

Model portfolio beats the experts



Your Business
Diane Maley
Thomson News Service

With the stock market rebounding, it is again time to measure our model portfolio against the experts and the market.

This time, the market is winning. By the end of the second quarter ended June 30, the Dow Jones industrial average had risen 12.5 per cent from its year-end close. The Toronto Stock Exchange 300 index had gained 10.9 per cent.

Our portfolio, picked by the skillful dart throwing of reporter Peter Haggert, rose 7.7 per cent. We would have been better off putting our money in the bank. Modest as our performance was, though, it was better than the experts'. The 14 stocks recommended by Merrill Lynch Canada gained a mere four per cent.

Having consistently outsmarted the experts, Peter has gone on to become managing editor of The Banner in Orangeville, Ont. But his legacy, our portfolio, will be with us for the duration of the year.

Both portfolios include eight Canadian stocks and six U.S. ones. Merrill Lynch has chosen a blue-chip list for Canada, while Peter's dart has come up with some obscure choices, including some penny stocks. Mining stocks are well represented by both stock pickers, as are oil and gas and food and beverage companies.

In theory, we have invested \$1,000 in each security rather than buying 100 shares of each company. In practice, stocks are sold in blocks of 100 shares (1,000 for penny stocks).

PENNIES FROM HEAVEN

The outstanding performer this quarter was Pega Capital Resources, a penny stock that more than doubled in price. Pega is in the electrical equipment business. United Telephone, an American telephone company, turned in a remarkable 42 per cent gain.

Please note that we are not recommending the purchase of these or any other stocks. Penny stock prices in particular are volatile and you can lose as quickly as you gain.

Merrill Lynch had some respectable gains with Molson, the big beer company, up 29 per cent, American Express up 25 per cent and Times-Mirror up 25.7 per cent.

Indeed, if it had not been for Peter's Pega pick and United Telephone, Merrill Lynch would have beat us hands down. Of the 14 stocks, Peter had six gainers and eight losers. Merrill Lynch had seven gainers and seven losers.

Big losers in Peter's portfolio included National Sea Products on the Canadian side, down 22 per cent, and Homestead Financial on the American side, down 20 per cent. Merrill's worst performer was an American stock, National Semiconductor, down 27 per cent.

THE LINEUP

Here's how Peter's portfolio did as of June 30: CSA Management A, an investment management company, closed at \$4.50 June 30, down 10 per cent; Meta Communications Group, a media company, 11 cents, up 10 per cent; Norcen Energy 8.12 per cent preferred, a cautious approach to oil and gas, \$26.25, up six per cent; National Sea Products, an East Coast fishing and fish processing company \$7.75, down 22 per cent; Whim Creek Consolidated, a mining and exploration company, \$2, up eight per cent; Dale Parizeau Inc., a holding and investment company, \$6.25, down four per cent; Pega Capital Resources 15 cents, up 214 per cent; and Trimel Corp. \$2.75, down two per cent.

On the U.S. side, Knogo Corp. closed at \$13.75, up seven per cent; United Telephone at \$66, up 42 per cent; Homestead Financial \$3.50, down 20 per cent; IBP, the largest beef and pork processor in the country \$14.50, down seven per cent, and FMEP \$12.50, down three per cent.

We will compare portfolios again at the end of the third quarter.

New Professional Building



Grant Isaac, left, and Mayor Russ Miller, cut the ribbon at the official opening of the new professional medical building at 99 Sinclair Ave. Thursday night. The building has offices for doctors, lawyers and a dentist. Most of the tenants of the new building are also the owners. (Herald photo)

Burlington firm dumped cyanide into sewers

A Burlington company has been found guilty of dumping a poisonous compound into Halton Region's sewer system. The company is the first company successfully prosecuted by the Region's legal staff under the sewer use bylaw.

X-Perit Metal Finishing Incorporated was found guilty on six charges of dumping zinc and copper cyanide above an acceptable level into Halton's sewer system. The charges followed three Regional tests conducted in March at the Dillon Road plant.

Regional staff have monitored the company's waste over the past few years. The end product of metal finishing at X-Perit involved discharging metals and cyanide.

X-Perit Metal Finishing appeared in Oakville Provincial Offenses Court July 4, saying that the company is no longer using cyanide in its operations.

The company was found guilty of discharging unacceptable amounts of cyanide and was given 30 days to pay a \$1,500 fine and court costs.

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