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THE RAY REPORT

December 19, 2005

Big Fish

In a scene out of the Andy Griffith show, a boy and his father were walking down the road looking for a place to fish. They had always gone to one certain pond and for years had good success there. They were always prepared. They had all the right equipment. They knew the areas of the lake where fish congregated and they were patient, knowing the next big fish was right around the corner. Their lake used to be a crowded lake, but through the years, other lakes became the "hot spot." In fact, the trend amongst the boy's classmates was to move from lake to lake in search of the one giant fish. When the boy suggested to his friends that you can never learn the lake that way, his friends looked at him puzzled. Why learn the lake? Just go where the people go. Surely the crowd knows where to catch the biggest fish.

The boy thought about it. Maybe his friends were right. After all, his lake and the lake of his father must be fished out. Hardly anyone went there anymore. So one day, the boy went with his friend to a new lake. It was crowded. People seemed to be catching fish. It looked like a good spot. The boy decided to cast his line off the pier. He waited and waited. Having no luck, he decided to don his waders and venture a bit further out. Still no luck, he ventured further out. It was getting dark now and he could feel the breeze picking up. Yet, he was determined to catch something. After all, everyone said this was the place he ought to be. Alone now, the boy began to struggle with the darkness and the wind. Where was shore?

He did not know the lake, but he was tired and cold. He no longer was interested in catching the big fish. He only wanted to go home. After a fight against the wind, the rain and the uncertainty of where to go, the boy found shore. After thanking his good fortune, the boy walked home.

The next day, the boy went back to the lake of his father. To his surprise, some of his classmates were there, even though they had not fished the lake for years. The boy, of course, knew the lake well and while his mates had success, the boy thrived. Deep down, the boy knew his friends were too impatient and too restless. Yet, the boy also knew that his lake was a good one, full of opportunity, along with the safety that familiarity brings. As the boy landed his latest big fish, he turned to his dad and said quietly, "It's good to be home."

Over the last 5 years, large cap

Market Performance For The November 2005 Quarterly Period

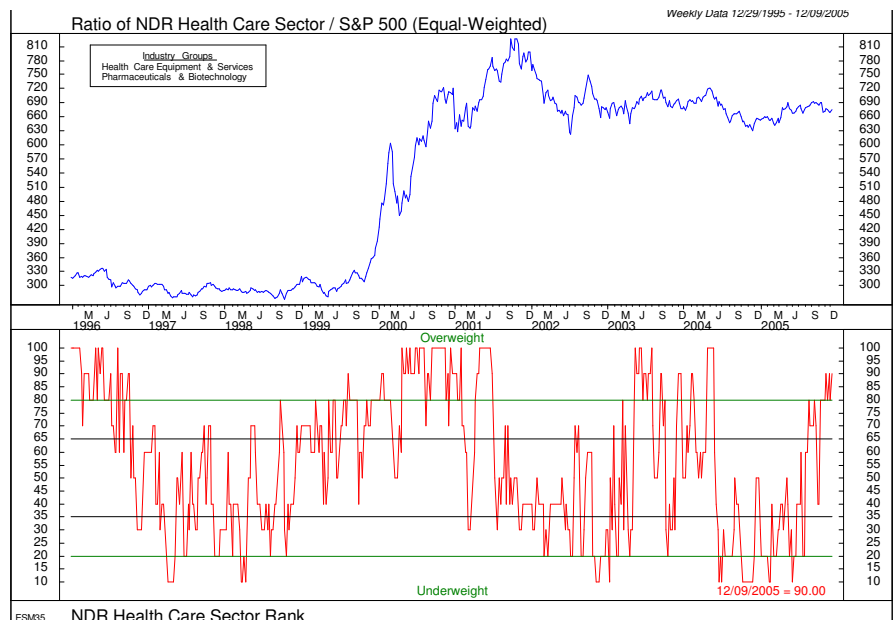
<i>Dow Jones Industrials</i>	3.69%
<i>Standard & Poor's 500</i>	2.84%
<i>Russell 1000 Growth</i>	1.62%

growth stocks have remained out of favor. Hot areas like mid cap value, foreign stocks and small cap have dominated. Yet, since June, we have seen marked improvement in the relative performance of large cap growth stocks. We welcome the new fishermen to our lake and look for this performance to continue throughout the coming year.

Sincerely,

Joseph H. Ray,
 President

Health Care shows Leadership



Courtesy of: Ned Davis Research, Inc.

Deficits and the Reconstruction

The destruction caused by Katrina and Rita was awful. The toll to south Texas, Louisiana and Mississippi was crippling. The disruption of the oil and natural gas supplies continues to impact consumers from everywhere throughout the United States.

The cost of reconstruction is enormous. Congress was quick to approve \$200 billion for the project. Yet, three months later, there are signs that the money is misappropriated, while congress refuses to exert any fiscal discipline that could help offset such an enormous price tag. This point is neither novel nor obtuse. Congress refuses to police itself anymore than a stretched consumer does. Arguably, Congress exerts less discipline given their need to get more for their constituents.

Unfortunately, this mindset has caused the Federal Reserve to take note. Unless Congress exerts the restraint necessary to avoid the inflationary effects of deficit spending, the Federal Reserve will maintain its hawkish stance a while longer.

Early Bernanke Thoughts

When Ben Bernanke takes over for Alan Greenspan on January 31, I am sure there will be changes. Ben Bernanke has done a lot of work on deflation. Alan Greenspan spoke little on the subject, instead he focused on productivity gains. Bernanke was clear in his testimony that the Federal Reserve's key job is to fight inflation.

He said he supports inflation targeting. I am uncertain as to how that differs from current policy, although I do not profess to be an economist.

One thing that will clearly be different, Ben Bernanke is plain spoken, which means I understand him when he speaks. Alan Greenspan can take 10 minutes to tell you one plus one is two. Ben Bernanke will tell you that it is a dumb question. Frankly, I like this and I think the stock and bond markets will too, in time. Yet, for now, I think it will take some time for the markets to adjust to Bernanke's goal of greater transparency of the Federal Reserve. Ultimately, it may be worth the wait.

Health Stocks in the News

Perhaps, one of the more interesting situations in recent memory, is the Guidant, Johnson & Johnson, Boston Scientific triangle. JNJ had seen a slowing in its core pharmaceutical business, while Guidant had a management looking to sell. Johnson & Johnson had offered \$76 a share, but problems with Guidant's important ICD unit had JNJ worried. After some threats and a called off deal, Guidant agreed to take \$63. Boston's bid on \$76, allows them to move beyond its profitable, but increasingly competitive stent business. It seems that Guidant has become increasingly receptive to Boston's offer. Should JNJ walk away, it could turn to St. Jude, if it is still interested in the ICD market. Abbott could benefit if the government requires that rapid exchange technology, which allows

stents to be put in by only one doctor, be licensed to it from Boston/Guidant. Medtronic looks to be without such technology until 2008. JNJ is the only other holder of such technology at this time. With slowing growth at large pharma and a changing landscape, there is likely more action to come.

The FDA continues to amaze. This time the FDA delays approval of Thalomid in multiple myeloma for a second time over labeling. Thalomid is a dangerous drug no doubt, but no drug has had more vigorous scrutiny. Brian Durie, of the International Myeloma Foundation, was "disappointed" in the agency's decision to "further delay formal approval" of a drug that sells over \$300 million per year already.

Amgen may have a breakthrough drug in Osteoporosis. The drug showed bone strengthening after two years compared to placebo and Merck's Fosamax. Because of difficulties in the area, the FDA will require another year of data, but the drug could be approved and on the market by 2008. Amgen also announced the acquisition of Abgenix, which adds to their improving pipeline and whose technology led to the discovery of the osteoporosis drug.

Capital Gains and Happy Holidays

Please let us know if you have any unique situations involving capital gains and losses. We wish you and yours a Happy Holiday season.