



December 15, 2006

WINNING INVESTING

WINNINGINVESTING.COM

*Your Comprehensive Guide to Safe,
Successful Investing in Mutual Funds & Stocks
by Harry Domash*

Month Okay – Year Was Great



We enjoyed an okay, but unspectacular month since we mailed our last newsletter. But looking at the year, so far, we have a lot to smile

about. More about the year in a minute.

Since November 15, three of our four stock portfolios recorded gains. Our 18% Solution and Speculator portfolios, both returning 4%, did the best. Next came Mattress Stuffers, up 1%. On the downside, our Growth picks lost 2% for the month.

Looking at individual stocks, Baytex Energy, up 18%, did the best. Macquarie Infrastructure, returning 13%, placed second. Ventas and Under Ar-

mour came next with 10% returns.

On the downside, Coldwater Creek, down 19%, was our biggest loser. Crocs and American Ecology, both down 9%, were the month's second and third worst performers.

Coldwater's crime was reporting October quarter earnings even with analysts' forecasts, instead of beating them, and American Ecology forecast weaker than expected earnings growth for next year. There was no news to account for Crocs' weak showing.

Mutual Funds

Our mutual fund picks enjoyed a good month. None of our funds registered losses. U.S. Global Investors, up 8%, did the best, followed by T. Rowe Price Emerging Markets, which gained 6%. Guinness Atkinson China, up 5%, came next. Stratton Small-Cap Value and Bridgeway Aggressive

Growth were the laggards, both breaking even for the month.

Year in Review

Looking back, 2006 was a good year. Our 18% Solution and Mattress Stuffer portfolios did the best. The Growth and Speculator picks that we sold during the year produced unimpressive returns, but the stocks we're still holding in those portfolios have produced substantial gains, especially considering the short time we've held them.

Here are the average returns for each portfolio, assuming that all stocks were purchased when first recommended.

We sold three **18% Solution** picks during the year for an average 35% return. Those three stocks had been in the portfolio for 28 months, on average. The eight stocks still in the

continued on page 4

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.

the 18% Solution **5-7**

Income producing investments selected so that the combination of dividends and capital appreciation totals 18% annually.

Mattress Stuffers **8-10**

Rock-solid dividend-paying stocks with targeted total annual returns in the 10% to 14% range.

No Load Mutual Funds **14-15**

A selection of small-, mid-, and large-cap funds for value and growth investors, plus sector funds suitable for profiting from changing economic trends.

Growth Stock Discoveries **10-12**

Stocks selected for rapid growth potential. Intended to be held from one to three years.

Speculator **12-13, 16**

Small companies, short-term plays, and other speculative investments. For your play money.

Bond Mutual Funds **4**

A selection of bond mutual funds with a focus on short- and medium-term government bonds. A place to park your money and earn better than money market rates. We are **not** advising adding to any bond funds at this time.

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.

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.

Newsletters Plus

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QUICK VIEW



WINNING INVESTING Current Portfolios

	First Buy	First Buy Price	Dividends Received	Recent Price	Gain Since First Buy	Gain This Year	Current Recommendation
the 18% Solution							
AllianceBernstein (pg. 6)	9/15/06	69.1	0.87	79.2	15.8%	15.8%	Buy L.T.O.
Apollo Investment (pg. 5)	5/15/06	18.2	0.92	22.6	29.1%	29.1%	Buy L.T.O.
CapitalSource (pg. 7)	1/15/06	22.4	2.02	27.9	33.4%	33.4%	Buy L.T.O.
Copano Energy (pg. 5)	3/15/05	29.9	4.02	59.0	110.5%	57.7%	Buy L.T.O.
Energy Transfer (pg. 7)	8/15/04	20.6	4.86	54.7	189.3%	65.7%	Buy L.T.O.
First Potomac (pg. 6)	3/15/05	23.0	2.11	29.7	38.0%	16.2%	Buy L.T.O.
iStar Financial (pg. 6)	8/15/06	40.8	1.54	48.0	21.4%	21.4%	Buy L.T.O.
Ventas (pg. 7)	12/15/03	21.0	4.19	40.6	114.7%	30.4%	Buy L.T.O.
Mattress Stuffers							
AGL Resources (pg. 9)	11/15/06	37.9		39.4	4.0%	4.0%	Buy
American Ecology (pg. 8)	3/15/06	19.8	0.45	19.8	2.2%	2.2%	Sell
Bank of America (pg. 8)	8/15/03	40.5	6.52	53.2	47.3%	19.8%	Buy
Cherokee (pg. 10)	10/15/04	26.0	5.05	42.8	84.3%	31.5%	Buy
Compass Minerals (pg. 9)	4/15/05	25.3	2.05	34.0	42.9%	43.8%	Buy
Macquarie Infrastr. (pg. 8)	9/15/06	31.9	0.55	34.3	9.3%	9.3%	Buy
Growth Stock Discoveries							
Allscripts Health (pg. 10)	10/15/06	23.7		28.4	19.9%	19.9%	Buy
Citi Trends (pg. 11)	11/15/06	42.7		41.8	-2.2%	-2.2%	Buy
Coldwater Creek (pg. 12)	6/15/05	15.4		24.0	55.5%	18.0%	Buy
Daktronics (pg. 10)	12/15/06	39.5		new	new	new	Buy
Gilead Sciences (pg. 11)	11/15/05	55.6		63.4	13.9%	20.5%	Sell
Precision Castparts (pg. 12)	3/15/06	55.8	0.09	76.3	36.9%	36.9%	Buy
Vasco Data Sec. (pg. 11)	10/15/06	11.0		11.9	8.9%	8.9%	Buy
Speculator							
American Oriental (pg. 12)	12/15/06	12.5		new	new	new	Buy
Baytex Energy Tr. (pg. 16)	8/15/06	23.7	0.64	19.6	-14.7%	-14.7%	Sell
Crocs (pg. 13)	10/15/06	38.5		43.9	13.8%	13.8%	Buy
PeopleSupport (pg. 13)	4/15/06	11.1		21.1	90.3%	90.3%	Do Not Add
Ship Finance (pg. 16)	1/15/06	17.9	2.00	23.8	43.8%	43.8%	Do Not Add
Under Armour (pg. 13)	10/15/06	48.6		49.8	2.3%	2.3%	Buy

Returns are based on closing prices as of December 14, 2006 and include **dividends received** since the stock was first added.

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. Buy L.T.O. means buy for long-term only (2 years).

HARRY DOMASH COMMENTARY

continued from page 1

BOND MUTUAL FUNDS

portfolio are up 69%, on average, and the average hold time is 16 months.

We sold six **Mattress Stuffers** for a 47% average gain. The average hold time was 21 months. The five Mattress Stuffers still in the portfolio are up 38%, on average, and we've held them for 18 months.

We sold six **Growth** picks, averaging only a 1% gain. However, the five stocks still in the portfolio are up 24%, on average. The stocks we sold had been in the portfolio for five months, and we've held the stocks still in the portfolio for six months, on average.

We sold nine **Speculators** for an average 5% gain. Those nine stocks had been in the portfolio for four months. The four Speculators we haven't sold are up 38% and we've had them for six months, on average.

All returns include dividends received. Returns for stocks still held are as of December 14.

What's New?

This month we're adding one new Growth pick and one Speculator. We're selling three stocks, one each Mattress Stuffer, Growth, and Speculator. We're also changing our advice on one Speculator to 'do not add.'

New Growth Pick

Daktronics makes those electronic billboards and sports scoreboards that

look like giant high-definition TV screens. Business is booming (page 10).

New Speculator

American Oriental Bioengineering is a fast growing Chinese firm selling drugs and nutritional products, mostly in China (page 12).

Sell American Ecology

Scant chance of a dividend hike next year plus other risk factors disqualify American Ecology as a Mattress Stuffer (page 8).

Sell Gilead

We've have a nice run with Growth pick Gilead Sciences, but it's time to sell (page 11).

Sell Baytex Energy

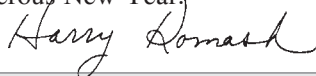
Speculator Baytex is a good company in the wrong place at the wrong time (page 16).

Don't Add to Ship Finance

Ship Finance is up more than 40% since added to Speculators in January. It's time for a rest (page 16).

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.



Subscribers's Site

This month's logon and password for our Subscriber's site are "snow" and "flake".

Don't Add to Bond Funds

Bond funds can lose money in a rising interest rate environment. We're close to the end of that cycle, but for now, we're still advising against adding to positions in all of our bond fund picks.

Dodge & Cox Income Fund (DODIX)

Returns: 5-yr Ave 5.6%, last 12 months 5.9%, year-to-date 5.4%

Holdings could include government or corporate bonds. **Do not add.**

Vanguard Short-Term Federal (VSGBX)

Returns: 5-yr Ave 3.5%, last 12 months 4.9%, year-to-date 4.4%

Holds mostly bonds issued by US Gov. agencies. **Do not add.**

Vanguard GNMA (VFIIX)

Returns: 5-yr Ave 4.9%, last 12 months 5.4%, year-to-date 4.4%

Holds mortgages insured by GNMA, a quasi-government agency. **Don't add.**

Vanguard Short-Term Tax Exempt (VWSTX)

Returns: 5-yr Ave 2.3%, last 12 months 3.4%, year-to-date 3.2%

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 5.1%, year-to-date 4.4%

Holds California municipal bonds. So California residents avoid both state and federal income taxes. **Do not add.**

Returns based on Morningstar data as of 12/13/06. 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.

Copano Energy

Est. Next 12 Mo. Dividends: \$3.00
Estimated Dividend Yield: 5.1%

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

Natural gas gathering involves connecting individual wells to main pipelines.

Copano is a limited liability company (LLC), which is similar to a master limited partnership, except Copano has

no general partner. Thus, unlike MLPs, where the master partner takes as much as 50% off the top, all of Copano's dividends go to shareholders.

Because it's new (11/04 IPO), and starting from a small base, Copano should grow dividends faster than more established pipeline operators.

Copano has increased its dividend every quarter since we added it to the portfolio in March '05.

Current

Analysts expect Copano to increase its quarterly payouts by more than 30% over the next 12 months.

Next Dividend: February

Apollo Investment

Est. Next 12 Mo. Dividends: \$2.00
Estimated Dividend Yield: 8.8%

Apollo is a relatively new (April 2004 IPO) Business Development Company (BDC) that makes short-term, unsecured loans to mid-sized companies.

Its loans are used to fund acquisitions, leveraged buyouts, restructurings, etc. Apollo also takes equity positions in its client companies.

Apollo Investment is managed by Apollo Management, a private equity firm that has invested more than \$13 billion since 1990. That connection gives Apollo an advantage in attracting new clients.

Current

Apollo's president (not CEO) resigned, but the change isn't expected to affect its outlook.

Apollo upped its quarterly dividend by 6%. Analysts expect around 15% dividend growth next year.

Next Dividend: \$0.50 per share on December 28. Purchase shares by December 18 to qualify.



the 18% SOLUTION

DIVIDENDS PLUS PRICE APPRECIATION = 18%

AllianceBernstein

Est. Next 12 Mo. Dividends: \$3.75
Estimated Dividend Yield: 4.7%

AllianceBernstein provides investment management services to private clients and to institutional investors. AB also operates more than 100 Alliance mutual funds. AB, a master limited partnership, is controlled by AXA Financial, a French insurance firm.

AB's cash flow comes from fees based on the value of assets under management. Asset levels move with stock market swings, but the underlying trend is in the 7% to 10% annual growth range.

AB's distributions (dividends) vary with quarterly results, but are trending up. Analysts expect around 23% dividend growth in 2007.

Current

Assets under management at November 30 totaled \$701 billion, up 23% over year-ago. AB paid a \$0.87 per unit (share) dividend, 18% above year-ago, on November 16.

Next Dividend: February

iStar Financial

Est. Next 12 Mo. Dividends: \$3.08
Estimated Dividend Yield: 6.4%

iStar, a REIT, provides custom-tailored financing to owners of "institutional quality" commercial real estate.

iStar also makes purchase/leaseback transactions where it buys a property and leases it back to its former owner.

iStar is unusual in that it keeps its loans, rather than packaging and selling them off to investors. That allows iStar to develop ongoing relationships with its customers.

Recently, iStar has expanded its operations into auto dealership and timber producing properties.

Current

SFI typically increases its dividend 5% annually, but some analysts expect iStar to announce a 10% dividend hike in the first quarter of 2007.

Next Dividend: \$0.77 on December 29. It's too late to purchase shares eligible for that payout.



First Potomac Realty

Est. Next 12 Mo. Dividends: \$1.24
Estimated Dividend Yield: 4.2%

First Potomac Realty Trust is a relatively small REIT that focuses on industrial and flex (all purpose) properties in Washington D.C. and surrounding areas.

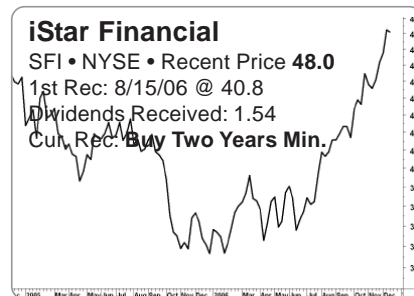
All of its top management are natives of the area and have extensive knowledge of the market.

Potomac's strategy is to acquire under-utilized properties and increase their value by improving tenant quality, occupancy, and rental rates.

Current

Over the past 12 months, Potomac acquired vacant properties, which have yet to be fully leased. The carrying costs on those properties reduced Potomac's profit margins. However, analysts expect Potomac to fill the vacancies in coming months, which should accelerate its cash flow growth rate.

Next Dividend: January/February



the 18% SOLUTION

DIVIDENDS PLUS PRICE APPRECIATION = 18%

Energy Transfer Partners

Est. Next 12 Mo. Dividends: \$3.00
Estimated Dividend Yield: 5.5%

Energy, an MLP, operates natural gas gathering and transportation pipelines, as well as processing plants in Texas, Oklahoma and Louisiana.

Energy is also one of the U.S.' largest retail propane marketers.

Until recently, Energy grew mainly by acquisition. Now it's focusing on increasing the capacity of its existing pipelines and building new systems, as well as acquisitions, to grow earnings.

Current

Energy completed its acquisition of Transwestern, a pipeline system that connects natural gas supply areas in Texas to markets in California.

Energy increased its distributions (dividends) by 35% over the past 12 months, and analysts expect similar growth next year.

Next Dividend: January, purchase by December 22 to assure eligibility.



CapitalSource

Est. Next 12 Mo. Dividends: \$2.20
Estimated Dividend Yield: 7.9%

CapitalSource, a finance company, provides loans to mid-sized businesses and makes real estate-backed loans on healthcare and commercial properties.

CSE also syndicates loans it makes to other lenders, allowing it to collect fees and limit its exposure to larger loans.

CSE converted to a real estate investment trust (REIT) on January 1, 2006. The change reduces CSE's taxes and make it feasible for it to pursue sale/leaseback transactions where CSE buys a property and leases it back to the seller.

Current

CapitalSource formed a new unit, which will specialize in financing buyouts of mid-sized technology firms. CSE increased its quarterly dividend by 12%.

Next Dividend: \$0.55 on or about December 29. It's too late to purchase shares eligible for that payout.



Ventas

Est. Next 12 Mo. Dividends: \$1.58
Est. Dividend Yield: 3.9%

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

Ventas owns 174 senior housing facilities, 43 hospitals, 218 skilled nursing facilities and 19 other healthcare facilities in 43 states. Ventas also has investments in seven other healthcare and senior housing facilities. Kindred Healthcare is its major tenant, accounting for about 50% of revenue.

Ventas has been a steady grower, increasing cash flow and dividends more than 10% annually.

Current

Analysts expect Ventas to increase its dividend payouts more than 15% in 2007.

Next Dividend: \$0.395 per share on January 12. Purchase shares by December 26 to assure eligibility.



MATTRESS STUFFERS

DIVIDEND STOCKS: 10% TO 14% TARGETED ANNUAL RETURNS

Macquarie Infrastructure

Est. Next 12 Mo. Dividends: \$2.20
Estimated Dividend Yield: 6.4%

Macquarie Infrastructure Company Trust owns and operates properties such as aviation services, airport parking lots, toll roads, and utilities. MIC's assets have little competition and generate stable and predictable cash flows.

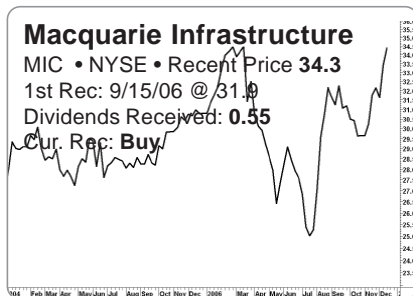
Macquarie, which grows mainly by acquisition, is externally managed by Macquarie Group, an Australian investment bank that controls infrastructure assets in more than 20 countries. MIC's assets are all located within the U.S.

Macquarie is structured as a trust, something like a REIT. But, unlike REITs, MIC's dividends are mostly taxable at the 15% maximum rate. MIC intends to distribute substantially all of its cash available for distribution to shareholders.

Current

MIC paid a \$0.55 per unit (share) dividend on December 8.

Next Dividend: April



American Ecology SELL

Est. Next 12 Mo. Dividends: \$0.60
Estimated Dividend Yield: 3.0%

American Ecology provides hazardous waste management services to commercial and government entities such as nuclear power plants, refineries and chemical plants.

Current

Ecology paid a \$0.15 per share dividend on October 20.

Ecology said it expects to grow earnings around 11% in '07 vs. analysts' 20% forecasts. Ecology also indicated that it would not raise its quarterly dividends in '07. In fact, Ecology's language gave the impression that if the dividend changes, it would be more likely down than up.

Sell American Ecology

We require at least moderate dividend growth prospects for Mattress Stuffer stocks, and Ecology fails that test. Also, Ecology's reduced earnings growth forecast warns of future shortfalls. All that points to too much risk and we're selling American Ecology.



Bank of America

Est. Next 12 Mo. Dividends: \$2.24
Estimated Dividend Yield: 4.2%

One of the world's largest financial institutions, Bank of America provides commercial, retail and foreign banking services. It also issues credit cards and offers securities underwriting and other investment banking services to corporations.

With more than 5,800 banking offices and 16,000 ATMs, BAC's coast-to-coast branch system is the largest in the U.S. It also has a significant presence in Latin America.

Current

BAC agreed to buy U.S. Trust, a unit of Schwab that provides wealth management services to high net worth individuals. The acquisition is expected to be neutral next year and add to earnings in 2008.

Rumors circulated that BAC was in talks to buy London-based Barclay's Bank, but BAC said that it wasn't so.

Next Dividend: \$0.56 per share on December 22. It's too late to purchase shares eligible for that payout.



MATTRESS STUFFERS

DIVIDEND STOCKS: 10% TO 14% TARGETED ANNUAL RETURNS

AGL Resources

Est. Next 12 Mo. Dividends: \$1.48
Estimated Dividend Yield: 3.8%

AGL is a natural gas utility and distributor serving the city of Atlanta as well as parts of Florida, Virginia, Tennessee and other states.

AGL serves areas with above average population growth and generally friendly regulatory environments.

The bulk of AGL's cash flow comes from its wholesale operations.

AGL supplies natural gas to distributors, who, in turn, sell to retail customers. AGL also operates natural gas storage facilities and maintains the required natural gas delivery infrastructures for its distributors.

AGL also has a retail propane unit and owns fiber telecommunications lines that it leases to third parties.

Although analysts don't expect much earnings growth, they are forecasting mid-teen cash flow and dividend growth for the next two or three years. If stock prices follow dividends,

shareholders could expect total annual returns (price appreciation plus dividend yield) in the 14% to 18% range.

Current

AGL paid a \$0.37 per share dividend on December 1.

Next Dividend: February/March

Investing Tutorials

by Harry Domash

Alternate Sundays

San Francisco Chronicle
Santa Cruz Sentinel

Alternate Wednesdays

MSN Money Website
(moneycentral.msn.com)

Abbreviated Reports

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

Simon Property Group

Recent Price: 100.8
Est. Next 12 Mo. Dividends: \$3.04
Est. Dividend Yield: 3.0%
No significant recent news.

RAIT Financial Trust

Recent Price: 33.6
Est. Next 12 Mo. Dividends: \$2.48
Est. Dividend Yield: 7.4%
RAIT completed its merger with Taberna Realty Finance Trust, and changed its name to RAIT Financial Trust. Taberna was a privately-held provider of financing to REITs, that was owned by the same family that controls RAIT.

Compass Minerals

Est. Next 12 Mo. Dividends: \$1.22
Estimated Dividend Yield: 3.6%

Compass is the U.S.' second largest salt producer. Its Goderich, Ontario, mine is the largest rock salt mine in the world.

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

Its North American salt mines are near water or rail transport, minimizing the transportation expense that makes up a large part of salt costs.

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

Compass carries high debt, but it is using its positive cash flow to pay down debt.

Current

Analysts expect Compass to grow earnings around 12% next year.

Compass was set to pay a \$0.305 per share dividend on December 15.

Next Dividend: February/March



MATTRESS STUFFERS

Cherokee

Est. Next 12 Mo. Dividends: \$3.00
Estimated Dividend Yield: 7.0%

Cherokee, a familiar clothing brand, doesn't make anything. It licenses the Cherokee name along with others such as Sideout and Carole Little to 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 its excess cash to shareholders.

Current

Cherokee reported October quarter earnings of \$0.37 per share, even with year-ago. Sales rose 5% to \$8.80 million. Sales at Target stores dropped, but the loss was more than offset by sales gains abroad.

On November 1, Cherokee received payments totaling \$3.85 per share related to the acquisition by a third party of former client Mossimo. Cherokee was set to pay a \$0.75 per share dividend on December 15.

Next Dividend: February/March



GROWTH STOCK DISCOVERIES

STOCKS TO HOLD ONE TO THREE YEARS

Daktronics

NEW PICK

Daktronics makes electronic scoreboards, digital billboards, and large outdoor programmable displays. Its displays, implemented mostly using LEDs (light emitting diodes), look like high definition TV screens.

Daktronics products are used to display road conditions, airport information, advertising, and more.

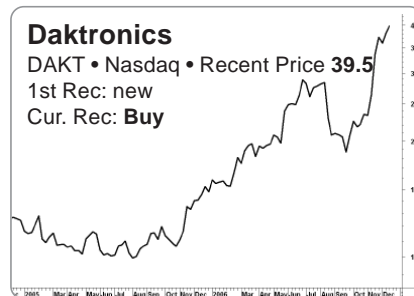
DAKT is experiencing fast growth in all of its major product lines. In its October quarter, sales rose 69% from year-ago.

DAKT recently acquired a firm that owns digital displays used in sports facilities, and another that owns gas pump displays, both with the goal of generating recurring revenues.

Daktronics is profitable, cash flow positive, and has little long-term debt.

Current

Daktronics reported October quarter earnings of \$0.22 per share, up 69% vs. year-ago. Sales rose 63% to \$123.5 million. Buy to hold 12 to 18 months.



Allscripts Healthcare

Allscripts Healthcare Solutions offers practice management systems to physicians and other caregivers.

Its software automates physician tasks such as prescriptions, lab orders, and clinical notes. Additional software links physicians with drug companies, product suppliers and health plans.

Allscripts also offers a drug-dispensing program that allows doctors to provide patients with the first dosage of common drugs.

Allscripts is a fast grower. Analysts expect 30% sales growth in 2007. Although not low-debt, Allscripts is profitable and generates positive cash flow.

Current

Allscripts signed a deal with a provider of medical systems for hospitals and healthcare networks to offer Allscripts' products to its clients. The deal expands Allscripts' market opportunities to include large hospitals. Buy to hold 12 to 18 months.



GROWTH STOCK DISCOVERIES

STOCKS TO HOLD ONE TO THREE YEARS

Vasco Data Security

Vasco Data Security International makes Internet security systems, mainly for banks.

Its main product, Digipass, uses calculator or key-fob sized devices that banks give to customers. When a customer wants to access his account online, Vasco's device displays a code that must be entered in addition to the regular password.

Vasco also offers software-only versions for PCs, cell phones, etc.

Vasco has been selling its security devices mostly in Europe, but due to new government regulations, U.S. banks must upgrade their security and Vasco's U.S. business is taking off.

Analysts expect around 40% sales growth this year and again in 2007.

Current

Vasco said it now has more than 100 banking customers in the U.S. Buy to hold 12 to 18 months.



Gilead Sciences **SELL**

Gilead develops drugs to control infectious diseases including the flu and HIV. Gilead's HIV products account for more than 75% of sales.

Gilead developed Tamiflu, a leading flu treatment, but Roche produces the drug and Gilead collects royalties.

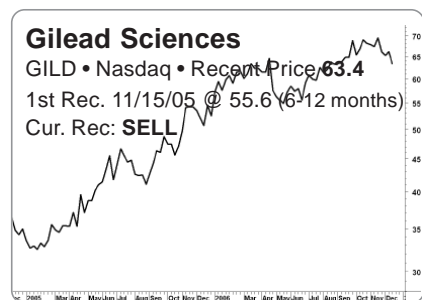
Current

If December quarter results meet forecasts, Gilead will record 45% sales growth this year. However, growth is expected to slow to the low 30% range in the March and June '07 quarters, and slow further to 20% or so in the second half of 2007.

Gilead said it received a subpoena from the U.S. Department of Justice for documents related to the marketing of its HIV drugs. The nature of the investigation is unknown.

Sell Gilead

Slowing sales growth often translates to earnings shortfalls. Also, the DOJ subpoena adds a wild card to the mix. It's time to sell Gilead.



Citi Trends

Citi Trends operates clothing stores targeted to inner city families with annual incomes from \$20,000 to \$40,000. Citi is the only clothing chain focusing on that market.

Stocking apparel for men, women and children, Citi's stores are merchandised more like a specialty store than a discounter.

Formerly Allied Stores, which was acquired by private investors and re-named, Citi was taken public again in 2005.

Citi operates around 270 stores. With 600 or so potential locations, Citi has plenty of room to grow. Analysts forecast 20% annual sales growth for the next two years.

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

Current

Citi reported October quarter earnings of \$0.20 per share, up 11% over year-ago. Sales rose 25% to \$87.1 million. Buy to hold 12 to 18 months.



GROWTH STOCK DISCOVERIES

STOCKS TO HOLD ONE TO THREE YEARS

SPECULATOR

NEW PICK

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 225 stores (excluding outlet stores) only account for 65% of sales.

Coldwater is profitable, has more than \$110 million in the bank, no long-term debt, and is cash flow positive. Analysts forecast around 30% sales growth and 40% earnings growth this year.

Coldwater is testing a new women's day spa concept. The spas would be located adjacent, or very close to Coldwater stores.

Current

Coldwater reported October quarter earnings of \$0.17 per share, up 55% over year-ago, and even with analysts' forecasts. Sales rose 37% to \$256 million. Coldwater said its November sales were soft, but that may reflect higher gift card sales, which aren't counted until the gift cards are redeemed. Buy to hold 6 to 12 months.

Precision Castparts

Precision Castparts' primary business is making parts for jet engines and industrial gas turbines.

It is the market leader in those segments, using a process called "investment casting" to make components with the strength of forged and machined parts at a fraction of the cost.

Precision also makes industrial fasteners for the aerospace, automotive, and power generation markets.

Although not low-debt, Precision is profitable, has \$98 million in the bank, and is cash flow positive.

The commercial aircraft business is booming and Precision's sales are expected to grow more than 40% in its current fiscal year, which ends in March.

Current

Precision acquired GSC Foundries, a small maker of castings for specialized applications. Buy to hold 8 to 12 months.

American Oriental Bio

American Oriental Bioengineering, headquartered in China, makes herbal-based pharmaceutical products and nutritional supplements, which are sold mostly in China.

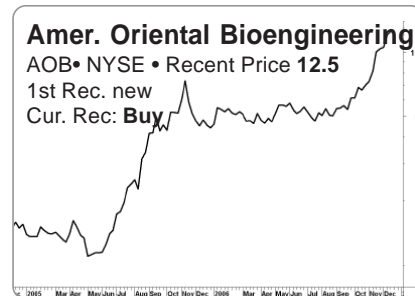
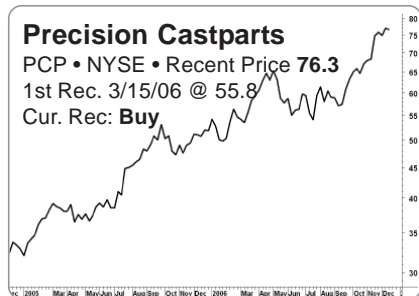
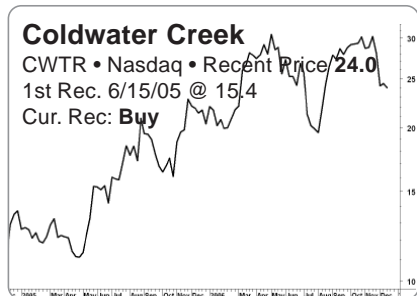
Its pharmaceutical products typically require prescriptions, while its dietary supplements are sold to the general public.

AOB grows by developing new products and by acquiring existing firms with complementary product lines. Analysts expect around 40% sales growth in 2007.

AOB is profitable, cash flow positive, and has no long-term debt. However, it's a small company, thus risky, and suitable for speculative funds only.

Current

AOB reported September quarter earnings of \$0.12 per share, up 50% over year-ago. Sales doubled to \$27.1 million. AOB is moving from the American Stock Exchange to the NYSE on December 18. Buy to hold 6 to 12 months.



SPECULATOR

SMALL COMPANIES, SHORT-TERM PLAYS, AND OTHER ADVENTURES

Under Armour

Under Armour, an 11/05 IPO, makes performance apparel for athletes using synthetic fibers with superior moisture-wicking qualities (perspiration evaporates faster) compared to cotton.

UARM's apparel, which includes shorts, outer tops, and underwear, is said to have captured more than 90% of the performance market.

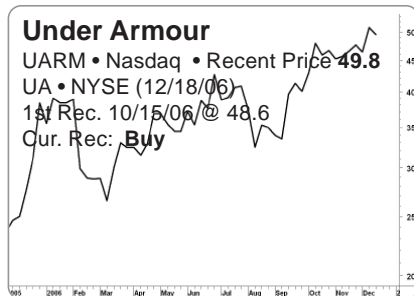
It is the official supplier for Major League Baseball and for the National Hockey League, and recently signed a deal with the National Football League.

Analysts expect UARM to grow sales 50% this year and by 30% in 2007. UARM is profitable, has little debt, and has cash in the bank.

UARM's shares are highly valued (52 P/E), and thus risky. Suitable for speculative funds only.

Current

Armour is moving to the New York Stock Exchange on December 18. Starting on the date, Armour's **new ticker symbol** will be 'UA.' Buy to hold 3 to 6 months.



Crocs

Crocs makes colorful casual slip-on footwear that are known for comfort. Crocs uses a proprietary resin that is soft, lightweight, and slip resistant.

Crocs recently signed a deal with Disney to make a line of "Disney by Crocs" footwear.

Crocs' sales are expected to more than double this year, and grow 35% in 2007.

Crocs, a February '06 IPO, is profitable, has cash in the bank, and little long-term debt. But, like all fashion fads, Crocs could go out of style tomorrow. Thus, it's risky and for speculative funds only.

Current

Crocs introduced nine new styles for spring, including its first high-heeled product. Buy to hold 2 to 4 months.

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



PeopleSupport

PeopleSupport provides outsourced customer service, technical support, and other services that usually come from call centers in India. However, PSPT is a U.S. firm and its call centers are in the Philippines, which has a large pool of English speaking college graduates attuned to the U.S. culture.

PSPT has also established a call center in Costa Rica to serve firms with Hispanic customers.

PSPT is growing rapidly, is profitable, and carries no long-term debt.

Current

Analysts expect PSPT to report December quarter sales at least 75% over year-ago. Earnings are expected to grow 26%.

Don't Add

PSPT has moved up more than 85% since added in April. It looks like it's heading even higher, so existing holders should enjoy the ride. However, it's too late to add to positions.



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: 8.9% (BRAGX)
Return: Very High+, Risk: Very High

Bridgeway Ultra-Small Co.

YTD Return: 11.1% (BRSIX)
Return: Very High, Risk: Average

Dodge & Cox Balanced

YTD Return: 14.0% (DODBX)
Return: High, Risk: Very Low

Fidelity Low-Priced Stock

YTD Return: 17.4% (FLPSX)
Return: High, Risk: Very Low

Royce Low-Priced Stock

YTD Return: 20.2% (RYLPX)
Return: Very High, Risk: Low

Vanguard Energy

YTD Return: 23.4% (VGENX)
Return: Average+, Risk: Very Low

Value Funds

Kinetics Paradigm YTD Return: 27.2% (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. Five-year average annual return is 21% vs. 7% for the S&P 500. Holds mid- to large-cap stocks. '05 Return 16.1%. (WWNPX)

Stratton Small-Cap Value YTD Return: 15.1% (800) 634-5726
Return: Very High Risk: Low Turnover: 15% (very low)

Uses traditional valuation ratios to pick undervalued stocks, but also requires good earnings growth prospects. Also, new picks must be smaller than any stock in the Russell 2000 index. '05 Return 10.9% (STSCX)

T. Rowe Capital Appreciation YTD Return: 14.8% (800) 638-5660
Return: High Risk: Very Low Turnover: 12% (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. '05 Return 6.9% (PRWCX)

Growth Funds

Bridgeway Aggressive Inv 2 YTD Return: 7.7% (800) 661-3550
Return: Very High Risk: High Turnover: 89% (ave)

Picks stocks using formulas developed by manager John Montgomery. Mostly **mid-cap** fund follows an approach similar to Aggressive Investors 1, which has averaged an 18% annual return over the past 10 years. '05 Return 18.6% (BRAIX)

T. Rowe Emerging Mkt Stock YTD Return: 28.3% (800) 638-5660
Return: Very High Risk: Ave Turnover: 53% (ave)

Seeks out fast growing mid- to large-cap companies in a variety of emerging countries including Brazil, Hong Kong, India and South Korea. The fund's management is based in London. Five-year average annual return is 27%. '05 Return 38.8% (PRMSX)

Third Avenue Value YTD Return: 13.9% (800) 443-1021
Return: High Risk: Low - Turnover: 16% (very low)

Holds mostly growth-priced, mid-to large-cap stocks. Also sometimes buys debt of bankrupt firms and often holds foreign stocks. Biggest holdings (9/30): Toyota Ind., Cheung Kong, St. Joe, and Henderson Land. '05 Return 16.5% (TAVFX)

YTD Return: Year-to-date returns as of 12/14/06. Based on Morningstar data. For comparison, the S&P 500 and Nasdaq Y-T-D returns are 14.2% and 11.3%, respectively.

NO LOAD FUNDS

Sector Funds

Giving you a way to profit from global economic trends

Guinness Atk. China/H.K. YTD Return: 31.8% (800) 915-6566
Return: High Risk: Average+ Turnover: 13% (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 industrial materials, energy, financial services, and consumer services. China is subject to political risk, not quantified in our risk rating. '05 Return 6.6% (ICHKX)

PS DB Commodity Index Trk. YTD Return: 9.0% Exchange-Traded
Return: new Risk: Very High Turnover: na

The PowerShares DB Commodity Index Tracking exchange-traded fund gives you a way to invest directly in the major commodities (futures); crude oil, heating oil, gold, aluminum, corn and wheat. Commodities are, by definition, risky and **subject to short-term volatility**. Invest in this fund only with two-year money and if you believe commodity prices will rise during your holding period. New as of 2/6/06 (DBC). *Note: PS DB Commodity trades like a stock, not as a mutual fund. Buy and sell using your broker's stock trading screen.*

Icon Healthcare YTD Return: 0.8% (800) 764-0442
Return: Very High Risk: Average Turnover: 48% (ave-)

Icon focuses on fast growing, **small, mid and large-cap** firms serving the healthcare industry, with a recent emphasis on larger firms. '05 Return 13.9% (ICHCX)

U.S. Global Inv. Global Res. YTD Return: 24.5% (800) 873-8637
Return: Very High Risk: High- Turnover: 157% (high)

U.S. Global Investors Global Resource fund gives you a way to profit from rising oil prices. Holds all sizes of firms operating in all facets of the energy industry. Also has many industrial materials holdings. '05 Return 49.0% (PSPFX)

How to Select Funds

If capital **preservation** is your highest priority:

- Pick funds with the lowest risk ratings first.

If capital **appreciation** is your highest priority:

- Pick funds with the highest return ratings first.

If you are a **short-term** investor (two years or less)

- Avoid funds with high risk

All Investors

- Mix it up. Diversify between styles and sectors.

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.

If that's true, the **PS DB Commodity Index Tracking** ETF gives you a way to profit from rising commodity prices. Similarly, we can use **U.S. Global Investors Global Resources** to benefit specifically from higher 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 money 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.

Healthcare is one of the few remaining sectors with an abundance of vibrant growth stocks. The **Icon Healthcare** fund, which focuses on growth healthcare stocks, gives you a way to participate.

SPECULATOR

SMALL COMPANIES, SHORT-TERM PLAYS, AND OTHER ADVENTURES

Ship Finance Intl.

DO NOT
ADD

Est. Next 12 Mo. Dividends: \$2.12
Estimated Dividend Yield: 9.2%

Ship Finance owns a fleet of crude oil and other tankers that it leases to ship operators under long-term charters. Originally a unit of ship operator Frontline, most of SFL's ships are leased to Frontline.

However, SFL has started to diversify, and has recently purchased additional ships and oil drilling platforms that it is leasing to third parties.

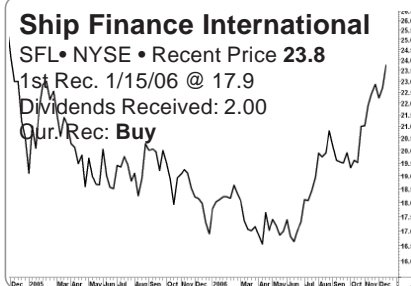
Current

SFL reported September quarter earnings of \$0.85 per share, up 10% over year-ago. Revenues increased 3% to \$121.8 million. SFL increased its quarterly dividend by \$0.01 (2%).

Do Not Add

SFL's share price has moved up substantially since added in January. We're advising against adding to positions while we evaluate SFL's future growth prospects.

Next Dividend: \$0.53 per share on December 21.



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Baytex Energy Trust

SELL

Est. Next 12 Mo. Dividends: \$1.92
Est. Dividend Yield: 11.5%

Baytex, a Canadian Royalty Trust, produces oil and natural gas in Western Canada.

Baytex shares, along with all Canadian income trusts, dropped after the Canadian government proposed taxing them at regular corporate rates, on October 31. Currently, the trusts do not pay corporate income taxes.

Current

While Canada will probably release the final details of the tax changes between now and the end of January, odds are the laws will be enacted more or less as originally proposed. If that happens, eventually Baytex will substantially cut its dividends.

Sell

If the proposed changes become law, Baytex's share price will probably take a significant hit. Admittedly, we are in uncharted territory and anything could happen. However, the risks look higher than the potential rewards. Sell Baytex.

Baytex Energy Trust

BTE • NYSE • Recent Price 19.6
1st Rec. 8/15/06 @ 23.7
Dividends Received: 0.64
Cur. Rec. **SELL**

