

FEATURED STOCKS

Capital One	Ness Tech
Costco Wholesale	Oshkosh Truck
The Knot, Inc	Walgreen Co
Matthews Intl	WellPoint, Inc

GROWTH & INCOME

Rusell (ETF)	Royce (ETF)
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THE IMPORTANCE OF EARNINGS

By Donald Pearson

Many investors, including myself, view the Price Earnings Ratio as one of the

you'll build a dynamic portfolio that's poised for profit. Companies that meet this scenario usually perform better when the market also begins a pullback or a correction.

When we sit as a group analyzing companies for purchase, we have formulas that place a growth rating first, followed by a value rating, and then a performance rating. Our most difficult challenge is trying to decide when we should buy a stock that's over-valued because the company's outlook appears to be solid both in the short and long range. We have several companies we watch continuously for a pullback, believing that a pullback will only be temporary and expecting there will probably not be another opportunity to buy it again at that price. In your portfolios you may have seen Cognizant Technology (CTSH), or Walgreens (WAG) added recently. These are perfect examples of us buying something and paying more than what we believe it is worth today because of its long range outlook.

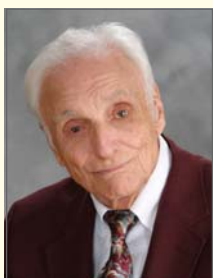
On the flip side of the coin are stocks taken down in price for various reasons which we continue to hold, and in some cases add more shares to the original purchase. Indy Mac Bank (NDE) pulled back 18% last month after reducing their projections for the forth quarter and for 2006. While they disappointed many, they were still 9% better than 2005 and sent out other messages making us believe this may be a buy today or in the very near future. This now becomes another stock we have added to our list to watch very closely. Their management has proposed a stock buyback program, and this, coupled with a yield already above 5%, makes it look awfully attractive. You may find this added to your portfolio, too, or if you've got it already, perhaps more will be added in the very near future.

Slowdowns are another issue to be examined every

most important measures when selecting a stock to purchase. The P/E is determined by dividing the current earnings by the price of the stock. Once armed with this information, our research has only begun. We then compare the P/E to that of the sector it is in, and the overall market. We then measure the projected growth for this company for the next one, two, and five year periods. Right now the median P/E for stocks within the S&P 500 averages around 18, and earnings for these companies appear to be strong. These companies have also had 19 straight quarters of double-digit earnings growth. This is the best since the 1950s.

Although many variables are scrutinized carefully when trying to make a decision, there is never one simple rule for all selections. Price, management, growth, business type and industry, and world politics are a few examples of areas to be examined before making that all-important decision.

When we reference price, we could compare Berkshire Hathaway selling one share in excess of \$100,000, while General Electric is selling one share for around \$35.00. GE started seventy-one years ago, and today it sells for less than the original start-up price. It has also split seven times in this period making the original share worth 288 times what it was, or placing this stock value at \$10,000. The message here is the stock price doesn't mean much, the stock's appreciation will continue through earnings growth. Dividends simply become the frosting on the cake. Look for companies sustaining growth as we do, and



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Publishing President

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Y O U R P R O G E N Y

I think is quite important to instruct your children in the use of money - how to save a portion of their earnings and to also make them aware of the fact that their savings will decrease in value each year because of the problems connected with using paper as money. To do this job, and do it properly, the parent must spend a bit of time on a regular basis and teach so that his student will understand. This takes time, and some parents feel they don't have the time to get the job done.

Fortunately there is an easier way. After all, I think it is a well known fact that a person can learn quicker and get better at a job by doing it himself rather than having it explained in rhetoric. This is one of the reasons why we recommend that parents should establish accounts for each of their children. It isn't necessary to open a large account, but it is important to get them started; and once the account is started, the learning process begins.

Each time the child's statement comes in, the parent should go over it with him and explain the difference in the amount and the reason for it. The child should be encouraged to save a little here and there and to add to the account from time to time as the possibility arises. One of the important things for each child to learn is the power of compounding. Show your child how 10% on a \$2000 investment amounts to \$200 the first year but if the principal has not been touched, the 10% amounts to \$3200 after 28 years.

Our philosophy is that a child should be taught at home if he is not taught in school. In our country today there are many parents who are teaching their children at home because they do not believe the public schools are doing the job properly. Whether or not you agree, I believe you should teach your children how to care for their savings inasmuch as this is not being touched upon in the schools today. Your child should be taught by giving him corollaries such as the story of Mc Donald's and how the company grew in size and value through the years and how they have been able to increase the dividend each year for 20 years or more.

By opening an account of \$5000 for a newborn child, you have started him on the road to success. If the account grows at a rate of 8% a year, his \$5000 will amount to \$160,000 by the time he is 70 years old. If the rate of growth can be held at 12% a year, there will be a dramatic difference. His holding will have grown beyond \$1 million by the time he is 40 years old. This is the reason to look for growth. Growing companies will be the companies to have in a young person's portfolio.

The important thing to bear in mind is that of getting started. People are inclined to put off till tomorrow what they should do today. If you believe your child should have an account started, don't wait - **Do It Now!**

By Walter Pearson



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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.

Information & data obtained from other sources is believed to be reliable, but its accuracy and completeness can not be guaranteed.

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.

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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

March 2007

CAPITAL ONE FINANCIAL CORP (COF) NYSE PRICE: \$77.03

COF operates as the holding company for the Capital One Bank, which offers various financial services in the United States and Canada. It accepts demand deposits, money market deposits, NOW accounts, and certificates of deposits, as well as offers consumer loans; commercial loans; automobile and other motor vehicle financing, including financing for the purchase of new and used vehicles, as well as refinancing of existing motor vehicle loans. The bank also offers credit card products, as well as small business lending, installment lending, and healthcare financing. The company invests in various securities, including the U.S. Treasury and other U.S. government agency obligations, collateralized mortgage obligations, mortgage backed securities, and asset backed securities. The company was founded in 1993 and is headquartered in McLean, Virginia.

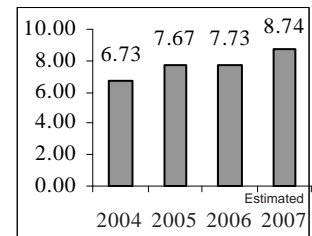
Type: Growth
Sector: Financial

Institutional Holdings: 557
Industry: Credit Services

Ratings & Recommendations

Current P/E Ratio: **10**
Annual Yield: **0.14%**
Annual Dividend: **\$0.11**
Investor's Business Daily: **C**
Pearson Growth & Value: **A**
Morningstar Rating: **3Star**
Standard&Poor Rating: **B**
Value Line Rating: **3**

Earnings per share



COSTCO WHOLESALE CORPORATION (COST) NASDAQ PRICE: \$55.89

COST operates membership warehouses that offer a selection of branded and private label products in a range of merchandise categories in no-frills, self-service warehouse facilities. Costco offers Business, Gold Star (individual), and Executive Memberships. As of October 12, 2006, the company operated 488 warehouses, including 359 in the United States and Puerto Rico, 68 in Canada, 18 in the United Kingdom, 5 in Korea, 4 in Taiwan, 5 in Japan, and 29 in Mexico. Costco also operates Costco Online, an electronic commerce Web site, at www.costco.com and at www.costco.ca in Canada. The company was founded in 1976. It was formerly known as Price/Costco, Inc. and changed its name to Costco Companies, Inc. in 1997. Further, the company changed its name to Costco Wholesale Corporation in 1999. Costco is based in Issaquah, Washington.

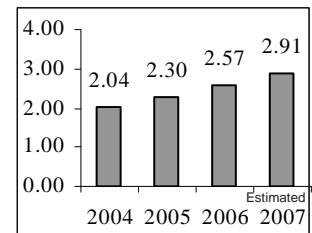
Type: Growth
Sector: Services

Institutional Holdings: 426
Industry: Discount Stores

Ratings & Recommendations

Current P/E Ratio: **23.6**
Annual Yield: **0.93%**
Annual Dividend: **\$0.52**
Investor's Business Daily: **B**
Pearson Growth & Value: **B**
Morningstar Rating: **4Star**
Standard&Poor Rating: **B**
Value Line Rating: **3**

Earnings per share



THE KNOT, INC (KNOT) NYSE PRICE: \$23.64

KNOT operates as a life stage media and services company. The company offers online and offline services to the wedding market in the United States. Its online services include providing ideas, up-to-date information, and resources to assist in the process of planning a wedding through its Web site www.theknot.com. The Knot Wedding Shop direct to consumers. Its offline services comprise publishing The Knot Weddings Magazine that provides directories of wedding gowns, fine jewelry, china, home products, invitations, wedding supplies, honeymoon packages, and local wedding vendors; publishing The Knot Weddings regional magazines; and a offering a library of up-to-date wedding books. The Knot was founded in 1996 and is headquartered in New York.

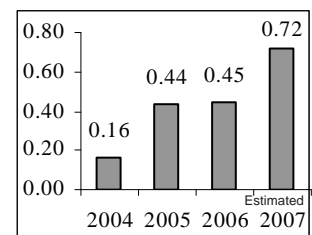
Type: Emerging Growth
Sector: Technology

Institutional Holdings: 92
Industry: Internet Information

Ratings & Recommendations

Current P/E Ratio: **30.3**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **B**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**

Earnings per share



MATTHEWS INTERNATIONAL CORPORATION (MATW) NASDAQ PRICE: \$40.01

MATW engages in the design, manufacture, and sale of memorialization products and brand solutions for the cemetery and funeral home industries in the U.S. The company operates in six segments: Bronze, Casket, Cremation, Graphics Imaging, Marking Products, and Merchandising Solutions. The Bronze segment offers cast bronze memorials and other memorialization products. The Casket segment produces wood and metal caskets. The Cremation segment offers cremation equipment, cremation caskets, equipment service and repair, and supplies and urns. The Graphics Imaging segment provides brand management, pre-press graphics services, printing plates, and print process assistance. The Marking Products segment manufactures marking and coding equipment and consumables. MATW was founded in 1850 and is based in Pittsburgh, PA.

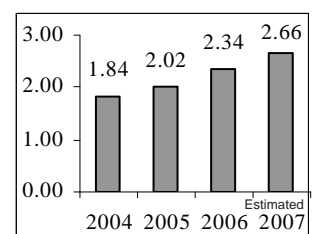
Type: Growth
Sector: Industrial Goods

Institutional Holdings: 111
Industry: Metal Fabrication

Ratings & Recommendations

Current P/E Ratio: **19.1**
Annual Yield: **0.55%**
Annual Dividend: **\$0.22**
Investor's Business Daily: **B-**
Pearson Growth & Value: **B+**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **2**

Earnings per share



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR

March 2007

NESS TECHNOLOGIES, INC (NSTC)

NASDAQ PRICE: \$13.89

NSTC through its subsidiaries, provides information technology (IT) services and end-to-end business solutions in Israel, the U.S., Europe, and Asia. Its portfolio of solutions and services includes outsourcing, system integration and application development, software and consulting, and quality assurance and training. NSTC serves various industries, including defense and homeland security; education; financial services; government and public sector; healthcare; independent software vendors; life sciences; manufacturing; media, entertainment, and publishing; nonprofit organizations and associations; retail; telecommunications; transportation; and utilities. NSTC has strategic alliances with BEA Systems, EMC Documentum, IBM, Mercury Interactive, Microsoft, SAP, and APERE, Inc.

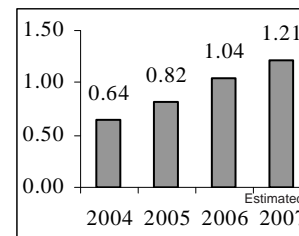
Type: Growth
Sector: Technology

Institutional Holdings: 58
Industry: Info. Technology

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **17.2**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **B**
Pearson Growth & Value: **A-**
Morningstar Rating: **4Star**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



OSHKOSH TRUCK CORPORATION (OSK) NYSE PRICE: \$53.65

OSK engages in the design, manufacture, and marketing of various commercial, fire and emergency, and military trucks. The company's Defense segment manufactures heavy- and medium-payload tactical trucks, such as the Heavy Expanded Mobility Tactical Truck, the Heavy Equipment Transporter, the Palletized Load System, the Common Bridge Transporter, and the Logistic Vehicle System to various militaries. Oshkosh's Commercial segment provides concrete mixer systems, refuse vehicle bodies, mobile and stationary compactors and waste transfer units, portable and stationary concrete batch plants, and vehicle components to ready-mix companies, and commercial and municipal waste haulers. This segment also offers field service vehicles and truck-mounted cranes to mining and construction companies. The company was founded in 1917.

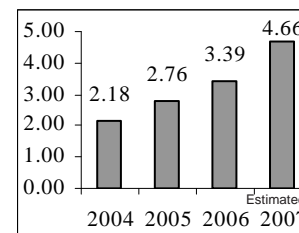
Type: Growth
Sector: Consumer Goods

Institutional Holdings: 228
Industry: Trucks/Vehicles

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **20.6**
Annual Yield: **0.75%**
Annual Dividend: **\$0.40**
Investor's Business Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **2Star**
Standard&Poor Rating: **B**
Value Line Rating: **4**



WALGREEN CORPORATION (WAG) NYSE PRICE: \$44.70

WAG operates a chain of drugstores in the United States. These drugstores sell prescription and non-prescription drugs, and general merchandise. General merchandise includes beauty care, personal care, household items, candy, photofinishing, greeting cards, seasonal items, and convenience food. The company provides its services through drugstore counters, as well as through the mail, by telephone, and on the Internet. As of November 30, 2006, Walgreen operated 5,580 stores, including 3 mail service facilities, 38 home care facilities, 22 clinic pharmacies, and five specialty pharmacies in 47 states and Puerto Rico. The company was founded in 1901 and is based in Deerfield, Illinois.

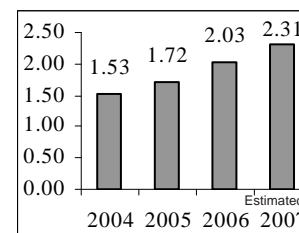
Type: Growth
Sector: Services

Institutional Holdings: 477
Industry: Drug Stores

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **24.8**
Annual Yield: **0.69%**
Annual Dividend: **\$0.31**
Investor's Business Daily: **C**
Pearson Growth & Value: **B**
Morningstar Rating: **4Star**
Standard&Poor Rating: **A**
Value Line Rating: **1**



WELLPOINT, INC (WLP) NYSE PRICE: \$79.39

WLP, through its subsidiaries, operates as a commercial health benefits company in the United States. It offers various network-based managed care plans to the large and small employer, individual, Medicaid, and senior markets. The company's products are marketed through a network of independent agents and brokers, and through in-house sales force. It serves individuals and small employers, large employers, and seniors and Medicaid recipients, as well as the needs of educational and public entities, federal employee health and benefit programs, national employers and state-run programs servicing low-income, and high-risk and under-served markets. WellPoint, formerly known as formerly Anthem, Inc., was founded in 1944 and is headquartered in Indianapolis, Indiana.

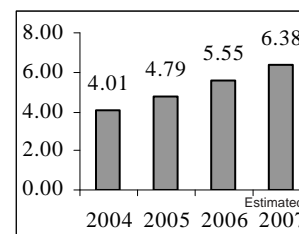
Type: Growth
Sector: Health Care

Institutional Holdings: 702
Industry: Health Care Plans

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **16.4**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **B**
Pearson Growth & Value: **A-**
Morningstar Rating: **4Star**
Standard&Poor Rating: **B**
Value Line Rating: **3**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR

March 2007 - Growth & Income/ETF

ISHARES RUSSELL MIDCAP VALUE (IWS) AMEX PRICE: \$151.95

This fund focuses on Russell Midcap stocks with lower price/book ratios and forecasted growth according to the Institutional Brokers Estimate System.

Fund Area: U.S.
Category: Mid-Cap Value

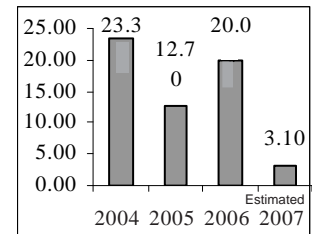
Type: ETF
Industry: Diversified

This fund tries to match the performance of the Russell Midcap Value Index. The index is a subset of the smallest 800 names in the Russell 1000 Index (which, in turn, represents the 1,000 largest publicly traded stocks in the United States). Thus, it offers one-stop exposure to hundreds of midsize companies with low price/book ratios and below-average growth rates from a range of industries.

Ratings & Recommendations

Current P/E Ratio: **N/R**
Annual Yield: **1.69%**
Annual Dividend: **\$2.56**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A**
Morningstar Rating: **5Star**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**

Performance by %



ROYCE MICRO-CAP TRUST (RMT) NYSE PRICE: \$16.91

Royce Micro-Cap Trust is a closed-end diversified management investment company registered under the Investment Company Act of 1940. The trust, which began operations in December 1993, uses a risk-averse approach to invest in the securities of companies with market capitalizations of \$500 million or less, a sector known as micro-cap. RMT believes buying opportunities in this sector have more potential for higher returns than any other in the domestic equity market, because of limited institutional attention and research coverage. RMT follows an investment strategy that includes attempting to understand and value a company's private worth, the price it believes an enterprise would sell for in a private transaction between rational parties. It says the price the trust will pay for a security must be significantly below the appraisal of its private worth.

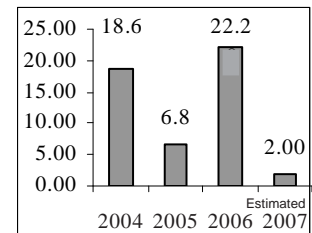
Fund Area: 83% U.S.
Category: Small Blend

Type: ETF
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/R**
Annual Yield: **9.28%**
Annual Dividend: **\$1.57**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**

Performance by %



IRAs and CUSTODIAL ACCOUNTS

IRAs:

Do not forget to fund your IRA for 2006. You have until April 17 of this year to fund your 2006 contribution, and you can also fund your 2007 now if you haven't already. If you do not have a Roth, and you qualify for the opportunity (earned income below \$114,000 single-\$166,000 for couples), call us and get one started. This money once started will grow tax free for many years and make your retirement that much better. The 2006 and 2007 contribution is a maximum of \$4,000 for those under 50 years of age and \$5,000 for those fifty years and older. If you have any questions, call us and we'll help you with them.

Custodial Accounts:

In the very near future we will be notifying custodians by mail about a new fee structure for qualifying custodial accounts. We hope to have this in place by April 1 of this year. We will be lowering our 2% management fee on these accounts to 1%. Our intent is to keep more of the money in the account for your children to help them on the road to prosperity. It's also another way of showing you our appreciation for your business.

THE IMPORTANCE OF EARNINGS - Continued from page 1

day, and what you do is based upon a decision reached after dissecting all the information. Caterpillar Inc. (CAT), the world's largest seller of earth moving equipment, has earnings that have risen an average of 12% for the last five years while sales have increased more than 8%. Last October the company said because of the new home slowdown, their small construction equipment sales have also slowed, and this would lower their 2006 earnings. The stock fell 15% almost immediately. The company and the management didn't change, nor did the quality of the product. What that says is we'll continue to hold, because this problem is short range and should be corrected within the next 6-12 months. The company should then continue with double digit growth.

ETFs and individual stocks can be placed in a portfolio together, achieving international and domestic diversity and a well-balanced portfolio of value and growth. These two entities working together, focusing on earning growth, truly become a formula for success.

WALL STREET INDEXES

Indexes	2001	2002	2003	2004	2005	2006	2007/YTD
S&P 500	(13.3%)	(23.4%)	26.4%	9.0%	3.0%	13.6%	(-0.8%)
Dow Jones	(7.1%)	(16.8%)	25.3%	3.2%	(0.61%)	16.3%	(-1.6%)
Nasdaq	(21.1%)	(31.5%)	50.0%	8.6%	1.37%	9.5%	+0.1%
Russell 2000	1.0%	(21.6%)	45.4%	17.0%	3.32%	17.0%	+0.7%
Our CD Buster		8.1%	56.7%	22.8%	(Disputed)	1.8%	(-2.3%)
CD Annual Average	3.0%	2.3%	1.5%	1.5%	3.5%	5.0%	+0.8%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

Once again the Federal Reserve is worried about a return of inflation. Even though the housing market has slowed down and home prices in many areas have retreated, the Fed still sees signs of inflation in many "core" areas. As the economy keeps moving forward, many economists do not see the Fed cutting interest rates, at least until the end of the year, unless they see some sort of significant change. However, a change may lead the stock market into correction mode before the Fed does something different.



Key Point: *The Fed is not going to change its mind and lower interest rates unless we see the economy start to falter again.*

Earnings Flows:

Fourth quarter earnings wraps up at the end of March, leading into first quarter for April. Usually, little happens, so many stocks may drift lower or stay in a trading range. The market prepares for a spring rally if stocks continue to do well. Overall, there have not been many surprises. The market moves up on expectations of the future as investors anticipate improving earnings. March may see a slight pullback as expectations fall back to reality. However, I don't expect to see many problems relative to the economy.

Key Point: *Lack of news causes stocks to meander in a trading range.*

Cash Flows:

Once again companies are taking this time to change, some in dramatic ways. Sirius (SIRI) and XM Satellite (XMSR) are seriously contemplating merging to create a better company. Altria (MO) is spinning off its stake in Kraft foods (KFT) on March 30th. Companies with large amounts of free cash flow like Berkshire Hathaway, Oracle, and Pfizer, are going to be looking for companies to purchase that can fit their long range growth plan. Others are going to be bought out by hedge funds looking to fit their long range plans.

Key Point: *Companies are taking this time to change to meet their future needs.*

Additional Note:

Iran has decided to continue to proceed with its nuclear program against the wishes of the United States and the United Nations. The UN deadline has come and gone, while the President has stated that Iranian weapons are killing our troops. I don't think that we will let Iran continue to go on with its plans. However, any major reaction will affect the stock market in a negative way, at least temporarily.

Notice to Clients;

Anyone wishing to receive a copy of the most current Disclosure Brochure (Form ADV Part II, and Schedule F) can do so by notifying Pearson Capital, Inc. by email, telephone, or in writing. You can also view the updated documents on our web-site:

www.pearsoncapitalinc.com.

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