

the Break Out Report

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March 31, 2006

Rich Get Richer Portfolio

Superb First Quarter for the RGR Portfolio

The first quarter since we introduced our Rich Get Richer Portfolio has produced a stellar return of 9.76%, outstripping the benchmark TSX's 7.44% by over two percentage points. It outperformed the Dow, the NASDAQ and even our own Model Portfolio. Of the benchmarks we follow, only gold and the XAU did better.

Just to bring you up to speed in case you are a new subscriber, we created the Rich Get Richer Portfolio at the end of December in order to bring our readers an easier to manage portfolio with returns to match or exceed our Model Portfolio. Considerable back-testing showed that if we were to take the top performing stocks from our Watched List each quarter and invest in them, holding them and not trading them until the end of the next quarter, we would probably beat our Model Portfolio and produce stellar returns.

The theory behind this is that stocks that are advancing have the momentum to continue to advance. They are showing above average strength. While it is true that a stock that has done well one quarter could correct the next quarter, William O'Neill, creator of the CANSLIM approach to investing and author of *How to Make Money in Stocks*, has shown empirically that stocks that hit new highs tend to go higher while stocks hitting new lows tend to go lower. It is playing the averages.

Furthermore, our strategy calls for us to continue to hold those stocks that remain in the top performers for an additional quarter, compounding the gains. In our back-testing we discovered that some of our stocks remained top performers for two or three quarters running before petering out. The compounded gains hugely impacted performance of the portfolio as a whole.

Although drawdowns were limited, we did have some quarters where some of the stocks did fall significantly so we created our one and only intra-quarter trading rule. We put a trailing stop of 25% on the stocks. This last quarter saw three of our stocks hit their stop losses so we ended the quarter with 17 stocks and around \$6000 in cash.

The three stocks that hit their stops, in fact, were undergoing temporary corrections and subsequently rebounded a bit. First to be sold was Western Lakota on Feb. 27th at \$15.38. It has since rebounded to \$18.00. We then sold off Royal Gold on March 1st at \$34.94 and it rebounded to \$42.39. Next we sold off Trican Well Service on March 8th at \$45.75. It is now at \$53.25. If we had not sold them off but held on, our portfolio would be up an additional \$1159.11 for a total return of 12.08%. Safety sometimes comes at a heavy price. Is it, in fact, worth it?

So we went back over our back-testing data again. The number of occasions in which a stock
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Rich Get Richer Portfolio Up 9.76% in the First Quarter!!!

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dropped by 25% or more were so few that it almost seems pointless to have any stops at all. Certainly this month's results point up that having stops can take a big bite out of returns by forcing you out of good stocks that are down just temporarily. If we do away with stops entirely, we will have a true low maintenance portfolio, one that is reviewed quarterly and forgotten about in between. It adds a bit of risk, but we are opting to go that route. We are eliminating stops in our Rich Get Richer Portfolio. It will be a true low maintenance portfolio.

Below is the portfolio at the close of trading on March 31st. The stocks being sold from the portfolio are in bold and highlighted in yellow.

Name	Symbol	Date Bought	# of Shares	Price Then	Price Now	Amount Invested	Current Value	Change	% of Portfolio
Alimentation Couche-Tard	ATD.SV.B	Jan. 3/06	106	\$23.45	\$25.40	\$2,485.70	\$2,692.40	8.32%	4.91%
Aur Resources	AUR	Jan. 3/06	211	11.78	\$14.83	\$2,485.58	\$3,129.13	25.89%	5.70%
BMTC Group	GBT.SV.A	Jan. 3/06	155	\$16.00	\$19.00	\$2,480.00	\$2,945.00	18.75%	5.37%
Cameco Corp.	CCO	Jan. 3/06	66	\$37.50	\$42.00	\$2,475.00	\$2,772.00	12.00%	5.05%
Canada Bread	CBY	Jan. 3/06	42	\$59.00	\$57.75	\$2,478.00	\$2,425.50	-2.12%	4.42%
CCS Income Fund	CCR.UN	Jan. 3/06	67	\$37.00	\$36.85	\$2,479.00	\$2,468.95	-0.41%	4.50%
Cryptologic	CRY	Jan. 3/06	108	\$22.81	\$30.10	\$2,463.48	\$3,250.80	31.96%	5.92%
Ensign Energy Services	ESI	Jan. 3/06	53	\$46.92	\$44.90	\$2,486.76	\$2,379.70	-4.31%	4.34%
Garda World Security	GW	Jan. 3/06	164	\$15.12	\$23.43	\$2,479.68	\$3,842.52	54.96%	7.00%
Gildan Activewear	GIL	Jan. 3/06	48	\$51.48	\$55.24	\$2,471.04	\$2,651.52	7.30%	4.83%
GSW Inc.	GSW.B	Jan. 3/06	22	\$111.00	\$114.75	\$2,442.00	\$2,524.50	3.38%	4.60%
Kingsway Financial	KFS	Jan. 3/06	105	\$23.50	\$23.70	\$2,467.50	\$2,488.50	0.85%	4.53%
March Networks	MN	Jan. 3/06	77	\$32.33	\$34.25	\$2,489.41	\$2,637.25	5.94%	4.81%
Melcor Developments	MRD	Jan. 3/06	21	\$118.50	\$180.00	\$2,488.50	\$3,780.00	51.90%	6.89%
Sino-Forest Corporation	TRE	Jan. 3/06	502	\$4.94	\$6.55	\$2,479.88	\$3,288.10	32.59%	5.99%
TSX Group	X	Jan. 3/06	53	\$46.83	\$52.52	\$2,481.99	\$2,783.56	12.15%	5.07%
ZCL Composites	ZCL	Jan. 3/06	654	\$3.79	\$3.75	\$2,478.66	\$2,452.50	-1.06%	4.47%
			Invested				\$48,511.93		
			Cash				\$6,368.68		11.60%
			Total				\$54,880.61		
		Original	amount	\$50,000	Change	9.76%			

As you can see, two of the stocks on the list gained more than 50% for the quarter – Garda World Security and Melcor Development. Another three returned better than 25% - Aur Resources, Cryptologic and Sino-Forest Corporation. All will remain in the portfolio for another quarter.

We are making one other small change. In picking our candidates at the end of December, we
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considered the returns of the stocks in our Watched List for the quarter or from when they were featured if they were featured during the quarter. Four of the five stocks so featured did, in fact, make it into the portfolio because they did so well even in a shortened time frame. But I have decided to consider the returns for new additions to our Watched List for the entire quarter in picking our Rich Get Richer stocks.

The The proceeds of the stocks sold plus our cash position minus a broker charge of \$20 for each sale leaves us with \$34,425.06 to reinvest in new additions.

The top 20 for the quarter ended March 31st are shown below along with the number of shares of each that we will buy. They are shown with Friday's closing date but will be adjusted if they cannot be had at those prices. New purchases are in bold and highlighted in green.

Name	Symbol	Date Featured	Change Q1	Change Since Profiled	Price	# of Shares	Value	% of Portfolio
Garda World Security	GW	Aug. 21/05	54.96%	92.84%	\$23.43	164	\$3,842.52	7.07%
Melcor Developments	MRD	Mar. 2/01	51.90%	786.70%	\$180.00	21	\$3,780.00	6.95%
Xceed Mortgage	XMC	Jan. 16/05	49.21%	86.14%	\$9.40	259	\$2,434.60	4.48%
Sino-Forest Corp.	TRE	Dec. 18/05	32.59%	48.86%	\$6.55	502	\$3,288.10	6.05%
Stella-Jones Inc.	SJ	Feb. 19/06	32.14%	17.46%	\$18.50	132	\$2,442.00	4.49%
Cryptologic	CRY	May 15/05	31.96%	-28.42%	\$30.10	108	\$3,250.80	5.98%
Goldcorp Inc.	G	May 25/01	31.93%	336.40%	\$34.17	71	\$2,426.07	4.46%
Research In Motion	RIM	Sept. 19/04	28.85%	4.29%	\$98.89	24	\$2,373.36	4.36%
Centurion Energy	CUX	Jan. 16/05	26.22%	-1.38%	\$14.25	171	\$2,436.75	4.48%
Aur Resources	AUR	Oct. 16/05	25.89%	73.05%	\$14.83	211	\$3,129.13	5.75%
SNC-Lavalin Group	SNC	Mar. 23/01	25.40%	488.38%	\$31.89	76	\$2,423.64	4.46%
BlackRock Ventures	BVI	Jan. 16/05	21.30%	56.39%	\$13.95	175	\$2,441.25	4.49%
Teck Cominco	TEK.SV.B	Dec. 18/05	21.10%	30.11%	\$75.14	32	\$2,404.48	4.42%
Intrawest Corp.	ITW	Mar. 19/06	19.65%	6.12%	\$39.88	61	\$2,432.68	4.47%
BMTC Group	GBT.SV.A	Aug. 20/02	18.75%	172.40%	\$19.00	155	\$2,945.00	5.42%
Falconbridge Ltd.	FAL.LV	Mar. 14/04	18.46%	108.20%	\$40.87	59	\$2,411.33	4.43%
Ritchie Brothers	RBA	Mar. 19/06	17.41%	-2.53%	\$57.80	42	\$2,427.60	4.46%
Le Chateau	CTU.SV.A	June 19/05	17.24%	44.01%	\$56.25	43	\$2,418.75	4.45%
Pareto Corp.	PTO	Aug. 21/05	16.79%	41.59%	\$1.60	1524	\$2,438.40	4.48%
Reitmans (Canada)	RET.NV.A	July 6/01	16.17%	686.17%	\$19.90	122	\$2,427.80	4.46%
Total							\$54,174.26	
Cash							\$206.35	0.38%
Total Portfolio Value							\$54,380.61	100.00%

Our new portfolio is \$500 less than our end of Q1 portfolio because of broker fees.

Our revised rules summarized are:

- The twenty best performing stocks in our Watched List at the end of a quarter go into the RGR Portfolio going forward. No other criteria are considered.
- Stocks that are continuing in the Top 20 list from the previous quarter will not be rebalanced but be allowed to compound their growth.
- There are no stops. (We will not make any changes until July 1st.)
- We are assessing a \$20 brokerage fee on every transaction in calculating our results.