December 15, 2005

WINNING INVESTING

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Your Comprehensive Guide to Safe, Successful Investing in Mutual Funds & Stocks

by Harry Domash

Holiday Spirit

Our portfolios, as well as the overall market, were in a holiday mood since our last newsletter.

All of our portfolios produced happy returns. Growth and Speculators, both up 10%, were the best performers. Mattress Stuffers gained 4%, and our 18% Solution portfolio, up 1%, was the laggard. Technically, our Value portfolio, up 23% did the best. But since Build-A-Bear is the only portfolio member, I didn't count it in the standings.

Looking at individual stocks, Speculator True Religion was our best performer with a 31% return. Build-A-Bear's 23% gain ranked number two. Growth picks HealthExtras up 18%, and Coldwater Creek, up 14%, are also worth mentioning.

18% Solution pick Atlas Pipeline and Mattress Stuffer Landauer, both down 6%, and 18% pick LaSalle Hotel, down 2%, were our only losers.

Our mutual funds also had a merry month. Icon Energy, up 14%, and Pimco Commodity, up 8%, were the best performers. Ariel, with a 1% gain, was the laggard.

Year in Review

Looking back at 2005, all but one of our portfolios produced good returns. The results related below are the average returns of all stocks in the specified portfolio since first recommended.

We sold three **18% Solution** picks during the year for returns averaging 16%. The three sold stocks had been in the portfolio for 15 months, on average. The eight portfolio members that we haven't sold are up 36% and have been in the portfolio for 22 months, on average.

We sold two **Mattress Stuffers** for a 26% average gain. The average hold time was 8 months. The six Mattress Stuffers still in the portfolio are up 49%, on average, and have been in the portfolio for 21 months.

We sold three **Value** picks for a 6% average gain. The average hold time was 11 months.

Our **Growth** portfolio turned in a mixed performance. The 10 stocks we sold lost 1%, on average and the hold time was 5 months. However, things are looking up. The four remaining stocks in the portfolio are up 16% on average, and have been in the portfolio for 3 months.

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WINNING INVESTING

a monthly stock and mutual fund advisory newsletter

Winning Investing makes capital preservation priority number one! We cover stocks and mutual funds. We give you a short list of funds and stocks to buy, not a deluge of statistical mumbo jumbo.

How to Use Winning Investing

We offer a variety of portfolios, each serving a different need. The portfolios are listed **in order of increasing risk.** We suggest conservative investors allocate capital by **starting at the top**, and working your way down.

Notice

Contents are based on information we believe to be reliable, but accuracy and completeness not guaranteed. Harry Domash, Norma Domash, and Newsletters Plus have positions in many of the investments featured in this issue.

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QUICK VIEW

WINNING INVESTING Current Portfolios

the **18% Solution**	First Buy	First Buy Price	Dividends Received	Recent Price	Gain Since First Buy	Gain This Year	Current Recommendation
American Capital (pg. 6)	7/15/01	27.0	12.54	37.6	85.6%	21.8%	Buy L.T.O.
Atlas Pipeline (pg. 7)	7/15/05	45.2	0.81	41.4	-6.6%	-6.6%	**Do Not Add**
Copano Energy (pg. 6)	3/15/05	29.9	1.44	38.1	32.0%	32.0%	Buy L.T.O.
Energy Transfer (pg. 7)	8/15/04	20.6	2.30	35.6	84.0%	26.7%	**Buy L.T.O.**
First Potomac (pg. 6)	3/15/05	23.0	0.87	26.4	18.5%	18.5%	Buy L.T.O.
LaSalle Hotel Prop. (pg. 5)	12/15/04	31.8	1.06	34.2	10.8%	10.4%	Buy L.T.O
Nam Tai Electronics (pg. 7)	10/15/05	23.9		22.5	-5.9%	-5.9%	Buy L.T.O.
Ventas (pg. 5)	12/15/03	21.0	2.65	32.5	68.7%	22.4%	Buy L.T.O.
Mattress Stuffers							
Bank of America (pg. 8)	8/15/03	40.5	4.40	46.8	26.3%	3.6%	Buy
Cherokee (pg. 10)	10/15/04	26.0	2.65	35.3	46.1%	6.2%	Buy
Compass Minerals (pg. 9)	4/15/05	25.3	0.83	24.7	0.9%	0.9%	Buy
Exxon Mobil (pg. 9)	5/15/04	43.1	1.68	59.9	43.0%	5.2%	**Do Not Add**
Landauer (pg. 9)	5/15/03	40.9	4.50	47.6	27.6%	8.0%	Buy
Questar (pg. 8)	3/15/03	28.9	2.34	84.2	199.4%	67.0%	Buy
R.R. Donnelley (pg. 10)	8/15/05	37.4	0.26	34.8	-6.1%	-6.1%	Buy
Value Portfolio							
Build-A-Bear (pg. 10)	6/15/05	22.8		31.1	36.0%	36.0%	**Sell**
Growth Stock Discoveries							
Administaff (pg. 11)	10/15/05	39.1		44.7	14.2%	14.2%	Buy
Coldwater Creek (pg. 12)	6/15/05	23.2		32.7	41.1%	41.1%	Buy
Gilead Sciences (pg. 11)	11/15/05	55.6		52.1	-6.3%	-6.3%	Buy
HealthExtras (pg. 11)	8/15/05	20.8		23.5	13.2%	13.2%	Buy
Speculator							
IRIS International (pg. 13)	10/15/05	20.6		24.8	20.5%	20.5%	Buy
SonoSite (pg. 13)	11/15/05	36.1		38.5	6.4%	6.4%	Buy
True Religion (pg. 13)	9/15/05	14.8		16.7	12.9%	12.9%	Buy
Vital Images (pg. 12)	12/15/05	25.5		new	new	new	**Buy**

Returns are based on closing prices as of December 14, 2005 and include **dividends received** since the stock was first recommended.

Bold indicates new or changed recommendation. *First Buy* is the date we first recommended the stock. *First Buy Price* is the closing price on the next market day after the first buy recommendation. Buy L.T.O. means buy for long-term only (2 years).

Harry Domash Commentary

continued from page 1

We sold nine **Speculator** picks, averaging a 28% return. The average hold time was 9 months. The four Speculators we still hold are up 22% on average (average hold time 5 months).

The returns for stocks still held are as of December 14.

What's Next?
Looking at the period from now until we mail our next newsletter (December 15 - January 14); since 1990, the market has dropped only three times. Of course, anything can happen; last year, for instance, the S&P lost 2%.

Still, we're going with the odds and expect a fairly good month. But, as always, we advise allocating your serious money only to our 18% Solution and Mattress Stuffer stocks, and to our 'low-risk' mutual funds.

This month, we have one new pick to tell you about, and we're selling one stock. We're also changing our ratings on three stocks and moving one stock out of Speculators to our Mattress Stuffer portfolio.

Vital Speculator
Vital Images, our new Speculator, makes software for producing 3D images from CAT Scans and MRIs. It's a fast grower (page 12).

Subscribers's Site
This month's logon and password for our Subscriber's site are "cold" and "winter"

Sell Bear
We expected Value pick Build-A-Bear to hit our target price by next summer. But it's there now (page 10).

Buy Energy Transfer Partners
In May, 18% Solution pick Energy Transfer Partners' share price outran its fundamentals and we advised against adding to positions. Now, we're advising buying (page 7).

Don't Add to Atlas Pipeline
Everything looks good for 18% Solution pick Atlas Pipeline Partners, except its price chart. We're advising against adding to positions (page 7).

Don't Add to Exxon Mobil
We think oil prices are probably done moving up for a while. Consequently, Exxon Mobil's share price probably won't move up much either (page 9).

Cherokee Now Mattress Stuffer
When we added Cherokee more than a year-ago, we put it in the Speculator portfolio because it looked risky to us. Now that we know it better, we think, with its high dividend and slow but steady growth, it makes an ideal Mattress Stuffer, so we're moving it (page 10).

Happy Holidays!
Norma and I want to thank you for subscribing and we wish you and your family the happiest of holidays and a prosperous New Year.

Harry Domash

Bond Mutual Funds

Don't Add to Bond Funds
Bond funds can lose money in a rising interest rate environment, such as we're currently experiencing. Consequently, we're advising against adding to positions in all of our bond fund picks.

Dodge & Cox Income Fund (DODIX)
Returns: 5-yr Ave 6.6%, last 12 months 1.6%, year-to-date 1.5%
Holdings could include government or corporate bonds depending on market conditions. **Do not add.**

Vanguard Short-Term Federal (VSGBX)
Returns: 5-yr Ave 4.3%, last 12 months 1.5%, year-to-date 1.3%
Holds mostly bonds issued by US Gov. agencies. **Do not add.**

Vanguard GNMA (VFIIX)
Returns: 5-yr Ave 5.4%, last 12 months 2.5%, year-to-date 2.4%
Holds mortgages insured by GNMA, a quasi-government agency. **Don't add.**

Vanguard Short-Term Tax Exempt (VWSTX)
Returns: 5-yr Ave 2.6%, last 12 months 1.5%, year-to-date 1.5%
Invests in municipal bonds from any state. Dividends are not subject to federal taxes. **Do not add.**

Vanguard California Interim-Term Tax Exempt (VCAIX)
Returns: 5-yr Ave 4.5%, last 12 months 1.2%, year-to-date 1.1%
Holds California municipal bonds. So California residents avoid both state and federal income taxes. **Do not add.**

Returns based on Morningstar data as of 12/13/05. Believed accurate, but not guaranteed. Verify before taking action.

the 18% SOLUTION

DIVIDENDS PLUS PRICE APPRECIATION = 18%

the 18% Solution Concept

This portfolio contains stocks we expect to return 18% annually through a combination of dividends and price appreciation, for instance, a 5% to 7% dividend yield plus 12% annual price appreciation.

- Your yield is the dividends received over the next 12 months divided by your purchase price. For instance, your yield is 10% if you pay $10/share for a stock that pays you $1.00 over the 12 months after you buy it ($1.00/$10.00).
- Many of the selections are real estate investment trusts **(REITs)** or master limited partnerships **(MLPs)**. Both trade like stocks and are required to distribute most of their earnings to shareholders. MLPs offer a potential tax advantage because a portion of their payouts can be tax-deferred, but may **not** be **suitable for tax-sheltered accounts**. Consult your tax advisor for details.

Ventas

Est. Next 12 Mo. Dividends: $1.44
Est. Dividend Yield: 4.4%

Ventas is a healthcare REIT, meaning that it owns, but does not operate, nursing facilities, hospitals, and senior housing facilities.

Ventas owns long-term acute care hospitals, nursing facilities and other senior housing and healthcare facilities in 42 states. Kindred Healthcare is its major tenant.

Ventas, which grows primarily by acquiring new facilities, is one of the fastest growing REITs that we follow.

Analysts expect around 13% FFO (funds from operations is a cash flow measure) growth in 2006.

Current

Analysts expect Ventas to negotiate a sizable rent increase with Kindred Healthcare in January. According to some, the increase could amount to FFO of $0.24 per share in 2006.

Next Dividend: $0.36 per share on January 13. Purchase shares by December 27 to assure eligibility.

LaSalle Hotel Properties

Est. Next 12 Mo. Dividends: $1.20
Est. Dividend Yield: 3.5%

LaSalle, a REIT, owns 24 upscale full-service hotels located in convention, resort, and major business markets. LaSalle leases its properties to operators such as Marriott, and receives a base rent plus a percentage of revenues.

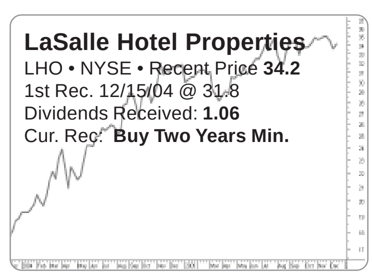
LaSalle grows revenues by renovating and expanding existing properties, as well as by acquiring new hotels.

The upscale hotel business is on the upswing and analysts expect LaSalle to increase its monthly dividend around 14% over the next 12-months.

Current

LaSalle made deals to acquire three more hotels, each from separate sellers. One, the Hilton Resort located in San Diego, is already an upscale property. The other two, one in downtown Washington, DC, and the other in Seattle, were mid-range hotels that LaSalle is upgrading.

Monthly Dividends: $0.10 per share paid on the 15th of each month.



the 18% SOLUTION

DIVIDENDS PLUS PRICE APPRECIATION = 18%

First Potomac Realty

Est. Next 12 Mo. Dividends: $1.20
Estimated Dividend Yield: 4.5%

First Potomac Realty Trust is a new REIT (October 2003 IPO) that focuses on industrial properties in the Washington D.C. area.

All of its top management are natives of the area and have extensive knowledge of the market.

Because it's small and focusing on a narrow market niche, Potomac has better growth opportunities than most REITs.

Analysts are looking for around 15% dividend growth in 2006 and in '07.

Current
Potomac acquired a 120,000 sq. ft. warehouse and adjacent 62,000 sq. ft. office building in Hampton, Virginia, for $12 million in cash.

Next Dividend: January/February. Purchase by January 23 to assure eligibility.

Copano Energy

Est. Next 12 Mo. Dividends: $2.00
Estimated Dividend Yield: 5.2%

Copano owns natural gas gathering facilities, pipelines, and a processing plant in the Texas Gulf region.

Copano is a limited liability company (LLC), which is similar to a master limited partnership (MLP) except Copano has no general partner. Thus, 100% of its dividends go to the shareholders (unitholders).

Copano has been operating for several years, but only went public in November '04. Because it's starting from a small base (annual revenues $800 million vs. $2.5 billion for Energy Transfer Partners), Copano should grow dividends faster than more established pipeline MLPs.

Due to the structure of its gas gathering contracts, Copano's profit margins can vary with the price of gas.

Current
Analysts expect Copano to increase its distributions (dividends) by 20% in 2006 vs. 2005.

Next Dividend: February

American Capital Strat.

Est. Next 12 Mo. Dividends: $3.16
Est. Dividend Yield: 8.4%

American Capital Strategies provides financing for mid-sized companies, mostly privately held.

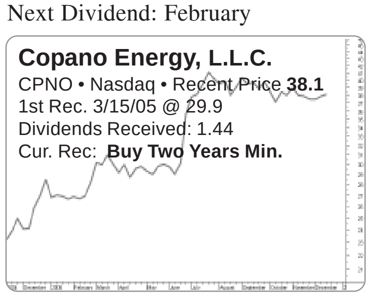
Its loans are used to fund acquisitions, restructuring, or for leveraged buyouts. American also holds ownership positions in many of its client companies.

ACAS is a regulated business development company. It doesn't pay federal taxes if it provides management assistance to its clients and distributes 98% of its earnings to shareholders.

Current
Analysts expect American to pay a special dividend in the $0.03 to $0.11 per share range in December.

Next Dividend: $0.79 on December 29. It's too late to purchase shares eligible for this payout.

Subscribers's Site
This month's logon and password for our Subscriber's site are "cold" and "winter"



the 18% SOLUTION

DIVIDENDS PLUS PRICE APPRECIATION = 18%

DO NOT ADD

Atlas Pipeline Partners

Est. Next 12 Mo. Dividends: $3.24
Estimated Dividend Yield: 7.8%

Atlas Pipeline Partners, an MLP, operates natural gas gathering systems and processing plants in the Appalachian Basin and in Oklahoma and Texas. Gathering systems connect natural gas wells to public utility pipelines for delivery to customers.

Unlike many petroleum pipelines, which charge a fixed fee; in some instances, Atlas receives a percentage of the sales price of the natural gas that it transports. Thus, Atlas' profits vary with the volume of gas that it transports and its final sales price.

Current
Analysts expect Atlas to increase its dividends around 10% in '06.

Do Not Add
Everything looks on track at Atlas, except for its share price, which is underperforming our other pipeline operators. We are advising against adding to positions until its price action improves.

Next Dividend: December/January.

BUY

Energy Transfer Partners

Est. Next 12 Mo. Dividends: $2.20
Estimated Dividend Yield: 6.2%

Energy, an MLP, operates natural gas gathering facilities and pipelines in Texas, Oklahoma and Louisiana. Energy is also a large retail propane distributor.

Until recently, Energy grew mainly by acquiring additional pipelines. However, it is now focusing on increasing the capacity of its existing pipeline systems to grow earnings.

Current
Energy upped its quarterly distribution (dividend) by 10%.

Buy
Last May, based on concerns that Energy's share price had outrun its fundamentals, we advised against adding to positions. However, Energy's share price has dropped from its mid-year peak. Further, we expect at least 10% annual dividend growth over the next two years. We're again advising adding to positions with two-year money.

Next Dividend: $0.55 per unit (share) on January 13.

Nam Tai Electronics

Est. Next 12 Mo. Dividends: $1.32
Estimated Dividend Yield: 5.9%

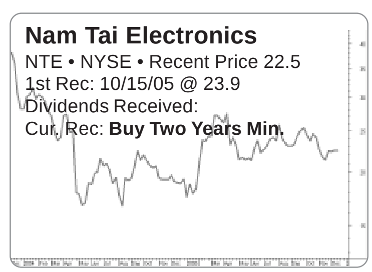
Nam Tai makes electronic components used in consumer products such as cell phones and gaming devices. Nam Tai does all of its manufacturing in China.

Although headquartered in Hong Kong, Nam Tai is incorporated in the British Virgin Islands and trades on the New York Stock Exchange.

Nam Tai has been growing sales and earnings at least 25% annually, is profitable, has plenty of cash in the bank, and generates positive cash flow.

Current
Analysts have been busy increasing forecasts and now expect Nam Tai's earnings to grow 32% in '06 on a 24% increase in sales. They expect Nam Tai to pay dividends totaling $1.52 per share in '06, up 15% over 2005.

Next Dividend: $0.33 per share on January 21. Purchase by December 27 to assure eligibility.



the
18% Solution

Mattress Stuffers

Dividend Stocks: 10% to 14% Targeted Annual Returns

Abbreviated Reports

These stocks have been dropped from the 18% Solution portfolio, but are still followed for subscribers who could not sell due to tax consequences.

Simon Property Group

Recent Price: $79.3
Est. Next 12 Mo. Dividends: $2.80
Est. Dividend Yield: 3.5%

No significant recent news.

RAIT Investment Trust

Recent Price: $27.2
Est. Next 12 Mo. Dividends: $2.44
Est. Dividend Yield: 9.0%

RAIT will pay a $0.61 per share dividend on December 30.

Subscribers's Site

This month's logon and password for our Subscriber's site are "cold" and "winter"

Notice

Readers should not assume that recommendations will be profitable or will equal the performance of past recommendations. Before investing, consult with a financial advisor to determine if stocks and mutual funds are suitable investments for you.

Bank of America

Est. Next 12 Mo. Dividends: $2.00
Estimated Dividend Yield: 4.3%

One of the world's largest financial institutions, Bank of America operates more than 5,800 banking offices and 16,000 ATMs in the U.S.

BAC also has a significant presence in Latin America.

Services include banking, investing, asset management and other financial and risk-management products and services.

BAC recently announced several key acquisitions including credit card issuer MBNA, an interest in China's second largest bank, and General Motors GMAC automobile loan portfolio.

Current

BAC's acquisition of MBNA is expected to close by the end of March. The acquisition will help diversify BAC's earnings base, making it less susceptible to interest rate fluctuations.

Next dividend: $0.50 per share on December 23. It's too late top purchase shares eligible for that payout.

Questar

Est. Next 12 Mo. Dividends: $0.90
Estimated Dividend Yield: 1.1%

Questar is a natural gas exploration and production company, and also operates a regulated utility serving Utah and portions of Wyoming and Idaho.

Questar offers the stability and dividends of a natural gas utility, with the added growth prospects of an exploration and production company.

Questar's earnings have benefited from higher natural gas prices and from regulatory approvals that have allowed it to increase its natural gas production.

Current

Questar's share price partly reflects the value of its natural gas reserves. The value of those reserves fluctuates with the price of natural gas. Even though oil prices have leveled off, natural gas prices haven't. In fact, they hit a new high last week.

Questar paid a $0.225 per share dividend on December 12.

Next dividend: February/March.

MATTRESS STUFFERS

DIVIDEND STOCKS: 10% TO 14% TARGETED ANNUAL RETURNS

Exxon Mobil

DO NOT ADD

Est. Next 12 Mo. Dividends: $1.16
Estimated Dividend Yield: 1.9%

Exxon Mobil, the largest publicly traded oil company, participates in every facet of the oil and natural gas industry, from exploration and production to refining and marketing. Thus, it is a good proxy for the oil industry as a whole.

Exxon has little long-term debt and generates huge cash flows, which it often taps to buy back shares and increase dividends.

Current
Exxon paid a $0.29 per share dividend on December 9.

Do Not Add
Exxon's share price has benefited from rising crude oil prices. We believe that oil prices, in the long-term, will go even higher. However, given the recent run-up, it's just as likely that prices will head lower, as higher, over the next few months. Consequently, we're advising against adding to positions for the time being.

Next dividend: February/March.

Compass Minerals

Est. Next 12 Mo. Dividends: $1.10
Estimated Dividend Yield: 4.5%

Compass is the second largest salt producer in the U.S.

It also owns the largest salt mine in the U.K. and produces sulfate of potash for specialty fertilizers.

Compass' business fluctuates with the weather (cold winters are best), but is relatively immune to economic cycles.

We expect Compass to grow earnings around 10% annually, which should equate to similar long-term share price growth. That, combined with its 4% or so dividend yield adds up to an expected long-term average annual return of around 14%.

Current
Compass was set to pay a $0.275 per share dividend on December 15.

Next Dividend: February/March.

Note: 'Dividends received' is the total value of dividends per-share paid out since the stock was first recommended.

Landauer

Est. Next 12 Mo. Dividends: $1.80
Estimated Dividend Yield: 3.8%

Landauer makes radiation-measuring badges for use in hospitals and other facilities where people may be exposed to dangerous radiation levels.

LDR is a slow grower. We expect 7% to 10% annual earnings growth, which should translate to similar long-term stock price appreciation. That plus the dividends should equate to a 10% to 14% average annual return.

Current
Landauer reported earnings (continuing operations) of $0.49 per share, 2% below year-ago. Revenues rose 8% to $19.0 million. Landauer blamed a variety of factors for its earnings shortfall vs. year-ago, but expects around 8% earnings growth in its current fiscal year ending September '06.

Landauer increased its quarterly dividend by 6%.

Next Dividend: $0.45 per share on January 6. It's too late to purchase shares eligible for that payout.

Mattress Stuffers

Dividend Stocks: 10% to 14% Targeted Annual Returns

R.R. Donnelley

Est. Next 12 Mo. Dividends: $1.04
Estimated Dividend Yield: 3.0%

Specializing in the production of catalogs, inserts, magazines, books, directories, and more, R.R. Donnelley is the world's largest commercial printer.

Annual sales exceed $8 billion, and Donnelley, although not low-debt, generates almost $1 billion operating cash flow annually.

Printing is a slow growth industry and Donnelley is relying on acquisitions to spur growth.

Donnelley is growing earnings around 11% annually. That earnings growth, combined with its 3% or so dividend yield, should equate to a 13% to 17% total annual return.

Current

Donnelley paid a $0.26 per share dividend on December 1.

Next Dividend: February/March.

Dividend Yield

Dividend yield is our estimated dividend payouts over the next 12 months divided by the recent stock price.

Cherokee

PORTFOLIO CHANGE

Est. Next 12 Mo. Dividends: $2.40
Estimated Dividend Yield: 6.8%

Cherokee, a familiar clothing brand, doesn't make anything. It licenses its brands to major retailers such as Target and Mervyns. Each retailer designs and makes its own products, and Cherokee receives a royalty.

Cherokee is growing sales around 10% annually, is very profitable, and pays out cash it doesn't need for its operations to shareholders.

Current

Cherokee reported October quarter earnings of $0.37 per share, even with year-ago. Sales rose 5% to $8.4 million. The lack of earnings growth in the October quarter was due to unusual circumstances that I don't have room to describe here. Analysts expect earnings in Cherokee's next fiscal year (ending January '07) to increase 7% over FY January '06.

Cherokee was set to pay a $0.60 per share dividend on December 15.

Next Dividend: February/March.

Value Portfolio

Underpriced Stocks

Build-A-Bear

SELL

Build-A-Bear Workshop, an October '04 IPO, operates 193 stores where customers can design and build their own stuffed animals.

The concept has been successful but Bear's share price tumbled earlier this year when it became clear that the firm's sales wouldn't meet its over-optimistic forecasts.

Nevertheless, Bear's growth story is still intact and we had expected it to trade in the $32-$36 share price range by next summer.

Sell

Analysts have been increasing their earnings forecasts, and due to the buzz, more analysts have started covering Bear.

All this enthusiasm has pushed Bear's share price up to our target price range sooner than expected. It's difficult to sell a stock while it's moving up, but it's better to sell when the market is enthusiastic, than when a stock has disappointed. Sell Build-A-Bear.

Growth Stock Discoveries

Stocks to Hold One to Three years

Administaff

Administaff provides human resources management services to small and mid-sized businesses.

Services include benefits and payroll administration, health and worker's compensation insurance programs, personnel records management, employee recruiting, etc.

By assuming responsibility for payroll, administration, and other office and human relations functions, Administaff allows its clients to focus on running their businesses.

The 2001/2002 recession stalled revenue growth and crushed earnings, but the company recovered in 2003 and is now growing sales around 20% annually. Administaff has a strong balance sheet, carries moderate debt, and is cash flow positive.

Current

Administaff will pay a $0.07 dividend on December 16. Buy to hold 12 to 24 months.

HealthExtras

HealthExtras is a pharmacy benefit manager (PBM). When you fill a prescription, the PBM processes the transaction.

PBMs are mostly large firms that cater to big organizations and encourage patients to purchase via mail order.

HealthExtras, itself a small company, targets self-insured employers, local governments, and other mid-sized firms. It fills prescriptions through retail locations such as Walgreen's and smaller pharmacies instead of via mail order or through the Internet.

HealthExtras is growing sales and earnings around 25% annually. It is profitable, cash flow positive, and has almost no long-term debt.

Current

HealthExtras acquired a small competitor that focuses on the third party administrator market. It expects the acquisition to modestly add to earnings in the second half of 2006. Buy to hold 12 to 18 months.

Gilead Sciences

Gilead, a biotech, develops drugs to control infectious diseases including the flu, HIV, and infections related to AIDS.

Its HIV products are considered best of class and account for 75% of sales. Gilead also markets drugs for fungal and eye infections.

Gilead developed Tamiflu, a leading drug for treatment of the flu, but has contracted with Roche to produce the drug. Gilead collects royalties based on sales.

Gilead has been growing sales and earnings faster than 25% annually.

Gilead is profitable, has no long-term debt, and is cash flow positive.

Current

Gilead reached a new agreement with Roche regarding Tamiflu. Under the deal, Gilead will receive higher payments, which will add to Gilead's 2006 earnings.

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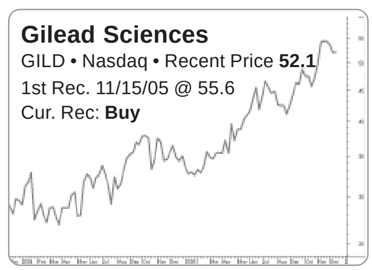


Growth Stock Discoveries

Stocks to Hold One to Three years

Gilead *cont.*

Continued market share gains of its HIV drugs will have the biggest effect on Gilead's 2006 earnings. But given the media interest in Tamiflu, the day to day changes in the outlook for a flu pandemic will likely create short-term volatility in Gilead's share price. Buy to hold 18 to 24 months.

Coldwater Creek

Coldwater Creek is an upscale retail clothing chain targeting women over 35, a market that many consider underserved.

Coldwater started as a catalog retailer and its 174 stores still account for little more than 60% of sales. However, it's rapidly expanding and plans to open 66 new stores next year. Coldwater has plenty of room to grow. Competitor Chico's operates almost 700 stores.

Analysts are looking for 23% sales growth and 34% earnings growth next year.

Coldwater is profitable, has $116 million in the bank, no long-term debt, and is cash flow positive.

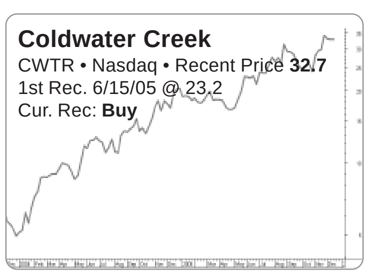
Current

Coldwater reported October quarter earnings of $0.20 per share, up 33% over year ago. Sales rose 26% to $190.1 million.

Retail store sales rose 44% and now account for 61% of total sales. Coldwater added 27 stores during the quarter bringing the total to 163 full-line stores vs. 107 at the end of October '04. Internet sales increased 21% to $47 million, while printed catalog sales dropped 11% to $27.9 million. Coldwater had $105 million in the bank and carries no long-term debt.

Stock Split

Coldwater will split its stock 3-for-2 after the close on January 13. If you originally purchased 100 shares at $23 per share, after the split you will own 150 shares at a $15.33 per share split-adjusted cost. Buy to hold 6 to 18 months.



Speculator

Small Companies, Short-term Plays, Etc.

Vital Images

NEW PICK

Vital Images produces 3D medical diagnostic software that its sells to hospitals, medical imaging centers, and imaging equipment makers.

Its main product, Vitrea, creates 3D and 4D (3D over time) images of human anatomy from CAT scan, MRI and other scanning systems.

Its ViTAL Connect software enables physicians to use notebook computers or PCs to view the images via the Web.

Vital has been growing sales around 30% annually for several years, but its earnings growth has been choppy. However, everything looks on track now. Profit margins are up sharply from year-ago. Vital has cash in the bank, no long-term debt, and is cash flow positive. Toshiba is its biggest customer, accounting for 40% of sales.

With a 50 P/E based on '06 expected earnings, Vital is expensive and for speculative funds only. Buy to hold 6 to 18 months.

SPECULATOR

SMALL COMPANIES, SHORT-TERM PLAYS, AND OTHER ADVENTURES

True Religion Apparel

True Religion makes high-fashion jeans, jackets and shirts that retail in the $150 to $250 range.

Denim fashion jeans are hot and True Religion is one of "must have" labels.

True Religion, which makes its products in the USA, is very profitable, cash flow positive, and has no long-term debt.

Beware though; nothing is more tenuous than a hot fashion, so True Religion is very speculative, and for your play money only.

Current
Religion opened its first retail store in an upscale shopping center in Manhattan Beach, California, and is planning on opening a store in New York City in January.

By all reports True Religion's products are selling out in major stores. The firm will likely report sales and earnings well above forecasts.

Buy to hold one to 4 months

IRIS International

IRIS makes equipment for automating urinalysis procedures performed in hospitals and clinical laboratories. IRIS' systems provide more accurate and faster results than traditional methods.

Market potential for IRIS' main product is estimated at $450 million in hardware and $150 million annual recurring revenue. By contrast, IRIS' total annual sales are currently around $70 million.

IRIS is also testing a 3-D facial recognition system for identifying travelers at airports. The product is in the development stage and if it works, production probably won't start for at least two years.

Analysts expect IRIS to grow sales and earnings, 22% and 42%, respectively, in 2006.

IRIS is profitable, cash flow positive, and has no long-term debt. But it's a small company, so it's risky.

Buy to hold 12 to 24 months.

SonoSite

SonoSite makes portable ultrasonic imaging devices used in medical applications. Ultrasound is used as a diagnostic tool in cardiology, radiology imaging labs and OB/GYN practices.

Traditional ultrasound machines cost $100,000 to $300,000 and weigh 50 to 200 pounds. SonoSite's systems are priced from $10,000 to $100,000 and weigh less than 15 pounds.

SonoSite's portable devices enable surgeons, emergency medical staff and others to use ultrasound for a variety of new applications.

Initially, SonoSite's products were not as sophisticated as traditional machines, but its newest model diminishes that gap, opening new markets.

SonoSite is growing sales around 25% annually, but has just recently become profitable. Analysts expect earnings of $0.84 per share on sales of $188 million in 2006.

SonoSite's market potential is huge, but, with no earnings history, it's a risky bet. Buy to hold 6 to 12 months.

OUR PORTFOLIO OF

Our Ratings

Return: compares a fund's historical performance to all U.S. stock funds over five years.

Risk: our evaluation of the fund's ability to survive market downturns, based on historical performance, and on the fund's current portfolio.

Turnover: measures trading activity. Turnover of 100% means the fund trades its entire portfolio, on average, each year.

Closed Funds

These recommended funds are not accepting new accounts or have set $25,000 opening balance requirements to discourage new investors.

Bridgeway Aggressive Investors 1
YTD Return: 17.8% (BRAGX)
Return: Very High+, Risk: Very High

Bridgeway Ultra-Small Co.
YTD Return: 5.9% (BRSIX)
Return: Very High, Risk: Average

Dodge & Cox Balanced
YTD Return: 6.9% (DODBX)
Return: High, Risk Very Low

Fidelity Low-Priced Stock
YTD Return: 9.5% (FLPSX)
Return: High, Risk: Very Low

Royce Low-Priced Stock
YTD Return: 10.2% (RYLPX)
Return: Very High, Risk: Low

Vanguard Energy
YTD Return: 49.7% (VGENX)
Return: Average+, Risk: Very Low

Value Funds

T. Rowe Capital Appreciation YTD Return: 7.8% (800) 638-5660
Return: High Risk: Very Low Turnover: 18% (very low)
An exceptionally stable fund that has not had a losing year since 1994, which is as far back as our records go. Holds mostly large-cap stocks, but its portfolio also includes bonds, and convertible securities. '04 Return 15.3% (PRWCX)

Kinetics Paradigm YTD Return: 17.5% (800) 930-3828
Return: Very High Risk: Low Turnover: 52% (ave-)
A value fund with a growth tilt. Follows classic value strategies, but also requires significant growth prospects. Holds mid- to large-cap stocks. Started in 2000, its five-year average annual return is 17% vs. a loss for the S&P 500. Biggest holdings (9/30): financial services, energy and utilities. '04 Return 20.9%. (WWNPX)

Growth Funds

Ariel YTD Return 2.1% (800) 292-7435
Return: High Risk: Very Low Turnover: 19% (very low)
Ariel describes itself as small-cap value, but its portfolio contains a mixture of **small** and **mid-cap** stocks, some value and some growth priced. Ariel avoids the tobacco products, weapons systems, and nuclear energy industries. Biggest holdings (11/30): financial services and consumer goods. '04 Return 22.0%. (ARGFX)

Bridgeway Aggressive Inv 2 YTD Return: 21.1% (800) 661-3550
Return: Very High Risk: High Turnover: 148% (high)
Started in late 2001, Aggressive Investors 2 picks stocks based on quantitative formulas developed by manager John Montgomery. This mostly **mid-cap** fund follows an approach similar to Aggressive Investors 1, which returned 21%, on average, over the past 10 years. '04 Return 16.2% (BRAIX)

Meridian Growth YTD Return: 2.4% (800) 446-6662
Return: High- Risk: Low Turnover: 32% (low)
Meridian, a **small- to mid-cap** growth fund, produces high returns combined with low risk. Biggest holdings (9/30): American Tower, Willis Group, Granite Construction and Affiliated Managers Group. '04 Return 14.5% (MERDX)

YTD Return: *Year-to-date returns as of 12/14/05. Based on Morningstar data. For comparison, the S&P 500 and Nasdaq year-to-date returns are 5.0% and 4.0%, respectively.*

No Load Funds

Sector Funds

Giving you a way to profit from global economic trends

Guinness Atk. China/H.K. YTD Return: 6.6% (800) 915-6566

Return: High ***Risk: Average+*** ***Turnover: 15% (very low)***

The Guinness Atkinson China & Hong Kong fund gives you a way to participate in China's fast growing economy. Holds mostly large-cap, Hong-Kong-based growth stocks. Biggest holdings are in energy, consumer services, industrial materials, and financial services. China is subject to political risk, not quantified in our risk rating. '04 Return 12.2% (ICHKX)

Pimco Commodity RealReturn YTD Return: 23.3% (800) 426-0107

Return: new ***Risk: Very High*** ***Turnover: na***

A way to invest directly in commodities (energy, cattle, grains, metals, gold, etc.) futures. Emulates the Dow Jones AIG Commodity index. Commodities are, by definition, risky and **subject to short-term volatility**. Invest in this fund only with two-year money and if you believe commodities' prices will rise during your holding period. '04 Return 15.8% (PCRDX)

Icon Energy YTD Return: 48.9% (800) 764-0442

Return: High- ***Risk: Average+*** ***Turnover: 28% (low)***

A way to profit from rising oil prices. Holds small, mid and large-cap firms. but avoids the major integrated oil companies. '04 Return 38.2% (ICENX)

Icon Healthcare YTD Return: 15.1% (800) 764-0442

Return: Very High ***Risk: Average*** ***Turnover: 53% (ave-)***

Icon focuses on fast growing, **small, mid and large-cap** firms serving the healthcare industry, but tends to avoid drug makers. '04 Return 17.9% (ICHCX)

Portfolio Update

We believe existing economic trends will continue through the first quarter of 2006 and we continue to recommend adding to positions in our sector funds (speculative money only).

China's and India's continuing growth, combined with a strong U.S. economy will probably drive commodity prices higher.

While we don't think crude oil prices will increase much, the oil drilling and services sector will experience continued growth. Also, healthcare industry growth, especially, for smaller companies, will continue unabated.

About Sector Funds

Our Sector fund portfolio gives us the ability to profit from changing economic trends.

For example, we think that the emergence of China as a consumer-driven economy will trigger significant changes in the supply/demand equation, not only for oil, but for commodities in general.

The **Pimco Commodity RealReturn** fund is a way to profit from what we see as a long-term upward trend in commodity prices. Similarly, we can use **Icon Energy** to benefit specifically from rising oil prices.

While we're confident of the long-term trends, near-term price action is anybody's guess. Thus, we're recommending these funds for long-term money only. Use funds you can commit for at least two-years.

The **Guinness Atkinson China & Hong Kong** fund is a vehicle for participating directly in the Chinese economy. But China is inherently risky. Invest only speculative money and plan to hold at least two years.

With the demise of technology as a growth sector, healthcare is one of the few remaining sectors with an abundance of vibrant growth stocks. The **Icon Healthcare** fund, which focuses on mostly on small- and mid-cap firms, gives you a way to participate.

Happy Holidays

Harry & Norma Domash

Winning Investing is published by

Newsletters Plus

411 Palmer Avenue • Aptos, CA 95003

1 (800) 276-7721 • (831) 685-1932 • sales@winninginvesting.com

Subscription Rate: $13.95 per month (email) or $14.95 per month (U.S. mail) payable by MC or VISA

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