

Daily Buy-Sell Adviser

Digests of leading investment advisory letters from Canada and around the world.



[Home](#) [Past Issues](#) [Newsletters](#) [Special Reports](#) [RSS](#) [About Us](#) [Search](#)

FREE INVESTMENT NEWSLETTER!
Get Daily Buy-Sell Adviser FREE! [Click here to subscribe.](#)

Three aggressive stocks for a new bull market

Not everybody wants to take a buy-and-hold approach to investing, even in times like these, says this analyst. Why not go for a big score?

Is this any time to throw caution to the winds?

If, as Mr. Carney and Mr. Bernanke have both told us, the recession is over, shouldn't we be fortifying our portfolios with steady buy-and-hold stocks?

That seems to be the sensible thing to do. But maybe it's time for a fling, says Mr. Larry MacDonald.

Why not hop on a few promising microcap stocks that may take off and make you a pile of money?

Sure, it's a risk, but there may be no better time to throw off the shackles of restraint and take a chance on big bucks.

To help investors on the way, Mr. MacDonald found three promising microcap stocks for the readers of [Investor's Digest of Canada](#).

He explains briefly why he thinks a little daring is called for and then tells us what he likes about his three little picks.

Mad money

Passively indexing the market may be OK for those in their 30s and 40s who have time to make money, says Mr. MacDonald. But what if you're in your 60s or 70s and don't have time to wait around?

"Or if you have some mad money and want to see how far it can go either inside or outside your tax-free savings account?"

Small or microcap stocks may be just the ticket if you're willing "to take on aggressive risks in hopes of making a bundle in short order." This is not for everyone, the analyst admits.

These are high-beta securities par excellence, he adds, "usually fluctuating way more than the overall market in either direction. There is, in short, the potential for big gains — or big losses."

All caveats aside, many believe it's time for these hyperactive stocks to shine. The market looks more and more as though "it's embarking on another extended bull market," the analyst observes.

To uncover the most promising stocks, Mr. MacDonald consulted a source he respects. Mr. Brian Tang is the founder of Fundamental Research Corp., a five-year old Vancouver firm that supplies "institutional quality" research on small and microcap companies. Here are their three choices.

Every bit of good news

We start in Kamloops, B.C. This summer, **Abacus Mining and Exploration Corp.** (TSX/V-AME) announced the completion of an economic assessment of its copper and gold Ajax property.

The before-tax net present value (NPV) of the property was estimated at US\$193 million, based on copper at US\$2 a pound and gold at US\$700 an ounce. The NPV could go as high as US\$872.4 million, assuming copper prices of \$2.5 a pound and gold at \$900 an ounce.

At the moment, copper stands at \$2.91 and gold at \$1017.20.

The results are "highly encouraging," says Fundamental Research, and confirm its view that this project has strong economic potential. And there are no environmental concerns to hold up permits.

Next there will be a feasibility study and more drilling to convert inferred resources into indicated resources and to assess the potential of two more zones. The mine could start up as early as 2013.

That's four years before anything actually comes out of the ground. But every bit of good news along the way would drive the shares up. They were at \$0.22 when Mr. MacDonald wrote the article. They're at \$0.27 now.

Two larger partners

Another explorer is **Compliance Energy Corp.** (TSX/V-CEC), which is developing the Raven Coal project on Vancouver Island.

Indicated resources are already at 39 million tons and inferred resources at 59 million. These properties have been left fallow in the past. But now they may be much more profitable thanks to the high prices of the target ores.

Compliance has signed an agreement with two bigger firms to load up on financing for the project. It still controls 60 per cent of the venture.

The interest of two larger partners bodes well for the project, says Fundamental Research, and for the quality of the company's total holdings of 31,000 hectares in the Comex Coal Basin.

Trading at \$0.24 when this article went to press, the shares are now \$0.25.

A bigger market

For over 25 years, **International Water-Guard Industries Inc.** (TSX/V-IWG) has supplied water treatment equipment for corporate and military aircraft. Now it's trying to break in to the much bigger commercial airline market.

This stock has taken a beating during the recession as business from business jets went down.

But improvement in the global economic recovery is sure to bring more business from the aviation industry — much, much more if the venture into commercial aircraft takes hold.

In the meantime, says Fundamental Research, the company has the means to weather stormy skies. It has a strong balance sheet, with no need for any equity or debt financing in the near future. That's a big plus for a small firm.

The shares traded at \$0.05 when [Investor's Digest of Canada](#) went to press. They're now up to a princely \$0.09.

Investing in stocks like these is not the same as standing at the roulette table.

You're not putting your money on one turn of the wheel, you're putting it on companies that are working hard to grow. And you can't even guess how big the rewards will be if their efforts pay off.