

# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

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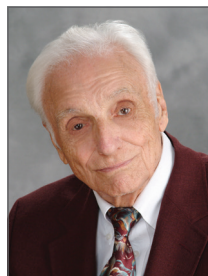
### FEATURED STOCKS - APR/MAY 2016

#### VALUE STOCKS:

Ford Motor Co                      United Technologies Corp  
 Qualcomm Inc                      Web.com Group, Inc

#### FEATURED ETF INVESTMENTS

iShares Select Dividend  
 Wisdom Tree High Dividend



Walter D. Pearson  
 Chairman



Donald E. Pearson  
 President



Ann Hathaway  
 Account Manager

## PEARSON CAPITAL INC. HISTORY

Last month, when many of the area newspapers wrote articles regarding my father's 100th birthday, I was asked many questions about the startup of our business and his current involvement with it today, and I thought a brief article might give everyone the information requested. I believe we are unique with our management philosophy and how we manage our clients' portfolios. We are currently active in 26 states with almost 600 accounts. When the research is done and a stock or ETF is thought to be an excellent investment, we purchase for our clients, and the same selection is purchased for our accounts too. It is a partnership, trying to find the best investments for us both. We have several people doing the research, and my father is still active today with this group. Our company has over 50 years of working to grow wealth for our clients. If you would like to learn more about us, please call me anytime or visit our website at [pearsoncapitalinc.com](http://pearsoncapitalinc.com). We are obviously different. In over 60 percent of those making decisions in this business, the choices made, and the investments selected, are not purchased by the decision maker. If we invest for the client we own it also. It's a partnership. Our commitment to also own it every time is the best guarantee we can make.

### SUCCESSFUL INVESTING

Our message for successful investing is always the same. Invest for growth early, invest for value as you grow older, and invest for income once you've reached an age where prioritizing safety with income within your portfolio becomes paramount. We encourage younger people to start accounts with minimal money just to learn and get started. We have helped and started many grandchildren as a service to our clients. Imagine smaller accounts purchasing a bit of Disney, (DIS) and Vanguard Growth Index Fund ETF, (VUG). Here are the top 10 holdings displaying year to date returns and percentage of holding within that ETF.

	<u>%YTD</u>	<u>% within ETF</u>
Apple Inc.	+4.09%	6.22%
Facebook Inc. A	+9.59%	2.80%
Alphabet Inc. A	-1.24%	2.54%
Amazon.com Inc.	-11.42%	2.52%
Alphabet Inc. C	-1.10%	2.49%
Coca-Cola Co.	+8.43%	2.05%
Home Depot Inc.	+0.88%	1.91%
Walt Disney Co.	-5.87%	1.73%
Comcast Corp Class	+7.74%	1.71%
Philip Morris International Inc.	+12.26%	1.71%

If you are young and invest in growth it's important to know the S&P 500, and if you purchase the market it has on average returned about 10.5% annually. You should also know the rule of 72, which means every seven years you will double your investment value.

When you begin work as a young person it is important to know if your employer offers a 401K. You must take advantage of this opportunity and try to maximize whatever is the employer's match. You can choose what you want within the investment choices offered, but capturing all the free money provided must be paramount. Contributing several thousand dollars and getting a match of 3% or more over 20-30 or more years may provide a wonderful retirement. How often we write about many people prioritizing other objectives and neglecting paying themselves first. If we can get you to prioritize yourself, you can get there and provide yourself with the retirement you are searching for. We can help you, and once we have a formula in place we monitor the program by adjusting the process as your age increases. Growth is prioritized at the younger age and the adjustment is changed to value once one becomes older, yet growth in a smaller amount is still needed. The goal is still trying to maintain a bit of growth, but value is the priority of the day. Google vs. CVS is an example. While both may be in a portfolio, they have different

objectives. As one becomes more advanced, we begin looking for higher yields such as AT&T and Verizon, or many ETFs that we reference within our newsletter every month. Yields of 3.5% or more with value then become an outstanding strategy that will provide the income necessary for long range success. Those having IRA type investments at age 70 ½ must begin taking annual distributions. It has always been our goal to manage the money safely, yet try to grow the pot of wealth to exceed inflation and outperform the market index.

We also often write about a Roth IRA as another investment opportunity one should take and maximize if you are still working and qualify for. Whatever is purchased within a Roth will grow tax free and doesn't follow the same rules as a regular IRA or 401K. Once you've reached 70 ½ you are not required to take annual distributions. And, as long as you're still working and drawing a W-2, you can continue contributing. The contribution is \$5500 per year and \$6500 at 50 years of age or more.

I also encourage anyone to call us occasionally to talk about any changes within their personal situation that may require us to make changes to the objectives we are currently pursuing predicated on the guidelines we have on file.

DP

## CHANGES

Last month we discussed changes, but actually the changes that have taken place surprise me to the quick. Men no longer wear fedoras, but when I think about it I would never go out without wearing a hat. Men seldom wear ties or suits. I was shocked when I noticed on my financial program that every time they called on someone in another city, or even country, for additional information, it was almost always a girl who would answer and give the information. I can remember some years ago when women wore skirts and silk stockings. There was a seam on each stocking which would turn a bit awry during the day and women could be seen trying to straighten them out. Then-presto! Out came this company that had discovered a machine that would make silk stockings without a seam. They were a hit and females bought them so fast that stockings with seams were no longer purchased. The company couldn't make the machines fast enough to keep up with the demand and it was patented. We recommended that stock for some time. Eventually stockings no longer had seams.

As changes are taking place we must learn to live with them for that is the way things are going to be, and there is nothing you can do about it. Another thing that has taken place and that has affected investors has been the inauguration of the income tax. Some years ago there was no income tax and you could buy and sell stocks at a profit and the profit was yours. No more! Now if you make a profit you share it with the government. This is why we worked out a system that would benefit investors. The answer is to be invested in constantly growing companies and almost never sell. In this manner the growth is yours until you die with no income tax on the profits. In the old days you might look for a stock that was underpriced, buy it, and then take a profit, and the profit was entirely yours. Not so nowadays you must share that profit with the IRS. This is why we have changed our way of thinking. Look long range! Buy long range! That is the system to use for what we think will do the best for you. Look backwards! Look at McDonald's. Twenty years ago you might have bought it at \$2 a share adjusting for splits. Today it is selling for \$123 which means that for every \$1000 you invested in MCD twenty years ago your value is \$61000. That was McDonald's. It was not the only kid on the street. There were Wendy's and numerous others. It was not necessary to pick out the right one. As you can see, time has straightened it out for you. You might have bought four or five fast food companies and you had to get one or more of them in a positive wind up.

The world is changing. Years ago when you ate out you always went to a restaurant, but nowadays you probably will buy FAST FOOD because that is now the usual place to go. Another thing I have noticed that you may not have seen at a restaurant: The amount of your tip HAS BEEN DECIDED FOR YOU. THE 15 PERCENT HAS BEEN WRITTEN UP FOR YOU UNLESS YOU WANT THE 20 PERCENTER. The differences are calculated and there is no need for you to do it yourself. Another first!

Recent Dividend Increases: WU, FSV, CSCO, JCOM, UPS, AB, AIG, FLIR, NUS, RAI, PJT, MFC, RIO, GPC, JKHY, NVO, SHPG, CCE, NYLD/A, NYLD, TROW, ANTM, KO, FLS, SCG, WMT, SYT, MDT, STJ, BMO, DHR, GME, HD, CP, ZBH, GIL, RY, DPZ, BAP, GG, TD, BNS, BCS, CIM, GG, TOT, KAI, SSL, BMA, PDCO, UA, LGF, CHL, PKBK, ACN, CEO, TJX, SNP.

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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 APRIL/MAY 2016**  
**www.pearsoncapitalinc.com**

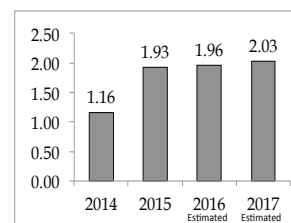
**FORD MOTOR CO (F) NYSE PRICE \$13.53**

Ford Motor Company (Ford) manufactures or distributes automobiles across six continents. The Company operates in two sectors: Automotive and Financial Services. Automotive sector includes North America, South America, Europe, Middle East & Africa, and Asia Pacific segments. Financial Services sector includes Ford Motor Credit Company and Other Financial Services segments. Its automotive brands include Ford and Lincoln. Other Financial Services includes a range of businesses, including holding companies and real estate-related activities. The Company has around 62 plants across the world. Through its wholly owned subsidiary, Ford Motor Credit Company LLC, it provides automotive financing products to and through automotive dealers throughout the world.

Type: Value Institutional Holdings: 1935  
 Sector: Consumer Discretionary Industry: Automobiles

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **7.3**  
 Annual Yield: **4.5%**  
 Annual Dividend: **0.60**  
 Investor's Bus. Daily: **D**  
 Pearson Growth & Value: **B+**  
 Morningstar Rating: **B**  
 Stand & Poor Rating: **A**  
 The Street (analyst avg.): **C+**



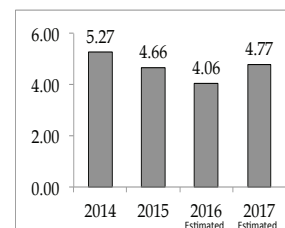
**QUALCOMM INC (QCOM) NASDAQ PRICE \$51.14**

QUALCOMM Incorporated is engaged in the development and commercialization of a digital communication technology called code division multiple access (CDMA). The Company is engaged in the development and commercialization of the orthogonal frequency division multiple access (OFDMA) family of technologies, including long-term evolution (LTE), which is an Orthogonal Frequency Division Multiplexing (OFDM)-based standard that uses OFDMA and single-carrier Frequency Division Multiple Access (FDMA), for cellular wireless communication applications. The Company's segments include QCT (Qualcomm CDMA Technologies), QTL (Qualcomm Technology Licensing) and QSI (Qualcomm Strategic Initiatives). The Company also develops and commercializes a range of other technologies used in handsets and tablets that contribute to end user demand. The Company's products principally consist of integrated circuits (chips or chipsets) and system software used in mobile devices and in wireless networks.

Type: Value Institutional Holdings: 3000  
 Sector: Information Technology Industry: Communications Equipment

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **16.9**  
 Annual Yield: **3.8%**  
 Annual Dividend: **1.92**  
 Investor's Bus. Daily: **A**  
 Pearson Growth & Value: **B+**  
 Morningstar Rating: **C**  
 Stand & Poor Rating: **B**  
 The Street (analyst avg.): **A+**



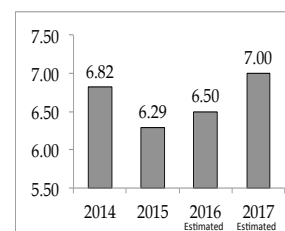
**UNITED TECHNOLOGIES CORP (UTX) NYSE PRICE \$100.10**

United Technologies Corporation (UTC) provides high technology products and services to the building systems and aerospace industries across the world. The Company operates through five segments: Otis; UTC Climate, Controls & Security; Pratt & Whitney; UTC Aerospace Systems and Sikorsky. Otis designs, manufactures, sells and installs a range of passenger and freight elevators for low-, medium- and high-speed applications, as well as a line of escalators and moving walkways. UTC Climate, Controls & Security is a provider of heating, ventilating, air conditioning (HVAC) and refrigeration solutions. Pratt & Whitney segment supplies aircraft engines for the commercial, military, business jet and general aviation markets. UTC Aerospace Systems is a global provider of technologically advanced aerospace products and aftermarket service solutions. Its Sikorsky segment manufactures military and commercial helicopters and also provides aftermarket helicopter and aircraft parts and services.

Type: Value Institutional Holdings: 2741  
 Sector: Industrials Industry: Aerospace & Defense

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **22.4**  
 Annual Yield: **2.6%**  
 Annual Dividend: **2.56**  
 Investor's Bus. Daily: **D**  
 Pearson Growth & Value: **B**  
 Morningstar Rating: **B**  
 Stand & Poor Rating: **B**  
 The Street (analyst avg.): **B**



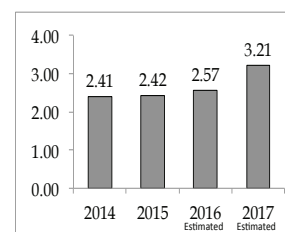
**WEB.COM GROUP INC (WEB) NASDAQ PRICE \$19.82**

Web.com Group, Inc. provides a range of Internet services to small businesses. The Company operates through Web services and products segment. The Company offers subscription-based solutions including domains, hosting, Website design and management, search engine optimization, online marketing campaigns, local sales leads, social media, mobile products and e-Commerce solutions. The Company offers Domain Name Registration and Services, Do-It-For-Me Web Solutions, Do-It-Yourself Web Solutions and Online Marketing Services. The Company offers online advertising opportunities for companies focused on small businesses to be featured on its Websites. The Company offers directory listings, which is an online search directory that gives businesses online exposure. It offers a range of domain name services, including domain name registration, transfers, renewals, expiration protection and privacy services. Its Do-It-Yourself Web Solutions include custom Website, Ignite and Facebook Boost.

Type: Value Institutional Holdings: 379  
 Sector: Information Technology Industry: Internet Software & Services

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **11.4**  
 Annual Yield: **N/A**  
 Annual Dividend: **N/A**  
 Investor's Bus. Daily: **B+**  
 Pearson Growth & Value: **A-**  
 Morningstar Rating: **N/A**  
 Stand & Poor Rating: **N/A**  
 The Street (analyst avg.): **A**



## JUST ASK ANN

When you open an IRA type account (Individual Retirement Account: Traditional, ROTH, Rollover, SEP, etc) you are requested to name a beneficiary so that the account can be passed on upon your death.

You may assign this to anyone of your choosing and you may also list as many people as you desire. Each recipient will be given a percentage of the proceeds according to your instructions. They will be designated your PRIMARY beneficiaries.

Usually the primary beneficiary is a spouse and they would normally receive 100% of the proceeds. Children are sometimes added to the list as CONTINGENT beneficiaries and would receive their percentage if the primary beneficiary predeceases them.

This is a common example but the recipient(s) may be of your choosing and need not be related.

Upon death of the owner of the IRA account, the beneficiary then opens a BENEFICIARY ACCOUNT and the funds are transferred to the new owner(s). Before funds are moved, the new owner indicates on the application form how they would prefer to receive the proceeds.

They may opt to:

- 1) Treat the account as their own (this is for spouse only)
- 2) Follow the Five Year Rule; take the entire balance out of the account by the December of the fifth year after the IRA owner's death (all at once or in stages)
- 3) Take Life Expectancy Payments; that is, taking a Require Minimum Distribution every year determined by a non-recalculation method. (This involves your age at the time of the original owner's death, the balance of the account on December 31 of the prior year and an actuarial table that determines a divisor for calculation)

The purpose of these choices is to give the new owner a say in how they wish to handle the taxes that will be incurred whenever funds are taken from the account as pre-tax dollars originally funded the account.

If you need to update Beneficiaries on your account, you may access the proper form from your online account by going to the top of the page, click on Client Services then Online Forms and scroll down to the letter B section. Once you complete this form, the beneficiary changes will apply as of the date you sign the form. These forms are returned directly to TD Ameritrade to update your account.

### CORE ETF (EXCHANGE TRADED FUND) iSHARES SELECT DIVIDEND (DVY) NYSE ARCA PRICE \$81.67

The investment seeks to track the investment results of the Dow Jones U.S. Select Dividend Index composed of relatively high dividend paying U.S. equities. 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. The underlying index measures the performance of a selected group of equity securities issued by companies that have provided relatively high dividend yields on a consistent basis over time.

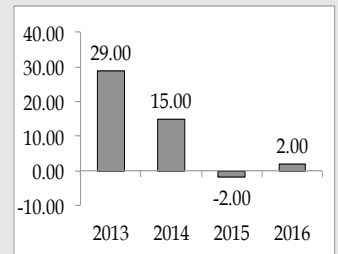
Location: USA  
Type: 100% Stocks

Category: Value / Income  
Industry: Diversified

#### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **4%**  
Annual Dividend: **3.22**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Morningstar Rating: **A**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **N/A**

#### Performance by%



### CORE ETF (EXCHANGE TRADED FUND) WISDOM TREE HIGH DIVIDEND (DHS) NYSE ARCA PRICE \$63.28

The investment seeks to track the price and yield performance, before fees and expenses, of the WisdomTree High Dividend Index. Under normal circumstances, at least 95% of the fund's total assets (exclusive of collateral held from securities lending) will be invested in the component securities of the index and investments that have economic characteristics that are substantially identical to the economic characteristics of such component securities. The index is a fundamentally weighted index that is comprised of companies with high dividend yields selected from the WisdomTree Dividend Index.

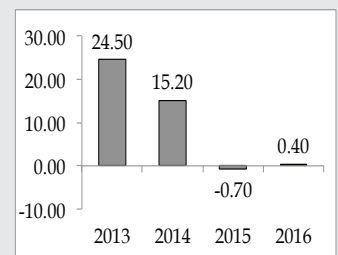
Location: USA  
Type: 100% Stocks

Category: Value / Income  
Industry: Diversified

#### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **3.2%**  
Annual Dividend: **2.05**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Morningstar Rating: **A**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **N/A**

#### Performance by%



## **Earnings Flows:**

April is in the middle of this quarter's earnings reports. Oil and other commodities have recovered significantly but many believe that this may not last. At the same time there was panic selling in high price-to-earnings (P/E ratio) stocks. Netflix (NFLX) for example, went down about 28 percent, and Amazon (AMZN) went down about 25 percent so far this year. This is a clear signal that Wall Street will no longer tolerate high P/E stocks until they prove they are worth the growth rate. Wall Street is no longer in love with high price-to-earnings (P/E) stocks with erratic earnings. This P/E compression will likely persist, since "growth at a reasonable price" is now dominating. The February/March 2016 rally gained just over 13 percent in 36 days as stocks with better-than-expected earnings reports such as Cisco (CSCO) have rebounded from their recent pullbacks and eventually will move higher.

Many other investors feel that the U.S. stock market has also been led by a short covering since the February 11 lows. There are now fears that the earnings estimates for 2016 will continue to slip lower, or, another major ISIS attack in Europe or anywhere else in five months could hinder travel, which in turn could adversely impact airlines, railways, and hotels. Crude oil prices may also decline on the fear that slowing travel and economic activity might reduce global growth. We believe that a strong offense of fundamentally superior stocks will continue to do well at this time.

### **The new trends continue:**

- 1) The dollar has continued to move higher versus other currencies.
- 2) We expect dividend stocks to continue to do well as they return money to shareholders.

**Key Point: The stock rebound has made people cautious for the next few months.**

## **Cash Flows:**

Since the Fed and other central banks are going to keep rates low, the companies that have access to credit can take advantage of merging or breaking up with other companies. For example, according to the Wall Street Journal, Yahoo has set an April 11 deadline for preliminary bids on its core Internet business and Asian assets, in an effort to trim down the field of about 40 players. The process looks open, as Yahoo (YHOO) is sending letters asking suitors for prices and what assets they hope to acquire. Yahoo would then only keep its stake in Alibaba (BABA) as a standalone company.

They can also use the money to buy back shares and/or increase their dividend. According to Bloomberg Business on March 13, S&P 500 companies are on pace to purchase \$165 billion of their stocks this past quarter. In essence, while investors were selling shares, corporations were buying them back. With so many companies buying their own shares, there are fewer outstanding shares, creating higher earnings per remaining share, even if nominal earnings are flat.

### **New trends that are happening:**

- 1) We expect many mergers to continue this year.
- 2) Activists continue to move forward this year to force management to take action.

**Key point: Profits are based on an estimated opinion, while dividends are a matter of fact.**

### **Management Fee:**

*Our fee is extracted quarterly from the account at 25% of one percent by TD Ameritrade. Immediately following any quarterly management fee extraction, it is posted within your account's history information available on line. It is also posted in your TD Ameritrade monthly statement.*

*Second Quarter April-May-June-see your April statement.*

# WALL STREET INDEXES

Indexes	2010	2011	2012	2013	2014	2015	2016
S&P 500	12.9%	EVEN	13.4%	29.6%	11.4%	(0.8%)	0.8%
Dow Jones	11.0%	5.5%	7.3%	26.5%	7.5%	(2.2%)	1.5%
Nasdaq	16.9%	(1.8%)	15.9%	38.3%	13.4%	5.7%	2.8%
Market Average	13.8%	1.2%	12.2%	31.5%	10.8%	0.9%	1.7%



## MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

### Economic Flows:



At the beginning of this year, many Federal Reserve officials began talking up the possibility of another rate hike at the April meeting. However, with the stock market pullback and lack of economic growth and inflation during the beginning of this year, the Fed "blinked" and cut their December interest rate forecast in half. The Fed is now holding the line on interest rates while substantially scaling back its expectations from December's indication of four rate hikes in 2016. Global growth has slowed dramatically in the past year, and it doesn't look any more promising now as deflation is affecting the rest of the world at this time.

Investors welcomed Fed Chair Janet Yellen's "cautious" stance on raising U.S. interest rates. In a recent speech, Yellen stated that global and financial uncertainties posed risks to the domestic economy and justified a slower path for rate increases. She said, "Global developments have increased the risks to the outlook, and, given the risks, I consider it appropriate for the FOMC to proceed cautiously."

The recent March meeting reduced that projection to two possible hikes upon lower expectations for economic growth and inflation. At the same time, the European Central Bank (ECB) and the Bank of Japan (BOJ) opted for negative interest rates this year. The biggest fear right now, many people believe, is that another crisis will affect the global economy. Should this occur, central banks will not be able to cut interest rates any further.

The ECB also expanded the types of bonds it can buy, so its quantitative easing now encompasses even more securities. The Federal Reserve still wants to focus on getting out of this deflationary stage, and is not going to let economic issues from European countries interfere with its long term goals. However, it may have to rethink its decisions in the short term as the rest of the world catches up.

### New trends we see:

- 1) Quantitative easing moves investors further out onto the risk curve because they don't really have any other option to get yield.
- 2) OPEC is now planning a meeting to discuss oil prices.
- 3) Increasing wages will increase interest rates.

**Key Point: The Federal Reserve has changed its ideas for raising interest rates.**

Continued to page 5

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 Individual - Joint - Custodial  
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 401(k) & 403(b) Rollovers - Transfers

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