

the Break Out Report

Volume # 4, Issue # 18

July 16, 2006

Book Review

Why Harry Missed Sally

A few months ago I decided to read two books with opposing views on the market. One was Empire of Debt by Bill Bonner and Addison Wiggin which I reviewed in the March 19th issue. The other is The Next Great Bubble Boom by Harry S. Dent. And where Bonner and Wiggin are bearish, Dent is in the running for the title of super-bull. Here's a short review.

To call Harry Dent the most bullish man on the planet is an understatement. The man avers that the Dow will hit 40,000 by the end of the decade. In his earlier books he predicted that target would be hit by late 2008 or 2009. Moreover, he predicts the NASDAQ will hit at least 10,000 and possibly 20,000.

So how does he account for the market crash of 2000-2002? In his latest book, *The Next Great Bubble Boom* published in 2004, he argues that the crash at the beginning of this century runs parallel to the market crash that occurred in 1920-1921. That crash was followed by a huge boom that saw the Dow peak in 1929, followed by the crash that was a prelude to the great depression.

Harry actually makes an interesting argument here, comparing the technology boom to the automotive revolution of the 1910s and 1920s. That was the tech shift of that era and ours is similar. The crash of 1920-1921 shook out the weak players in the automobile manufacturing sector and the companies emerging victorious went on to new heights. Just like the crash of 2000-2002 shook out the weak Internet and tech stocks. Post-crash we saw strong recoveries from Yahoo and eBay among others.

It's a seductive argument but deeply flawed. Certainly the factual evidence doesn't bear out Harry's thesis. Instead of sallying forth to new heights, the NASDAQ and the Dow have yet to regain their former highs. The NASDAQ, in fact, is still down about 60% from its peak. Harry missed his sally target and in order to reach it, the NASDAQ must now gain 50% this year and every year for the rest of this decade to hit 10,000 by January 1, 2010. Likely to happen? I don't think so!

And the reason why is because Harry is essentially a one trick pony. He bases his predictions on demographics. Harry looks at birth and death statistics and predicts economic trends based on population trends including aging. Everything derives from this formula. Forget about interest rates. They're derivative. So is inflation and every other factor most economists think contribute to the health of the economy. The only one that counts for Harry is demographics. He does pay some attention to cycles, using the 1920-1929 cycle as a reference for his prediction of the roaring 2000s. He even cites Robert Prechter and the Elliott Wave Theory, using Prechter's analysis of

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

Quarterly Review**Second Quarter Review of Our Watched List**

As we do every quarter, we are reviewing our Watched List stocks to see if we want to discontinue carrying some on the list. We're dropping the stocks from our Watched List that meet *both* of the following criteria:

- It is in a sustained downtrend (anywhere from 4 weeks to 3 months)
- 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.

The complete details follow but first let's look at the ten best and ten worst performing stocks for the first quarter of 2006. First the gainers:

Top Ten for Q2 2006						
Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled
BlackRock Ventures	BVI	Jan. 16/05	\$8.92	73.12%	110.00%	170.74%
Falconbridge Ltd.	FAL	Mar. 14/04	\$19.63	43.87%	70.43%	199.54%
ZCL Composites	ZCL	June 20/04	\$2.05	33.33%	31.93%	143.90%
McCoy Brothers	MCB	May 15/05	\$4.65	26.56%	28.57%	74.19%
Aur Resources	AUR	Oct. 16/05	\$8.57	20.03%	51.10%	107.70%
La Senza	LSZ	April 17/05	\$14.65	16.95%	25.26%	62.46%
Commercial Solutions	CSA	May 21/06	\$7.09	16.36%	16.36%	16.36%
WFI Inc.	WFI	May 19/06	\$16.80	13.10%	13.10%	13.10%
Foremost Income Fund	FMO.UN	June 16/06	\$17.15	12.83%	12.83%	12.83%
Canada Bread Co.	CBY	May 18/01	\$13.00	8.14%	5.85%	380.38%

Only one of the top ten is a repeat from last quarter, Aur Resources. In fact, Aur has now been in our quarterly Top 10 for three consecutive quarters now. Over that time it has gone up from \$8.82 to \$17.80, a 101.81% increase. This is the power of compounding in action and one of the keys to success for our Rich Get Richer portfolio.

Note that fully five of the top ten have gained over 100% since we first profiled them. And two others are well on their way to that milestone. Note also that the other three are all new picks within the last quarter. They are likely to be doubles as well over time.

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The Break Out Report

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Quarterly Review (from page 2)

And, as usual, we also take a look at the worst performers for the quarter. Overall the quarter was a dismal one, despite our top ten. Only 24 of the 65 stocks in our Watched List managed to eke out a gain and the 65 together lost an average of 3.01% for the quarter.

Bottom Ten for Q2 2006

Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled
Centurion Energy	CUX	Jan. 16/05	\$14.45	-50.60%	-37.64%	-51.28%
Xceed Mortgage Corporation	XMC	Jan. 16/05	\$5.05	-34.47%	-2.22%	21.98%
March Networks	MN	Nov. 20/05	\$22.50	-30.98%	-26.88%	5.07%
Calfrac Well Services	CFW	Mar. 20/05	\$36.75	-29.43%	-40.45%	-34.69%
Aber Diamonds	ABZ	Jan. 15/06	\$46.77	-27.23%	-26.85%	-26.85%
Royal Gold	RGL	Sept. 18/05	\$33.50	-26.80%	-23.31%	-7.37%
Pareto Corp.	PTO	Aug. 21/05	\$1.13	-25.00%	-12.41%	6.19%
Le Chateau	CTU.A	June 19/05	\$39.06	-21.83%	-8.36%	12.57%
Research In Motion	RIM	Sept. 19/04	\$94.82	-21.33%	1.37%	-17.95%
Western Lakota Energy Services	WLE	July 17/05	\$9.45	-18.33%	-15.32%	55.56%

Calfrac Well Services is in our Bottom Ten for the second quarter running. In fact, Calfrac and Centurion were both big losers for the quarter and have not done well since we first profiled them. But each reported earnings growth of 50% or better in the last quarter so we are keeping them on our Watched List. They should recover.

Aber Diamonds is another disappointment overall, down 26.85% since we profiled it in January and down 27.23% in the last quarter. But it grew earnings and we have had it in our Watched List less than a year so we are hanging on to it for now. Research in Motion is a volatile stock that has been plagued by legal problems stemming from patent infringement suits. It has started to rebound and may have bottomed so we are giving it another quarter to see where it goes from here.

And now on to our Quarterly Review. We follow the maxim that the trend is your friend. For the quarterly review we use the most recent sustained trend. This could be anywhere from four weeks to the full three months. Note that over half, 28 of our 65 stocks, have doubled or more since profiled.

Our Quarterly Review

Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled	Recent Trend	QEPS Change	Status
Home Capital Group	HCG	Nov. 20/00	\$3.00	-6.59%	-6.19%	986.67%	→	-12.77%	Keep
Peyto Energy Trust	PEY.UN	Feb. 22/02	\$2.58	-9.51%	-6.73%	819.61%	↓	+14.29%	Keep
Melcor Developments	MRD	Mar. 2/01	\$2.03	-5.56%	43.46%	737.44%	→	+155.56%	Keep
Alimentation Couche-Tard	ATD.B	Dec. 4/00	\$2.88	-5.55%	2.52%	734.43%	↓	-6.25%	Keep
Reitmans (Canada)	RET.A	July 6/01	\$2.53	0.50%	16.75%	690.12%	→	+7.14%	Keep
Zargon Oil & Gas	ZAR.UN	Jan. 29/01	\$4.70	1.93%	-3.69%	550.64%	→	+125.00%	Keep

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Quarterly Review (from page 3)

Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled	Recent Trend	QEPS Change	Status
TransForce Inc. Fund	TIF.UN	Jan. 18/02	\$3.02	-13.03%	-0.64%	461.26%	↓	+21.74%	Keep
SNC-Lavalin Group	SNC	Mar. 23/01	\$5.42	-7.87%	15.53%	442.07%	→	+13.33%	Keep
Stantec Inc.	STN	Apr. 20/01	\$4.13	-2.20%	6.16%	411.52%	↓	+42.86%	Keep
Canada Bread Co.	CBY	May 18/01	\$13.00	8.14%	5.85%	380.38%	↑	+61.70%	Keep
Goldcorp Inc.	G	May 25/01	\$7.83	-1.52%	29.92%	329.76%	↑	+118.18%	Keep
Trican Well Service	TCW	Apr. 18/04	\$6.08	-16.24%	-20.36%	266.78%	→	+73.02%	Keep
CCS Income Fund	CCR.UN	May 18/03	\$10.15	0.41%	0.00%	264.71%	↑	+49.09%	Keep
Contrans Income Fund	CSS.UN	Oct. 12/01	\$3.63	2.42%	-9.67%	249.86%	↑	+61.90%	Keep
Richelieu Hardware	RCH	Dec. 4/00	\$7.00	-1.46%	-9.07%	207.86%	↓	+15.63%	Keep
Falconbridge Ltd.	FAL	Mar. 14/04	\$19.63	43.87%	70.43%	199.54%	→	+112.28%	Keep
Niko Resources	NKO	Nov. 17/02	\$22.20	6.85%	14.16%	183.96%	→	L	Keep
BlackRock Ventures	BVI	Jan. 16/05	\$8.92	73.12%	110.00%	170.74%	→	+200.00%	Drop
BMTC Group	GBT.A	Aug. 20/02	\$6.98	-4.21%	13.75%	160.93%	→	-75.00%	Keep
CML Healthcare Income Fund	CLC.UN	Apr. 12/02	\$5.85	-0.41%	1.04%	148.72%	→	+8.00%	Keep
Steepleback Ind. Group	SID	Jan. 18/04	\$2.95	-4.64%	1.41%	144.07%	↓	T	Keep
ZCL Composites	ZCL	June 20/04	\$2.05	33.33%	31.93%	143.90%	→	+16.67%	Keep
Cameco Corp.	CCO	Nov. 19/04	\$18.44	5.88%	20.53%	141.23%	↑	+357.14%	Keep
Fortis Inc.	FTS	Mar. 16/01	\$9.50	-0.62%	-8.16%	134.63%	↓	-5.56%	Keep
AlarmForce	AF	Sept. 21/03	\$1.92	-3.30%	11.39%	129.17%	→	+75.00%	Keep
Finning International	FTT	May 11/01	\$16.40	-3.63%	0.16%	126.83%	↓	+50.00%	Keep
Pason Systems	PSI	May 16/04	\$7.50	4.54%	13.15%	118.00%	↓	+60.78%	Keep
Aur Resources	AUR	Oct. 16/05	\$8.57	20.03%	51.10%	107.70%	↑	+37.14%	Keep
TSX Group	X	Jan. 18/04	\$22.50	-14.70%	-4.33%	99.11%	→	+47.06%	Keep
Garda World Security	GW	Aug. 21/05	\$12.15	-6.23%	45.30%	80.82%	↓	+41.67%	Keep
McCoy	MCB	May 15/05	\$4.65	26.56%	28.57%	74.19%	↓	+140.00%	Keep

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Quarterly Review (from page 4)

Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled	Recent Trend	QEPS Change	Status
La Senza	LSZ	April 17/05	\$14.65	16.95%	25.26%	62.46%	↑	+130.77%	Keep
RONA Inc.	RON	Nov. 16/03	\$12.78	-10.05%	-6.53%	56.95%	↓	+16.67%	Keep
Western Lakota Energy Services	WLE	July 17/05	\$9.45	-18.33%	-15.32%	55.56%	↓	+143.75%	Keep
Sino-Forest Corporation	TRE	Dec. 18/05	\$4.40	-12.21%	16.40%	30.68%	↑	+16.67%	Keep
Sherritt International	S	Nov. 19/04	\$8.66	4.88%	10.59%	28.98%	↑	-4.76%	Keep
Gildan Activewear	GIL	Sept. 18/05	\$42.01	-4.44%	5.58%	25.66%	↑	+112.50%	Keep
easyhome	EH	Dec. 17/04	\$12.93	-0.61%	2.85%	25.65%	→	+43.75%	Keep
Xceed Mortgage Corp.	XMC	Jan. 16/05	\$5.05	-34.47%	-2.22%	21.98%	→	0.00%	Keep
Savannah Energy Svcs	SVY	Feb. 20/05	\$19.35	-18.32%	-20.03%	18.19%	↓	+103.03%	Keep
Stella-Jones Inc.	SJ	Feb. 19/06	\$15.75	0.11%	17.59%	17.59%	↓	+126.67%	Keep
Commercial Solutions	CSA	May 21/06	\$7.09	16.36%	16.36%	16.36%	↑	+62.50%	Keep
Teck Cominco	TCK.B	Dec. 18/05	\$57.75	-10.86%	7.95%	15.98%	↑	+115.79%	Keep
Ensign Energy Svcs.	ESI	Nov. 20/05	\$20.12	2.18%	-2.22%	14.02%	↓	+88.37%	Keep
WFI Inc.	WFI	May 19/06	\$16.80	13.10%	13.10%	13.10%	↑	+233.33%	Keep
Foremost Income Fund	FMO.UN	June 16/06	\$17.15	12.83%	12.83%	12.83%	↑	+134.78%	Keep
Le Chateau	CTU.A	June 19/05	\$39.06	-21.83%	-8.36%	12.57%	↓	-43.42%	Drop
Big Rock Brewery Income Trust	BR.UN	Oct. 15/04	\$16.05	3.74%	-8.04%	10.53%	↑	+5.88%	Keep
Kingsway Fin. Services	KFS	July 20/03	\$18.60	-14.89%	-14.17%	8.44%	↓	-23.88%	Drop
Pareto Corp.	PTO	Aug. 21/05	\$1.13	-25.00%	-12.41%	6.19%	↓	0.00%	Keep
March Networks	MN	Nov. 20/05	\$22.50	-30.98%	-26.88%	5.07%	→	+770.00%	Keep
GMP Capital Trust	GMP.UN	June 16/06	\$22.50	4.58%	4.58%	4.58%	↑	+75.68%	Keep
FirstService Corp.	FSV	Feb. 19/06	\$29.50	5.16%	1.53%	1.53%	↑	T	Keep
Ritchie Brothers	RBA	Mar. 19/06	\$59.30	2.82%	0.22%	0.22%	↓	-5.00%	Keep

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Quarterly Review (from page 5)

Name	Symbol	Date Featured	Price Then	Change Q2	Change YTD	Change Since Profiled	Recent Trend	QEPS Change	Status
Vicwest Income Fund	VIC.UN	June 16/06	\$15.98	-0.19%	-0.19%	-0.19%	↓	+109.23%	Keep
Wajax Income Fund	WJX.UN	May 19/06	\$41.79	-3.54%	-3.54%	-3.54%	↑	+218.75%	Keep
Intrawest Corporation	ITW	Mar. 19/06	\$37.58	-11.53%	-6.12%	-6.12%	↓	-6.11%	Keep
Royal Gold	RGL	Sept. 18/05	\$33.50	-26.80%	-23.31%	-7.37%	↑	-38.46%	Keep
MacDonald Dettwiler	MDA	April 16/06	\$50.40	-8.85%	-8.85%	-8.85%	↓	+27.03%	Keep
Research In Motion	RIM	Sept. 19/04	\$94.82	-21.33%	1.37%	-17.95%	↑	+1.49%	Keep
Potash Corporation	POT	June 19/05	\$119.85	-7.00%	2.69%	-20.23%	→	+3.48%	Keep
Aber Diamonds	ABZ	Jan. 15/06	\$46.77	-27.23%	-26.85%	-26.85%	→	+16.98%	Keep
Calfrac Well Services	CFW	Mar. 20/05	\$36.75	-29.43%	-40.45%	-34.69%	↓	+59.32%	Keep
Cryptologic	CRY	May 15/05	\$42.05	-10.43%	18.19%	-35.89%	→	+64.71%	Keep
Centurion Energy	CUX	Jan. 16/05	\$14.45	-50.60%	-37.64%	-51.28%	↓	+50.00%	Keep
Aggregate Gain				-195.91%	358.23%	9948.78%			
Average Gain				-3.01%	5.51%	153.06%			

Dropped (with YTD and Total Gain in brackets) are BlackRock Ventures (+110.00%, +170.74%), and Kingsway Financial Services -14.17%, +8.44%).

BlackRock Ventures was taken over by Shell Oil and Kingsway Financial Services which is in a down trend, has declining earnings, and has not performed well since we profiled it.

The quarter was a tough one for the markets overall and our Watched List lost 3.01%. For the year-to-date our Watched List is up 5.51%. All the stocks on our Watched List are up an average of 153.06% since profiled with 28 up over 100%. That's out of a Watched List of 65 stocks. Eleven are in negative territory but six have been on our Watched List less than a year and have not had time to prove their mettle yet. Some of our picks are a little slower out of the gate than others so we continue to cut them some slack.

Looking at the EPS change for the various stocks, please note that 18 of our stocks had EPS growth of over 100% for the most recently reported quarter. Another 12 had gains of 50% or better.

In future issues I am going to look back on our quarterly reports and see if the EPS changes have some predictive value for the following quarter's growth. A cursory look at our top ten for the quarter shows that seven had positive earnings growth in the previous quarter. A look at the bottom ten showed eight of ten with positive results. However, the gains were substantially less than the gains for the Top Ten. Five of the top ten had EPS gains of over 50% in the Q1 report. Only two of the bottom ten did. So I'll look at the predictive value of EPS gains over 50%.

You may also have noticed that I have discontinued charting the relative strength change for the stocks. This was a very laborious chore and I didn't get a lot of positive feedback on it so have discontinued charting relative strength for now. I am archiving the raw data for future reference but not copying it to a spreadsheet and comparing it to the previous months. If there is sufficient demand for it, I may resurrect this feature.

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

TSX Venture Pick

Skor Food Group (SKF - V) \$1.17

website: www.skorfoodgroup.com

You ever wonder who supplies all those fresh greens to super markets and restaurants? Well, in parts of Ontario its Skor Food Group subsidiary Derry Foods. Clients include food retailers, cafeterias, restaurants, banquet halls, supermarket chains, concession operators, day care facilities, hospitals, correctional facilities and other government institutions.

Derry operates five divisions, each with a different focus. Gorman Distributing focuses on the retail and foodservice market. The Pizza Professionals supplies pizza supplies including toppings, cheese, meat and even boxes to chains and independent pizza outlets. Aroma Foods deals in specialty products for the restaurant trade, Nicklen Central distributes baked goods as well as mixes, fillings and pastries and AMT Fine Foods supplies products for the ethnic Greek food service community.

Skor recently acquired the cash and carry operations of Sobey's. It was named one of the fastest growing companies in Canada for 2005 by Profit Magazine. The recent quarter earnings decline reflect some one time costs and share dilution.

Year	2003	2004	Change	2005	Change	Quarter	2005	2006	Change
Rev.	\$37,713	\$61,182	+62.2%	\$81,515	+33.2%	Q Rev.	\$17,832	\$18,354	+2.9%
EPS	\$0.02	\$0.07	+250.0%	\$0.11	+57.1%	Q EPS	\$0.02	\$0.01	-50.0%
Relative Strength			50.59	P/E Ratio		11.70	P/S Ratio		0.37



Skor Foods is on the move and aims to become a leading food distributor in Canada. Since a reverse takeover of AMT Fine Foods in 2002, the shares have tripled from \$0.40 to the current \$1.20. The stock had topped \$1.90 before the recent market correction and could regain that level in the next year. With a P/E of just 11.70 and a price to sales ratio less than one, there is lots of upside.

Precious Metals Sector Pick

Silver Wheaton (SLW–TSX, SLW-AMEX) (website: www.silverwheaton.com)

Silver Wheaton proudly claims to be “the only mining company with 100% of its revenue from silver production.” Interestingly enough, the company itself does not mine silver. It has in place a number of purchase agreements to buy silver produced as a by-product from operating mines. This positions the company with no operating overhead and no long term operating liabilities.

With contracts in place fixing its costs, the company is excellently leveraged to take advantage of increases in the price of silver. Its cash cost for 2006 is just \$3.90 an ounce. The current price of silver is \$11.47. Can you say money machine? A chart comparing the price performance of Silver Wheaton against the raw metal and its competitors since May 2005 shows silver up 48%, Coeur d’Alene up 27%, Pan-American Silver up 5% and Silver Wheaton up an incredible 167%. That’s to the end of June and includes the severe correction of May and June.

The returns reflect the profitability of the respective companies. Silver Wheaton’s profits were more than double Coeur d’Alene’s while Pan-American Silver lost more money in 2005 than Silver Wheaton made.

The company buys all the silver production from the Luismin Mines in Mexico and the Zinkgruven Mine in Sweden. Additionally it buys 4.75 million ounces a year from the Yauliyacu Mine in Peru. In 2006 it will sell 15 million ounces which will rise to 20 million by 2009.

Silver Wheaton’s contracts with the silver producers are long-term with the Yauliyacu contract running for twenty years and the Luismin contract for twenty-five. The Zinkgruven contract is for the life of the mine, estimated at more than twenty years.

One interesting way to play Silver Wheaton is through warrants. Warrants are like options except they are issued by the company, are traded on the TSX and have a longer expiry date than regular options. Call them LEAPs plus!

There are currently three different warrants outstanding. They are:

- SLW.WT – expires August 2009. Strike price is C\$4.00 (five warrants for one share)
- SLW.WT.A – expires November 2009. Strike price is C\$5.50 (five warrants for one share)
- SLW.WT.B – expires December 2010. Strike price is C\$10.00 (one warrant for one share)

The leverage afforded by these warrants is superb. The first series, for example, are up over 300% in the last year. The A warrants are up over 450%. The stock itself is up almost 165% in the last year.

Silver is a precious metal and has the same upwards pressures on price as occur with gold in times of government fiscal irresponsibility. But silver usually goes one better. With war brewing in the middle east and no end in sight to the Iraq conflict or US deficits, higher prices for precious metals seem likely. Silver Wheaton is an interesting way to participate in the boom.

Quarterly Earnings per Share (in US\$)

To Dec. 31st	2005	2006	% Change
EPS (continuing operations)	\$0.03	\$0.07	+133.33%
Revenues (000s)	\$16,077	\$25,711	+59.92%%

Annual Earnings per Share (in US\$)

To Dec. 31st	Aug. 31, 2004	2004	% Change	2005	% Change
EPS	-\$0.09	\$0.02	turnaround	\$0.15	+650.00%
Revenues (000s)	\$2	\$13,928	+696,300%	\$71,664	+414.53%

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Silver Wheaton (from page

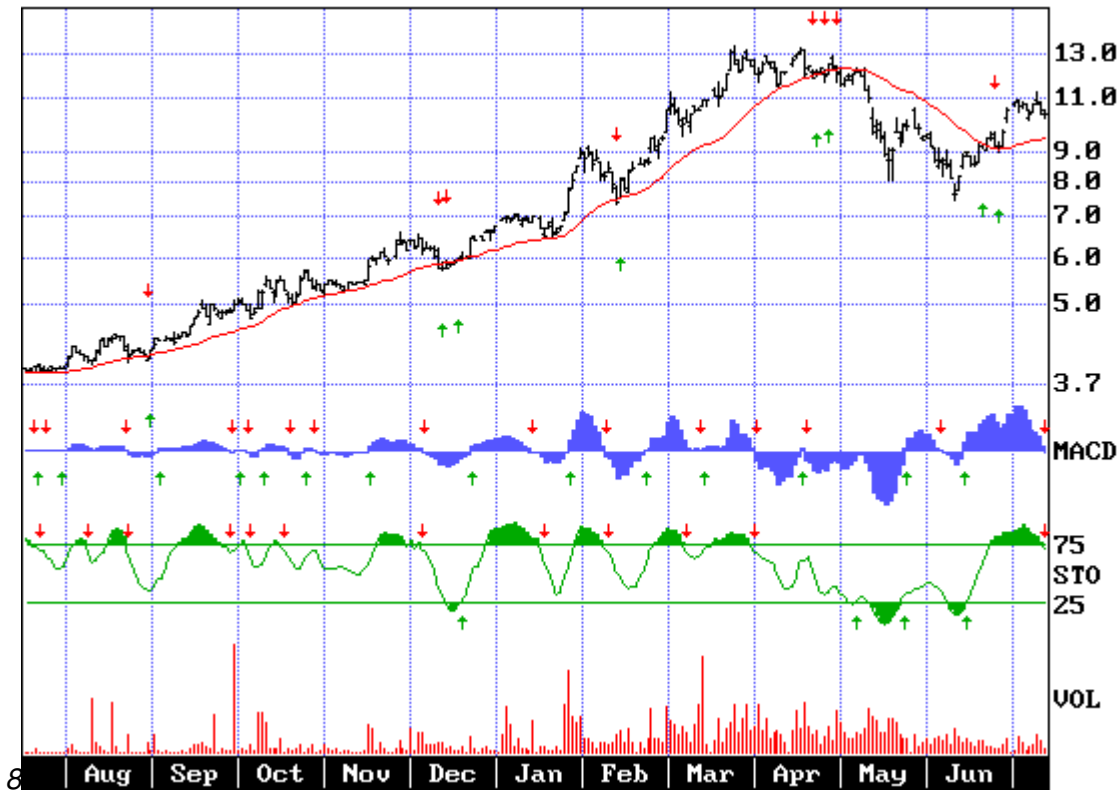


Chart Analysis: I'm departing slightly from my usual practice of looking for stocks hitting new highs. The reason? I believe the market correction from the end of March through to mid-June can be ignored for the purpose of picking a continuation point. Just snip out February through May in the chart above and we have Silver Wheaton hitting new highs. The moving average is sloping up again and this looks to be an excellent buying opportunity. Silver Wheaton should easily regain its former high and move on from there.

Stats as of 07/14/06	Phase 2 Analysis
▪ Hi/Lo Ratio: 3.50	▪ Price Pattern: A
▪ RS: 96.61	▪ Volatility: A-
▪ Shares: 220,175,611	▪ Estimates: A+
▪ P/E: 46.10	▪ Snapshot: A
▪ Price: \$10.40	▪ News: A

Phase 2: We give SLW an A for price pattern and an A- for volatility as the up trend is solid and the recent correction is the only one of any substance in the last year. Estimates are up across the board with an average 1.3 or strong buy rating. We give it an A+. The snapshot is solid with growing revenues and earnings though return on equity is still low at 12.08 but it is growing. An A. News is solid as well a recent listing on the AMEX, strong quarterly reports, and growing reserves. 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 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.

The TSX continued to fall in June, bottoming around 10,900 before staging a recovery. But it still closed the month lower than it started. Not surprisingly then that the number of funds making our Power Performer tables continues to fall.

In June the number of Super Power Performers dropped to 29 from 30. The number of Power Performers fell to 28 from 34 and the number of Performers stayed the same at 67. The total: 124 compared to 131. There were 173 in April.

Although the market has recovered some since the June 13th bottom, there is still a whiff of bear in the air. The Yanks continue to raise interest rates though the Bank of Canada held the line last week. War worries are keeping oil prices high. I won't really believe we are out of the woods until the TSX closes above

12,000 again. As for the US indexes – they're looking extremely weak right now.

Looking at the short term performance of our funds, we note that all of our Super Power Performers are in positive territory for the year-to-date (July 14th) except CIBC Energy. Returns range from 4.52% to 60.80% (Friedberg Diversified US\$). All but three are in positive territory for the last 30 days. Note also that virtually all of them are precious metals and resource funds with a smattering of small caps with a strong resource bias and a couple of hedge funds.

With our Power Performers, resource funds again dominate but we also see a number of Latin American funds as well as small caps.

Super Power Performers (29)

Fund Name	1 yr	3 yr	5 yr
RBC Global Precious Metals	71.89	35.62	44.42
AGF Precious Metal	78.51	39.50	40.69
Mackenzie Universal Prec. Metals (US\$)	80.96	31.33	36.49
Mackenzie Universal Cdn. Res. (US\$)	56.11	48.01	34.76
Front Street Special Opportunities Cdn.	42.48	51.48	33.02
CIBC Precious Metals	74.18	34.26	32.76
Northern Rivers Innovation Fund LP	81.28	42.90	32.57
Altamira Precious & Strategic Metal	47.50	28.64	31.05
Front Street Small Cap Canadian	48.36	43.32	30.71
Dynamic Precious Metals	68.66	26.43	30.62
AGF Global Resources Class (US\$)	65.89	47.60	30.05
Epic Limited Partnership	28.62	35.51	30.03
Friedberg Diversified (US\$)	121.02	66.55	29.95
Sprott Canadian Equity	35.87	35.64	28.65
CI Global Energy Corp Class (US\$)	43.16	50.24	28.62
Sceptre Equity Growth - A	44.03	38.80	28.48
Dynamic FocusPlus Resource	53.40	37.72	28.01
Norrep Fund	26.51	36.44	27.73
TD Precious Metals	65.16	26.04	27.64
Sentry Precious Metals Growth	94.68	34.76	27.60
London Life Canadian Resource (MF)	40.85	37.50	27.57
iShares Canadian Energy Sector Index	33.82	38.70	27.38
Mackenzie Univ. World Prec. Metal Cap	68.72	25.06	27.07
BMO Resource	50.94	38.10	26.91
Mackenzie Universal Cdn. Resource	42.16	38.73	26.72
CIBC Energy	25.72	37.12	26.00
TDK Resource Fund Inc.	42.20	37.72	25.97
AGF Canadian Resources	49.71	40.82	25.76
Sprott Hedge L.P.	31.18	27.10	25.04

(continued on page 11)

Marco's Power Performers (from page 10)

Below are our Power Performers.

Power Performers (28)								
Fund Name	1 yr	3 yr	5 yr	Fund Name	1 yr	3 yr	5 yr	
Mackenzie Universal Precious Metals	64.80	23.10	28.35	Clarica SF CI Signature Canadian Resource	51.53	37.60	23.23	
London Life Precious Metals (MF)	63.02	21.90	27.09	Fidelity Latin America-B (US\$)	56.49	48.35	22.86	
GWL Canadian Resources (A) DSC	46.08	38.94	24.98	Fidelity Latin America-A (US\$)	56.07	48.17	22.77	
GWL Canadian Resources (A) NL	45.77	38.64	24.72	TD Latin Amer. Growth (US\$)	53.92	47.40	22.56	
RBC Global Energy	25.57	37.43	24.69	Sentry Cdn. Resource Class	44.29	35.76	22.47	
CI Signature Canadian Resource	52.94	39.53	24.66	TD Resource	37.74	32.79	22.26	
TD Energy	33.51	37.70	24.62	AGF Global Resources Class	50.73	38.25	22.24	
Altamira Resource	37.74	38.60	24.54	Sentry Canadian Energy Growth	20.38	27.42	21.58	
Mackenzie Cundill Recovery 'C' (US\$)	39.24	31.26	24.03	BMO Precious Metals	69.91	20.60	21.55	
Mavrix Strategic Small Cap	61.26	48.82	24.02	CI Global Energy Corp. Class	30.40	41.11	21.01	
Ethical Special Equity	24.19	27.39	23.98	Mackenzie Universal World Resource Cap CI	36.70	34.92	20.58	
Trimark Canadian Resources	31.25	31.23	23.64	Acuity All Cap 30 Cdn. Equity	23.83	28.47	20.53	
Clarington Canadian Small Cap	24.73	26.84	23.52	Maritime Life Cdn. Growth II-R	23.68	27.10	20.25	
Clarica SF CI Signature Cdn. Res. A	51.56	37.60	23.27	Maritime Life Cdn. Growth-R	23.42	26.80	20.00	

(continued on page 12)

The Venture Portfolio as of July 14, 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	\$0.80	\$1017.00	\$2400.00	+136.0%
Twoco Petroleum Ltd.	TWO	Aug. 22, 2005	185	\$5.35	\$6.45	\$1016.75	\$1193.25	+17.4%
Andean American Mining	AAG	Sept. 19, 2005	725	\$1.32	\$0.80	\$1020.25	\$580.00	-43.2%
Anterra Corporation	ATR	Sept. 19, 2005	1800	\$0.58	\$0.34	\$1071.00	\$603.00	-43.7%
Commercial Solutions	CSA	Oct. 14, 2005	270	\$3.75	\$8.40	\$1080.00	\$2268.00	+110.0%
CV Technologies	CVQ	Nov. 21, 2005	215	\$4.59	\$3.56	\$1013.85	\$765.40	-24.5%
Zapata Energy	ZCO	Nov. 21, 2005	152	\$6.525	\$7.10	\$1018.80	\$1079.20	+5.9%
Solium Capital	SUM	Dec. 18, 2005	900	\$1.10	\$1.10	\$1017.00	\$990.00	-2.7%
Grand Petroleum	GPP	Dec. 18, 2005	200	\$5.01	\$4.80	\$1029.00	\$960.00	-6.7%
Wrangler West Energy	WX	Jan. 16, 2006	125	\$7.96	\$7.80	\$1015.00	\$975.00	-3.9%
Choice Resources	CZE	Feb. 20, 2006	1000	\$0.94	\$0.81	\$960.00	\$810.00	-15.6%
Taseko Mines	TKO	Feb. 20, 2006	450	\$2.20	\$3.07	\$1010.00	\$1381.50	+36.8%
Divestco	DVT	Mar. 20, 2006	200	\$5.10	\$4.55	\$1040.00	\$910.00	-12.5%
Humboldt Capital	HMB	Mar. 20, 2006	200	\$4.80	\$4.11	\$980.00	\$822.00	-16.1%
Uruguay Mineral Exploration	UME	April 17, 2006	200	\$5.40	\$4.15	\$1100.00	\$830.00	-24.5%
Totals						\$15,388.65	\$16,567.35	+7.7%

Two of our picks have doubled but all have been hit hard by the recent correction which affected Venture stocks even more drastically than TSX stocks. This issue we are again adding another Venture pick after leaving the portfolio unchanged for two months. See page 7.

Marco's Power Performers (from page 11)

And here are our Performers!

Performers (67)							
Fund Name	1 yr	3 yr	5 yr	Fund Name	1 yr	3 yr	5 yr
Adaly Opportunity-A	15.62	24.71	24.88	CI Can-Am Sm. Cap Corp Class	28.27	33.25	17.05
Northwest Specialty Equity	19.80	28.53	24.87	Legg Mason Cdn. Small Cap	35.73	30.56	16.98
Excel India	15.02	36.50	24.06	IA Group Dividends	23.23	23.17	16.89
Bissett Microcap-F	18.15	24.28	23.13	AGF European Eq. Class (US\$)	33.54	26.88	16.87
Mawer New Canada	19.35	24.71	21.94	Middlefield Enhanced Yield	15.47	20.54	16.84
Bissett Microcap-A	16.53	22.60	21.64	Talvest Millennium High Income	20.45	18.25	16.75
GGOF Monthly High Inc. Classic	19.52	24.36	20.53	Mackenzie Cundill Recovery 'C'	26.80	23.04	16.64
CIBC Canadian Resource	32.31	34.85	19.97	Bissett Small Cap-A	17.50	24.09	16.51
iShares Cdn. Gold Sector Index	48.55	20.87	19.97	ABC Fundamental Value	18.74	23.87	16.44
GGOF Monthly High Income Mutual	18.75	23.75	19.85	Assumption/MB TSX 100 Momentum	25.54	33.58	16.26
Fidelity Emerging Markets-B (US\$)	44.99	35.50	19.72	Dynamic FocusPlus Real Estate	16.38	21.17	16.13
Fidelity Emerging Markets-A (US\$)	44.69	35.35	19.64	Concordia Special Growth	20.08	24.70	16.12
RBC Global Resources	43.61	37.48	19.59	Dynamic Canadian Value Class	36.02	33.14	16.09
National Bank Natural Resources	35.72	31.88	19.40	Acuity Pooled Canadian Equity	19.79	25.98	16.05
Desjardins Financial Pool Bissett SmallCap	20.17	26.85	19.19	Bissett Small Cap Corp Class-A	17.44	23.76	15.99
DMP Resource Class	66.70	39.62	19.14	Trimark Europlus (US\$)	21.17	30.48	15.99
Acuity Pooled High Income	16.82	21.67	19.06	Trans IMS Canadian Small Cap	28.71	36.24	15.94
AGF Emerging Mrkts. Value (US\$)	46.30	38.25	18.87	Assumption/MB Cdn. Small Cap	17.53	23.55	15.89
AIC Cdn. Focused Corp CI (US\$)	31.55	28.19	18.76	Lutheran Life Cdn. Small Cap	16.71	23.18	15.76
Montrusco Bolton Cdn. Sm. Cap 'B'	20.39	26.56	18.72	Highstreet Canadian Equity	24.60	24.53	15.75
Renaissance Cdn. Income Trust	18.06	22.35	18.69	Millennia III B Small Cap 3	16.78	23.37	15.73
Vertex Fund - A	18.44	26.95	18.63	Canada Life Small Cap Equity (BT) Gens	16.63	23.10	15.70
CI Harbour Corporate Class (US\$)	31.85	26.77	18.10	SEI Emerging Market Equity-O	19.95	25.70	15.69
Renaissance Canadian Small-Cap	35.47	28.40	18.10	Empire Small Cap Equity	19.06	23.29	15.63
R Canadian Smaller Companies	22.25	24.07	17.98	Millennia III B Small Cap 4	16.66	23.24	15.61
Investors Cdn. Natural Resource-C	31.83	28.81	17.97	Fidelity Latin America-B	42.56	39.34	15.59
Montrusco Bolton TSX 100 Momentum	27.43	35.59	17.96	Hillsdale Canadian Aggressive Hedged A	15.42	22.49	15.56
Templeton Emerging Markets CC (US\$)	25.38	30.07	17.79	Fidelity Latin America-A	42.26	39.17	15.51
AGF Global Real Estate Eq. (US\$)	23.68	25.01	17.77	SEI Cdn Sm Company Equity-O	23.57	25.92	15.47
Elliott & Page Growth Opportunities	21.47	23.42	17.71	APEX Cdn. Value (Dynamic)	36.69	33.12	15.28
United-Canadian Equity Value Pool	17.87	22.38	17.69	AGF Global Fin. Svcs. (US\$)	25.78	25.46	15.27
Bissett Small Cap-F	18.78	25.38	17.66	AGF Canada Class (US\$)	25.75	25.29	15.26
Tmpltn Emerging Markets (US\$)	25.70	29.80	17.48	TD Latin American Growth	39.78	37.88	15.17
Montrusco Bolton Enterprise	20.09	26.19	17.35	Power Performers © Marco den Ouden			

Our Model Portfolio

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

Current Position: \$157,703.08 (Up 215.41%) Up 0.55% YTD

We had no stop losses hit since last issue and our portfolio made some headway. So this issue we are chucking the poorest performer since last issue which is Stantec and replacing it with this issue's pick, Silver Wheaton. I believe precious metals are starting a strong rebound and a pure silver play like Silver Wheaton may well help our performance. Our cash position is a tiny \$39.30.

BMTC Group (GBT.A)	Canada Bread (CBY)
# of Shares: 790	# of Shares: 236
Bought: June 19/06	Bought: June 19/06
Price Then: \$18.57	Price Then: \$62.11
Price Now: \$18.28	Price Now: \$62.00
Gain: -1.56%	Gain: -0.18%
Stop: \$15.84	Stop: \$56.19
Notes: BMTC Group is a leading furniture dealer in Quebec. The stock has been a relatively consistent performer.	Notes: Canada Bread is one of Canada's largest bakeries and includes such brand names as Dempster's.
FirstService Corporation (FSV.SV – TSX)	Foremost Income Fund (FMO.UN)
# of Shares: 585	# of Shares: 855
Bought: Feb. 20/06	Bought: June 19/06
Price Then: \$29.23	Price Then: \$17.15
Price Now: \$27.54	Price Now: \$19.40
Gain: -5.96%	Gain: 13.12%
Stop: \$25.87	Stop: \$17.00
Notes: FirstService is a major property management firm with offices in twenty countries around the world.	Notes: Foremost is a manufacturer of specialty vehicles to maneuver difficult terrain such as muskeg, swamps, deep snow, etc.
Fortis Inc. (FTS – TSX)	GMP Capital Trust (GMP.UN)
# of Shares: 795	# of Shares: 652
Bought: Oct. 24/05	Bought: June 19/06
Price Then: \$22.88	Price Then: \$22.50
Price Now: \$22.73	Price Now: \$23.54
Gain: -0.65%	Gain: 4.62%
Stop: \$20.32	Stop: \$20.49
Notes: Newfoundland based electric company Fortis Inc. has expanded into other regions of Canada including British Columbia.	Notes: GMP Capital is a brokerage firm that handles underwriting as well as accounts for affluent clients.
La Senza (LSZ)	Silver Wheaton (SLW)
# of Shares: 624	# of Shares: 712
Bought: June 19/06	Bought: July 17/06
Price Then: \$23.50	Price Then: \$10.40
Price Now: \$24.50	Price Now: \$10.40
Gain: 4.26%	Gain: 0.00%
Stop: \$20.60	Stop: \$8.84
Notes: La Senza is Canada's leading retailer of lingerie and loungewear. It also runs La Senza Girl fashion stores for teens.	Notes: Silver Wheaton is the only resource company to derive 100% of its revenues from silver.
Vicwest Income Fund (VIC.UN)	WFI Industries (WFI)
# of Shares: 917	# of Shares: 908
Bought: June 19/06	Bought: May 23/06
Price Then: \$15.98	Price Then: \$16.80
Price Now: \$16.25	Price Now: \$19.75
Gain: 1.69%	Gain: +17.56%
Stop: \$13.86	Stop: \$16.99
Notes: Vicwest is Canada's leading manufacturer of metal siding and other building materials as well as Westeel grain bins.	Notes: WFI Industries is the leading manufacturer of heat pumps and heat exchangers.

Why Harry Missed Sally (from page 1)

past history to bear out his own theories. Harry conveniently omits mentioning that Prechter himself is currently very bearish and has been for a few years. (Prechter sees the Dow dropping to 777.)

Beyond 2010, Harry becomes bearish, predicting that the market will crash from its lofty heights for a decade. The Dow will lose 75% of its value (of 35,000 or so) and drop back below 10,000 again. This is based on his theory of a lag time for the effects of the baby boom to be felt by the economy.

So why was Harry so prescient with his 1992 book, *The Great Boom Ahead*, and so out to lunch with his current prediction? Well, maybe he was out ten years! Maybe, instead of the crash of 2000-2002 being a parallel to the crash of 1920-1921 to be followed by a magnificent boom, the crash of 2000-2002 is actually a parallel to the crash of 1929. The rally of 2003 is actually a parallel to the sucker rally of late 1929 to the Spring of 1930 which saw the Dow rise 50% from 200 to 300 in six months only to plummet to below 50 over the next few years.



1929 Crash (chart courtesy Lowrisk.com)

Maybe the crash he predicts for 2010 is already upon us. Maybe we haven't seen the worst yet. This is certainly what Bonner and Wiggin argue, though their arguments are based on politics and economics rather than demographics. It wasn't until 1954 that the heights reached by the Dow in 1929 were reached again. That's 25 years! If the same happens, the NASDAQ will not hit 5000 again until 2025. Maybe the truth lies somewhere in between.

Harry's strategy proved brilliant in the 90s. It's been a bummer so far in the 2000s.

As a book, I couldn't read more than half of it. Where Bonner and Wiggin are scintillating, albeit a little self-righteous and conceited, reading Dent is like watching paint dry. It's prose is filled with enough numbers, charts and statistics to bore anyone but a statistician or an economist. It has its moments, particularly in the early chapters where he lays out his general theories, but when he starts prescribing what everyone should do over the next twenty years, even going into minutiae on planning your children's university and career schedules, taxes and even charitable giving, he loses me. There's enough numbers there to choke a horse.

I do not believe you can predict stock market trends that far ahead. Yeah, I'm not a big follower of cycle theories. My approach has always been to look at individual stocks, looking for revenue and earnings growth. There may be some merit in a pure momentum approach such as that taken by Jesse Livermore or Nicholas Darvas. But their approach was also stock-centric. While broad theories like those presented by Dent and even by Bonner and Wiggin are interesting, ultimately they are wrong-headed. Cherchez la stock! Cherchez la stock! That's the key to market success!