (from page 10)

| Power Performers (15-26 of 26) | | | | | | | |
|---|-------|-------|-------|--|-------|-------|-------|
| Fund name | 1 yr | 3 yr | 5 yr | Fund name | 1 yr | 3 yr | 5 yr |
| Desjardins Financial Pool Bissett SmallCap | 25.21 | 30.23 | 23.12 | TD Resource | 30.35 | 30.38 | 22.03 |
| Sentry Canadian Energy Growth | 27.22 | 29.91 | 23.04 | Mackenzie Universal World Resource Cap Class | 22.75 | 32.79 | 21.63 |
| Fidelity Latin America-B (US\$) | 62.27 | 63.12 | 22.93 | Bissett Small Cap-F | 23.86 | 28.68 | 21.52 |
| Fidelity Latin America-A (US\$) | 62.05 | 62.99 | 22.87 | CI Global Energy Corporate Class | 33.49 | 41.10 | 20.45 |
| Clarica SF CI Signature Canadian Resource A | 34.42 | 33.86 | 22.43 | Bissett Small Cap-A | 22.55 | 27.38 | 20.32 |
| Clarica SF CI Signature Canadian Resource | 34.41 | 33.88 | 22.39 | Vertex Fund - A | 24.11 | 33.09 | 20.18 |

*(continued on page 12)***The Venture Portfolio as of Mar. 17, 2006**

| Stock | Symbol | Date Bought | # of Shares | Price Then | Price Now | Amount Invested | Current Value | Change |
|--------------------------|--------|----------------|-------------|------------|-----------|--------------------|--------------------|---------------|
| Asian Television Network | SAT | Aug. 22, 2005 | 3000 | \$0.33 | \$1.10 | \$1017.00 | \$3300.00 | +224.5% |
| Twoco Petroleums Ltd. | TWO | Aug. 22, 2005 | 185 | \$5.35 | \$6.40 | \$1016.75 | \$1184.00 | +16.4% |
| Andean American Mining | AAG | Sept. 19, 2005 | 725 | \$1.32 | \$1.23 | \$1020.25 | \$891.75 | -12.6% |
| Anterra Corporation | ATR | Sept. 19, 2005 | 1800 | \$0.58 | \$0.54 | \$1071.00 | \$972.00 | -9.2% |
| Commercial Solutions | CSA | Oct. 14, 2005 | 270 | \$3.75 | \$5.33 | \$1080.00 | \$1439.10 | +33.3% |
| CV Technologies | CVQ | Nov. 21, 2005 | 215 | \$4.59 | \$3.00 | \$1013.85 | \$645.00 | -36.4% |
| Zapata Energy | ZCO | Nov. 21, 2005 | 76 | \$13.05 | \$13.70 | \$1018.80 | \$1041.20 | +2.2% |
| Solium Capital | SUM | Dec. 18, 2005 | 900 | \$1.10 | \$1.15 | \$1017.00 | \$1035.00 | +1.8% |
| Grand Petroleum | GPP | Dec. 18, 2005 | 200 | \$5.01 | \$4.90 | \$1029.00 | \$980.00 | -4.8% |
| Wrangler West Energy | WX | Jan. 16, 2006 | 125 | \$7.96 | \$9.18 | \$1015.00 | \$1147.50 | +13.1% |
| Choice Resources | CZE | Feb. 20, 2006 | 1000 | \$0.94 | \$0.93 | \$960.00 | \$930.00 | -3.1% |
| Taseko Mines | TKO | Feb. 20, 2006 | 450 | | \$2.08 | \$1010.00 | \$936.00 | -7.3% |
| Totals | | | | | | \$12,268.65 | \$14,501.55 | +18.2% |

Our Venture Portfolio continues to remain in positive territory, up 18.2% since we launched it on August 22, 2005. Each month we review 2 new Venture stocks of which we add about \$1000 worth to the portfolio. So most of these stocks have been in the portfolio for less than the full period since launch.

If you'll recall, our goal was to find solid Venture Exchange stocks that had a chance to move to the TSX. The rationale was that a move to the TSX would add liquidity and demand and help raise prices further. So far one of our stocks has moved to the TSX – Commercial Solutions. And it is up 33.3%, the second best performing stock on our list.

But the gains are carried largely by one stock, Asian Television Network, which has more than tripled since we bought it. Without the gains from this stock, the portfolio is down 4.45%. Our plan, though, was to hold the stocks at least a year through thick and thin, so we'll have to wait and see if these stocks play catch up as we hope they will. Needless to say, these picks are more speculative than our TSX picks. See pages 4 and 5 for this issue's picks.

Marco's Power Performers (from page 12)

| Performers (69) | | | | | | | |
|-------------------------------------|-------|-------|-------|---|-------|-------|-------|
| Sprott Canadian Equity | 19.09 | 31.32 | 32.12 | Templeton Emerging Mkts. (US\$) | 30.26 | 38.40 | 18.18 |
| Altamira Precious & Strategic Metal | 18.10 | 23.76 | 31.59 | Concordia Special Growth | 20.29 | 27.21 | 18.16 |
| Mackenzie Univ. Precious Metals | 47.31 | 19.59 | 31.55 | Excel India | 30.93 | 49.81 | 18.12 |
| Northwest Specialty Equity | 15.23 | 29.47 | 29.43 | Talvest Millennium High Income | 21.91 | 19.74 | 18.08 |
| London Life Precious Metals (MF) | 45.96 | 18.46 | 27.88 | CI Harbour Corp. Class (US\$) | 27.46 | 30.08 | 18.01 |
| EnerVest Natural Resources Fund | 18.64 | 32.63 | 27.38 | McElvaine Investment Trust | 19.34 | 18.86 | 17.55 |
| TD Precious Metals | 39.18 | 19.35 | 27.38 | Empire Small Cap Equity | 18.85 | 25.97 | 17.49 |
| Maritime Life Canadian Growth-R | 18.71 | 31.39 | 23.00 | Middlefield Enhanced Yield | 17.83 | 22.72 | 17.43 |
| Altamira Resource | 17.56 | 34.87 | 22.68 | Investors Cdn. Nat. Resource-C | 30.64 | 27.55 | 17.40 |
| Monrusco Bolton Cdn. Sm. Cap 'B' | 18.35 | 30.66 | 21.62 | IA Group Dividends | 27.26 | 25.25 | 17.28 |
| GGOF Monthly High Inc. Classic | 19.50 | 26.36 | 21.16 | RBC Global Resources Sector | 31.98 | 32.78 | 17.28 |
| R Canadian Smaller Companies | 17.01 | 26.49 | 21.09 | All-Canadian Resources Corp. | 24.40 | 16.41 | 17.24 |
| Elliott & Page Growth Opportunities | 15.94 | 25.83 | 20.79 | Synergy Extreme Global Eq (US\$) | 21.65 | 32.99 | 17.19 |
| GGOF Monthly High Income Mutual | 18.69 | 25.73 | 20.49 | TD Latin American Growth | 48.98 | 48.25 | 17.17 |
| Renaissance Cdn. Income Trust | 18.29 | 23.80 | 20.28 | AGF Global Real Estate Eq (US\$) | 23.36 | 27.56 | 17.12 |
| AGF China Focus Class (US\$) | 18.82 | 33.35 | 20.20 | Dynamic FocusPlus Real Estate | 17.12 | 24.29 | 16.83 |
| Renaissance Canadian Small-Cap | 26.72 | 28.25 | 19.97 | Scotia Latin American Growth | 45.48 | 45.31 | 16.80 |
| Lutheran Life Canadian Small Cap | 21.70 | 26.48 | 19.75 | Standard Life Cdn. Small Cap-A | 27.39 | 26.22 | 16.01 |
| DMP Resource Class | 30.95 | 33.70 | 19.64 | Mackenzie Cundill Value 'C' (US\$) | 21.82 | 32.80 | 15.97 |
| Millennia III B Small Cap 3 | 21.88 | 26.67 | 19.55 | CIBC Canadian Real Estate | 17.38 | 21.59 | 15.96 |
| Canada Life Gens Small Cap Equity | 21.62 | 26.39 | 19.51 | Trans IMS Canadian Small Cap | 25.01 | 36.27 | 15.87 |
| CIBC Canadian Resource | 30.74 | 32.82 | 19.47 | CI Signature High Income | 12.96 | 19.62 | 15.86 |
| Millennia III B Small Cap 4 | 21.76 | 26.50 | 19.42 | Standard Life Ideal Canadian Small Cap | 27.31 | 26.08 | 15.85 |
| Acuity Pooled High Income | 15.72 | 24.78 | 19.38 | Fidelity Latin America-B | 49.58 | 49.26 | 15.75 |
| AGF Global Resources Class | 30.48 | 34.78 | 19.35 | Standard Life Ideal-NL Canadian Small Cap | 27.11 | 25.88 | 15.73 |
| Hillsdale Cdn Aggressive Hedged A | 18.03 | 25.90 | 18.96 | Middlefield Income Plus | 15.03 | 19.85 | 15.71 |
| Fidelity Emerging Markets-B (US\$) | 44.50 | 44.21 | 18.81 | Fidelity Latin America-A | 49.20 | 49.13 | 15.70 |
| AGF Emerging Mkts Value (US\$) | 46.92 | 47.30 | 18.77 | United-Cdn. Equity Small Cap PI | 15.77 | 27.72 | 15.55 |
| Fidelity Emerging Markets-A (US\$) | 44.15 | 44.09 | 18.75 | Acuity Pooled Canadian Equity | 17.18 | 29.83 | 15.42 |
| Assumption/MB Cdn. Small Cap | 15.53 | 27.46 | 18.72 | SEI Emerging Market Equity-O | 23.46 | 32.07 | 15.39 |
| Monrusco Bolton Enterprise | 18.56 | 30.34 | 18.43 | Leith Wheeler Canadian Equity B | 19.90 | 24.04 | 15.28 |
| United-Canadian Equity Value Pool | 20.69 | 24.51 | 18.41 | Dynamic Canadian Value Class | 22.62 | 34.19 | 15.22 |
| Mackenzie Cundill Recovery 'C' | 23.03 | 30.76 | 18.39 | Monrusco Bolton TSX 100 Momentum | 25.26 | 40.17 | 15.13 |
| National Bank Natural Resources | 23.38 | 27.49 | 18.28 | Sentry Select REIT | 19.81 | 21.41 | 15.09 |
| Acuity Pooled Cons. Asset Alloc. | 17.40 | 25.49 | 18.21 | Power Performers © Marco den Ouden | | | |

Our Model Portfolio

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

Current Position: \$163,462.30 (Up 226.92%) Up 4.22% YTD

While February was a shaky month in the markets, our portfolio managed to make some gains since last issue. But Aur Resources hit our stop loss and was sold and as is our current practice, we are selling off the poorest performer for the month which was March Networks. It had done nicely for us, but out it goes to make room for our new stocks featured this issue, Ritchie Brothers and Intrawest. We are listing them below as bought at Friday's closing price but will adjust them upwards if we cannot get them at those prices on Monday.

Best gainers since last issue were SNC Lavalin, up 13.44% and Goldcorp, up 12.43%. SNC Lavalin underwent a 3 for 1 split. See online for the percentage of the portfolio for each stock.

| | | | |
|--|-----------------------------|--|----------------------------|
| Aber Diamonds (ABZ – TSX) | | FirstService Corporation (FSV.SV – TSX) | |
| # of Shares: 325 | Bought: Jan. 16/06 | # of Shares: 410 | Bought: Feb. 20/06 |
| Price Then: \$46.77 | Price Now: \$46.12 | Price Then: \$29.50 | Price Now: \$29.57 |
| Gain: -1.39% | Stop: \$41.34 | Gain: +0.24% | Stop: \$25.87 |
| Notes: Aber Diamonds has a 40% interest in the Diavik Diamond Mine in the Northwest Territories and controls Harry Winston Inc. | | Notes: FirstService is a major property management firm with offices in twenty countries around the world. | |
| Fortis Inc. (FTS – TSX) | | GSW Inc. (GSW.B – TSX) | |
| # of Shares: 535 | Bought: Oct. 24/05 | # of Shares: 275 | Bought: May 17/04 |
| Price Then: \$23.80 | Price Now: \$22.06 | Price Then: \$34.73 | Price Now: \$114.00 |
| Gain: -7.31% | Stop: \$20.32 | Gain: +228.25% | Stop: \$104.00 |
| Notes: Newfoundland based electric company Fortis Inc. has expanded into other regions of Canada including British Columbia. | | Notes: GSW Inc., a leading manufacturer of water heaters, is currently the subject of a takeover bid. | |
| Goldcorp (G – TSX) | | Intrawest Corp. (ITW – TSX) | |
| # of Shares: 500 | Bought: Aug. 15 & 22 | # of Shares: 450 | Bought: Mar. 20/06 |
| Price Then: \$21.67 | Price Now: \$32.38 | Price Then: \$37.29 | Price Now: \$37.29 |
| Gain: +49.44% | Stop: \$25.90 | Gain: +0.00% | Stop: \$31.70 |
| Notes: Goldcorp is Canada's leading low cost gold mining company. It recently merged with Wheaton River. | | Notes: Intrawest is the world leading resort operator with many ski resorts and golf courses under management including Whistler. | |
| Kingsway Financial (KFS – TSX) | | Ritchie Brothers (RBA – TSX) | |
| # of Shares: 625 | Bought: May 24/04 | # of Shares: 282 | Bought: Mar. 20/06 |
| Price Then: \$15.00 | Price Now: \$23.05 | Price Then: \$59.30 | Price Now: \$59.30 |
| Gain: +53.67% | Stop: \$19.77 | Gain: 0.00% | Stop: \$50.41 |
| Notes: Kingsway Financial is a leading supplier of alternative insurance services. After a slump in early 2004, the stock is on the move again. | | Notes: Ritchie Brothers is the world's leading auctioneer for industrial equipment. It has 110 offices in 25 countries worldwide. | |
| SNC Lavalin (SNC – TSX) | | Stella-Jones Corporation (SJ – TSX) | |
| # of Shares: 510 | Bought: Oct. 17/05 | # of Shares: 795 | Bought: Feb. 20/06 |
| Price Then: \$24.49 | Price Now: \$31.46 | Price Then: \$15.15 | Price Now: \$15.75 |
| Gain: +28.44% | Stop: \$26.14 | Gain: +7.94% | Stop: \$14.45 |
| Notes: SNC Lavalin is one of Canada's largest engineering contractors and also does a lot of business outside of the country. | | Notes: Stella-Jones is a leading manufacturer of poles – yes poles. Hydro poles, railway ties, piles for wharves and so on. | |