Strategies

Applying the Darvas Method

Last issue I reviewed Nicolas Darvas amazing little book, *How I Made $2,000,000 in the Stock Market*. This issue I look at his methodology in more detail with an eye to seeing if his feat can be easily replicated. The short answer is no. If it could, there would now be thousands of millionaires who made their money using the Darvas method. Many people have studied his methods. Many have achieved some success in the stock market. But few if any managed to turn $25,000 into $2,000,000 in the short eighteen months Darvas did it in. We'll get into the reasons for this later.

But the Darvas method contains some valuable truths that can be applied to improve our own stock market performance. The most important of these is the concept of the Darvas box.

The Darvas Box

What is a Darvas box? In his investigations of stock price movements, Darvas discovered that stocks don't move in a straight line. They fluctuate up and down. But a stock in an up trend has a peculiar pattern, a rhythm that can be observed and used to time one's stock purchases and place one's stop loss orders.

What Darvas observed was that up trending stocks typically advance for a while, then stall and consolidate, then advance again. This stalling and consolidation process he called forming a box. For example, a stock might have the following price pattern 22, 25, 24, 26, 27, 30, 29, 29, 27, 28, 29, 29, 30, 28, 29. The stock advanced from 22 to 30 and then started stalling and consolidating, falling back to 27. The pattern above would, in Darvas view, have formed a box or frame with a high of 30 and a low of 27. The stock oscillates between those figures.

The upper edge of the box is formed when the stock retreats from its high and stays below it for three consecutive days. So the move from 25 to 24 did not signal the top of a box as the stock moved up again after that. But when it hit 30, it stayed below that level. After the top of a box is formed, the bottom is formed when the stock advances from a low for three consecutive days without breaking out of the box to the upside. In our example, it is 27. This Darvas would call a 27/30 box which is a pretty tight frame. The depth of the box may vary each time one is formed.

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In This Issue: Marco's Power Performers (see page 9)

Applying the Darvas Method *(from page 1)*

Once a box is firmly established, Darvas says a break out above the upper line of the box is a buy signal. A drop below the bottom of the box is a sign that the stock's trend has changed and a sell signal.

Darvas was also very keen on volume. Increasing volume on a rising stock indicated buyer interest. Once he discovered a stock that was rising with increasing volume, he would wait for a box to develop. Then he would issue an on stop buy order to buy the stock when it broke out of the box.

An on stop buy order is the opposite of a stop loss order. It is an instruction to your broker to buy the stock only after it has climbed to a certain level. It seems almost counter-intuitive to the way most investors think. Many, if not most, would think "buy low" and tell their brokers, when the stock drops to this level, buy me some. The on stop buy order says I'm not interested until the stock has proven itself by climbing to a certain level. It is the tool in trade of the contrarian investor who, instead of following the rule of buy low, sell high, follows the rule of buy high, sell higher. I used to think this was a crazy idea until I read William O'Neil's *How to Make Money in Stocks*. In fact, there are many similarities between O'Neil's CANSLIM method and Darvas's approach.

In our example, Darvas would issue a buy order at 31. Immediately he would also issue a stop loss order at the top of the box or 30 in our example. He reasoned that if the stock was behaving correctly, it should advance once it broke out of the box. If it retreated, he had made a mistake and wanted to be out of the stock quickly with a minimal loss. He recognized that this might result in being stopped out quite a few times, but the advances would take care of that.

It was the famous financier and advisor to presidents, Bernard Baruch, who once said "Even being right 3 or 4 times out of 10 should yield a person a fortune if he has the sense to cut his losses quickly on the ventures where he has been wrong." A point reiterated by Darvas.

The best way to see the Darvas box method is graphically. Consider Research in Motion. This stock had been on a solid up trend from early 2003 through the end of 2004, rising from $8.50 to $110. The stock then drifted in a wide sideways pattern to mid-2006, fluctuating between $70 and $105. Now Darvas only bought stocks that were hitting all time highs. Research in Motion hit an all time high of $130 (split adjusted) on February 28, 2000, so Darvas may not have been interested in RIM until it broke through that high. But for the sake of our example, we'll look at the boxes since June. We rated Research in Motion a buy again on July 10th using our method of a bounce off the 30 day moving average after a change in direction of the moving average to the upside. So we'll look at the boxes since then.

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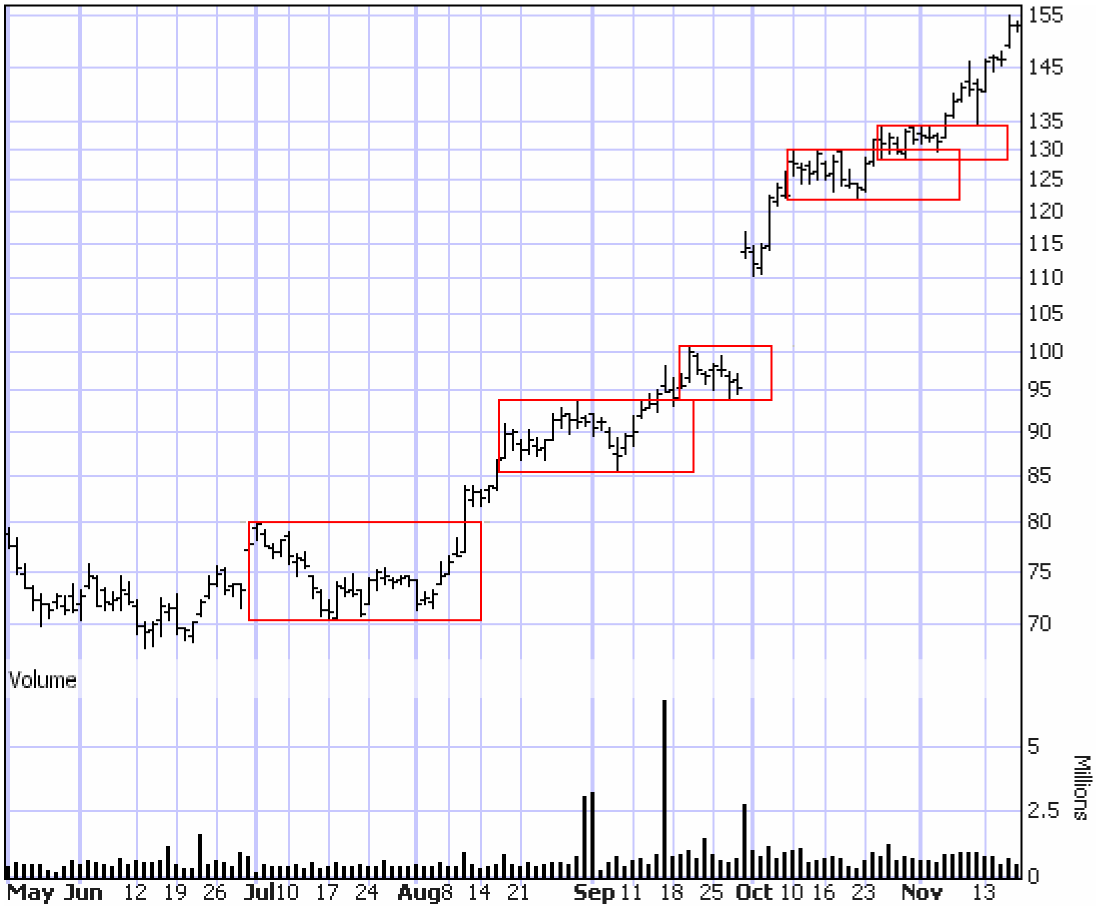
Applying the Darvas Method *(from page 2)*



As you can see, there have been five Darvas boxes formed since we issued our buy rating on July 10th. Darvas probed his stocks by buying in increments. If he had bought when we rated Research in Motion a buy, he likely would have sold when it hit 75, bought back in when it broke above 80, bought some more when it broke above 94 and bought a lot more when it spiked up on Sept. 29th. And if he was not yet fully invested at the time, he would have bought more when the stock broke above 130 and even more above 134. Each break out from a box to the upside is a buy signal.

The chart above graphically shows how boxes pyramid upwards in an up trending stock. Sometimes, as in the last two boxes, they overlap.

Darvas used stop losses, the initial one very tight but subsequent ones a bit looser. When a new box formed, Darvas would raise the stop to the bottom of the new box. In the case of Research in Motion, he would have raised the stops progressively to 86, 94, 122 and 128. which would be the current stop. The trailing stop using our current system is a bit looser at $122.50.

As I noted at the beginning of this article, Darvas's results cannot be easily duplicated. The reason is because of a Darvas idiosyncrasy he shared with Jesse Livermore. He was a plunger. He followed very few stocks and invested in even fewer. And when he did, he went whole hog and used margin, a dangerous prescription.

For example, after some initial successes had built up his capital position, he bought 500 shares of E.L. Bruce (makers of Bruce Hardwood Flooring which is still around today) at 50 ¾ . He bought another 500 shares at 51 1/8, another 500 at 51 ¾ another 500 at 52 ¾ and a final 500 shares at 53 5/8. He bought $130,687.55 worth of this one stock. It was his only holding and 50% of that was on

(continued on page 4)

Applying the Darvas Method *(from page 3)*

margin. Plunger indeed!

Then Darvas got very lucky indeed. Unknown to the general public, Bruce was the subject of takeover negotiations. Short sellers, not knowing this, pooh-poohed the rise in price and start selling short. As the price continued to rise, the shorts were in a frenzy trying to sell and close their positions. Things got so crazy that trading in the stock was halted. The shorts scrambled to buy the stock over-the-counter privately. Darvas broker told him he could sell out for $100 a share. Then he did something most people would probably not have the guts to do. He told his broker no and hung on. The offers went up and eventually Darvas sold out all his Bruce at an average price of $171. He made a profit of $295,305.45.

Now that is a combination of skillful stock picking, high risk (by ignoring the usual advice of diversifying), guts and just plain good luck. So replicating Darvas would take a combination of guts and foolishness most people just do not have.

That said, his box method is intriguing and fairly easy to follow. I will be adopting some of his methods in managing my Model Portfolio as noted with our stock picks this issue. I will look for stocks just breaking out of their Darvas boxes, preferably on good volume. I will also continue to buy in increments as I have been doing recently.

Although I like the idea of using the boxes to determine stop loss points, my method of using a percentage from the recent high is easier to manage and works as well. The only change will be that I will use a tight initial stop, increasing it as the profits mount. Using a very tight initial stop should help us hold on to our profits better and certainly prevent us from losing money because of bad selection or bad timing. I may substitute a Darvas stop for stocks actually in our Model Portfolio.

We'll have to watch and see how this works out over time!

Darvas's Trades

Here is the progression of Darvas's trades to $2 million. Remember, he used margin and so invested more than he actually had in cash. First trade noted below was in November 1957.

- bought 200 Lorillard at 28 ¾, 200 at 35, 200 at 36 ½ and 400 at 38 5/8. Invested $35,827.50
- bought 500 Diner's Club at 24 ½ , 500 at 26 1/8. Invested $25,520.80
- sold Diner's Club for $35,848.85
- sold Lorillard for $56,880.45
- bought E.L. Bruce in 5 increments between 50 ¾ and 53 5/8 for $130,687.55
- sold E.L. Bruce for $425,993
- lost small amounts on Molybdenum and Haveg Industries. Lost about $6500 trying Lorillard again after which he had a total profit of $318,686.45
- bought 300 Universal Controls at 35 ¼ , 1200 at 36 ½ , 1500 at 40. Total $115,313.49
- bought 200 Thiokol at 47 ¼ , 1300 at 49 ½. Total invested: $74,943.98
- a rights offer came from Thiokol which enabled him to convert to a highly leveraged position of 6000 shares for a cost of $350,820
- combined holdings of Thiokol and Universal Controls climbs to over half million
- got over-confident, ignored his rules and lost $96,588.66 trading 14 different stocks (he calls it his mad period). Still held Thiokol and Universal Controls through this period.
- traded a variety of stocks for a profit of $25,000 (he lists 11 stocks)
- sold Universal Controls for $524,669.97
- bought 2000 Texas Instruments at 94 3/8, 1500 at 97 7/8, 200 at 101 7/8. Total $541,996.95
- sold Thiokol for $1,212,851.52
- after probing four stocks, bought $574,842.25 of Zenith, $567,820.60 of Fairchild Camera
- 3 positions - Zenith, Fairchild and Texas Instruments – valued over $2,250,000 in July 1959

Pharmaceutical Pick

Paladin Labs (LGI–TSX)

(website: www.paladin-labs.com)

Paladin Labs was a featured stock in the 2003 edition of my book, *The 50 Best Science & Technology Stocks for Canadians*. Unfortunately it went from profit to loss in 2002 and the stock dropped like a rock before the book was even published. Luckily for readers, it rebounded nicely from a low of around $3. In the book I wrote:

"Paladin Labs is a small but fast-growing pharmaceutical company focused on niche markets that may be underserved by the giant drug companies. Founded in 1996 as a spinoff of Pharmascience Inc., the company became profitable in its third year.

The company's focus is commercialization of specialty products, not research. It acquires or in-licenses late-stage specialty pharmaceuticals from other small to medium sized pharmaceutical and biotechnology companies with little or no sales and marketing expertise in Canada. And it acquires products from large multinational pharmaceutical companies that don't want to expend the resources necessary to market to small niche areas or to Canada.

The company's expertise is twofold: shepherding acquired products through the Canadian regulatory process, including conducting any additional clinical trials that may be required, and focused marketing to high-prescribing specialty physicians.

The company is selective in choosing products that complement existing lines and specialty areas. These include urology, endocrinology, women's health, dermatology, palliative care and hospital emergency room products."

Licensors for the company's product line include Novartis, Pfizer, Eli Lilly, Merck Frosst, and Aventis. It also markets some generic products licensed from Pharmascience which is one of Canada's largest generic drug manufacturers.

On its website, the company reports compounded annual growth of revenues of 111% since inception in 1996.

Now for an odd coincidence. Thursday I developed an ear infection and my doctor prescribed some ear drops for me. I got the prescription, put a drop in my ear and proceeded to scan stocks for a likely prospect. I liked Paladin's chart so opted for it. While researching the company online, I went through its product list and well, I'll be darned but the ear drops were marketed by Paladin. I checked the box, and yes, indeed they were. I don't know if that's an omen, but it is interesting!

Quarterly Earnings per Share

To Sept. 30th	**2005**	**2006**	**% Change**
EPS (continuing operations)	$0.05	$0.13	+160.00%
Revenues (000s)	$9,135	$12,702	+39.05%%

Annual Earnings per Share

To Dec. 31st	**2003**	**2004**	**% Change**	**2005**	**% Change**
EPS	-$0.28	$0.22	turnaround	0.22	+00.00%
Revenues (000s)	$25,692	$29,150	+13.46%	$35,267	+20.98%

(continued on page 6)

Paladin Labs *(from page 5)*

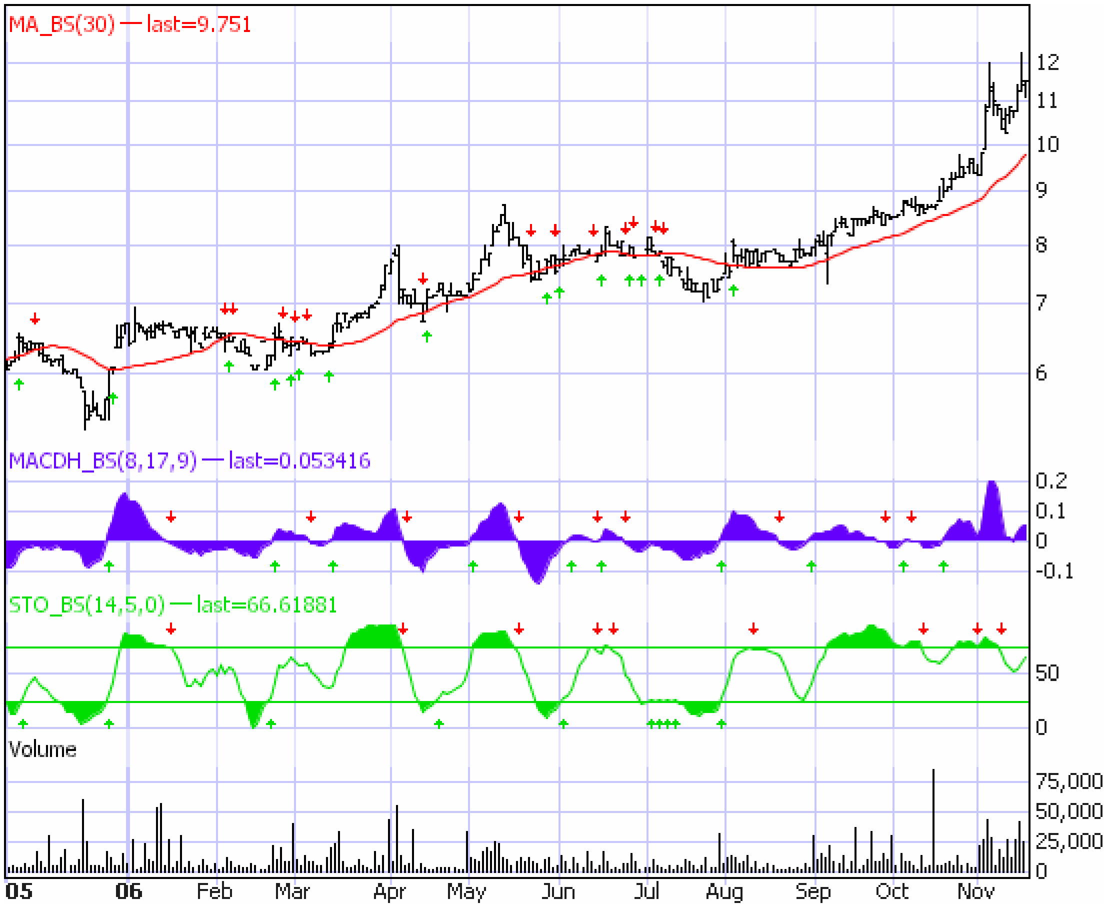


Chart Analysis: The stock plunged in the tech wreck, dropping from around $12 to below $5. It climbed again to around $11 in January 2002 before dropping to $3.55 by the end of that year. Since then it has climbed magnificently and Thursday hit an all-time high of $12.25. Volume is strong. Its box is 10.25/12.00 and since we're now priced inside the box, we'll set a stop at the lower end of the box or $10.25. If it closes above $12.25, we'll move the stop up to our purchase price of $11.52.

Stats as of 11/17/06	Phase 2 Analysis
▪ Hi/Lo Ratio: 2.31	▪ Price Pattern: A
▪ RS: 93.28	▪ Volatility: A
▪ Shares: 14,940,537	▪ Estimates: A+
▪ P/E: 30.32	▪ Snapshot: B-
▪ Price: $11.52	▪ News: A+

Phase 2: We give PLB an A for price pattern and an A for volatility as the up trend is solid and corrections have been short-lived. Estimates are up with a consensus rating of 2.0 or buy. We give it an A. The snapshot is mixed with growing revenues but earnings flat year over year. Return on equity is poor at 5.03. The bright spot is the most recent quarter. We give it a B-. News is solid with two new products added to its line and increased revenue guidance for 2007. We rate 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.

Technology Pick

Logibec Groupe Informatique Ltee. (LGI–TSX)

(website: www.logibec.com)

Logibec is a Quebec based Healthcare Management Software company.

Software packages include Espresso, its business management software for institutions. Designed for multisite and multifacility use, there is an Espresso version for financial and materials management and another for payroll and human resources management. The system operates in a Windows user interface with an Oracle data manager.

Clinibase is designed for acute care hospital centres and other facilities. It includes admissions and registration, patient indexing, chart tracking, emergency room management, resource scheduling, workload management and long term care management. There is also a radiology module and a pharmacy module. And using the HL7 protocol, it can be used to exchange information with facilities using other systems software.

The package also includes a knowledge bank for quick access to patient records while maintaining security and patient confidentiality.

Other software packages include Sicheld Plus, a patient record manager integratable with Clinibase, Caretools which manages clinical records, Siurge emergency management software and Pharmacy, also integratable with Clinibase.

The company was founded in 1982 and went public in 1986. Its software is used in almost all the healthcare establishments in Quebec as well as in institutions in Manitoba and Alberta. The software comes in both French and English.

The last few years have seen a steady growth in both revenues and earnings with revenues exploding over 50% in the last reported quarter. Earnings per share have grown at 35% a year over the last two years.

The company has also been expanding by acquisition, taking over MDI Technologies in 2005. This gave the company a toehold in the American market which it added to with a takeover of Monette Information Systems by MDI in March 2006. In July Logibec acquired Quebec based Lagibert Inc.

Although the company has a small float of less than ten million shares, it has been buying back its own shares since December 2005.

Quarterly Earnings per Share

To June 30th	2005	2006	% Change
EPS (continuing operations)	$0.15	$0.19	+26.67%
Revenues (000s)	$7,300	$11,600	+58.90%%

Annual Earnings per Share

To Sept. 30th	2003	2004	% Change	2005	% Change
EPS	$0.33	$0.45	+36.36%	0.61	+35.56%
Revenues (000s)	$21,926	$28,013	+27.76%	$31,865	+13.75%

(continued on page 8)

Logibec Groupe Informatique *(from page 7)*

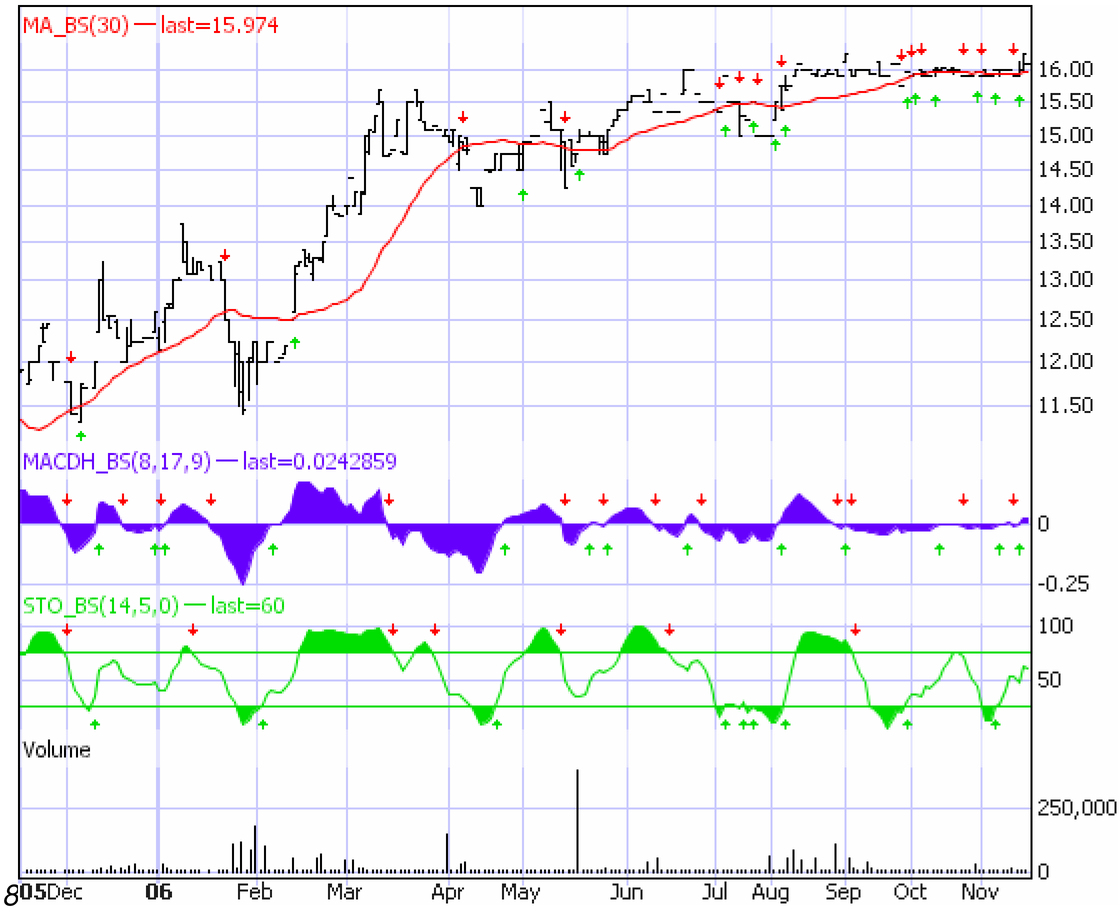


Chart Analysis: As recently as January of 2003, Logibec traded at $2 a share. Now it is up to $16. The last year saw it rise in a rather erratic pattern from $11.50 to $15.00 before correcting. It has been in a very narrow trading range around $16 since August. This week it broke out of its box and could go higher from here. As there is not strong volume pushing the stock, we'll follow the Darvas logic of tight stops, and place one at $15.50.

Stats as of 11/17/06	Phase 2 Analysis
▪ Hi/Lo Ratio: 1.44	▪ Price Pattern: A
▪ RS: 83.40	▪ Volatility: B
▪ Shares: 8,931,724	▪ Estimates: A+
▪ P/E: 23.00	▪ Snapshot: A
▪ Price: $16.10	▪ News: A+

Phase 2: We give LGI an A for price pattern and a B for volatility as the up trend is solid but there has been the odd correction in the last year. Estimates are way up with a consensus rating of 1.5 or strong buy. We give it an A+. The snapshot is solid with growing revenues and earnings and return on equity is good at 17.06. We give it an A. News is solid as well with record revenues and earnings, a normal course issuer bid and several acquisitions to expand into the US market. We rate 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 October 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 rose 583.32 points or 4.96% in October closing at 12,344.59. Not surprisingly, the number of Power Performers rose for October as well. .

The number of Super Power Performers soared to 34 from 13. The number of Power Performers jumped to 35 from 19. And the number of Performers exploded to 131 from 51. Total: 200 compared to 83 for September. This even surpasses the whopping 173 we had in April.

Much of the rebound was in the resource sector which makes up the bulk of the Super Power Performers this issue. Seventeen of the 34 Super Power Performers were in the resource or precious metals sector. Also strong were small caps and emerging markets.

The mix for the Power Performers and Performers was similar.

A good month for mutual funds!

Super Power Performers (34)	1 yr %	3 yr %	5 yr %
Front Street Special Opportunities Canadian	26.47	30.05	39.16
TDK Resource Fund Inc.	53.60	41.70	39.05
Mackenzie Universal Cdn. Resource (US$)	35.48	35.18	38.46
Front Street Small Cap Canadian	32.42	33.37	37.19
Sceptre Equity Growth - O	49.33	31.16	35.07
CI Signature Cdn Res Corp Class (US$)	45.03	40.10	33.98
Northern Rivers Innovation Fund LP	64.09	27.70	33.94
Sceptre Equity Growth - A	47.57	29.64	33.64
AGF Global Resources Class (US$)	46.39	40.41	33.38
TD Latin American Growth (US$)	43.08	47.25	32.33
Dynamic FocusPlus Resource	49.86	36.75	32.29
Excel India	37.09	32.46	32.14
Fidelity Latin America-B (US$)	43.56	46.84	32.09
Fidelity Latin America-A (US$)	43.14	46.62	31.97
Sprott Canadian Equity	39.29	28.16	30.86
Norrep Fund	25.78	26.15	30.05
Epic Limited Partnership	32.18	25.34	29.84
Mackenzie Universal Canadian Resource	28.94	28.10	29.22
Altamira Resource	34.19	29.03	28.77
AGF Canadian Resources	37.10	31.97	28.58
London Life Canadian Resource (MF)	27.73	26.95	28.21
Sentry Precious Metals Growth	98.09	25.97	28.06
GWL Canadian Resources (A) DSC	35.81	30.74	27.65
DMP Resource Class	48.11	29.45	27.51
GWL Canadian Resources (A) NL	35.52	30.46	27.38
AGF Emerging Markets Value (US$)	42.95	34.85	27.33
Fidelity Emerging Markets-B (US$)	40.51	30.99	26.87
Fidelity Emerging Markets-A (US$)	40.23	30.81	26.77
CI Signature Canadian Resource	39.56	34.06	26.72
BMO Resource	41.31	32.18	26.44
Clarica SF CI Signature Cdn Res - DSC	38.30	32.55	25.84
Clarica SF CI Signature Canadian Resource	38.31	32.56	25.81
Mavrix Strategic Small Cap	65.24	43.19	25.41
Trimark Canadian Resources	33.16	25.80	25.38

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Marco is now a regular guest on Gold Radio at HoweStreet.com.
The Tuesday segment with host Tom Jeffries is called Off the Cuff.
Follow the links from our website or go directly to HoweStreet.com!
Also check out Marco's new website:

- **Towards a Tax Free Canada (http://taxfreecanada.org)**

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

Below are our Power Performers.

Power Performers (35)							
Fund Name	**1 yr**	**3 yr**	**5 yr**	**Fund Name**	**1 yr**	**3 yr**	**5 yr**
AGF Precious Metal	82.08	21.16	41.51	Fidelity Latin America-A	36.14	38.99	23.15
Mackenzie Cundill Recovery 'C' (US$)	35.82	22.71	30.53	Montrusco Bolton Enterprise	22.38	22.23	23.14
Norrep II Class-A	20.66	23.59	29.43	Mackenzie Universal World Res. Class	24.27	26.37	22.63
Bissett Microcap-F	25.65	24.40	27.32	AGF European Equity Class (US$)	44.07	27.12	22.51
QVGD Cdn. Enterprise Small Cap	20.49	n/a	25.83	AGF Global Real Estate Equity (US$)	39.30	26.66	22.13
Bissett Microcap-A	24.00	22.75	25.75	CIBC Latin American	29.58	30.52	22.13
Sentry Canadian Resource Class	24.65	29.96	25.35	CI Sig. Select Cdn Corp. Class (US$)	28.92	25.73	21.65
CI Signature Cdn. Res. Corp Class	37.91	32.79	24.99	AGF Global Financial Services (US$)	34.59	24.92	21.56
AGF Global Resources Class	39.04	33.00	24.46	SEI Emerging Market Equity-O	26.32	22.30	21.24
Templeton Emerging Mkts CC (US$)	28.03	25.63	24.30	Scotia Latin American Growth	30.78	34.41	21.17
Templeton Emerging Markets (US$)	28.07	25.69	24.27	Sceptre Income Trusts	23.89	23.31	20.84
Montrusco Bolton Cdn. Small Cap 'B'	22.36	22.61	24.25	Trans IMS Canadian Small Cap	20.19	26.55	20.80
Mawer New Canada	21.26	21.96	24.18	Renaissance Canadian Small-Cap	30.80	24.09	20.73
RBC Global Resources	47.56	33.13	23.99	Concordia Special Growth	25.59	20.30	20.69
TD Resource	27.51	24.42	23.75	GGOF Monthly High Income Classic	22.94	22.33	20.54
TD Latin American Growth	35.98	39.52	23.46	CI Harbour Corporate Class (US$)	23.95	24.50	20.48
Trimark Europlus (US$)	37.00	25.92	23.40	ABC Fundamental Value	25.94	21.25	20.03
Fidelity Latin America-B	36.46	39.19	23.26	**Power Performers © Marco den Ouden**			

Below and on the next page are our Performers.

Performers (131)							
Fund Name	**1 yr**	**3 yr**	**5 yr**	**Fund Name**	**1 yr**	**3 yr**	**5 yr**
RBC Global Precious Metals	68.40	16.20	43.91	Sprott Hedge L.P.	21.59	19.56	20.65
Mackenzie Univ. Precious Metals(US$)	69.79	18.08	38.69	Montrusco Bolton TSX 100 Moment.	18.72	28.53	20.44
CIBC Precious Metals	70.48	16.86	32.82	AIC Cdn Focused Corp. Class (US$)	19.32	24.99	20.35
CI Global Energy Corp Class (US$)	16.59	45.62	30.50	Empire Small Cap Equity - Class A	24.08	18.86	20.05
Northwest Specialty Equity	19.03	20.62	28.90	National Bank Natural Resources	27.21	25.48	19.96
TD Precious Metals	61.00	15.24	28.13	R Canadian Smaller Companies	17.35	17.30	19.91
Ethical Special Equity	20.39	19.10	24.66	GGOF Monthly High Income Mutual	22.10	21.74	19.88
Acuity All Cap 30 Canadian Equity	29.86	18.77	24.51	CI Emerging Markets Corp Cl (US$)	39.53	25.85	19.78
Clarington Canadian Small Cap	20.10	18.96	24.08	GGOF Emerging Markets Mutual	25.31	23.67	19.76
iShares CDN Energy Sector Index	15.05	35.02	24.05	TD Emerging Markets-A	31.88	23.72	19.76
Maritime Life Cdn Growth II-R	18.06	15.53	22.83	SEI Cdn Small Company Equity-O	25.16	19.44	19.72
Maritime Life Cdn Growth-R	17.81	15.27	22.63	TD Emerging Markets	31.94	23.58	19.72
AGF China Focus Class (US$)	46.66	19.33	22.47	Saxon Small Cap	22.63	16.10	19.65
Mackenzie Cundill Recovery 'C'	29.26	16.28	21.82	Elliott & Page Growth Opportunities	17.31	16.96	19.56
CI Can-Am Small Cap Corporate Class	16.06	20.33	21.67	Dynamic Canadian Value Class	39.65	28.79	19.52
Dynamic Power Small Cap	17.58	19.48	21.52	Dynamic FocusPlus Small Business	34.47	26.01	19.48
CIBC Canadian Resource	19.87	27.52	21.43	Trimark Global Endeavour (US$)	27.44	20.53	19.48
Assumption/MB Canadian Small Cap	19.46	19.69	21.29	AGF Canada Class (US$)	26.17	23.53	19.46
Acuity Pooled Canadian Equity	24.11	18.78	21.15	CI Emerging Markets (US$)	39.01	25.84	19.36
Dynamic FocusPlus Div. Income Trust	19.82	20.53	21.15	Vertex Fund - A	17.50	22.78	19.32
Palos Income Trust Fund LP	21.08	19.02	20.88	Acuity Pooled High Income	15.70	18.14	19.22

(continued on page 12)

Marco’s Power Performers *(from page 11)*

Performers (continued)							
Montrusco Bolton Canadian Equity Plus	20.36	19.18	19.20	Fidelity Focus Financial Ser-B(US$)	31.96	23.30	16.75
United-Canadian Equity Small Cap Pl	20.64	17.15	19.12	Hillsdale US Performance Eq A (US$)	17.92	20.49	16.69
APEX Canadian Value (Dynamic)	42.28	29.69	19.09	Fidelity Focus Financial Svcs–A (US$)	31.69	23.14	16.66
Renaissance Canadian Income Trust	22.41	21.00	18.97	AIM International Growth Class (US$)	31.79	22.97	16.60
IA Group Dividends	24.57	22.35	18.92	Assumption Canadian Equity Plus	17.81	16.66	16.58
Acuity Pooled Conservative Asset Alloc.	16.70	18.07	18.85	National Bank Emerging Markets	28.73	21.67	16.57
CIBC Emerging Markets Index	27.14	22.06	18.83	Mackenzie Univ European Opp. (US$)	25.73	23.29	16.46
Dynamic Power Canadian Growth	22.06	22.21	18.83	Sentry Select REIT	25.24	20.81	16.46
AGF Emerging Markets	35.85	27.72	18.80	SEI Canadian Equity-O	20.70	19.21	16.40
Assumption/MB TSX 100 Momentum	16.96	26.63	18.71	IA Ecflx Dividends	21.92	19.75	16.39
Altamira Global Discovery	27.82	22.44	18.48	IAP Dividends	21.92	19.75	16.39
Bissett Income-F	22.49	19.19	18.42	Trimark International Co. (US$)	28.37	18.70	16.30
Highstreet Canadian Equity	20.86	21.42	18.40	Renaissance Developing Cap Markets	25.06	19.75	16.25
Trimark Global Balanced (US$)	22.17	15.04	18.36	Sun Life Sunfund (Fund A)	23.98	20.76	16.21
Fidelity Emerging Markets-B	33.57	24.16	18.33	United-Real Estate Investment Pool	29.70	23.19	16.19
Fidelity Emerging Markets-A	33.26	24.00	18.23	Genus Canadian Equity	19.80	21.18	16.18
Genus Biosphere Plus Cdn Equity	23.54	22.44	18.23	Guardian Vector Canadian Equity	22.51	19.77	16.15
KEYSTONE Saxon Smaller Companies	16.72	15.87	18.00	Talvest Millennium Next Generation	26.70	20.79	16.12
Dynamic FocusPlus Real Estate	29.29	22.18	17.99	CI Signature High Income	16.35	17.48	16.01
Acuity Canadian Equity	20.50	15.64	17.93	Thornmark Dividend & Income	24.50	22.33	16.00
CI Synergy Focus Global Equity (US$)	21.96	19.37	17.72	Templeton Emerging Markets CC	21.73	19.13	15.98
Sceptre Canadian Equity Pooled	26.85	22.47	17.66	Templeton Emerging Markets	21.66	19.15	15.95
Dynamic Power Canadian Growth Class	19.78	20.75	17.62	RBC O'Shaughnessy Cdn Equity	16.80	16.86	15.81
Standard Life Cdn Small Cap-A	15.32	20.01	17.56	Dynamic Canadian Dividend Fund	17.88	19.12	15.67
Fidelity Far East-B (US$)	37.09	22.27	17.44	TD Dividend Growth	20.70	19.02	15.66
Mackenzie Univ Wld Real Est Class	36.14	21.56	17.44	BMO Emerging Markets	22.18	18.67	15.56
StandardLife Ideal Canadian Small Cap	15.22	19.90	17.43	CI Synergy Canadian Corporate Class	22.37	18.28	15.56
Leith Wheeler Canadian Equity B	18.61	19.13	17.35	Montrusco Bolton Canadian Equity 'B'	19.82	19.45	15.55
Trans IMS Can-Emerge	24.81	20.39	17.34	IA Group Fidelity True North	24.16	21.77	15.50
CIBC Canadian Real Estate	29.72	22.11	17.33	CI Synergy Focus Canadian Equity	29.63	22.91	15.47
Dynamic Value Fund of Canada	36.08	26.37	17.33	AGF Canadian Small Cap	42.63	20.65	15.40
Fidelity Far East-A (US$)	36.69	22.02	17.30	TD Canadian Equity	26.96	23.86	15.37
StandardLife Ideal-NL Cdn Small Cap	15.04	19.71	17.30	Genus Dividend Equity	20.69	19.70	15.34
Bona Vista Canadian Equity	26.40	21.85	17.27	CIBC Emerging Economies	22.42	18.10	15.27
Dynamic Global Value Fund (US$)	29.73	23.76	17.24	AIC Advantage II Corp Class (US$)	34.01	18.72	15.26
HSBC Small Cap Growth-I	17.92	19.69	17.22	Sceptre Canadian Equity - O	34.22	23.58	15.26
Bissett Income-A	21.22	17.95	17.19	TD Canadian Equity-A	26.22	23.38	15.13
Acuity Social Values Canadian Equity	23.12	17.29	17.10	Trimark Europlus	30.38	19.34	15.13
Middlefield Enhanced Yield	21.58	19.67	17.04	IA Group Canadian Equity Value	20.22	18.70	15.07
Investors Euro Mid-Cap Equity-C	37.50	21.15	17.03	iShares CDN MidCap Index	18.62	20.09	15.03
iShares CDN Financial Sector Index	19.81	18.41	17.02	Talvest Small-Cap Canadian Equity	28.68	15.60	15.03
BMO Special Equity	28.83	21.25	16.96	CI Signature High Income GIF Cl B	15.42	16.53	15.02
Thornmark Enhanced Equity	27.40	24.86	16.90	Altafund Investment Corp.	20.84	23.18	15.00
AGF International Stock Class (US$)	38.18	24.40	16.84	Clarica SF Growth	17.87	16.67	15.00
Talvest Millennium High Income	19.83	17.65	16.81	**Power Performers © Marco den Ouden**			

Our Model Portfolio

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

Current Position: $161,974.94 (Up 223.95%) Up 3.27% YTD

Our portfolio got blindsided by the Feds this month, losing $4000 in income trusts. This week we were stopped out of Inmet Mining and we're selling TSX Group Monday as it has failed to perform. That leaves $70,500 to reinvest in five stocks - $14,000 each. We are buying our two featured stocks as well as Gildan, Stantec and Potash Corp., all at or close to Darvas break out points. We are setting tight stops on our initial purchases and again, will add to our positions each week if the stock performs as expected. After trades, we are left with a cash position of $50,544.50. We also raised the stops on COM DEV and WFI using the Darvas approach as they have not been behaving well.

COM DEV International (CDV)

# of Shares: 2469	**Bought:** 18/09/06, 02/10/06, 16/10/06
Price Then: $6.07	**Price Now:** $6.19
Gain: 1.98%	**Stop:** $5.90

Notes: COM DEV is a leading manufacturer of components for satellite communications.

Fortis Inc. (FTS)

# of Shares: 795	**Bought:** Oct. 24/05
Price Then: $22.88	**Price Now:** $28.17
Gain: 23.13%	**Stop:** $22.71

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

Gildan Activewear (GIL)

# of Shares: 64	**Bought:** Nov. 20/06
Price Then: $62.04	**Price Now:** $62.04
Gain: 0.00%	**Stop:** $60.00

Notes: Gildan is a leading manufacturer of T-shirts and other sportswear which are often rebranded by third parties.

Logibec Groupe (LGI)

# of Shares: 78	**Bought:** Nov. 20/06
Price Then: $16.10	**Price Now:** $16.10
Gain: 0.00%	**Stop:** $15.50

Notes: Quebec based Logibec Groupe Informatique manufactures specialized software for hospitals and other healthcare facilities.

Paladin Labs (PLB)

# of Shares: 347	**Bought:** Nov. 20/06
Price Then: $11.52	**Price Now:** $11.52
Gain: 0.00%	**Stop:** $10.25

Notes: Paladin Labs in-licenses specialized drugs from other manufacturers for sale in Canada.

Potash Corporation (POT)

# of Shares: 25	**Bought:** Nov. 20/06
Price Then: $157.41	**Price Now:** $157.41
Gain: 0.00%	**Stop:** $145.00

Notes: Potash Corporation of Saskatchewan is one of the world's leading suppliers of fertilizers for agriculture.

Research in Motion (RIM)

# of Shares: 145	**Bought:** 18/09/06, 25/09/06, 02/10/06
Price Then: $102.65	**Price Now:** $153.07
Gain: 49.13%	**Stop:** $122.50

Notes: Research in Motion is famous for its Blackberry Pager.

Stantec (STN)

# of Shares: 163	**Bought:** Nov. 20/06
Price Then: $24.45	**Price Now:** $24.45
Gain: 0.00%	**Stop:** $23.60

Notes: Stantec is one of Canada's leading engineering firms with offices and business worldwide.

Stella Jones (SJ)

# of Shares: 575	**Bought:** Oct. 16/30/ Nov. 5/06
Price Then: $26.05	**Price Now:** $29.45
Gain: 13.05%	**Stop:** $25.03

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

WFI Industries (WFI)

# of Shares: 583	**Bought:** Oct. 16/30/ Nov. 5/06
Price Then: $25.70	**Price Now:** $25.18
Gain: -2.02%	**Stop:** $24.18

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