

the Break Out Report

Volume # 5, Issue # 4A Supplementary

Dec. 31, 2006

Rich Get Richer Portfolio

Fourth Quarter a Blockbuster

In back testing before we launched the Rich Get Richer Portfolio, the fourth quarter was usually the best. This year was no exception as our portfolio gained 12.04% for the quarter to close the year up 16.16%, just ahead of the TSX Composite which closed the year up 14.51%. And it came in well ahead of our Model Portfolio which stumbled for a number of reasons including over-trading and the income trust debacle.

Seven of our 20 RGR stocks gained more than 25% in the quarter. And if we were to continue the portfolio, eight would be carried along for another quarter. The best performing stock for the quarter was ZCL Composites which soared 77.53%. This was followed closely by Stella Jones, up 64.29% for the quarter and La Senza, up 50.58% for the quarter. Potash Corporation was up 43.94% in Q4 and Research in Motion climbed 30.03%. Rounding out the eight potential returnees are Parkland Income Fund, up 28.17%, Niko Resources, up 25.34% and Fortis Inc., up 21.81%.

In our first quarter we had a 25% trailing stop which forced us out of three stocks. At the time we noted that if we did not have stops, those stocks recovered enough to have increased the return significantly so we decided to eliminate stops completely. That worked to our advantage as income trusts bounced back after hitting what would have been stop loss levels previously.

In the last couple of weeks I did a back test to see how a ten stock RGR portfolio would have fared with no stops. The result was a phenomenal 35.90% return for the year. The quarter over quarter results were particularly interesting as noted in the table below.

	Q1 Return	Q2 Return	Q3 Return	Q4 Return
RGR Portfolio	+9.76%	-5.31%	+1.00%	+12.04%
10 Stock RGR Portfolio	+12.03%	-11.16%	+7.19%	+28.75%

As you can see, the ten stock portfolio was much more volatile, losing 11.16% in the second quarter to the 20 stock portfolio's 5.31%. But it vastly outperformed in the third and fourth quarters. Ironically, at the mid-year point, the 20 stock portfolio was ahead, still in positive territory, while the 10 stock portfolio was in the red.

Because of the poor showing with our Model Portfolio and the comparatively strong showing by the RGR portfolio, we are blending the portfolios and also adding a mutual fund element to make use of our Power Performer Mutual Funds analysis. So on the next few pages we will put together

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Rich Get Richer Portfolio Up 16.16% for Year!

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the RGR Portfolio had we continued with it but cut back to ten stocks. We will then pro-rate that into our Model Portfolio as we will describe later.

Below is the portfolio at the close of trading on Dec. 29th. The stocks being retained in the revised Model Portfolio are highlighted in yellow. Ordinarily we would retain La Senza because of its stellar performance, but this performance is partly because there is a takeover bid on the table at \$48.25 a share. That is just 26 cents above its current price.

Name	Symbol	Date Bought	# of Shares	Price Then	Price Now	Amount Invested	Current Value	Change	% of Portfolio
AlarmForce Industries	AF	Oct. 2/06	529	\$4.65	\$5.10	\$2,459.85	\$2,697.90	9.68%	4.65%
Big Rock Brewery Income Trust	BR.UN	July 3/06	139	\$17.79	\$13.60	\$2,472.81	\$1,890.40	-23.55%	3.25%
CML Healthcare Income Fund	CLC.UN	Oct. 2/06	153	\$16.07	\$13.95	\$2,458.71	\$2,134.35	-13.19%	3.67%
COM DEV International	CDV	Oct. 2/06	397	\$6.19	\$6.46	\$2,457.43	\$2,564.62	4.36%	4.42%
Carfinco Income Fund	CFN.UN	Oct. 2/06	592	\$4.15	\$3.60	\$2,456.80	\$2,131.20	-13.25%	3.67%
Contrans Income Fund	CSS.UN	July 3/06	194	\$12.70	\$12.02	\$2,463.80	\$2,331.88	-5.35%	4.01%
Fortis Inc.	FTS	Oct. 2/06	100	\$24.44	\$29.77	\$2,444.00	\$2,977.00	21.81%	5.13%
La Senza	LSZ	July 3/06	103	\$23.80	\$47.99	\$2,451.40	\$4,942.97	101.64%	8.51%
Melcor Developments	MRD	Oct. 2/06	124	\$19.90	\$18.34	\$2,467.60	\$2,274.16	-7.84%	3.92%
Niko Resources	NKO	July 3/06	39	\$63.04	\$83.35	\$2,458.56	\$3,250.65	32.22%	5.60%
Parkland Income Fund	PKI.UN	Oct. 2/06	82	\$30.03	\$38.49	\$2,462.46	\$3,156.18	28.17%	5.43%
Potash Corporation	POT	Oct. 2/06	21	\$116.02	\$167.00	\$2,436.42	\$3,507.00	43.94%	6.04%
RONA Inc.	RON	Oct. 2/06	116	\$21.17	\$21.00	\$2,455.72	\$2,436.00	-0.80%	4.19%
Research in Motion	RIM	Oct. 2/06	21	\$114.59	\$149.00	\$2,406.39	\$3,129.00	30.03%	5.39%
Stella Jones	SJ	Oct. 2/06	117	\$21.00	\$34.50	\$2,457.00	\$4,036.50	64.29%	6.95%
TSX Group	X	Oct. 2/06	50	\$49.02	\$46.61	\$2,451.00	\$2,330.50	-4.92%	4.01%
Vicwest Income Fund	VIC.UN	Oct. 2/06	136	\$18.00	\$10.18	\$2,448.00	\$1,384.48	-43.44%	2.38%
WFI Industries	WFI	July 3/06	127	\$19.45	\$26.00	\$2,470.15	\$3,302.00	33.68%	5.69%
Zargon Energy Trust	ZAR.UN	July 3/06	80	\$30.58	\$24.79	\$2,446.40	\$1,983.20	-18.93%	3.41%
ZCL Composites	ZCL	July 3/06	494	\$5.00	\$10.35	\$2,470.00	\$5,112.90	107.00%	8.80%
							\$57,572.89		
						Cash	\$506.95		0.87%
					Total	Value	\$58,079.84		100.00%
					YTD	Return	16.16%		

Note that two of our stocks are up over 100% since adding them to the Rich Get Richer Portfolio. One, of course, is La Senza, which was added at the end of Q2 and is the subject of a takeover bid. The other is ZCL Composites, also added at the end of the second quarter. It continues in the portfolio. Next overall best performer is Stella Jones, added at the end of Q3. It also continues on.

Before we get to the top performing stocks for the quarter and the new additions to our portfolio,

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Fourth Quarter a Blockbuster (from page 2)

let's go over the makeup of our new Model Portfolio. We finished the year with \$163,400.19. We are going to replace our current holdings with \$50,000 in mutual funds and our Rich Get Richer Portfolio of approximately \$58,000. We're going to bump up the RGR component by 50% for a total of \$87,000. That leaves \$26,000. Each three months we profile five new stocks and we will add approximately \$5000 of each as they are profiled, the balance held in cash.

In other words, our new Model Portfolio will have three components – a mutual fund component, an RGR component and a new stock/cash component.

The top 11 for the quarter ended Dec. 29th are shown below along with the number of shares of each that we will buy. La Senza, as mentioned, will not be bought. They are shown with Friday's closing price but will be adjusted if they cannot be had at those prices. New purchases are in bold and highlighted in green. The number of shares of the four stocks we are retaining have been increased by 200%. That's because we are reducing the number of stocks from 20 to 10, so we double the number of shares of the ones we are keeping. Then we are increasing the number of shares by 50%. For example, we have 494 shares of ZCL Composites at the end of Q4. We are increasing that by 200% to 1482 shares. The remaining cash is divided evenly among the other six stocks bought.

Name	Symbol	Date Featured	Change Q4	Change Since Profiled	End Q4	# of Shares	Value	% of Portfolio
RDM Corporation	RC	Dec. 20/06	168.83%	-1.43%	\$4.14	1588	\$6574.32	7.57%
Sino-Forest Corporation	TRE	Dec. 18/05	83.37%	77.95%	\$7.83	840	\$6577.20	7.58%
ZCL Composites	ZCL	June 20/04	77.53%	404.88%	10.35	1482	\$15,338.70	17.67%
Stella-Jones Inc.	SJ	Feb. 19/06	64.29%	119.05%	\$34.50	351	\$12,109.50	13.95%
La Senza	LSZ	April 17/05	50.58%	227.58%	\$47.99	n/a	n/a	n/a
Dynatec	DY	Dec. 20/06	48.95%	-3.62%	\$2.13	3087	\$6575.31	7.57%
Inmet Mining	IMN	Oct. 16/06	47.68%	22.73%	\$62.41	105	\$6553.05	7.55%
Potash Corporation	POT	June 19/05	43.94%	39.34%	\$167.00	63	\$10,521.00	12.12%
Le Chateau	CTU.A	June 19/05	40.35%	53.61%	\$60.00	110	\$6600.00	7.60%
Aur Resources	AUR	Oct. 16/05	34.78%	183.08%	\$24.26	271	\$6574.46	7.57%
Research in Motion	RIM	Sept. 19/04	30.03%	57.14%	\$149.00	63	\$9387.00	10.81%
Total							\$86,810.54	
Cash							\$9.22	0.01%
Total Portfolio Value							\$86,819.76	100.00%

This is our new balance after trades and allotting \$300 for broker fees. This amount will be added into our Model Portfolio and full details of its makeup will be noted online in the Subscribers Area. Future trades, though based on Watched List stock performance to the end of each quarter, will actually be made on the Monday following the next newsletter after the end of the quarter. These supplementary issues will be discontinued after this one.

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