



Small is profitable

If you're not investing millions, getting in and out of promising, thinly traded stocks is a snap

As a small investor, you may not be as experienced as professional money managers, but you have one advantage: You can invest in smaller, less liquid stocks more quickly and easily than the big boys, and leave them in the dust.

Small issues promise better returns but are generally riskier, so you could also reduce your portfolio to dust if you're not careful. The trick is to find companies that are growing or turning the corner because of some inherent strength, rather than because of an external factor like rising commodity prices. It also helps to find issues with improving market liquidity. This comes in many flavours: Maybe more analysts will cover the company as it becomes better known. Maybe it's issuing new shares to fund growth. Or maybe it's headed for a change of control, either through a takeover or by going private.

Here are five promising names that share some or all of these criteria, and their share prices in early January. You should also know that I own Mainstreet, Blue Pearl and Aquiline, and I'm considering investing in the other two.

Mainstreet Equity (MEQ-T; \$14.45) owns apartment buildings, mostly in booming Alberta. The company buys them and then upgrades them with renovations, better tenants and higher rents. Mainstreet's share price has soared over the past year, but the few analysts who cover the company say it's got much more room to grow. Its net asset value should continue to rise if Alberta rents keep climbing. Mainstreet's CEO owns a lot of shares, and it has a strong acquisition record in recent years.

Norwall (NGI-T; \$1.50) makes wallpaper. The company could use some itself to cover up its losses in recent years. Perhaps a decade ago, consumers started

moving away from paper in favour of fancy paint. Norwall's sales withered, and the rising loonie almost finished it off. But CEO James Patton, who owns almost a third of the company's shares, cut costs and sweated it out. Losses are slowing, and the Canadian dollar has pulled back. Wallpaper has also evolved from that hideous fake velour that used to be on the walls in your local pizzeria to attractive patterns that are coming back into vogue. With Norwall's shares priced well below their book value, and Patton buying more stock, a going-private buyout is possible.

Blue Pearl Mining (BLE-T; \$10.30) is the product of a reverse takeover last year by privately held Thompson Creek Metals Co. Its big mine in Idaho has produced molybdenum—which makes steel less brittle and more resistant to corrosion—for decades. Blue Pearl is now the largest pure moly play on the market, and

awarded Navidad to Aquiline after ruling that IMA Exploration Inc. had improperly obtained title to the property. Aquiline's share price jumped from below \$3 to more than \$5, and it kept climbing. Navidad is similar to Bear Creek Mining Corp.'s Corani property in Peru, but when you compare the share prices of the two companies, it would seem that Aquiline's price reflects less than half the value of Navidad. That is partly because there is still "title risk"—IMA might win an appeal, although the trial judgment was resounding. As investors learn the story, and assuming the perceived title risk recedes, Aquiline's share price will likely go higher.

InStorage REIT (IS.UN-V; \$1.59) is a consolidator in the self-storage industry. That's a good business—people hate to throw things out, and more of them are moving to condos where there isn't enough

HOW ABOUT A WALLPAPER COMPANY? THE STUFF HAS EVOLVED FROM FAKE VELOUR AND IS BACK IN VOGUE

it was added to the S&P/TSX Composite Index in December. Before the takeover, Thompson Creek earned the equivalent of \$2.15 (U.S.) per Blue Pearl share over the first nine months of its 2006 fiscal year. If you annualize that number, its shares look very cheap relative to potential earnings. Remember, though, that metal prices are volatile. No major brokerage-firm analysts were covering the stock, but that will change.

Aquiline Resources (AQI-T; \$7.79) has one of the richest silver deposits discovered in the past decade. The Navidad property in Argentina holds an estimated 300 million ounces of high-quality reserves. Last July, the B.C. Supreme Court

space for their luggage and re-gift collections. In some cities, rents for self-storage space can exceed quality retail rents. InStorage's shares are pricey—they've traded at about one-and-a-half times their book value recently. But the company has expert managers, and the board includes Louis Maroun, who led Summit REIT to great growth and, ultimately, a very rich takeover offer. He's also a shareholder.

As always, remember to do your homework. These stocks are riskier than blue chips, but if all goes well, they'll be far more rewarding. **RI**

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