

**PEARSON** Investment Letter

Published Monthly Since 1982

[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)**FEATURED STOCKS**

American Health	eBay, Inc
Bluegreen Corp	MetLife, Inc
Ceragon Netw	Norfolk So Corp
Cooper Co	Rollins, Inc

**GROWTH & INCOME STOCKS**

Nam Tai Electr	Wells Fargo & Co
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**THE RIGHT CHANGE****BY DONALD PEARSON**

Anyone who believes investing today is the same as it was ten,

twenty, or more years ago had better refocus the lenses they're looking through and look again. I don't know if I'm more amazed over the multiples of changes that we're seeing, or how the changes continue to impact us. One thing that is certain, change will continue, and we, as individuals and investors, have a great deal to gain or lose by doing or not doing our homework and making the right decisions when they affect us personally. A good example is the many retired people who believe they are all set with a monthly pension and their healthcare paid in full for life. More than 50% of retirees have already experienced changes made to their benefits, and I believe changes will continue and benefits will be cut in many cases. As investors we must continue to research every opportunity before making any important decision so we do not get caught in the same situation.

Today the focus of investing is primarily split between real estate and the stock market. We have included an article on page two to educate those who might be thinking of starting or continuing in the real estate sector as an investor. The message here is, do your homework and proceed with caution. The tech wreck that caught investors in the nineties provides a lesson for everyone. I don't know anyone personally who doesn't have a story to tell of a lesson learned, and in most cases it doesn't end on the upside. If you read the newspaper today, or listen to the news on TV, you will hear on one hand how housing continues to soar, while on the other hand the entire sector is ready to collapse. I know they are both right. It is the timing we are questioning, because that is what's going to impact us personally.

The stock market provides opportunities in real

estate without the commitment to actually owning the property and dealing with many of the issues that come with it. Within our clients' portfolios you will find between one and five homebuilder stocks. Portfolio size and risk parameters actually determine how many we purchase for each. We are watching this sector closely, because we also want to downsize our holdings when we believe the time is right to do so. Selling the stock takes one minute, but selling the property will require a lot of time, a buyer, and an agreed price.

I encourage everyone who is investing in real estate or the stock market to seek the advice of an expert or, better yet, have them involved with the decision making if and whenever possible. In today's paper the financial news says the S&P and the NASDAQ have hit a four-year high. You might read this as a positive change, but there is also another message here, and that is it has taken four years to get back to where they were. This month has been favorable for the indexes, and this has been created by a strong earnings season so far. With the US economy picking up steam, it would appear we are headed in a favorable direction for the rest of the year.

Our stock selections have also performed exceptionally well, as your month ending statements will reflect. As things continue to change within the stock market and the real estate market, I will share with you the facts as I know them. Before anyone knows we are in a real estate downside, we will have been in it for six months or more. The stock market has been the most opportunistic entity for one to improve their financial wealth. As with real estate, it doesn't behave with any certain predictability, and this is why I suggest hiring an expert to do it for you. With the complexity of mutual funds, exchange traded funds, individual bonds, and individual equities, and thousands of them to select from, it is a very difficult and cumbersome task to be successful.

As a part of the team that does the research, I'm

*Continued On Page 5*

**Walter D. Pearson**  
Chairman



**Donald E. Pearson**  
President



**Sandra Alberti**  
Publishing President

**Investment Letters are complimentary to our clients with managed accounts!**

## MARGIN BUYING

By *Walter Pearson*

There is a difference between investing and speculating. In the business of investing it is necessary to research each company thoroughly and consider the going price before making a commitment. Speculators do it differently. Many are momentum traders. They watch a stock's price performance and will buy when it is rising, only to sell at some future profit if or when the stock rises further.

We believe everyone should be an investor. Buy a company, not because of a hopeful rise in the price, but because the company looks to be a good value at the going price and the future of the company looks promising. For the investor who is willing to take more risk, I recommend he inform us of the fact that he would like a certain percentage of his holdings put into emerging growth stocks. These are the companies that can show gargantuan profits, or might possibly go belly up. It usually works out that one winner is all that you need. In August of 1991, 25 shares of Cisco would have cost you \$1,180. Today you would hold 3600 shares because of splits and the value would be about \$70,000+. There are not nearly as many young and promising companies in that industry today, but there are other industries.

Another suggestion I might give to those who are willing to assume more risk is that it might be a good idea for them to have a margin account. A margin account is one where a person can buy in the account even though there is no money available. In that manner the stock is bought on borrowed money for which there is a charge. Do not misunderstand me. We do not think a person should be investing on borrowed money, but the reason for this is that every so often a stock pops up that we think most people should have, and, if there is no cash available his account, most likely would be skipped. This is the time when that margin account comes in handy.

Today there are two reasons for investing. One is to think about the fact that one day we will be much older and slowing down, so it behooves each of us to build capital for those retirement days. The second reason is inflation. With the rate that the value of our money is depreciating, it is vitally important to make it grow just to stay even in the game.

In 1952 when I first got started in this business, I had a difficult time convincing some people that they needed to look after their own future. Many people felt that the government would take care of it, so they weren't going to worry about it. Today I read that the social security system is going bankrupt, and I also read that numerous companies are not going to be able to handle the pension plans that they guaranteed their workers. Who would have thought a few years ago that General Motors would be one of those?

What it comes down to is that your future is yours and no one else's. If the government or your employer is going to make plans to enhance your retirement, I suggest you simply look upon that as a plus to what you are doing for yourself.

## Taking Title to Investment Real Estate

By

**Marshall C. Deason, Jr.**

Board Certified Real Estate Lawyer  
Tampa, Florida

Real estate has become an attractive investment vehicle during the last several years. Because of double digit appreciation, many investors who have previously limited their investments to stocks and bonds are now venturing into the real estate market. However, investing in real estate has many pitfalls which are different from the pitfalls of the stock market, and not readily apparent to even the most wary of stock traders.

The first of these pitfalls is personal liability. The owner of shares in General Motors, for example, may experience a drop in the value of the GM stock if there is a design flaw in the new Cadillac that leads to multiple crashes. However, the other assets in the stock portfolio are not jeopardized.

Real estate ownership is different. If a person is injured by a hazardous condition on the land, the owner of the land could be personally liable. This liability could put all of the assets of the owner at risk.

Because of the potential for liability, many investors acquire property in an entity that protects them from liability. In Florida, this protection can be obtained from corporations, limited liability companies (LLCs), limited partnerships (LPs), limited liability partnerships (LLPs), and limited liability limited partnerships (LLLLPs). For tax reasons, owning real estate in a corporation (either an S or a C) is not desirable. LPs and LLLPs are archaic and cumbersome. Consequently, in most cases, either an LLC or an LLP, is the best of the asset protection vehicles for owning investment real estate.

Another concern of some real estate investors is privacy. The real ownership of stocks that are held in "street name" is known only to the broker. Deeds which evidence the ownership of real estate are recorded in the public records for all to see. While LLCs and LLPs provide some degree of privacy, information about the ownership of these entities is available to the public through the Florida Department of State. To allow Florida real estate investors to maintain privacy, the Florida Legislature created the Florida land trust (§689.071 of the Florida Statutes). In a Florida land trust, title is conveyed to a trustee (who does not necessarily have any ownership of the land). People dealing with the trustee do not have any right to inquire about the beneficiary of the trust who is the real owner of the real estate.

In addition to liability and privacy, many investors want to structure their investments to avoid probate. They want their assets to be immediately available to their heirs on their deaths without the trouble, expense and delay of an extended action in the courts. While structuring real estate ownership to avoid probate is more complicated than it is with bank accounts or stocks, it can be done. Properly prepared LLCs, LLPs, and Florida land trusts can accomplish this purpose. In addition avoiding probate can be achieved with tenancies by the entirety (available only to married couples), joint tenancy with the right of survivorship, life estates, and enhanced life estates.

To avoid these and other pitfalls and to accomplish their investment and estate planning goals, investors should invest in real estate with care. As with any investment, they should do their homework and hire whatever professionals they need to help them structure their investment.

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Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department. He is the author of the book, "Investing for the Millions" and Publisher Emeritus for the Pearson Investment Letter. At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc. He is a contributing columnist for various publications and is listed in Who's Who in America.

**"Remember the Lord your God, for it is He who gives you the ability to produce wealth. Deut. 8:18"**

## PEARSON CAPITAL'S RECOMMENDED STOCKS FOR AUGUST

### AMERICAN HEALTHWAYS, INC. (AMHC) NASDAQ PRICE: \$44.57

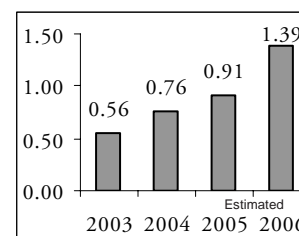
AMHC provides care enhancement, disease management, and health management services to health plans and hospitals in the US, the District of Columbia, Puerto Rico, and Guam. AMHC's integrated care enhancement product line includes programs for people with diabetes, coronary artery disease, heart failure, asthma, chronic obstructive pulmonary disease, cancer, chronic kidney disease, acid-related stomach disorders, atrial fibrillation, decubitus ulcer, fibromyalgia, hepatitis C, inflammatory bowel disease, irritable bowel syndrome, low-back pain, osteoarthritis, osteoporosis, and urinary incontinence. The company had contracts with 43 health plans to provide 122 disease management and care enhancement program services, as of August 31, 2004. It also had 49 contracts to provide its services at 67 hospitals, as of the above date.

Type: Growth  
Sector: Healthcare

Institutional Holdings: 143  
Industry: Health Services

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **46.2**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Bus. Daily: **A**  
Pearson Growth Rating: **A+**  
Pearson Value Rating: **B-**  
Stand.&Poor Rating: **B-**  
Value Line Rating: **3-3-3**



### BLUEGREEN CORPORATION (BXG) NYSE PRICE: \$17.76

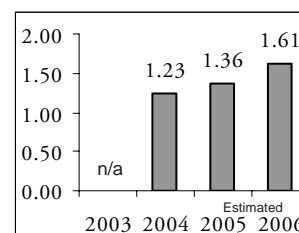
BXG provides vacation and residential lifestyle choices through its resorts and residential community businesses. The company conducts its operations through two segments, Bluegreen Resorts and Bluegreen Communities. As of 12/31/04, Bluegreen Resorts segment had approximately 134,000 VOI owners, including approximately 95,000 members in the Bluegreen Vacation Club. The Bluegreen Communities segment acquires, develops, and subdivides real estate property, as well as markets residential homesites to retail customers, who seek to build a home in a residential setting. It also provides financing to individual purchasers of VOIs and homesites sold by it. As of 12/31/04, Bluegreen Communities developed and sold homesites directly to retail consumers in communities primarily located in TX, GA, and NC.

Type: Growth  
Sector: Financial

Institutional Holdings: 58  
Industry: Real Estate

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.7**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Bus. Daily: **C+**  
Pearson Growth Rating: **A-**  
Pearson Value Rating: **D**  
Stand.&Poor Rating: **D**  
Value Line Rating: **1-3-3**



### CERAGON NETWORKS, LTD (CRNT) NASDAQ PRICE: \$4.89

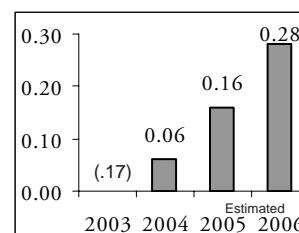
CRNT engages in the development, manufacture, and marketing of broadband wireless network equipment. Its modular FibeAir product family operates across multiple frequencies; supports integrated services over synchronous optical network/synchronous digital hierarchy, asynchronous transfer mode, and Internet protocol networks; and offers built-in add/drop multiplexing and encryption functionality for broadband services. The company's products are licensed by various countries in North America, Europe, Middle East, Africa, Latin America, and the Asia-Pacific region for use by the end customer. As of 08/19/04, Ceragon's FibeAir product family was installed with approximately 150 customers in approximately 50 countries. Ceragon was founded in 1996. The company is headquartered in Tel Aviv, Israel.

Type: Emerging Growth  
Sector: Technology

Institutional Holdings: 8  
Industry: Comm. Equipment

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **40.5**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Bus. Daily: **D**  
Pearson Growth Rating: **A-**  
Pearson Value Rating: **B+**  
Stand.&Poor Rating: **N/R**  
Value Line Rating: **2-3-4**



### COOPER COMPANIES, INC (COO) NYSE PRICE: \$68.70

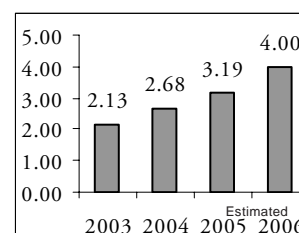
COO engages in the development, manufacture, and marketing of healthcare products worldwide. It operates in two segments, CooperVision and CooperSurgical. The CooperVision segment develops, manufactures, and markets a range of contact lenses for the vision care market. The CooperSurgical segment engages in the development, manufacture, and marketing of medical devices, diagnostic products, and surgical instruments and accessories, which are used primarily by gynecologists and obstetricians. The company markets its products through field sales representatives and distributors in the US, Canada, Brazil, Europe, Australia, and South Africa. The company was organized in 1980 and is based in Pleasanton, California. The Cooper Companies, Inc. acquired Ocular Sciences, Inc., a contact lens manufacturer, in January 2005.

Type: Growth  
Sector: Healthcare

Institutional Holdings: 246  
Industry: Med. Instruments

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **26.7**  
Annual Yield: **0.01%**  
Annual Dividend: **\$0.06**  
Investor's Bus. Daily: **C**  
Pearson Growth Rating: **A**  
Pearson Value Rating: **A-**  
Stand.&Poor Rating: **C**  
Value Line Rating: **3-3-3**



## PEARSON CAPITAL'S RECOMMENDED STOCKS FOR AUGUST

### eBAY, INC. (EBAY) NASDAQ PRICE: \$41.78

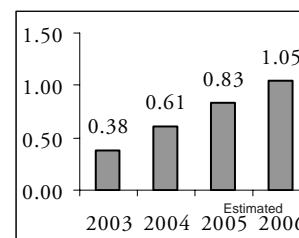
EBAY through its subsidiaries, develops an Internet-based marketplace for the sale of goods and services by individuals and small businesses. The company offers an online platform through which buyers and sellers browse, buy, and sell various items, including trading cards, antiques, dolls, and housewares, as well as used cars, clothing, books and compact disks, and electronics. The eBay online service permits sellers to list items for sale, buyers to bid on items of interest, and all eBay users to browse through listed items in an automated, topically-arranged service that is available online. It also offers online payment services. The company has Web sites directed toward the United States, Canada, Europe, India, Australia, New Zealand, China, Singapore, Taiwan, Hong Kong, Malaysia, the Philippines, and South Korea.

Type: Growth  
Sector: Technology

Institutional Holdings: 731  
Industry: Internet Services

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **61.8**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Bus. Daily: **B**  
Pearson Growth Rating: **A**  
Pearson Value Rating: **B-**  
Stand.&Poor Rating: **D**  
Value Line Rating: **3-3-5**



### METLIFE, INC. (MET) NYSE PRICE: \$49.14

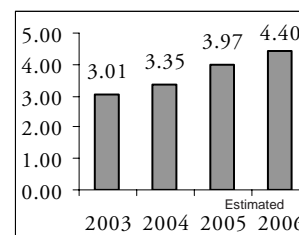
MET and its subsidiaries provide insurance and other financial services to individual and institutional customers. It offers life insurance, annuities, automobile, and homeowner's insurance; and retail banking services to individuals, as well as group insurance, reinsurance, and retirement and savings products and services. The company operates through five segments: Institutional, Individual, Auto and Home, Reinsurance, and International. The International segment provides life insurance, accident and health insurance, annuities, retirement and savings products. The company offers its services directly, as well as through various national and international channels in the US; and through direct insurance operations in Argentina, Brazil, Chile, China, Hong Kong, India, Indonesia, Mexico, South Korea, Taiwan, and Uruguay.

Type: Growth  
Sector: Financial

Institutional Holdings: 388  
Industry: Life Insurance

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **11.2**  
Annual Yield: **0.9%**  
Annual Dividend: **\$0.46**  
Investor's Bus. Daily: **B**  
Pearson Growth Rating: **B-**  
Pearson Value Rating: **A**  
Stand.&Poor Rating: **C**  
Value Line Rating: **3-2-3**



### NORFOLK SOUTHERN CORPORATION (NSC) NYSE PRICE: \$37.21

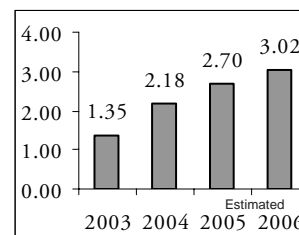
NSC, through its subsidiaries, engages principally in the rail transportation business. The company's railroads carry raw materials, intermediate products, and finished goods primarily in the US and parts of Canada. Its railroads also transport overseas freight through various Atlantic and Gulf Coast ports. Its general merchandise traffic consists of five groups: Automotive; Chemicals; Metals and Construction; Agriculture, Consumer Products, and Government; Paper, Clay, and Forest Products. These shipments are handled on behalf of intermodal marketing companies, international steamship lines, truckers, and other shippers. As of 03/17/05, it operated approximately 21,300 rail route miles in 22 states and the Distr. of Columbia, as well as in Ontario, Canada. NSC was incorporated in 1980 and is headquartered in Norfolk, VA.

Type: Growth  
Sector: Services

Institutional Holdings: 436  
Industry: Railroads

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **13**  
Annual Yield: **1.3%**  
Annual Dividend: **\$0.52**  
Investor's Bus. Daily: **B**  
Pearson Growth Rating: **B**  
Pearson Value Rating: **B-**  
Stand.&Poor Rating: **C**  
Value Line Rating: **3-3-3**



### ROLLINS, INC (ROL) NYSE PRICE: \$20.89

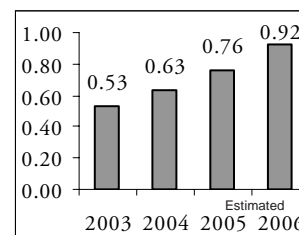
Rollins, Inc., through its subsidiaries, provides pest and termite control services in North America. It offers protection services against termite damage, rodents, and insects to homes and businesses, including hotels, food service establishments, food manufacturers, retailers, and transportation companies. The company, formerly known as Rollins Broadcasting, Inc., was incorporated in 1948. Rollins is headquartered in Atlanta, Georgia.

Type: Growth  
Sector: Services

Institutional Holdings: 73  
Industry: Business Services

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **26.9**  
Annual Yield: **0.9%**  
Annual Dividend: **\$0.20**  
Investor's Bus. Daily: **B**  
Pearson Growth Rating: **A**  
Pearson Value Rating: **B**  
Stand.&Poor Rating: **B**  
Value Line Rating: **2-3-3**



Employees (last reported count): 7,800.

#### CORPORATE GOVERNANCE:

Rollins Inc's Corporate Governance Quotient (CGQ®) as of 1-Jul-05 is better than 15.4% of S&P 400 companies and 53% of Commercial Services & Supplies companies.

## WALL STREET INDEXES

Indexes	1999	2000	2001	2002	2003	2004	05/YTD
<b>S&amp;P 500</b>	21.1%	(10.1%)	(13.3%)	(23.4%)	26.4%	9.0%	1.8%
<b>Dow Jones</b>	25.2%	(6.2%)	(7.1%)	(16.8%)	25.3%	3.2%	(1.3%)
<b>Nasdaq</b>	85.6%	(39.3%)	(21.1%)	(31.5%)	50.0%	8.6%	0.4%
<b>Russell 2000</b>	21.3%	(4.2%)	1.0%	(21.6%)	45.4%	17.0%	4.3%
<b>Our CD Buster</b>	Data available on our website			<b>8.1%</b>	<b>56.7%</b>	<b>22.8%</b>	(In Dispute)
<b>CD Annual Average</b>	4.9%	5.4%	3.0%	2.3%	1.5%	1.5%	2.5%

## MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

### DO INTEREST RATES AFFECT MARKETS?

The Federal Reserve has chosen to continue with its upward trend to raise interest rates. Greenspan has decided to tell the public that there is no housing bubble, but the Fed has made prudent decisions to continue to prevent inflation. During the last group of rate decreases, there was a huge upswing in the stock market. Right afterwards, the Federal Reserve increased interest rates, and the stock market went into a tailspin. This same scenario is again being played out. The economy started to sputter, so the Fed dropped interest rates to lows not seen in many years to move the economy forward. The excess money that went to the stock market now is going to the housing market. And, at the same time, the Fed is starting to increase interest rates. What will happen next is anyone's idea. I certainly hope it will not cause a housing surplus. Unlike the stock market, the housing market can be very illiquid at times, especially when there are fewer buyers than sellers. My worst fears are that many people's assets would be "stuck" into their homes, which they cannot sell if they need liquid assets. They would not be diversified among different asset classes, preventing them to move into undervalued areas. Many would also face high taxes and higher mortgage payments.



### ARE THE CHINESE SMARTER THAN THE U.S. SENATE?

The clever Chinese once again surprised everyone by changing the way they value their currency. They had been pressured by the U.S. Senate to revalue their currency vs. the dollar. It is widely known that their currency is undervalued. Under a threat of tariffs, China has slightly revalued it. But they also changed how they will evaluate their money at the same time. The Chinese currency was always "pegged" at a fixed rate to the dollar and fluctuated in tight bands. Now they've changed it by fixing their currency to a basket of stocks: dollar, yen, euro, and pound. The basket's percentage contents will frequently change and be kept secret. This will certainly keep the U.S. guessing!

*Continued From Page 1*

### **THE RIGHT CHANGE -** *By Donald Pearson*

not sure if I could convince you of the time needed for each decision. For us to be outperforming the index as we are, it requires a team of personnel giving a full time effort. I am a member of a business group that meets every Wednesday, and each of us display and explain our professional skills to the group. As I listen to each of them explain what they do, it helps me understand why I should leave the work to the expert. The pilot should be the only one to fly the plane, and the doctor should be the only one to perform the operation. With the double digit returns we've been able to provide, perhaps we should be the ones making those investment portfolio decisions. If you agree, why not give this to a friend or family member to read.

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### **Services Provided**

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Individual - Joint - Custodial  
Corporate - Partnership - Trust  
IRA's; Roth - Trad - College - SEP  
401(k) & 403(b) Rollovers  
Transfers

Management fee of 1% annually  
for accounts of \$25,000 or more  
(2% for smaller accounts)

**Free consultation**  
**No hidden fees**

**Privacy Policy**

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## AUGUST'S RECOMMENDED GROWTH & INCOME STOCKS

### NAM TAI ELECTRONICS, INC. (NTE) NYSE PRICE: \$23.70

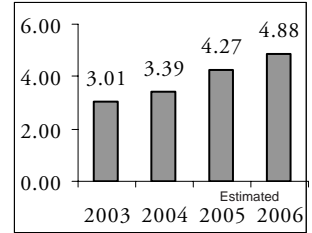
NTE provides electronics manufacturing and design services to original equipment manufacturers of telecommunication and consumer electronic products. It manufactures electronic components and subassemblies, including liquid crystal display (LCD) panels, LCD modules, radio frequency modules, flexible printed circuit subassemblies, and image sensors modules. These components are used in various electronic products, such as cellular phones, laptop computers, digital cameras, copiers, fax machines, electronic toys, handheld video game devices, and microwave ovens. NTE also manufactures finished products, including cellular phones, palm-sized personal computers, personal digital assistants, electronic dictionaries, calculators, digital camera accessories, and Bluetooth wireless headset accessory for use with cellular phones.

Type: Growth & Income  
Sector: Consumer Goods

Institutional Holdings: 33  
Industry: Business Equip.

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.9**  
Annual Yield: **5.5%**  
Annual Dividend: **\$1.32**  
Investor's Bus. Daily: **B**  
Pearson Growth Rating: **A**  
Pearson Value Rating: **A**  
Stand.&Poor Rating: **B+**  
Value Line Rating: **N/R**



### WELLS FARGO & COMPANY (WFC) NYSE PRICE: \$61.34

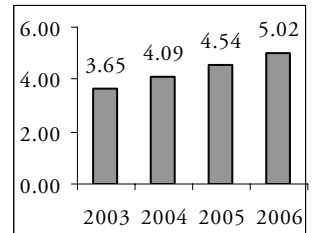
WFC and its subsidiaries provide banking, insurance, investments, mortgage banking, and consumer finance in the US and internationally. The company operates in three segments: Community Banking (CB), Wholesale Banking (WB), and Wells Fargo Financial (WFF). The CB segment offers various products and services, which include the Wells Fargo Funds, a family of mutual funds, as well as personal trust, employee benefit trust, and agency assets. Loan products include lines of credit, equity lines and loans, equipment and transportation loans, and education loans. As of December 31, 2004, the company served approximately 23 million customers through 6,046 stores, the Internet, and other distribution channels. WFC was organized in 1929 and is headquartered in San Francisco, California.

Type: Growth & Income  
Sector: Financial

Institutional Holdings: 772  
Industry: Money Center Banks

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **14.5**  
Annual Yield: **3.3%**  
Annual Dividend: **\$2.08**  
Investor's Bus. Daily: **C**  
Pearson Growth Rating: **B-**  
Pearson Value Rating: **A-**  
Stand.&Poor Rating: **B**  
Value Line Rating: **3-1-3**



## ETFs - YIELDS - LOADS

By Donald Pearson

The first exchange-traded fund was started in 1993 by State Street Bank and the American Stock Exchange. The symbol SPDR, (pronounced spider) contained the S&P 500 stocks. ETFs today are becoming more and more popular with investors as an alternative to individual stocks. Today one can purchase an ETF that replicates a group or a sector that one would like to own as an investment. Because they can be bought and traded as individual stocks, they become easier to trade, although this is not our purpose. We focus on these when we want to gain additional exposure within a portfolio.

Our biggest holding that we've been purchasing for a couple of years and build into everyone's portfolio as a core holding is HQL. They invest in a multiple of medical companies that are household names. HQL has performed favorably, over 15% while yielding an additional 7% in the last year.

If you are planning to purchase these on your own and not use our expertise, I caution you to inquire about costs and penalties when buying these, or any mutual funds. When you read of a fund's price in the newspaper, it does include management fees, but it doesn't include the commissions and loads that you will be paying. When people transfer accounts to our management, they always appear surprised and upset when I tell them there is an additional 5% load to sell something that they have already lost a considerable amount of money on. As I am always preaching, if you're going to be the decision maker, do your research first. When I interview someone to see if we can manage a portfolio for them, I always encourage them to ask of us, and all brokers and account managers: "How much are your commissions, and what type of load or penalty might I face upon my departure?"

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**Source Rating Key for PCI's featured stocks: Pearson Investment Growth Rating measures long-term past and future growth.**

**Pearson Value Rating measures current value in terms of potential for the dollar. Investors Business Daily measures growth and relative price strength. S&P measures financial quality and growth potential. Value Line measures timeliness, value and safety.**