

Your Personal Money Manager Pearson INVESTMENT LETTER

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FEATURED STOCKS - OCT/NOV 2015

GROWTH STOCKS:

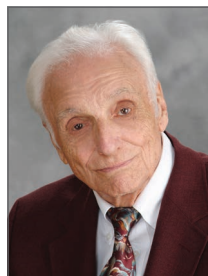
Baidu Inc
Gilead Sciences Inc

VALUE STOCKS:

BlackRock Inc
GAP Inc

FEATURED CORE INVESTMENTS

Featured Stock - AT&T Inc
Featured ETF - iShares Russell 1000 Growth



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

TOMORROW'S MARKET

By Donald Pearson

Since 1980 the market has fallen 5 percent or more on 28 occasions. Seventy percent of the time the market has climbed over the following three months. In 1987 and 2008 this didn't occur and the market continued to fall, both times over 30 percent.

The million-dollar question is where is the stock market going today, tomorrow, and in the short and long range future? All of us who work within this market really have no idea. This is similar to raising interest rates. All the supposed experts gave their opinion this year at every opportunity and 80 percent were wrong. When the Fed meets in December we will hear the same jargon again. It will be a repeat of what we heard a week ago. Every time I turn on the TV or read the paper listening to the "experts" telling me if we're going into a bear market or just experiencing a double digit market pullback that we'll work through and be back in positive territory before year end, I do the things I've learned for myself and for our clients that over time have proven to be the best medicine. Buy value investments, and use a five-year time table.

ETF SPDR (SDY) S&P Dividend has a policy of purchasing for their portfolio companies that have raised their dividend for twenty consecutive years or more while returning above market average. We've featured this every year since 2010, then selling at \$50.18, and today closing above \$70.00

DP

SOCIAL SECURITY

By Donald Pearson

Most people today do not know what they should about social security. For most, there are many variations and a good CPA can help with what will work best for you. If you or a spouse has worked at least ten years, you can begin drawing benefits any time between age 62 and 70. The longer you wait the larger the monthly benefit will be. If you start at your full retirement age (example 66) you will receive 100%. It climbs about 8% annually for every year you wait up until age 70, and it will shrink by that amount every year you begin early. So at 62 you'll receive 75% of your benefit and at age 70 you'll receive 132%. It is also important to know that this is not a one-size-fits-all, and your Social Security office, or their website, can assist with questions you may have. Couples with a high earning discrepancy between them can investigate a file-and-suspend strategy. The higher earning spouse files for his or her benefit at full retirement age and then suspends it to allow the benefit to grow. The other spouse then claims a spousal benefit which is half of the other's benefit. Survivor benefits can be taken as young as age 60, and disability insurance benefits can be claimed at any age. If you're still working in 2015 and are 65 or younger and earn over \$15,720, you may lose \$1.00 for every \$2.00 you exceed it by.

DP

YOUR RETIREMENT

By Donald Pearson

For those still working today, you have the opportunity to help yourself in more ways than one. Most people do not contribute enough to their retirement plans. Some may have neglected to make changes with outdated accounts either left behind from a prior place of employment, or from an account simply thought to be too small to bother with so it's simply forgotten. When you begin employment and you become eligible to participate in your employer's 401K plan you should begin immediately. Your contribution will continue over time to grow tax free, and this could be for a very long time.

Today some employers give additional stock as their compensation rather than pensions as the older generation received. This can be a real incentive for you and you must capture all that is being offered. Contribute as much as you can and allow it to grow for as long as possible. You can contribute up to \$18,000 annually. Less than 10% contribute to their 401K, and then fund their Roth or another IRA from a prior employer that is now a rollover IRA. You're allowed to contribute another \$5500 under 50 years of age or another \$6500 if you're 50 years or older. Remember the younger you are the longer this money can work for you and hopefully provide you the type of retirement we all want for ourselves. Today so many reach the age of retirement and would like to retire but unfortunately are unable to. Here's the best advice I can give you: Pay Yourself First!

DP

EVERY DAY MORE CHANGES

Shall we talk about stocks or the changes that have taken place in our economy and elsewhere? Gas is no longer ten cents a gallon, nor do ladies only wear dresses and work in the home. Divorce has become quite common and there are many different family structures. Think of all of the things that are changing, some of which are happening now and some that happened a short time ago. Some of these things happened before your time.

Can you think of any of those things? How about the income tax? How about the Federal Reserve? Is either of these things necessary? Were things improved when they were inaugurated?

Let's get back to business for a while. Have you given any thought to the income tax? Do you know when that was brought into being? Have you thought about the different ways you can avoid paying taxes? It may not be noticeable to you but we try to avoid having you pay taxes, but still go about the thought of making money. Here is the solution. Searching for companies that are good buys for some reason or other that are temporarily down, but that will be up again temporarily, is not the answer. We are searching for companies that have a long range future. I can give you few examples:

Let's take Apple for one good example. Back in August 1997 we bought that stock for those of you that are still with us and have continued to buy it for new customers. That's what we think of the company. It was selling then for \$20 a share. In January 2000 it split two for one, and in June 2005 it split again. Then in June 2014 it split again; this time it was a ten for one split. This meant that the \$20 originally paid for the stock has shrunk to \$10 and then to \$5 and then again to fifty cents. All of which means that an original investment of \$1000 at that time is now worth about \$40,000 and it is not ready to sell yet. That's one example. So let's take a look at Baidu which we are again recommending for everyone. We found this critter at \$117 a share back in December of 2006. It has since split ten for one, so the original cost is one tenth of what you paid before the split. We are still recommending that one. We feel the outlook is good

It may be something that just happens, or it may take a long, long time in finding one of these companies. That is why it is a good thing for you to make us aware if you think you may have found one. It doesn't cost anything to look it up. Who knows? It may be a winner. In doing this I think of the past where some of these winners have done so well that a larger company has taken them over, or maybe it might be another Wendy's where it was a big winner for a while but then things slowed. I think it is doing well nowadays, but we can tell better when a period of time passes. The thing is with Wendy's we believe it is better to hold it and take slower profits because of the income tax necessary to shell out if sold. Better to take the now present dividend and buy new comers with additional cash.

And how about your companies that have decided to raise your standard of living by increasing the amounts of dividends that you will be receiving each month? Here they are: GG, BCE, MSFT, PM, LGF, TOT, RSO, GG, GK, GPI, RCI, NTES, ITC, LYB, EAT, MO, MDT, TEL, BMO, CM, CEO, SHPG, TD, BNS, PTR, AIZ, SSL, RESI, FSV.

WP

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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.

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 OCTOBER/NOVEMBER 2015
www.pearsoncapitalinc.com

BLACKROCK INC (BLK) NYSE PRICE \$292.51

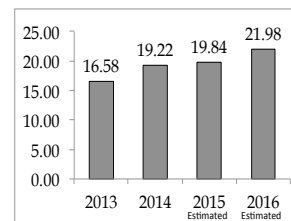
BlackRock, Inc. is an investment management firm. The Company provides investment and risk management services to institutional and retail clients across the world. Its product offerings include single- and multi-asset class portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, iShares exchange-traded funds (ETFs), separate accounts, collective investment funds and other pooled investment vehicles. The Company also offers its BlackRock Solutions investment and risk management technology platform, Aladdin, risk analytics and advisory services and solutions. It has \$4.65 trillion of assets under management at December 31, 2014.

Type: Value
Sector: Financials

Institutional Holdings: 1939
Industry: Capital Markets

Ratings & Recommendations Earnings per share

Current P/E Ratio: **14.9**
Annual Yield: **2.93%**
Annual Dividend: **8.72**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B**
Morningstar Rating: **B**
Stand & Poor Rating: **C**
The Street (analyst avg.): **B**



GAP INC (GPS) NYSE PRICE \$27.96

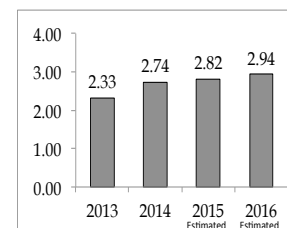
The Gap, Inc. is an apparel retail company. The Company offers apparel, accessories, and personal care products for men, women, and children under the Gap, Banana Republic, Old Navy, Piperlime, Athleta and Intermix brands. In addition to operating in the specialty, outlet, online and franchise channels, Gap Inc. is an apparel retailer in using omni-channel capabilities for digital world and physical stores. Its omni-channel services include order-in-store, reserve-in-store, find-in-store and ship-from-store that are tailored across its portfolio of brands. Gap includes GapKids, babyGap, GapMaternity, GapBody and GapFit collections. It also offers handbags, shoes, jewelry, eyewear and personal care products, among others. It has Company-operated stores in the United States, Canada, the United Kingdom, France, Ireland, Japan, Italy, China and Hong Kong. It operates Gap, Banana Republic and Old Navy stores throughout Asia, Australia, Europe, Latin America, the Middle East and Africa.

Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 1561
Industry: Specialty Retail

Ratings & Recommendations Earnings per share

Current P/E Ratio: **10.6**
Annual Yield: **3.23%**
Annual Dividend: **0.92**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **B**
Morningstar Rating: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**



BAIDU INC (BIDU) NASDAQ PRICE \$136.00

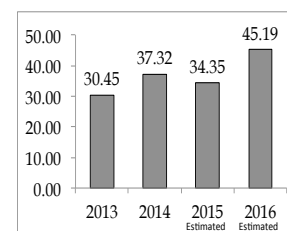
Baidu, Inc. (Baidu) is a Chinese-language Internet search provider (ISP). Baidu serves three types of online participants, which include users, customers and Baidu Union Members. The Company offers a Chinese-language search platform on its Website, Baidu.com. It provides Chinese-language Internet search services to enable users to find relevant information online, including Web pages, news, images, documents and multimedia files, through links provided on its Websites. It designs and delivers its online marketing services primarily on its Baidu.com Website to its online marketing customers. As of December 31, 2014 the Company had approximately 813,000 active online marketing customers. Its online marketing customers consist of small and medium enterprises (SMEs) throughout China, domestic companies and Chinese divisions or subsidiaries of multinational companies.

Type: Growth
Sector: Information Technology

Institutional Holdings: 1628
Industry: Internet Software & Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **26.3**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**



GILEAD SCIENCES INC (GILD) NASDAQ PRICE \$96.75

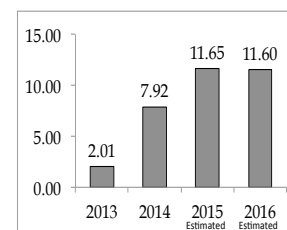
Gilead Sciences, Inc. (Gilead), is a research-based biopharmaceutical company that discovers, develops and commercializes innovative medicines. The Company's primary areas of focus include human immunodeficiency virus (HIV), liver diseases such as chronic hepatitis C virus (HCV) infection and chronic hepatitis B virus (HBV) infection, oncology and inflammation, and serious cardiovascular and respiratory conditions. The Company's HIV products include Stribild, Complera/Eviplera, Atripla, Truvada, Viread, Emtriva, Tybost and Vitekta. Its Liver Diseases products include Harvoni, Sovaldi, Viread and Hepsera. Zydelig is the Company's oncology product. Its Cardiovascular products include Letairis, Ranexa and Lexiscan/Rapiscan. Its Respiratory products include Cayston and Tamiflu. Its other products include AmBisome and Macugen.

Type: Growth
Sector: Health Care

Institutional Holdings: 4042
Industry: Biotechnology

Ratings & Recommendations Earnings per share

Current P/E Ratio: **10.3**
Annual Yield: **1.75%**
Annual Dividend: **1.72**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A+**



CORE STOCK

AT&T INC (T) NYSE PRICE \$32.25

For this month, we are focusing on another one of our long-term holdings, AT&T Inc. (NYSE: T). AT&T is the best dividend payer of the major telecom and wireless carriers. It also now has closed on its long-pending DirecTV merger, a move that will increase its dividend even further. As of December 31, 2014, it served approximately 120 million wireless subscribers.

On average, the stock price for AT&T appreciates normally 5 percent per year, but the real value is the almost 6 percent yield paid annually as well. The company has paid a growing dividend during the last 31 years, and therefore, it is considered a dividend champion. This stock is currently valued at just 11.5 times expected 2016 earnings, and its current cash flow from operations should offer more than ample dividend coverage for quite some time. Despite a four-way wireless price war, AT&T has its own cable TV provider called U-verse, the Satellite DirecTV business, and its continuing landline operations and other wireless and Web services. The big negative here is that investors hate price wars and desire more certainty. We still believe that this uncertainty

is a buying opportunity, and have faith that management will continue to move forward into the future by pursuing more acquisitions and positive net additions to move forward.

We had this in our letter with the following dates and prices.

Date	Price
May 2010	\$26.06
February 2011	\$27.52
September 2011	\$28.48
January 2012	\$30.24
November 2012	\$34.84
January 2013	\$33.71
December 2013	\$35.17
April 2014	\$35.07

AT&T Inc. is a holding company. The Company provides telecommunications services. Its services and products include wireless communications, data/broadband and Internet services, video services, local exchange services, long-distance services, telecommunications equipment, managed networking and wholesale services. Its segments include Wireless, Wireline and International. Its wireless subsidiaries provide both wireless voice and data communication services. The wireline subsidiaries provide landline data and voice communication services, AT&T U-verse broadband, video and voice services (U-verse) and managed networking. Its International segment uses the Iusacell and Uefon regional and national networks to provide wireless data and voice communication services. Its International segment also utilizes the networks of Nextel Mexico to provide similar services. Through its subsidiary, DIRECTV Group Holdings, LLC, it provides pay television in the United States and across the world.

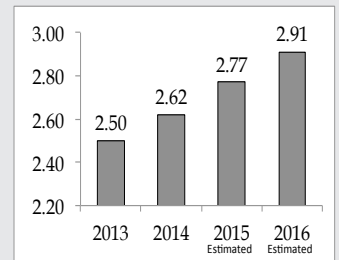
Type: Income
Sector: Telecommunication Services

Institutional Holdings: 2713
Industry: Diversified
Telecommunication Services

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **31.9**
Annual Yield: **5.77%**
Annual Dividend: **1.88**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**



CORE ETF (EXCHANGE TRADED FUND)

ISHARES RUSSELL 1000 GROWTH (IWF) NYSE ARCA PRICE \$93.44

The Russell 1000® Growth Index ETF, IWF, \$XX.XX, measures the performance of large and mid-capitalization growth sectors of the U.S. equity market. The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. It may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, as well as in securities not included in the underlying index, but which the advisor believes will help the fund track the underlying index. Five-year annualized return is 17.2% with a 1.4% yield and an expense of only 0.2% annually.

Symbol	Company	Sector	% of Assets
AAPL	Apple Inc.	Technology	6.34%
MSFT	Microsoft Corp.	Technology	1.95%
AMZN	Amazon.com Inc.	Consumer Cyclical	1.91%
FB	Facebook Inc. Class A	Technology	1.89%
GOOGL	Google Inc. Class A	Technology	1.82%
GOOG	Google Inc. Class C	Technology	1.78%
	Capital Stock		
VZ	Verizon Communications Inc.	Communications Services	1.70%
DIS	Walt Disney Co.	Consumer Cyclical	1.69%
GILD	Gilead Sciences Inc.	Healthcare	1.51%
KO	Coca-Cola Co.	Consumer Defensive	1.51%

The investment seeks to track the investment results of the Russell 1000® Growth Index, which measures the performance of large- and mid-capitalization growth sectors of the U.S. equity market. The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. It may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, as well as in securities not included in the underlying index, but which the advisor believes will help the fund track the underlying index.

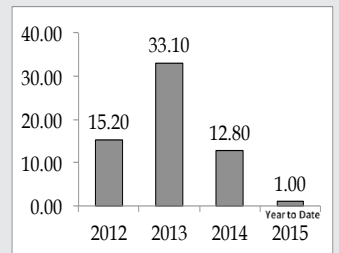
Location: USA
Type: 100% Stocks

Category: Growth / Value
Industry: Non-Diversified

Ratings & Recommendations

Performance by%

Current P/E Ratio: **N/A**
Annual Yield: **1.36%**
Annual Dividend: **1.45**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**



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Enter your username: xxxxxxx (all small letters)

Enter your password: xxxxxx

Your username will be issued and sent to you by us when your account opens and if it's the first time you are accessing the site, your password will be the last six digits of the account holder's Social Security Number. In the case of a Joint Account it will be the SSN of the primary owner and a Custodial Account will use the minor's SSN. If it is a non-personal account, it will be the last six digits of the Tax ID number.

After accessing the page, read and agree with TD Ameritrade's terms and conditions and prompts. At this time you will be required to change your password. Your password must be at least 8 characters long and contain lower case and capital letters and at least one numeral. Please make a note of this new password and keep it in a safe place as Pearson Capital does not have access to this. However, if you forget your password you can contact us or TD Ameritrade directly (800-431-3500, option 3 for Tech Support) and the password will be reset for you so you can start over.

It's important to know that three strikes and you're out! If you enter the wrong password three times, the system will lock you out and you will have to have the password reset. You can contact either TD or us to have that done.

Most family accounts can be linked but it may require some paperwork if they are not like-titled. I can help you with that.

If you need any help accessing your on-line account, contact me by phone or email and I'll be happy to assist you.

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Third Quarter October-November-December-see your October statement.*

MARKET VIEW *Continued from page 6*

The new trends continue:

- 1) The Volkswagen cheating scandal is hurting the German and European markets.
- 2) The job market is picking up.
- 3) Britain is still the bright spot in the European Economy.

Key Point: We are expecting the market to improve toward the end of the year.

Cash Flows:

So far we are still looking for our companies, especially in the S&P 500, to continue doing an excellent job maintaining rock solid balance sheets and healthy cash flows. However, due to the recent swoon in the stock market, many people do not share the same type of optimism. This is in return causing what's known as P/E compression, as good stocks such as Apple computer are looking as better and better buys. If the market continues on a sideways pattern, companies will continue to buy back their own shares and return an increasing dividend as we continue with this low growth environment.

New trends that are happening:

- 1) Expect more mergers and acquisitions.
- 2) The job market is picking up.
- 3) Even after a pullback, biotechnology stocks will continue to do well and lead the way this year.

Key Point: A lower stock market means better value to dominant strong growing companies.

Please note:

- 1) The presidential election may bring changes in healthcare stocks.
- 2) Christmastime brings a strong ending for the year.

WALL STREET INDEXES

Indexes	2009	2010	2011	2012	2013	2014	2015
S&P 500	23.5%	12.9%	EVEN	13.4%	29.6%	11.4%	-6.6%
Dow Jones	18.8%	11.0%	5.5%	7.3%	26.5%	7.5%	-8.7%
Nasdaq	43.9%	16.9%	(1.8%)	15.9%	38.3%	13.4%	-1.1%
Market Average	27.9%	13.8%	1.2%	12.2%	31.5%	10.8%	-5.5%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



The Federal Reserve is continuing to pause during the Chinese crisis. It seems that the slowdown is just enough for the Fed to continue pursuing its wait-and-see approach to interest rates. The lower prices of oil and commodities give the Fed some breathing room. Many people believe there are persistent inflationary tendencies, but after seven years, the Fed is still letting the economy go ahead and take care of itself by deciding to stick to its 0 percent interest rate policy and stating that recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term. The Fed is not raising interest rates as long as wages remain stagnant. We expect that to continue into the New Year. The U.S. dollar remains strong, causing commodity prices to fall further (in dollar terms). Deflationary pressures are spreading with gasoline under \$2 a gallon in some parts of the U.S. This should help put more money in consumers' pockets, further boosting consumer spending.

New trends we see:

- 1) We see continuing deflation throughout all of Asia.
- 2) The price of oil is still holding its own, and we may see signs of a bottom in this commodity.
- 3) We need to see improvement in the Chinese economy.

Key Point: The Federal Reserve has decided to postpone raising interest rates.

Earnings Flows:

As oil and commodity prices steadily retreat, money that was made in energy has moved to other sectors, such healthcare, restaurants, and retail. It is the belief that as oil prices decrease, people will now use that extra money to spend for Christmas. Housing prices continue to show signs of improvement, and we hope that these lower commodity prices will also drive money back into the housing market. We are at the beginning of this quarter's earnings season and are hopeful of a good year-end result. Any revised upside surprise may actually move stocks higher and reverse the downward trend that has been going on. We remain optimistic that companies will continue to raise their current high dividend yields and fund stock buybacks that allow prices to improve, but the bad news is that the continuing strong U.S. dollar may put additional pressure on many multinational and commodity-related stocks in the S&P 500.

Continued to page 5

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The Pearson Investment Letter
 published monthly since 1982

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Table of Contents

Walter's Wisdom:.....	2
Featured Stocks:	3
Featured Stocks:	4
Ask Ann	5
Market Outlook	6