

Your Personal Money Manager

Pearson

INVESTMENT LETTER

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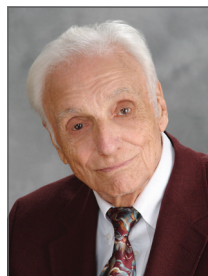
FEATURED STOCKS - AUG/SEPT 2016

VALUE STOCKS:

Air Lease Corp Amgen Inc
Goldman Sachs Group Inc Time Warner Inc

FEATURED ETF INVESTMENTS

Technology Select Sector SPDR®
New Residential Investment Corp NYSE



Walter D. Pearson
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Account Manager

CHANGING THE RULES

The rule of taking 4% annually of your investment savings in retirement may be changing. What is making this formula somewhat difficult as a barometer with your retirement planning are the following two issues: Interest rates are exceptionally low and will not increase significantly for quite some time, and people are living much longer today. Many surveys have shown that about 70% of respondents haven't heard about this rule, and only one in five has a quality plan to make their nest egg work and perform as needed in good times as well as bad. With the average yield for money markets at 0.18%, for savings at 0.16%, and five-year CDs at 1.38%, alternatives can and should be utilized. We all know the stock market has averaged a bit above 10% for the past 50+ years. This in no way guarantees anyone that every year is going to be positive, but it does show us we must place a part of our investment portfolio in it to get a higher return. The most important decision is how and where to make these investments. In my opinion ETFs are the best way to do this. As an example, when I build a portfolio I include Vanguard High Dividend Yield Index Fund (VYM). This ETF tracks large US companies that have continuously raised their dividend. Its one year performance is +9.6%, three year +11.6%, five year +13.1%, with a five star Morningstar rating and yielding 3.1%.

Often I write about mutual funds and why I prefer not to use them when building portfolios. The fees built in that you don't see average about 6% and could be more if they have front or back end loads. Fund managers change without you knowing, and on average over 60% of the managers do not own the fund themselves. With the growth of ETFs and the low fees they charge, along with the tax difference they have, I prefer these without question. Mutual funds have been around for a

long time while the number of ETFs, starting in the early nineties with only a handful, continue to grow and now number in the thousands.

This is where I can be of help for you. If you'd like a review of your portfolio or to learn more about ETFs, give me a call. As I often write, every investment we recommend we also own within our personal accounts. Being independent has other advantages too. Ann will take care of all administrative responsibilities, while I'll build and manage your portfolio.

To learn more about us you can visit our website.

MARKET CHANGES

When investing it's important to know that nothing is consistent with the market. That simply means most years the market will go up, but other years the market will be in the minus. What you must do to gain confidence is look at a fifty-year, or longer, graph as to the market's performance. When you do you will realize even serious drops such as happened in 2007 become only blips on a growth chart over time averaging annually above 10%. Understand you are in it for the long haul whether you're a young person starting out, an older person getting close to retirement, or already retired. In the year 1944 the Dow was at 143 points and in 2006 it was at 11,343. Today, ten years later, it is over 18,000. This example teaches us we must invest to grow the money and continue to stay ahead of inflation. As the cost of goods continues to climb and our pay increases are not keeping ahead of the inflation growth, we must rely on our investments. An easily identifiable example that everyone uses to prove the point is simply mailing a letter. In 1944 it cost 3 cents and 62 years later in 2006, when one could retire, it cost 39 cents. Ten years later today it costs 47 cents, nearly 30%

more. So to keep pace with a real inflation rate averaging around 5% it's necessary to have our money growing above that figure.

The reason you hear us at Pearson Capital always telling you to focus on stocks that increase their dividends is because of the added value these generate. A well rounded portfolio will have some that pay no dividend at all because of the growth potential they have, but the majority will be made up of companies increasing their dividends while still displaying ongoing growth. Finding value in a long term bull market becomes difficult. US stocks today are trading at a year-ahead price-earnings ratio of seventeen. In 1986 this ratio was at fifteen. Value stock selections can still be found. It is just more difficult and professional help is probably needed for most. Another good example of this is investigating different sectors. The health care sector which normally runs ahead of the S&P 500 by 13% on average, is today 12% less. Opportunities vary within sectors so one willing to invest the time can find opportunities.

This strategy is included with the ETFs we purchase as well as individual stocks. Many times a stock can be included in the ETF purchased and again bought as a standalone stock. Many times bought and added for value and income, and then outperforms the market considerably. An example of that would be AT&T (T). Selling today at \$43.28 it was purchased as an income stock generating an above 5% yield. As this has continued to outperform this year the yield has reduced to 4.4% because the stock is up 25% YTD. We also believe interest rates will remain low for the considerable future, so this strategy should remain in place for quite some time. Find good value, and then buy and hold.

DP

WAIT

Well, the time has come to write another newsletter. The problem I have is that I am not privy to any new news so what am I to do? Should I write about the man I saw walking down the street yesterday or should I concentrate upon the beautiful female who was following him? Either way I shall leave you with severe wonderment as to what's this all about. Perhaps it would make more sense to take into account your portfolios. Okay! Here goes.

One of the things you should take into account is that if you have just started you're new here, and you probably don't understand the happenings that might take place. Now what I mean by new is less than two years because by the time your account is eight or ten years old you will understand these things much better. As a newcomer, let me explain that some of these things take a period of time before they will work out, some things happen right away. A case in point is that one day I bought a stock and it didn't move for six months. I bought it for a woman at that time and she made 50% in six months whereas it took me one year.

Time is of the essence. Looking at stocks is one thing, but finding something that makes them special is the thing that stands out. Very much like looking over people; there may be a man wearing a flashy suit or the female that is wearing a hat that almost takes your breath away. These are things that are changing the venue. Have you experienced the same thing when looking at a stock? Have you come across that one that is different? Have you found that one that is different? Have you found the one that is increasing earnings every fifteen minutes? If so, get this one bought before everybody else finds it whereas the cost will have risen. On the other hand, perhaps you should have taken the time to make me aware of what is happening. Perhaps you have found a standout and you should make me aware.

I am thinking here that most of the time you sit back and let me find those stand-outs, and then you participate in whatever is made regardless of whether the profits are good or just mediocre. Do you think it will be different this time inasmuch as you are doing the selecting? Should I congratulate you on your selection or maybe it just wasn't up to snuff? I hate to disparage you even though your selection just did not tow the line. Come to think of it, the time may have come for you to take your vacation. Have you decided where you want to go? I can come up with a suggestion here. I vote for Italy. Perhaps you would say that I am prejudiced simply because I spent my war years there, but that is not the only reason. Italy is a thing of beauty. Many years ago many things were done. Do you have a better choice? Where would you rather go? Have you thought about it and have you come up with the reasoning that it was I who thought you needed a vacation? Vacations may come and vacations may go but your presence will remain. Remember, it was I who decided you needed time off. SO BE IT! ARRIVEDERCI!

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 AUG/SEPT 2016
www.pearsoncapitalinc.com

AIR RELEASE CORP (AL) NYSE PRICE \$27.66

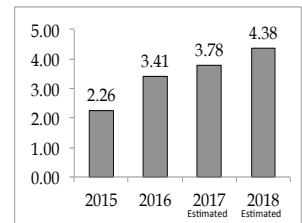
Air Lease Corporation is an aircraft leasing company. The Company is principally engaged in purchasing new commercial jet transport aircraft directly from aircraft manufacturers, such as The Boeing Company (Boeing) and Airbus S.A.S. (Airbus), and leasing those aircraft to airlines across the world. Along with its leasing activities, the Company sells aircraft from its operating lease portfolio to third parties, including other leasing companies, financial services companies and airlines. The Company also provides fleet management services to investors and owners of aircraft portfolios for a management fee. The Company provides aircraft to airline customers in various markets, such as Asia, the Pacific Rim, Latin America, the Middle East, Europe, Africa and North America. The Company owns approximately 240 aircraft, including over 180 single-aisle narrowbody jet aircraft, approximately 40 twin-aisle widebody jet aircraft and over 20 turboprop aircraft.

Type: Value
Sector: Industrials

Institutional Holdings: 400
Industry: Trading Companies & Distributors

Ratings & Recommendations Earnings per share

Current P/E Ratio: **8.8**
Annual Yield: **0.7%**
Annual Dividend: **0.20**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**



AMGEN INC (AMGN) NASDAQ PRICE \$172.40

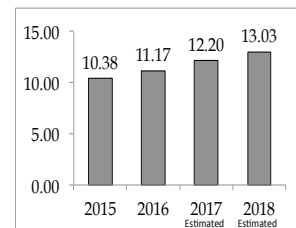
Amgen Inc. is a biotechnology company. The Company discovers, develops, manufactures and delivers various human therapeutics. The Company's business segment is human therapeutics. Its marketed products portfolio includes Neulasta (pegfilgrastim); erythropoiesis-stimulating agents (ESAs), such as Aranesp (darbepoetin alfa) and EPOGEN (epoetin alfa); Sensipar/Mimpara (cinacalcet); XGEVA (denosumab); Prolia (denosumab); NEUPOGEN (filgrastim), and other marketed products, such as Vectibix (panitumumab), Nplate (romiplostim) and Corlanor (ivabradine). The Company focuses its research and development on human therapeutics for the treatment of serious illness in the areas of oncology/hematology, cardiovascular disease, inflammation, bone health, nephrology and neuroscience. Its products in Phase III programs include Aranesp for Myelodysplastic syndromes; ENBREL for Psoriatic arthritis and Rheumatoid arthritis remission; IMLYGIC for Metastatic melanoma, and Kyprolis for Multiple myeloma.

Type: Value
Sector: Health Care

Institutional Holdings: 3179
Industry: Biotechnology

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.5**
Annual Yield: **2.3%**
Annual Dividend: **4.00**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A-**
Morningstar Rating: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**



GOLDMAN SACHS GROUP INC (GS) NYSE PRICE \$163.86

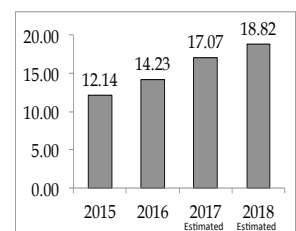
The Goldman Sachs Group, Inc. is a bank holding company and a financial holding company. The Company operates through four segments: Investment Banking, Institutional Client Services, Investing & Lending, and Investment Management. The Company's Investment Banking segment provides financial advisory services, which include advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings, spin-offs and risk management. The Company's Institutional Client Services segment makes markets and facilitates client transactions in fixed income, equity, currency and commodity products. The Company's investing and lending activities include its investing and relationship lending activities across various asset classes, primarily debt securities and loans, public and private equity securities, and real estate. The Company's investment management segment provides investment and wealth advisory services.

Type: Value
Sector: Financials

Institutional Holdings: 2158
Industry: Capital Markets

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.3**
Annual Yield: **1.6%**
Annual Dividend: **2.60**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **C**
The Street (analyst avg.): **N/A**



TIME WARNER INC (TWX) NYSE PRICE \$80.42

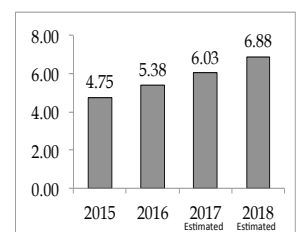
Time Warner Inc. is a media and entertainment company. The Company operates through three segments: Turner, which consists of cable networks and digital media properties; Home Box Office, which consists of domestic premium pay television and streaming services, and international premium pay, basic tier television services and streaming services, and Warner Bros., which consists of television, feature film, home video and videogame production and distribution. The Company also holds interests in companies that operate broadcast networks. The Company holds interest in Central European Media Enterprises Ltd. (CME), which is a broadcasting company that operates television networks in Bulgaria, Croatia, the Czech Republic, Romania, the Slovak Republic and Slovenia. The Company has a joint venture interest in The CW, which includes a lineup of advertising-supported original programming, as well as a block of advertising-supported programming.

Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 2450
Industry: Media

Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.0**
Annual Yield: **2.0%**
Annual Dividend: **1.61**
Investor's Bus. Daily: **B-**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A-**



JUST ASK ANN

We are more than halfway through the year! Before you know it December will be here and along with that, comes the RMD (Required Minimum Distribution) deadline. This applies to all Traditional IRA clients over the age of 70½ as well as clients with a Beneficiary IRA.

If you have not met this obligation for the year, and wish to take it now, please contact me and I will get the necessary paperwork ready for your distribution.

I will be contacting all clients affected by this requirement, either by phone or mail, to make arrangements for this distribution in the coming months.

It's important to remember that if this RMD is not met before December 31, 2016, the IRS will deduct a penalty of ONE HALF of the amount of the distribution! Make sure you don't lose any of your money by failing to comply with this rule!

While working with new clients this week, I learned that you can connect your personal bank account and your TD account for the purpose of making direct deposits to your investment account through your online access. However, in order to set this up, special permission must be activated on the website before it will register. If you wish to take advantage of this feature, please contact me directly and I will be glad to get you started.

CORE ETF (EXCHANGE TRADED FUND) TECHNOLOGY SELECT SECTOR SPDR® FUND (XLK) NYSE ARCA PRICE \$47.16

The investment seeks investment results that, before expenses, correspond generally to the price and yield performance of publicly traded equity securities of companies in the Technology Select Sector Index. In seeking to track the performance of the index, the fund employs a replication strategy, which means that the fund typically invests in substantially all of the securities represented in the index in approximately the same proportions as the index. It generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index.

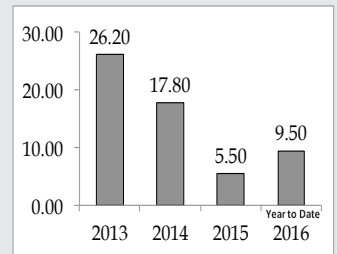
Location: USA
Type: 100% Stocks

Category: Growth
Industry: Technology

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.2%**
Annual Dividend: **1.02**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



CORE REITs (REAL ESTATE INVESTMENT TRUSTS) NEW RESIDENTIAL INVESTMENT CORP (NRZ) NYSE PRICE \$14.15

New Residential Investment Corp. is a real estate investment trust (REIT). The Company is focused on investing in, and managing, investments related to residential real estate. The Company conducts its business through the segments, which include investments in excess mortgage servicing rights (MSRs), investments in servicer advances, investments in real estate securities, investments in real estate loans, investments in consumer loans and corporate. Its portfolio is composed of servicing related assets, residential securities and loans, and other investments. It has made over three direct investments in servicer advances, including the basic fee component of the related MSRs. It acquires and manages a portfolio of credit sensitive real estate securities, including non-agency and agency residential mortgage backed securities (RMBS). The Company has an interest in a pool of consumer loans, including unsecured and homeowner loans.

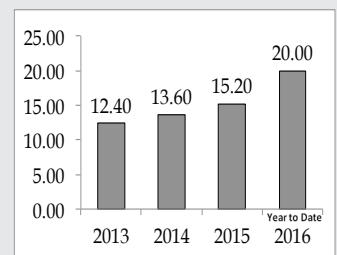
Location: USA
Type: Hard Assets

Category: Value/Income
Industry: Real Estate

Ratings & Recommendations

Current P/E Ratio: **9.9**
Annual Yield: **12.7**
Annual Dividend: **1.84**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



Earnings Flows:

As August helps finish this quarter's earnings season with most Europeans and many Americans planning on vacation, the stock market is essentially being neglected. For many companies, this season shows a decline in both sales and earnings. But, since they did beat expectations from the last quarter, the S&P 500 marched forward to an all-time high. In fact, since the February 11th lows, the S&P 500 has soared about 20 percent.

Much of this reason for the decline of earnings is the current strength of the dollar, but multinational companies have found a way to do a great job. When the dollar finally does decline, we will then see earnings grow, as most of the profits from these companies come from overseas. Right now though the market has become narrow, and much of the new money has gone to the dividend stocks, as those have superior fundamentals and increase their payouts.

The new trends continue:

- 1) We have an oversupply of oil, causing gas prices to go lower for the summer.
- 2) We expect dividend stocks to continue to do well as they return money to shareholders.
- 3) Because the market is getting narrower, the market's Price Earnings Ratio (P/E) is higher.
- 4) Britain's stock market is starting to rebound.

Key Point: The market has moved to record highs.

Cash Flows:

Our goal as shareholders is not to just seek market appreciation in value, but to look for total return. Companies can do this through their own organic growth, acquisitions, constant buybacks, and increasing dividends. These four concepts not only benefit us, but they bring more of a transparent experience. When this happens, we believe management has the ability to take more ownership of the company. The best management brings the most total return for their shareholders because shareholders need to have their companies generate a rising stream of dependable dividend income so they can eventually live off their investments.

New trends that are happening:

- 1) The governments in the U.S. and in Europe are stopping prominent mergers.
- 2) Money is being pulled from hedge funds due to weak performance.
- 3) Investors are focusing on dividend paying sectors due to their need for higher yields.
- 4) Companies may get a break on taxes soon by bringing money back from overseas.

Key point: Total shareholder return brings more transparency.

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.
Third Quarter July-August-September-see your July 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%)	6.9%
Dow Jones	11.0%	5.5%	7.3%	26.5%	7.5%	(2.2%)	6.8%
Nasdaq	16.9%	(1.8%)	15.9%	38.3%	13.4%	5.7%	4.4%
Market Average	13.8%	1.2%	12.2%	31.5%	10.8%	0.9%	6.1%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



After almost eight years since the great recession, some economists believe we are still in the beginning of a deflationary period, as we are following the same footsteps of the Japanese economic malaise. As each economy is becoming more interdependent of each other, at the same time each one competes to export its surplus goods. The problem is, the more these companies produce, the more efficient and cheaper all products become. This creates a deflationary trend worldwide.

This same group also states that even if central banks lower interest rates to negative levels, it will not create any additional demand worldwide. The Fed states clearly that we can grow out of our problems, but if there is a permanent glut of capacity, we would have to figure a new way for our economy to move out of this situation.

After the Brexit vote, the Fed is holding its stance in stating that its monetary policy will be shaped by incoming data. It has a specific target range for the federal funds rate and wants to see the economy at about a 2 percent inflation rate. However whenever they decide to take more of a bias to tighten rates, a world monetary crisis seems to occur. There is also a good chance they will not do anything until after this upcoming presidential election. With uncertainty in this Presidential election year, we expect the Fed to hold its course.

New trends that we see:

- 1) Gold and Silver have rebounded due to the recent crisis.
- 2) Japan's central bank is now buying stocks in order to restart its economy.
- 3) The job market continues to improve.
- 4) The energy sector is moving lower due to depressed oil prices.

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

Continued to page 5

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