



First Quarter market review & 2010 Top Ten List performance review

Published: early July 2009

"With the market meltdown behind us, we believe now, more than ever, is the time for you to re-position and add to your portfolio. The Dow, which always leads the rest of the markets, has rebounded as much as 40% from the bottom with commodity prices following a similar path. A sharp recovery like this is usually followed by a short term decline which will present a very attractive entry point for investors" – Hoesgen Investment Partners, Canaccord Wealth Management

The above excerpt is from a letter we sent to our clients in early July of 2009. Since July 09, all the major indices have continued to rally with the Dow up another 36%, the S&P 38%, the TSX 28% and the TSX.V is up 64%!

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"In summary, we believe that 2010 will generally be an optimistic year with some volatility along the way. The likelihood that mixed economic data will fuel volatility and pullbacks in the market should be capitalized upon. China's continued growth benefiting metals should translate into excess capital flowing to the small cap mining sector. Due to increasing pressure to the hedge funds and pension funds to deploy capital, money will flow back into equities on pull backs and will continue to keep the markets active. Good luck to all in 2010." – Hoesgen Investment Partners, Canaccord Wealth Management

The TSX Venture Exchange is largely made up of small cap mining stocks, so it's arguably the best barometer for this sector. Shortly after we published the above excerpt we received the pullback in the markets we were looking for. At this point we continued to focus on the small cap mining stocks as we felt this sector still

offered the best upside for investors.

On a comparative note, since we wrote our 2010 Top Picks on December 14th, 2009, the TSX.V has gained 17.8% and the DOW only gained 6.1% in that same period. Clearly our call to be in the small cap mining sector over the last several months has been the right one.

Let's compare these performance numbers with our Top Ten List we published back in early January to see how we did compared to the performance of the TSX.V. Below is a snapshot of what we published in *Resource World* back in early January 2010 as our Top Picks for the year.

Colossus Minerals [CSI-TSX] Price \$5.11, Market Cap \$369.6M.

Copper Mountain Mining [CUM-TSX] Price \$1.78, Market Cap \$139.9M

Exeter Resource [XRC-TSX] Price \$6.42, Market Cap \$461.9M

Hathor Exploration [HAT-TSXV] Price \$1.70, Market Cap \$173.4M

Premier Gold Mines [PG-TSX] Price \$3.56, Market Cap \$303.2M

Salazar Resources [SRL-TSXV] Price \$1.03, Market Cap \$33M

Canaco Resources [CAN-TSXV] Price \$0.485, Market Cap \$24.5M

Volcanic Resources [VOL.P-TSXV] Price \$0.30, Market Cap \$2.7M

Gran Tierra Energy [GTE-TSX; GTE-NYSE Amex] Price \$6.04, Market Cap \$1.3B

Pediment Gold [PEZ-TSX] Price \$1.42, Market Cap \$68.1M

In the table on the next page is a current snapshot of what our Top Picks are currently trading at as we write this.

If you had bought every stock we recommended you would currently be up

25.66% in your speculative stock portfolios. Compared to an 8.5% gain on the TSX.V in the same period, we have significantly outperformed our benchmark.

A common question we get asked by our clients is whether to increase their cash positions for the summer. The answer is, as we get closer to spring/summer we always advise clients to be taking profits where appropriate. A typical seasonal trend is for stocks to pull back as some investors take the summer off, exit the market and go into a larger cash position in order to capitalize on pullbacks over the summer.

Our view is that this trend is likely to continue this year, but there are signs that this summer could be more active than usual. As we write this article, the markets are breaking out into new highs with the DOW hitting 11,125, a level not seen since October 2008.

In particular, the price of gold is hanging in quite well. Along with questions from clients on an appropriate amount of cash to be in, we are also often asked at this time whether it is a good idea to be in the precious metals market during the summer period known as the Summer Doldrums, in which demand for gold dries up temporarily while farmers in India plant crops and wait for the Monsoon rains. Demand for gold picks up again usually in the fall as farmers are anxious to convert their profits into gold. This is, of course, just one of many variables that drive the price of gold.

After looking at the seasonal effects on gold, one might think it prudent to wait through the summer in hopes of entering the market at lower prices. However, after considering important fundamental factors such as the increase in the money supply,

	ENTRY PRICE	CURRENT PRICE	PRICE DIFFERENCE	% GAIN/LOSS
CSI	5.11	7.85	2.74	+53.62%
CUM	1.78	3.51	1.73	+97.19%
XRC/XG	6.42	10.71	4.29	+66.82%
HAT	1.7	1.9	0.2	+11.76%
PG	3.56	4.19	0.63	+17.70%
SRL	1.03	1	-0.03	-2.91%
CAN	0.485	0.48	-0.005	-1.03%
VOL	0.3	0.31	0.01	+3.33%
GTE	6.04	6.31	0.27	+4.47%
PEZ	1.42	1.5	0.08	+5.63%
			AVG	+25.66%

* Past performance is not indicative of future performance
 * Each shareholder of XRC received one share of XG.V on March 23, 2010
 * Current Price calculated April 15th, 2010

it is clear that it is not a good idea to wait until summer's end to enter a market that isn't showing any signs of slowing down. Naturally, there will be pullbacks along the way, but the potential cost of being completely out of the market is too steep in our opinion.

Having said that, if you are staying in

the market this summer, try to stay in cell phone range and make sure the resort has wireless internet. Good Investing. ■

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