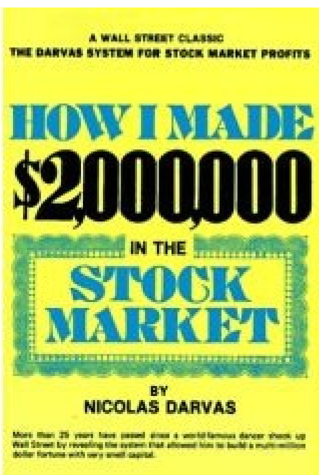
Book Review

How I Made $2,000,000 in the Stock Market

by Nicolas Darvas – Reviewed by Marco den Ouden



I'd wanted to read this stock market classic for a long time but it is notoriously hard to find. Finally I bought it through a reseller on Amazon.com. The seller was in England and the book arrived in my mailbox a couple of weeks later. It was worth the wait!

What adds to the book's appeal is that, unlike Jesse Livermore, Darvas was not a professional investor. He was a professional dancer. He and his dance partner Julia entertained at nightclubs around the world. And because he was not a professional, he got his chops in the school of hard knocks. He learned by doing. And he chronicles his progress, all the mistakes he made along the way, where his thinking went wrong, and how he eventually developed his own theory which made him $2 million in 18 months, starting with a stake of less than $25,000.

Darvas got involved in the stock market quite by accident. In 1952 he was offered a dancing gig in Toronto. The twin brothers who owned the club, Al and Harry Smith, made Darvas an unusual offer. They wanted to pay him in shares of a Canadian junior mining company called Brilund. It was trading at 50 cents a share – 6000 shares worth $3000 for his appearance. Darvas was a bit skeptical as he knew stocks went up and down in price. The Smiths agreed to make up the difference in cash if the stock dropped below 50 cents for the six months following the deal. Darvas agreed.

As it turns out, Darvas could not keep his playdate and felt badly about letting the brothers down. So he offered to buy the 6000 shares for $3000. He got the shares and forgot about them until he noticed two months later that the stock was up to $1.90. He sold and made an $8000 profit. His appetite, as they say, was whetted.

Then began the education. He thought Canadian penny mining stocks were the cat's meow. "I jumped in and out of the market like a grasshopper," he writes. He became enamored of some, calling them his "pets". And he started losing money. So he quit the Canadian market and opened an account with a broker on Wall Street.

His education continued. He followed broker tips. He subscribed to newsletters. He read books. He tried fundamental analysis. And he over-traded like crazy. When Rayonier went from $50 to $100, he was in and out three times picking up $5 here, $8 there and $2 in his last trade. He made $13 a share on Rayonier instead of $50.

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

Quarterly Review

Third 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.

And we're adding a new criteria for this quarter, namely we are getting rid of any that have been going sideways or made no headway since the beginning of 2005. This has us clear out a couple like Home Capital Group and Peyto Energy Trust which have done very well for us but are starting to get long in the tooth. And it also eliminates some marginal stocks that have managed to hang in because they were either growing earnings or in a temporary up trend at quarter ends but these proved unable to change into a meaningful long term trend.

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 Q3 2006						
Name	**Symbol**	**Date Featured**	**Price Then**	**Change Q3**	**Change YTD**	**Change Since Profiled**
Research In Motion	RIM	Sept. 19/04	$94.82	47.29%	49.30%	20.85%
La Senza	LSZ	April 17/05	$14.65	33.91%	67.74%	117.54%
WFI Inc.	WFI	May 19/06	$16.80	32.11%	49.40%	49.40%
Potash Corporation	POT	June 19/05	$119.85	21.36%	24.62%	-3.20%
ZCL Composites	ZCL	June 20/04	$2.05	16.60%	53.83%	184.39%
Stella-Jones Inc.	SJ	Feb. 19/06	$15.75	13.39%	33.33%	33.33%
Melcor Developments	MRD	Mar. 2/01	$2.03	12.94%	62.03%	845.81%
Vicwest Income Fund	VIC.UN	June 16/06	$15.98	12.85%	12.64%	12.64%
Contrans Income Fund	CSS.UN	Oct. 12/01	$3.63	11.81%	1.00%	291.18%
CML Healthcare Income Fund	CLC.UN	Apr. 12/02	$5.85	10.45%	11.60%	174.70%

Three of the top ten are repeats from last quarter, La Senza, WFI Industries and ZCL Composites. Five of the top ten are up over 100% since we first profiled them. Note also that three are up 50% or more for the year-to-date with another two at 49% for the year to date.

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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 31 of the 68 stocks in our Watched List managed to eke out a gain and the 68 together lost an average of 0.50% for the quarter. This is partly due to the fact we are carrying a lot of underperforming stocks in our Watched List, holdovers from when they were doing well but which have since lost their steam. This is one reason we are trimming a lot of stocks from the Watched List this quarter. We also want to streamline our Watched List and make it more manageable. Next quarter we may trim it down even further although we have had a number of cases where stocks we have dropped have turned around and done well.

Name	Symbol	Date Featured	Price Then	Change Q3	Change YTD	Change Since Profiled
Sino-Forest Corporation	TRE	Dec. 18/05	$4.40	-25.74%	-13.56%	-2.95%
Goldcorp Inc.	G	May 25/01	$7.83	-21.66%	1.78%	236.65%
March Networks	MN	Nov. 20/05	$22.50	-20.39%	-41.79%	-16.36%
Savannah Energy Services	SVY	Feb. 20/05	$19.35	-19.98%	-36.01%	-5.43%
Ensign Energy Services	ESI	Nov. 20/05	$20.12	-19.14%	-20.93%	-7.80%
MacDonald Dettwiler	MDA	April 16/06	$50.40	-17.94%	-25.20%	-25.20%
Commercial Solutions	CSA	May 21/06	$7.09	-17.58%	-4.09%	-4.09%
Steepleback Industrial Group	SID	Jan. 18/04	$2.95	-16.67%	-15.49%	103.39%
Peyto Energy Trust	PEY.UN	Feb. 22/02	$2.58	-15.84%	-21.50%	673.98%
Trican Well Service	TCW	Apr. 18/04	$6.08	-15.56%	-32.75%	209.70%

March Networks is in our Bottom Ten for the second quarter running but we are keeping it in the Watched List as it has been on it less than a year.

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 29 of our 68 stocks, have doubled or more since profiled.

Our Quarterly Review

Name	Symbol	Date Featured	Price Then	Change Q3	Change YTD	Change Since Profiled	Recent Trend	QEPS Change	Status
Home Capital Group	HCG	Nov. 20/00	$3.00	-5.83%	-11.65%	923.33%	→	+11.63%	Drop
Melcor Developments	MRD	Mar. 2/01	$2.03	12.94%	62.03%	845.81%	↑	+47.06%	Keep
Alimentation Couche-Tard	ATD.B	Dec. 4/00	$2.88	-0.54%	1.97%	729.91%	↑	-19.23%	Keep
Peyto Energy Trust	PEY.UN	Feb. 22/02	$2.58	-15.84%	-21.50%	673.98%	↓	+100.00%	Drop
Reitmans (Canada)	RET.A	July 6/01	$2.53	-4.20%	11.85%	656.94%	↓	-51.22%	Drop
Zargon Oil & Gas	ZAR.UN	Jan. 29/01	$4.70	5.30%	1.42%	585.11%	→	+92.68%	Keep
TransForce Income Fund	TIF.UN	Jan. 18/02	$3.02	-1.95%	-2.58%	450.33%	↑	+7.89%	Keep
SNC-Lavalin Group	SNC	Mar. 23/01	$5.42	-2.11%	13.09%	430.63%	↓	+8.70%	Keep

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Quarterly Review *(from page 3)*

Name	Symbol	Date Featured	Price Then	Change Q3	Change YTD	Change Since Profiled	Recent Trend	QEPS Change	Status
Stantec Inc.	STN	Apr. 20/01	$4.13	-3.08%	2.89%	395.76%	↑	+5.88%	Keep
Canada Bread Co.	CBY	May 18/01	$13.00	-4.96%	0.59%	356.54%	↓	+8.43%	Keep
Contrans Income Fund	CSS.UN	Oct. 12/01	$3.63	11.81%	1.00%	291.18%	↑	+2.22%	Keep
CCS Income Fund	CCR.UN	May 18/03	$10.15	-1.49%	-1.49%	259.29%	↓	+160.00%	Keep
Goldcorp Inc.	G	May 25/01	$7.83	-21.66%	1.78%	236.65%	↓	+75.00%	Keep
Falconbridge Ltd.	FAL.LV	Mar. 14/04	$19.63	5.99%	80.64%	217.47%	↑	+213.11%	Drop
Trican Well Service	TCW	Apr. 18/04	$6.08	-15.56%	-32.75%	209.70%	↓	+114.29%	Keep
Richelieu Hardware	RCH	Dec. 4/00	$7.00	-2.51%	-11.35%	200.14%	→	+22.58%	Keep
Niko Resources	NKO	Nov. 17/02	$22.20	5.49%	20.43%	199.55%	↑	L	Keep
ZCL Composites	ZCL	June 20/04	$2.05	16.60%	53.83%	184.39%	→	+300.00%	Keep
CML Healthcare Income Fund	CLC.UN	Apr. 12/02	$5.85	10.45%	11.60%	174.70%	↑	21.43%	Keep
BMTC Group	GBT.A	Aug. 20/02	$6.98	-0.55%	13.13%	159.50%	→	-19.05%	Keep
Fortis Inc.	FTS	Mar. 16/01	$9.50	9.65%	0.70%	157.26%	→	+2.94%	Keep
AlarmForce	AF	Sept. 21/03	$1.92	5.68%	17.72%	142.19%	→	+100.00%	Keep
Finning International	FTT	May 11/01	$16.40	0.56%	0.73%	128.11%	↓	+23.53%	Keep
Cameco Corp.	CCO	Nov. 19/04	$18.44	-8.41%	10.39%	120.94%	↓	+344.44%	Keep
TSX Group	X	Jan. 18/04	$22.50	9.42%	4.68%	117.87%	→	+17.14%	Keep
La Senza	LSZ	April 17/05	$14.65	33.91%	67.74%	117.54%	↑	+218.75%	Keep
Pason Systems	PSI	May 16/04	$7.50	-3.49%	9.20%	110.40%	↓	+133.33%	Keep
Aur Resources	AUR	Oct. 16/05	$8.57	1.12%	52.80%	110.04%	→	+155.26%	Keep
Steepleback Ind. Group	SID	Jan. 18/04	$2.95	-16.67%	-15.49%	103.39%	↑	+2800.00%	Keep
Garda World Security	GW	Aug. 21/05	$12.15	2.64%	49.14%	85.60%	→	+41.67%	Keep
RONA Inc.	RON	Nov. 16/03	$12.78	5.59%	-1.31%	65.71%	↑	+13.11%	Drop
Western Lakota Energy Services	WLE	July 17/05	$9.45	3.95%	-11.98%	61.69%	n/a	n/a	Drop

(continued on page 5)

Quarterly Review *(from page 4)*

Name	Symbol	Date Featured	Price Then	Change Q3	Change YTD	Change Since Profiled	Recent Trend	QEPS Change	Status
McCoy Brothers	MCB	May 15/05	$4.65	-13.58%	11.11%	50.54%	→	-22.22%	Keep
WFI Inc.	WFI	May 19/06	$16.80	32.11%	49.40%	49.40%	↑	+114.29%	Keep
Stella-Jones Inc.	SJ	Feb. 19/06	$15.75	13.39%	33.33%	33.33%	→	+35.90%	Keep
Gildan Activewear	GIL	Sept. 18/05	$42.01	2.94%	8.68%	29.35%	→	+24.56%	Keep
easyhome	EH	Dec. 17/04	$12.93	-1.54%	1.27%	23.71%	↓	T	Drop
Teck Cominco	TCK.B	Dec. 18/05	$57.75	4.51%	12.81%	21.21%	↓	+165.77%	Keep
Research In Motion	RIM	Sept. 19/04	$94.82	47.29%	49.30%	20.85%	↑	+32.14%	Keep
Big Rock Brewery Income Trust	BR.UN	Oct. 15/04	$16.05	9.08%	0.31%	20.56%	→	+64.29%	Keep
Foremost Income Fund	FMO.UN	June 16/06	$17.15	0.26%	13.12%	13.12%	↓	+81.82%	Keep
Vicwest Income Fund	VIC.UN	June 16/06	$15.98	12.85%	12.64%	12.64%	→	+56.31%	Keep
Sherritt International	S	Nov. 19/04	$8.66	-12.71%	-3.47%	12.59%	↓	+24.14%	Drop
Le Chateau	CTU.A	June 19/05	$39.06	-2.77%	-10.90%	9.45%	↑	-43.42%	Keep
Xceed Mortgage Corp.	XMC	Jan. 16/05	$5.05	-10.71%	-12.70%	8.91%	↓	-20.69%	Drop
Com Dev International	CDV	Sept. 18/06	$5.73	8.03%	8.03%	8.03%	↑	+233.33%	Keep
Carfinco Income Fund	CFN.UN	Aug. 21/06	$3.88	6.96%	6.96%	6.96%	→	+33.33%	Keep
Intrawest Corporation	ITW	Mar. 19/06	$37.58	9.27%	2.58%	2.58%	→	L	Drop
Silver Wheaton	SLW	July 17/06	$10.40	0.87%	0.87%	0.87%	↓	+175.00%	Keep
Ritchie Brothers	RBA	Mar. 19/06	$59.30	0.64%	0.86%	0.86%	↑	+14.75%	Keep
Pareto Corp.	PTO	Aug. 21/05	$1.13	-8.33%	-19.71%	-2.65%	→	0.00%	Keep
Sino-Forest Corporation	TRE	Dec. 18/05	$4.40	-25.74%	-13.56%	-2.95%	↑	0.00%	Keep
Potash Corporation	POT	June 19/05	$119.85	21.36%	24.62%	-3.20%	↑	+13.01%	Keep
Commercial Solutions	CSA	May 21/06	$7.09	-17.58%	-4.09%	-4.09%	↓	0.00%	Keep
Savannah Energy Svcs.	SVY	Feb. 20/05	$19.35	-19.98%	-36.01%	-5.43%	↓	-99.82%	Drop
GMP Capital Trust	GMP.UN	June 16/06	$22.50	-9.69%	-5.56%	-5.56%	↓	+53.33%	Keep
Parkland Income Fund	PKI.UN	Sept. 18/06	$31.94	-5.98%	-5.98%	-5.98%	→	+212.50%	Keep

(continued on page 6)

Quarterly Review *(from page 5)*

Name	Symbol	Date Featured	Price Then	Change Q3	Change YTD	Change Since Profiled	Recent Trend	QEPS Change	Status
Royal Gold	RGL	Sept. 18/05	$33.50	-0.42%	-23.63%	-7.76%	↓	-11.76%	Drop
Ensign Energy Services	ESI	Nov. 20/05	$20.12	-19.14%	-20.93%	-7.80%	↓	+275.00%	Keep
Pacific & Western Credit	PWC	Aug. 21/06	$12.95	-9.27%	-9.27%	-9.27%	↓	+608.33%	Keep
FirstService Corporation	FSV	Feb. 19/06	$29.50	-11.19%	-9.83%	-9.83%	↓	+11.43%	Keep
Wajax Income Fund	WJX.UN	May 19/06	$41.79	-12.68%	-15.77%	-15.77%	↓	+484.21%	Keep
March Networks	MN	Nov. 20/05	$22.50	-20.39%	-41.79%	-16.36%	↓	+47.37%	Keep
Aber Diamonds	ABZ	Jan. 15/06	$46.77	3.92%	-23.99%	-23.99%	↓	+78.79%	Keep
MacDonald Dettwiler	MDA	April 16/06	$50.40	-17.94%	-25.20%	-25.20%	→	+17.07%	Keep
Calfrac Well Services	CFW	Mar. 20/05	$36.75	-8.96%	-45.78%	-40.54%	↓	T	Drop
Cryptologic	CRY	May 15/05	$42.05	-8.64%	7.98%	-41.43%	↓	+78.79%	Drop
Centurion Energy	CUX	Jan. 16/05	$14.45	-2.70%	-39.33%	-52.60%	→	+133.33%	Drop
				-34.23%	**255.61%**	**9546.23%**			
Average Return				**-0.50%**	**3.76%**	**140.39%**			

Dropped (with YTD and Total Gain in brackets) are Home Capital Group (-11.65%, +923.33%), Peyto Energy Trust (-21.50%, +673.98%), Reitman’s (+11.85%, +656.94%), Falconbridge (+80.64%, 217.47%), RONA Inc. (-1.31%, +65.71%), Western Lakota Energy Services (-11.98%, +61.69%), easyhome (+1.27%, +23.71%), Sherritt International (-3.47%, +12.59%), Xceed Mortgage Corporation (-12.70%, +8.91%), Intrawest (+2.58%, +2.58%), Savannah Energy Services (-36.01%, -5.43%), Royal Gold (-23.63%, -7.76%), Calfrac Well Service (-45.78%, -40.54%), Cryptologic (+7.98%, -41.43%), and Centurion Energy (-39.33%, -52.60%)

Three of these, Intrawest, Western Lakota and Falconbridge, are being dropped as they have been or are in the process of being taken over.

The quarter was a tough one for the TSX and the resource sector and our Watched List lost 0.50%. For the year-to-date our Watched List is up 3.76%. All the stocks on our Watched List are up an average of 140.39% since profiled with 29 up over 100%. That’s out of a Watched List of 68 stocks. Eighteen are in negative territory but some 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 20 of our stocks had EPS growth of100% or more for the most recently reported quarter.

It was a tough quarter for our Watched List and our Model Portfolio. But we came out of it still ahead for the year and hope to make up ground in the last quarter which has traditionally been strong for us.

With 15 stocks dropped from our Watched List and one new added in this newsletter, that leaves us with 54 stocks. At the end of the year we will probably whittle that down some more. I thinking of reducing the number to between 25 and 35 as a more manageable number.

Book Review *(from page 1)*

When he found out about industry groups, he decided buying the strongest stock in the strongest industry was a good idea. He was so convinced he was on to a sure thing he mortgaged some property he owned in Las Vegas, borrowed on an insurance policy and plunked down $50,000 on steel company Jones & McLaughlin using margin. Three days later "lightning struck. Jones & McLaughlin began to drop." He was stunned. He held on believing it to be a temporary setback. He became afraid. "I trembled when I telephoned my broker," he writes. "I was scared when I opened the newspaper. I literally lived with my stock. I was watching it the way an anxious parent watches over his new-born child."

As you can tell, Darvas is a compelling writer. He grabs the reader's attention. We've all been there, done that. We know what he's talking about!

But Darvas didn't give up. And he went on to develop his own method of investing, a largely technical approach. He calls it the box theory and it works like this. He noticed that stocks fluctuate and stocks in an upwards trend will often pause and take a breather, fluctuating within a range. A box he called it. And he noticed that when the stock broke out of this box to the upside, it tended to go up further. And if it broke out to the downside, the trend was often broken.

For example, if a stock was fluctuating between 45 and 50 dollars – a 45/50 box, if it broke through to 51, it would likely go higher. If it broke through to 44, it would likely go lower. So he would buy at 51 and set a stop loss for the top of the last box or 50. Darvas used very tight stops on his initial purchases. He reasoned that the stock had broken out of the box and it had no business going back in the box. If it did, then he made a mistake and wanted to get out as quickly as possible with as little damage as possible. He also looked to increased volume as a positive indicator.

He was not averse to playing the same stock several times. For example, he played steel company Cooper-Bessemer three times between November 1956 and April 1957. Bought at 46, stopped out at 45 1/8; bought at 55 3/8, stopped out at 54; bought at 57 and sold for a hefty profit at 70 ¾. Two losses and a victory for an overall gain of over $1500. In the fall of 1957, a bear market developed but he had been stopped out of all his positions well ahead of it. His system had put him in cash when the market went south.

Darvas was fascinated that he didn't have to have theories or predictions about where the market in general was headed. The individual stocks told him the story by their behavior. And he learned you can't get emotional about the market. "I accepted everything for what it was – not what I wanted it to be. I just stayed on the sidelines and waited for better times to come."

It was during this mini-bear that he made an important discovery. He read the stock reports daily. He noticed some stocks gave ground grudgingly, fighting the down trend. Checking these stocks further, he discovered they were growing earnings. "Capital was flowing into these stocks, even in a bad market. This capital was following earning improvements as a dog follows a scent."

And so he married this fundamental idea to his technical box theory. "I would select stocks on their technical action in the market, but I would only buy them when I could give improving earning power as my fundamental reason for doing so."

And he decided to focus on "those stocks that were tied up with the future and where I could expect revolutionary new products would sharply improve the company's earnings." Yes, he became a tech stock investor…way back in the 1950s. "They were rapidly-expanding, infant industries and, unless something unforeseen happened, their expansion should soon be reflected in the market."

You may notice some striking similarities to Jesse Livermore's approach. Others were the idea of probing the market, that is buying a bit now, a bit more on confirmation and still more after that. In fact, like Livermore, Darvas was a plunger. He bought few stocks. After he made a million, he re-invested the proceeds in just two stocks!

Darvas's book is a fascinating read. It's almost as valuable for the discussion of the mistakes he made as for his successes. And it reads like an adventure story, a compelling page turner. Get it! You won't be disappointed.

Mining Sector Pick

Inmet Mining Corporation (IMN–TSX)

(website: www.inmetmining.com)

The name of the company sort of gives it away. Yes, Inmet Mining is a mining company! It is a Canadian based global mining company focused on base metals such as copper and zinc with gold as a by-product.

The company is truly global with operations in four countries around the world. The Çayeli Mine in northeastern Turkey is an underground copper and zinc mine. In commercial production since 1994, the mine employs 480 people and has reserves that will carry it through to 2016.

The Pyhäsalmi Mine in central Finland is also a copper and zinc producer, employing 250 people with a mine life also good to 2016.

It is a Canadian company, so not surprisingly, there is also a mine in Canada, the Troilus Mine in northern Quebec. This open pit mine was started in 1994 and was in production by 1997. Employing 280, the mine produces both gold and copper. A smaller operation than the other two, it will be operating through 2009.

The Ok Tedi Mine in the Star Mountains of Papua New Guinea is one of the world's largest copper and gold mines. This mine employs more than the other three combined with 1990 people working. Gold is the main product with over 500,000 ounces a year produced. Almost 200,000 ounces of copper are produced. However, Inmet only has an 18% interest in the Ok Tedi project. The mine will run to 2013.

Exploration is crucial to continuing to operate beyond the life expectancies of the operating mines and Inmet did active exploration around Pyhäsalmi and Çayeli in 2006 as well as at Las Cruces near Seville, Spain. Inmet bought a 70% interest in Las Cruces in August 2005 and the high grade copper project is now under construction with start-up of production slated for 2008. Lead, gold and silver are expected to be produced as by-products.

The data in the annual earnings table below are skewed for 2003 by a windfall profit from the sale of an asset and the settlement of litigation. Before special items, earnings per share for 2003 were $0.88 a share.

Quarterly Earnings per Share

To June 30th	2005	2006	% Change
EPS (continuing operations)	$0.75	$2.74	+265.33%
Revenues (000s)	$157,720	$317,624	+101.38%%

Annual Earnings per Share

To Dec. 31st	2003	2004	% Change	2005	% Change
EPS	$4.46	$1.89	-57.62%	$3.26	+72.49%
Revenues (000s)	$415,368	$553,837	+33.34%	$719,129	+29.84%

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Inmet Mining *(from page 8)*

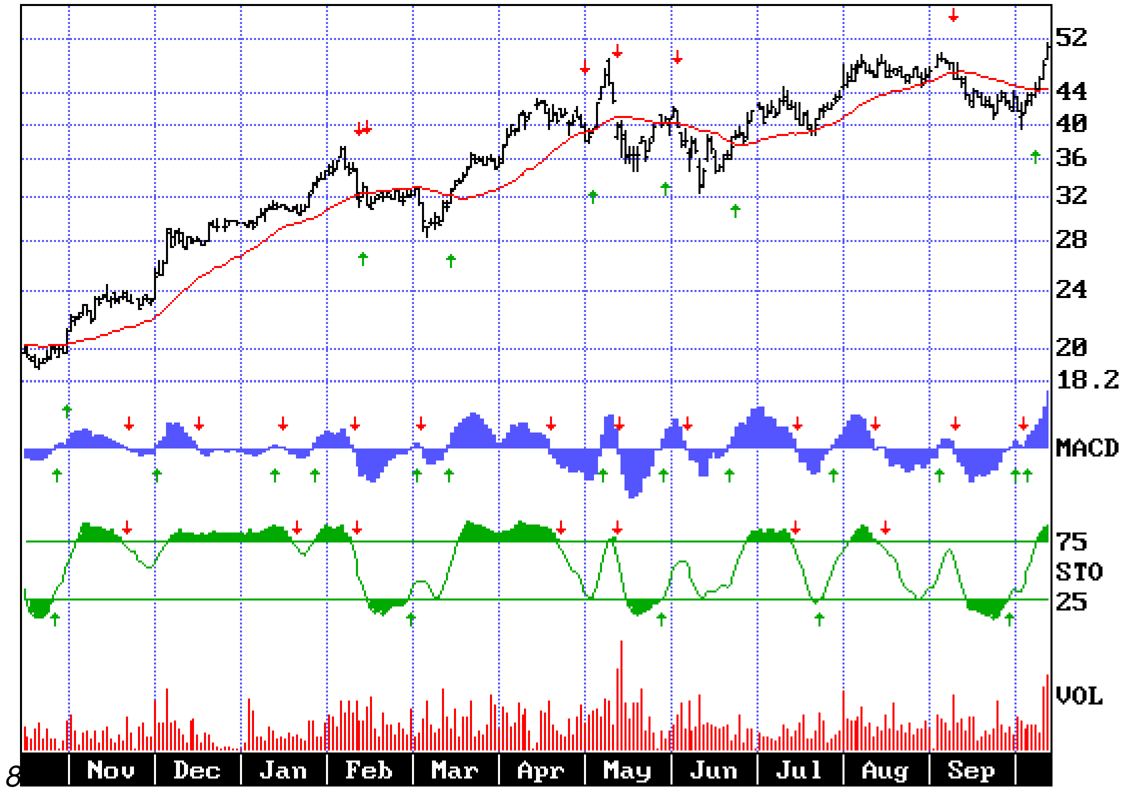

Chart Analysis: September was a lousy month for the resource sector with some stocks getting hammered with 25% or more drops. Inmet didn't escape the fallout, dropping to $41.25 from $49, a setback of 15.82%. But look what it's done since the beginning of October! The stock has surged to new highs and is at a perfect buying point if you use the Darvas Box method of stock picking. The volume has picked up strongly as well. If you're an Investools Toolbox user, you'll note the three green arrows…all systems go, baby!

Wouldn't it have been nice to have picked up this puppy in early December 2000 when it bottomed at $1.66! It's up an astounding 2963.25% since then. $10,000 then would be $306,325 today. It's more than doubled in the last year and still has room to grow.

Stats as of 10/13/06	Phase 2 Analysis
▪ Hi/Lo Ratio: 2.72	▪ Price Pattern: A
▪ RS: 97.28	▪ Volatility: A-
▪ Shares: 48,090,932	▪ Estimates: A
▪ P/E: 8.19	▪ Snapshot: A+
▪ Price: $50.85	▪ News: A

Phase 2: We give IMN an A for price pattern and an A- for volatility as the up trend is solid but there has been the odd correction in the last year. Estimates are more than doubled for 2006 and flat for 2007 with a 1.9 or buy rating. We give it an A. The snapshot is solid with growing revenues and earnings and return on equity solid at 26.53 and growing. An A+. News is solid as well with quadrupled earnings in the last quarter and progress on the Las Cruces project. We give it an A.

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

Mutual Funds

Marco's Power Performers

(for September 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.

Super Power Performers (13)	1 yr	3 yr	5 yr
Sceptre Equity Growth - O	33.22	31.06	34.15
Sceptre Equity Growth - A	31.57	29.55	32.75
Friedberg Diversified US$	114.42	83.70	32.43
Northern Rivers Innovation Fund LP	51.77	26.28	31.59
TD Latin American Growth US$	27.20	45.46	31.20
Fidelity Latin America-B US$	28.93	46.06	31.06
Fidelity Latin America-A US$	28.53	45.85	30.95
Dynamic FocusPlus Resource	27.79	33.85	30.05
DMP Resource Class	28.29	31.46	27.78
AGF Emerging Markets Value US$	26.02	34.96	27.19
Fidelity Emerging Markets-B US$	25.31	31.97	26.81
Fidelity Emerging Markets-A US$	25.00	31.81	26.72
Sentry Precious Metals Growth	70.90	27.41	26.20

The TSX fell 312.48 points or 2.59% in September as resource prices and resource stocks got hammered. The last two weeks has seen a partial recovery. This blow to the TSX Index is reflected, of course, in our September mutual fund stats.

The number of Super Power Performers dropped sharply to 13 from 32 in August. The number of Power Performers stayed even at 19. And the number of Performers clocked in at 51, down from 70 in August. Total: 83 compared to 121. This is a huge drop from the whopping 173 we had in April.

The makeup of the funds comprising our lists is changing as well. Formerly dominated by precious metals and resource funds, the Super Power Performers are now dominated by emerging markets funds with three Latin American funds and three emerging markets funds.

The rest of the thirteen Super Power Performer funds include two resource funds, a precious metals fund, a couple of small caps and two specialty funds.

The Power Performers has resource funds running neck and neck with international equity funds, notably Latin American (3), European (2) and China (1) and one each of a global resource fund, global real estate fund and global financial services fund.

Power Performers (19)							
Fund	**1 yr**	**3 yr**	**5 yr**	**Fund**	**1 yr**	**3 yr**	**5 yr**
RBC Global Precious Metals	51.19	20.10	41.41	Trimark Europlus US$	21.69	28.27	22.96
AGF Precious Metal	57.12	24.07	39.47	RBC Global Resources	23.84	32.64	22.76
Mackenzie Universal Cdn. Res. US$	23.21	36.75	39.12	AGF China Focus Class US$	25.67	23.88	22.70
TDK Resource Fund Inc.	22.30	37.37	37.87	TD Latin American Growth	22.29	36.54	22.37
Mackenzie Universal Prec. Metals US$	52.23	21.23	37.81	Fidelity Latin America-B	23.98	37.18	22.29
AGF Global Resource Class US$	23.46	40.42	33.42	AGF Euro. Equity Class US$	35.76	28.75	22.19
CI Signature Cdn Res Corp Class US$	21.17	38.49	32.84	Fidelity Latin America-A	23.62	36.99	22.19
Mackenzie Cundill Recovery 'C' US$	24.28	24.86	30.94	AGF Global R. Est. Equity US$	27.04	25.92	20.81
Sprott Canadian Equity	21.47	28.34	29.71	AGF Global Fin. Services US$	30.79	28.27	20.26
Mavrix Strategic Small Cap	41.31	39.28	24.67	**Power Performers © Marco den Ouden**			

(continued on page 11)

Marco's Power Performers *(from page 10)*

Below are our Performers. Here we have a mixed bag of funds with both international equity and resources doing well. And in the international equity arena, it is the emerging markets that are the strong performers with contributions from far east funds and Latin America funds.

Performers (51)							
Fund Name	1 yr	3 yr	5 yr	Fund Name	1yr	3 yr	5 yr
Excel India	18.75	31.69	31.03	Trimark Global Endeavour US$	15.95	20.83	18.51
Mackenzie Univ Cdn Resource	18.63	28.40	29.83	Fidelity Emerging Markets-B	20.50	23.98	18.35
CIBC Precious Metals	50.78	19.92	29.77	Fidelity Emerging Markets-A	20.24	23.83	18.26
Epic Limited Partnership	19.69	28.53	29.28	Dynamic Cdn. Value Class	28.10	29.10	18.09
London Life Cdn Res. (MF)	17.51	27.26	29.27	APEX Canadian Value	29.88	30.81	18.03
Dynamic Precious Metals	55.49	16.22	29.16	Fidelity Far East-B US$	25.48	23.79	17.80
Mackenzie Universal World Precious Metal Cap	48.93	15.67	26.88	Fidelity Far East-A US$	25.12	23.54	17.66
BMO Resource	18.85	31.31	25.87	Dynamic FocusPlus Real Est	20.39	21.89	17.13
CI Sig Canadian Resource	17.53	31.37	25.72	Dynamic Global Value US$	17.70	25.25	17.03
TD Precious Metals	42.34	16.89	25.48	Renaissance Dev Cap Markets	15.23	20.58	16.96
Clarica SF CI Signature Canadian Resource - DSC	16.50	29.91	25.25	AGF International Stock Class US$	31.05	27.25	16.80
Clarica SF CI Signature Canadian Resource	16.50	29.91	25.22	Tera Capital Global Innovation US$	34.60	66.37	16.69
AGF Global Resources Class	18.55	31.73	24.47	Investors Euro Mid-Cap Eqty-C	24.64	19.48	16.67
CI Sig Cdn Resource Corp Cl	16.53	30.06	24.00	Dynamic Value Fd. of Canada	25.53	27.65	16.34
Mackenzie Cundill Recov. 'C'	19.66	17.24	22.21	Trimark Int'l. Companies US$	18.10	20.06	16.20
CI Signature Select Canadian Corporate Class (US$)	16.48	26.90	21.46	Mackenzie Universal World Real Estate Cap Class	25.04	20.24	16.14
CIBC Latin American	16.59	29.50	20.99	Thornmark Enhanced Equity	16.35	26.42	16.10
Scotia Latin American Growth	17.83	31.72	20.69	AIM Int'l. Growth Class US$	19.98	24.06	16.06
Renaissance Cdn. Small-Cap	18.07	24.36	20.51	Fidelity Focus Fin. Ser-B US$	26.20	24.50	15.78
TD Emerging Markets	18.81	23.16	19.99	Fidelity Focus Fin. Ser-A US$	25.96	24.35	15.70
TD Emerging Markets-A	18.81	23.41	19.97	CIBC Canadian Real Estate	19.10	21.24	15.63
Dynamic FocusPlus Sm Bus	22.96	25.83	19.32	iShares CDN Fin. Sector Index	15.72	20.35	15.40
CI Emerg Mkts Corp Cl (US$)	24.50	26.07	18.97	AGF Canadian Small Cap	22.50	20.32	15.37
CIBC Emerging Markets Index	15.07	22.75	18.63	GWL Emerging Mkts (M) DSC	15.51	20.79	15.17
CI Emerging Markets (US$)	23.96	26.40	18.59	Sentry Select REIT	15.46	20.17	15.03
AGF Emerging Markets	21.07	26.70	18.58	**Power Performers © Marco den Ouden**			

Our Model Portfolio

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

Current Position: $163,355.13 (Up 226.71%) Up 4.15% YTD

We entered the weekend with over $76,000 in cash, and three vacant positions. We are filling them by probing with a small buy of about $4000, and increasing our holdings with further buys of $5000 and $6000 if the price advances as expected. On Monday we are buying the first installment of our feature pick this week, Inmet Mining as well as initial purchases for WFI Industries and Stella Jones Inc. We are also adding to our holding of Com Dev International with our final purchase of $6000. The balances below reflect those pending purchases. Our cash position is $58,334.58 or 35.71%.

COM DEV International (CDV)

# of Shares: 2469	**Bought:** 18/09/06, 02/10/06, 16/10/06
Price Then: $6.07	**Price Now:** $6.21
Gain: 2.31%	**Stop:** $5.44

Notes: COM DEV is the leading Canadian manufacturer of components for space technology and satellite communications.

Carfinco Income Fund (CFN.UN)

# of Shares: 3863	**Bought:** Aug. 21/06
Price Then: $3.88	**Price Now:** $4.16
Gain: 0.00%	**Stop:** $3.57

Notes: Carfinco finances second hand automobile purchases for people who have trouble getting conventional financing.

Fortis Inc. (FTS – TSX)

# of Shares: 795	**Bought:** Oct. 24/05
Price Then: $22.88	**Price Now:** $24.85
Gain: 8.62%	**Stop:** $20.32

Notes: Newfoundland based electric company Fortis Inc. has expanded into other regions of Canada including British Columbia.

Inmet Mining (IMN – TSX)

# of Shares: 78	**Bought:** Oct. 16/06
Price Then: $50.85	**Price Now:** $50.85
Gain: 0.00%	**Stop:** $45.77

Notes: Newfoundland based electric company Fortis Inc. has expanded into other regions of Canada including British Columbia.

Parkland Income Fund (PKI.UN)

# of Shares: 125	**Bought:** Sept. 18/06
Price Then: $31.94	**Price Now:** $30.08
Gain: -5.82%	**Stop:** $28.75

Notes: Parkland is the leading independent retailer of gasoline in Western Canada. Brands include Fas Gas and Short Stop Stores.

Research in Motion (RIM)

# of Shares: 145	**Bought:** 18/09/06, 25/09/06, 02/10/06
Price Then: $102.65	**Price Now:** $129.58
Gain: 26.24%	**Stop:** $103.66

Notes: Research in Motion is famous for its Blackberry Pager and is one of Canada's leading high tech companies.

Stella Jones (SJ)

# of Shares: 165	**Bought:** Oct. 16/06
Price Then: $24.20	**Price Now:** $24.20
Gain: 0.00%	**Stop:** $21.78

Notes: Stella Jones is one of those low tech companies a Warren Buffett or Peter Lynch would like. They make telephone poles.

TSX Group (X)

# of Shares: 79	**Bought:** Sept. 18/06
Price Then: $50.50	**Price Now:** $47.25
Gain: -6.44%	**Stop:** $45.45

Notes: TSX Group is the company that owns and operates the Toronto Stock Exchange and the TSX Venture Exchange.

Vicwest Income Fund (VIC.UN)

# of Shares: 917	**Bought:** June 19/06
Price Then: $15.98	**Price Now:** $17.05
Gain: 6.70%	**Stop:** $15.94

Notes: Vicwest is Canada's leading manufacturer of metal siding and other building materials as well as Westeel grain bins.

WFI Industries (WFI)

# of Shares: 157	**Bought:** Oct. 16/06
Price Then: $25.39	**Price Now:** $25.39
Gain: 0.00%	**Stop:** $22.85

Notes: WFI Industries manufactures and sells heat exchangers for use as both heating in summer and air conditioning in winter.