

CounterPath Corp. (TSX-V:CCV)				Roaming charges: Despite revenue growth, Counterpath, which makes software for VoIP phones, has experienced a near-doubling of losses this year, a result of a \$200k foreign exchange loss (compared with a \$1.7m foreign exchange gain during the same period last year). Expenses increased slightly from \$6.5m in the first six months of 2009 to \$7.4m this year.	
	▲21% Revenue: \$4.8m 6 months 2011	(\$2.5m) Net income 6 months 2011	(\$0.07) Earnings per share 6 months 2011		

PNI Digital Media Inc. (TSX-V:PN)				Stable platform: PNI, which makes a transaction platform used by retailers, experienced a 11% decline in expenses this year, to \$23.4m. Much of its profit was related to a \$4.8m future income tax benefit. Operational earnings were \$2m compared with a \$1.6m loss last year. The number of transactions facilitated by PNI's platform grew 17% to 17.1 million this year.	
	▲3.7% Revenue: \$25.4m Fiscal 2010	\$6.3m Net income Fiscal 2010	\$0.20 Earnings per share Fiscal 2010		

Wall Financial Corp. (TSX:WFC)				Room with a revenue: Wall's revenue from its real estate ops is \$127m so far this year, compared with \$96m in the first nine months of 2009. The increase came from a boost in condo and commercial sales. Higher occupancy rates during the Olympics boosted its revenue from hotel operations by 33% to \$48m this year. Its revenue from rentals suites are flat at \$13.3m this year.	
	▲37% Revenue: \$199.1m 9 months 2010	\$31.4m Net income 9 months 2010	\$0.95 Earnings per share 9 months 2010		



THE 100-MILE INVESTOR

GEOFF CASTLE

Investment plan for 2011: Dump bonds, dig commodities and small cap equities

At the end of the year just gone, I looked back on 2010 markets that have generally co-operated.

My "Shoeshine Portfolio," a non-marketed, unaudited portfolio that I introduced at the outset of the year and updated in a July column, is up more than 31% in the year-to-date period. Big wins were made in gold and silver bullion holder **Central Fund of Canada** (TSX: CEF.A) and

Silvercorp (TSX: SVM). In addition, results were boosted by a second-half double in **Cardiac Science Corp.** (NASDAQ: CSCX) of Bothell, Washington, which was the subject of a successful takeover bid. A recent rally in **Coastal Contacts** (TSX: COA) also helped.

But investing is not about yesterday. It's about tomorrow. And with that in mind, I wanted to share my current "work in

process" thoughts regarding portfolio re-weightings going into the new year.

Commodities 2010 returns were bolstered by rising commodity prices, particularly in gold and silver, which formed a 50% weight (and a 60% weight if one includes the position in Silvercorp under silver).

I have no particular dollar-price target in mind for precious metals because I think about my holdings here in terms of ounces rather than dollars. The U.S. **Federal Reserve** and the other central banks can print as many dollars as they like and the price of the metals ought to rise in rough proportion. However, an opportunity I see is that the prices of a number of other key commodities (base metals, grains, cocoa, lumber and fuel) have not kept up. Therefore I look to adjust my commodity weightings away from bullion and into select undervalued opportunities for 2011.

Banks All last year I held a very large short position against

the shares of Canada's major banks and financial institutions. So far, I must confess, this trade has not been successful. An exchange-traded fund that tracks this sector is up about 25% year to date and, as a short, I have also been responsible for dividend payments that cost a further 4%.

Going into 2011, I think the reason for the short position still exists in spades. The Canadian housing market is not nearly as healthy as it was this time last year and mortgage loan loss provisions are climbing. For instance, in its recent fourth-quarter report, the **Royal Bank of Canada** (TSX: RY) showed gross impaired mortgages at \$808 million. This number, which seems to rise every quarter, is up 26% from one year ago and is more than double the level in 2008's fourth quarter.

So in this position, I soldier on, lonely and unrewarded, but increasingly confident of an eventual payoff.

Growth equities For the time being I like a few local growth-type companies, including Coastal Contacts,

Norsat International (TSX: NII) and **Vecima Networks** (TSX: VCM). These companies are all small, competitively advantaged businesses facing large market opportunities and lacking valuation multiples commensurate with their growth profile. I am always turning over rocks in this category. If I have missed an opportunity, let me know.

There's usually more money to be made from violating the various taboos of established fund managers than from adhering to them

Mining exploration This is a new addition for 2011. I am convinced that the rise of precious metals will bring with it the return of the speculative mining issue as a mainstream portfolio component. Hoping to front-run that trend, I am hunting down companies

with good, competent management that have a well-financed mineral exploration program with an above-average probability of success.

An added attraction here is that this sector is viewed as "un-investable" by most large institutions in this country. And there is usually more money to be made from violating the various taboos of established fund managers than from adhering to them.

Summary So there's my thinking as we roll into 2011. No bonds, short banks and pedal to the metal on commodities and small cap equities. I never would have imagined such a mix a few years ago. However, with respect to investment holdings there are no permanent friends or enemies. There is just a persistent imperative to grow capital. ■

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