Your Personal Money Manager

Pearson INVESTMENT LETTER

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Published Monthly Since 1982

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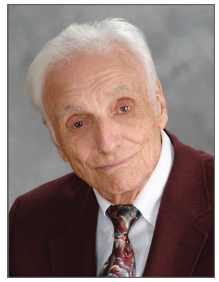
FEATURED STOCKS - FEB/MAR 2016

VALUE STOCKS:
AbbVie Inc
Air Lease Corp

GROWTH STOCKS:
Apple Inc
Biogen Inc

FEATURED ETF INVESTMENTS
ALPS Sector Dividend
Vanguard High Dividend Yield Index



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

THE 2016 MARKET TO DATE

The market is certainly off to a very uncertain startup. Choppiness was anticipated for this year but not at the pace it has accrued. Many stocks and indexes are 15-20% off year to date and 20-30% off their highs in mid-December. We believe this will be temporary. Many of the better ETFs and individual stocks are oversold. Individual stocks for example are Apple, Walgreens, Disney, and CVS. For many years we have enjoyed the 20-25% annual growth with these quality companies, and we believe they will again be outperforming in the not too distant future. We believe Exchange Traded Funds such as SDY, VUG, and VYM, should also begin their turnaround. We will still continue with our beginning of the year prediction of up around 6% at year-end. Quality stocks with yields could improve this prediction another couple of percentage points too.

What can alter this are a few variables that could change the performance along the way. They are as follows:

--Will China get their act together working through a government built on building and infrastructure to one that becomes more consumer-based?

--Falling oil prices: This year already the price of oil has fallen another 25%, on top of another 30% last year and 40% plus in 2014. Now in the $25-$30 range it must stabilize ASAP.

--How many Fed rate increases will we see this year? Many of the experts have predicted up to four. I personally believe two will be the maximum. US growth and inflation will be what determines this. It's important we realize a couple of months do not make the year. Two years ago in 2014 the S&P started down 3.6% and the Dow down 6.5% in the first month, and finished the year plus 10.8%. It is also important to resist emotional pressure to sell low when times are tough.

NEW CHIP CARDS

The laws have changed regarding credit cards. A gentleman within our business group who is considered an expert in this field has been explaining the changes being made and why. He helps those needing the equipment as business owners by selling or leasing the equipment needed. He can assist anyone both here in this area or anywhere in the country. I have no investment with this, nor do I receive any payment, but if you would like additional information about getting a machine for your business or other information, please contact Ann with your name, email, or phone number, and we'll ask this gentleman to contact you directly. Here is his message to help us better understand the need for a card with a chip built in.

EMV (Euro MasterCard Visa)

The merchant services industry is taking consumer security to a whole new level. Chip cards and chip-activated terminals work together to enhance the security of card-present transactions. For each transaction, a unique, one-time code is generated. Since that code is good for only one transaction, it is virtually impossible to replicate it in counterfeit cards.

Why should merchants switch to EMV processing? Because, effective October 1, 2015, the financial liability of fraud shifted to the merchant in certain cases. Cards with magnetic strip technology will shortly become unacceptable. The financial exposure of fraud and charge-backs is substantial enough to force most small businesses to consider bankruptcy. Although there is still some protection against lost cards, it is minimal. This liability shift applies to all global payment networks.

The consumer needs to be aware of their exposure when using outdated magnetic stripe cards. The consumer should be advised that merchants who have not upgraded to EMV technology pose a threat to them. If the consumer's credit card does not have a chip, I strongly recommend that an effort be made to request a replacement from the credit card issuer. It is important that consumers and merchants look into the near future once EMV is fully deployed. Just think of the benefits that a modernized, secure payment system will bring!

Son Don Pearson, Walter Pearson, Daughter Sharon Pierce

100 YEARS Happy Birthday Walter Happy Birthday Father

February 5, 1916 my father Walter Pearson was born in Pittsfield MA.

Business Note:

In the late 1950s he began First New England Securities Co. in Southbridge, MA, as a full-service brokerage house and stock management company. In the mid-1970s he relocated to Florida and soon thereafter began publishing the Pearson Investment Letter. In 1990, Pearson Capital Management was formed. In August 1998 the firm's name was changed to Pearson Capital and was incorporated as a Florida corporation. He is also a published author with his book "Investing for the Millions" and is listed in Who's Who in America.

Personal Note:

He enjoys time with friends and family and going out to eat. When not researching stocks his favorite pastime is playing cards. Cribbage and Bridge are the two games he plays most often, although Hearts is another he plays when he gets a group together. He plays Duplicate Bridge several times a week, and as a grand master of the game, he has taught many of us (including me) how to become a very good player. He is also a World War 2 veteran of the U.S. Army, deployed in Italy fighting the Germans from 1943-1945.

DP

WALTER'S WISDOM
www.pearsoncapitalinc.com

What should we discuss this week? Should we discuss how to make more money, or should we consider the reason for women wearing pants? I have decided. The time has come where I shall cover both questions concurrently. In my opinion women are wearing pants because they are beginning to take over the jobs of men. Look around you and think back. It wasn't like this years ago. And, how about each dollar? Where should we be putting these? What we are doing when we take our minds off pants is looking for another growth company, something like Apple, or something like Baidu. Once we have found them, you own them. What is it that makes these companies so attractive? It's all a story of earnings. Take a glance at the earnings for the past ten years, which you might find on the S&P report, and you will find that their earnings have increased almost every year. Think of a child. Each year the child gets bigger and once it starts to earn money you would like to have one whose earnings would go up each year. I believe that this makes sense to you. The really important thing is to find these companies while they are still growing.

Finding companies like these is the kind of a job you might be quite willing to let someone else do. On the other hand you might like to search it out for yourself and accumulate all of the glory for yourself. Going back to the girls wearing pants - do you think there is a very valid reason for this? I have recently discovered that many of the high officials with a number of companies have been let go and more than 50 percent of the replacements have been of the female gender. Could it be that women are better at the job or is this one of the things that is changing? I don't mind the women taking jobs that used to be handled by men, but why pants? Thinking back to the days when I was younger, women were working in the home, not outside of the home. There came the day when the younger ones started jobs as stenographers and they studied typing and Gregg shorthand and thereby became workaholics.

Think of things in this manner: Nobody's perfect, nor does one get even close. The thing to remember is that imperfection may put you on the blind side and you may be the one who is wrong this time. Now, coming back to women wearing pants - I may disagree, but it is certain that I am wrong by just looking down the street a ways. Think of it in the manner of choosing stocks. Whoever is doing it may be right most of the time but there will be these things that happen once in a while. Consider the importance of compound interest. Many people think that 10 percent will double one's portfolio in a period of ten years. Not so McGregor! The power of compound interest takes hold here where the rule of 70 comes in. Seven goes into seventy 10 times. Ergo – 7 percent will double your portfolio in ten years because of compound interest.

Good Luck!

Believe it or not there are a number of individuals who are pulling on their bootstraps and trying to make the future look good for you. These are the characters who have seen fit to get the payments increased on each of the following companies; and, they did this without even consulting you. Here they are: PFBC, T, MDT, SAN, GG, OZRK, F, CLB, UVE, FAST, OHI, BLK, VLO, ALK, INTC, MPLX, ROL, RCI, LVS, DST, NVS, GNC, GG, GM, CMCSA, BP, TE, AMRK, CME, LB, OA, BCE, HAS, FCFS.

WP

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.*

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 FEBRUARY/MARCH 2016
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APPLE INC (AAPL) NASDAQ PRICE $93.70

Apple Inc. designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players and sells a variety of related software, services, peripherals, networking solutions and third-party digital content and applications. The Company's products and services include iPhone, iPad, Mac, iPod, Apple TV, a portfolio of consumer and professional software applications, the iOS and OS X operating systems, iCloud and a variety of accessory, service and support offerings. The Company offers a range of mobile communication and media devices, personal computing products and portable digital music players, as well as a variety of related software, services, peripherals, networking solutions and third-party hardware and software products. The Company's primary products include iPhone, iPad, Mac, iPod, iTunes, Mac App Store, iCloud, Operating System Software, Application Software and Other Application Software.

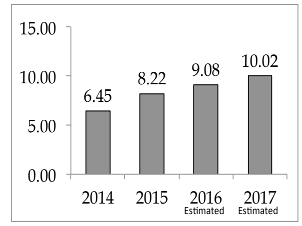
Type: Growth
Sector: Information Technology

Institutional Holdings: 5914
Industry: Technology Hardware, Storage & Peripherals

Ratings & Recommendations

Current P/E Ratio: **10**
Annual Yield: **2.2%**
Annual Dividend: **2.08**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**

Earnings per share



BIOGEN INC (BIIB) NASDAQ PRICE $245.11

Biogen Inc., formerly Biogen Idec Inc., is a global biopharmaceutical company. The Company is focused on discovering, developing, manufacturing and delivering therapies for neurological, autoimmune and hematologic disorders. The Company develops, manufactures and markets products designed for the treatment of multiple sclerosis (MS) and hemophilia A and B. The Company's marketed products include AVONEX, PLEGRIDY, TECFIDERA, TYSABRI, FAMPYRA for multiple sclerosis (MS), ALPROLIX for hemophilia B, and ELOCTATE for hemophilia A, among others. It also collaborates on the development and commercialization of RITUXAN (rituximab), which is a monoclonal antibody for the treatment of non-Hodgkin's lymphoma, chronic lymphocytic leukemia and other conditions and share profits and losses for GAZYVA, which is for the treatment of chronic lymphocytic leukemia.

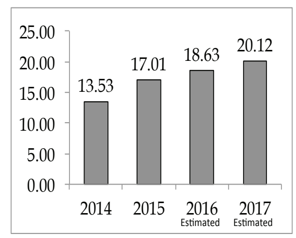
Type: Growth
Sector: Health Care

Institutional Holdings: 2664
Industry: Biotechnology

Ratings & Recommendations

Current P/E Ratio: **16.4**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

Earnings per share



AbbVie INC (ABBV) NYSE PRICE $52.18

AbbVie Inc. (AbbVie) is a global, research-based biopharmaceutical company. The Company develops and markets therapies that address a range of diseases. The Company's products are focused on treating conditions, such as chronic autoimmune diseases, including rheumatoid arthritis, psoriasis and Crohn's disease; hepatitis C (HCV); human immunodeficiency virus (HIV); endometriosis; thyroid disease; Parkinson's disease; complications associated with chronic kidney disease and cystic fibrosis, and other health conditions, such as low testosterone. AbbVie also has a pipeline of new medicines, including over 30 compounds or indications in Phase II or Phase III development across a range of medical specialties, such as immunology, virology/liver disease, oncology, renal disease, neurological diseases and women's health. The Company's product portfolio includes HUMIRA, HCV products, Additional Virology products, Metabolics/Hormones products, Endocrinology products and other products.

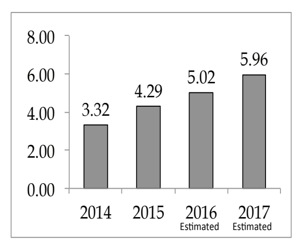
Type: Value
Sector: Health Care

Institutional Holdings: 2654
Industry: Pharmaceuticals

Ratings & Recommendations

Current P/E Ratio: **16.8**
Annual Yield: **4.3%**
Annual Dividend: **2.28**
Investor's Bus. Daily: **B+**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

Earnings per share



AIR LEASE CORP (AL) NYSE PRICE $22.73

Air Lease Corporation is an aircraft leasing company. The Company is 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 aircrafts to airlines around the world. In addition to its leasing activities, it sells aircrafts from its operating lease portfolio to third-parties, including other leasing companies, financial services companies and airlines. It also provides fleet management services to investors and owners of aircraft portfolios. It provides aircrafts to airline customers in geographical regions, including markets, such as Asia, the Pacific Rim, Latin America, the Middle East and Eastern Europe. The Company sells aircrafts that are operated by an airline with multiple years of lease term remaining on the contract.

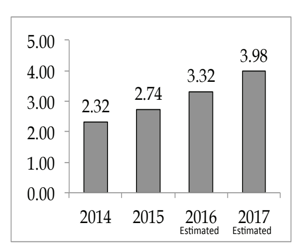
Type: Value
Sector: Industrials

Institutional Holdings: 378
Industry: Trading Companies & Distributors

Ratings & Recommendations

Current P/E Ratio: **10.5**
Annual Yield: **0.9%**
Annual Dividend: **0.20**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B+**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **B**

Earnings per share



JUST ASK ANN

Since TD redesigned their client access website, it has been a learning process for all of us to navigate the new system, me included! On occasion, I have been contacted by individual clients and have helped them walk through the new site to find the specific information needed. However, I know that many of you still have questions.

First of all, on the log-in page, you can determine your start page. The default is "My Account Overview" which will show you your account's balance and top eight movers for the day, or if you have more than one account you will see the combined balance and top movers for all your accounts on one page. Use the tabs to get to individual accounts.

If you prefer, you can use the drop down on the log-in page to change your start page to show you the Balances and Positions (stocks) held in your account(s) with the current daily value. If you have more than one account, you can choose combined or individual account view. You will have to go to the top of the page to change the account number for any other account you own or have access to.

While trying to find the best way to explain all the updated features, I came across a very informative section that will help you navigate this site.

At the top left, place your cursor on the box that says "Client Services." You will get a drop down and you need to click on "Announcements." This will take you to the newest information from TD.

Right now you will see that you can obtain an app from your Android smartphone so that you can access your account information from your device. That was posted in December 2015.

However, if you scroll down, you will see: AdvisorClient.com Redesign – Client FAQs.

While reading this section, I found that you can learn quite a lot about finding your way around. There are many great tips and guides here. There are also screen shots that clearly explain what you are looking at. Take a few minutes, browse through some of the instructions, and I'm sure you will better acquaint yourself with this new website.

If you still need a little help, contact me and I'll get you the info you need!

CORE ETF (EXCHANGE TRADED FUND)
ALPS SECTOR DIVIDEND (SDOG) NYSE ARCA PRICE $32.77

The investment seeks investment results that replicate as closely as possible, before fees and expenses, the performance of the S-Network® Sector Dividend Dogs Index.The underlying index is a rules-based index intended to give investors a means of tracking the overall performance of the highest dividend paying stocks in the S&P 500 on a sector-by-sector basis. The fund generally will invest in all of the securities that comprise the underlying index in proportion to their weightings in the underlying index. However, under various circumstances, it may not be possible or practicable to purchase all of the securities in the underlying index in those weightings.

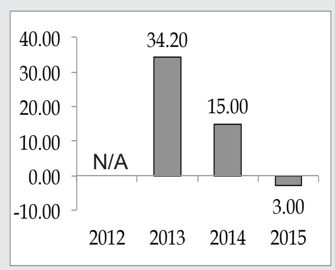
Location: USA
Type: 100% Stocks

Category: Value / Income
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **4.9%**
Annual Dividend: **1.62**
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)
VANGUARD HIGH DIVIDEND YIELD INDEX (VYM) NYSE ARCA PRICE $62.33

The investment seeks to track the performance of a benchmark index that measures the investment return of common stocks of companies that are characterized by high dividend yield.The fund employs an indexing investment approach designed to track the performance of the FTSE High Dividend Yield Index, which consists of common stocks of companies that pay dividends that generally are higher than average. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

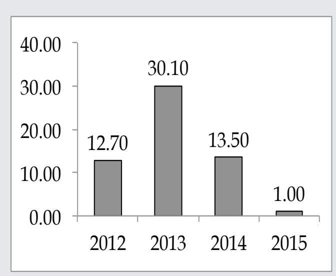
Location: USA
Type: 100% Stocks

Category: Value / Income
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3.4%**
Annual Dividend: **2.15**
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%



Investment letters are complimentary to our clients with managed accounts!

The good news is that this worldwide external weakness has not been enough to stop the momentum of the U.S. economy. At the same time, job and wage growth have accelerated in the rest of the economy. But there is certainly a recession in place in many sectors here such as energy and commodities, where there are significant job losses and credit issues. This is small compared to the overall size of the American economy. 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.

New trends we see:
1) The bond and gold markets are beginning to look like safe havens again.
2) OPEC may consider an emergency meeting to discuss oil prices.
3) Home prices are holding steady.

Key Point: The Federal Reserve may rethink its options for raising interest rates.

Earnings Flows:

February is in the middle of this quarter's earnings reports. As we stated before, companies gave analysts and investors this year's expectations for earnings and sales growth. Due to the higher dollar, they were negative or cautious, with more than one company warning about their current or next quarter's earnings. We expected a sideways market for the beginning of the year, but instead, the first month was the worst start in many years. We also did not expect oil and other commodities to begin recovering significantly until February at the earliest, when seasonal demand starts to rise. That may be pushed out further into this year.

There is now panic selling in high price-to-earnings (P/E ratio) stocks, especially on the NASDAQ. This is a clear signal that Wall Street will no longer tolerate high P/E stocks. Netflix (NFLX) is down about 28 percent, and Amazon (AMZN) is down about 25 percent so far this year. On the other hand, companies with better-than-expected earnings reports such as Cisco (CSCO) will rebound from their recent pullbacks and eventually move higher.

The new trends continue:
1) The political race is affecting the drug and financial sectors negatively.
2) We expect dividend stocks to start to gain traction.

Key Point: The strength of the dollar now has more of a negative impact than before on earnings.

Cash Flows:

Mergers and company breakups are now a focus this quarter as we expect companies will take advantage of this pullback to combine resources and restructure as well as break into new companies with new technologies. At the same time, we will see opportunities in the energy space as over-leveraged companies requiring a debt or equity restructuring will also partner or merge with larger companies. Exxon Mobil has already postponed share buybacks, and we hope to see a potential merger. We expect more company mergers this year. If growth is not coming from rising demand, dominant companies will try to gain market share.

Even with this stock market pullback, companies such as Sands Casino (LVS) and General Motors (GM) are raising their dividends. Corning (GLW) is continuing buying back its own stock at a lower price. And Cisco (CSCO) is buying up other companies that meet its criteria for further growth. Some stocks are now showing dividend yields of 4 to 5 percent. We expect 2016 will be another record year for stock buybacks, as interest rates are still at all-time lows. Stocks are now yielding close to 4 to 5 percent. So we are focused on companies that will seek a total return option of stock buybacks and an increasing yield.

New trends that are happening:
1) Technology stocks are now yielding up to 5 percent.
2) Activists are pressuring companies to continue with their break up plans.

Key point: Breakups and mergers are going to increase in spite of the market setback.

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%)	(10.5%)
Dow Jones	11.0%	5.5%	7.3%	26.5%	7.5%	(2.2%)	(10.1%)
Nasdaq	16.9%	(1.8%)	15.9%	38.3%	13.4%	5.7%	(14.8%)
Market Average	13.8%	1.2%	12.2%	31.5%	10.8%	0.9%	(11.8%)

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

Fed Chair Janet Yellen said just recently, "Financial conditions in the United States have recently become less supportive of growth." Since the Federal Reserve's last meeting, where they raised interest rates for the first time in almost nine years, the market has suffered a severe setback. According to the last meeting's notes, Fed watchers were assuming that the Fed would raise rates up to four times in 2016. But now, based on the collapse of oil prices and persistent global inflation, we may not see more than two more increases during this year if any at all. This interest rate hike has pushed the value of the dollar still higher compared to many of the other comparable world currencies, and they are slowly devaluing at the same time.

A stronger dollar offers mixed blessings. On the one hand, it means that foreign goods are less expensive. This benefits American consumers and international travelers who visit countries that have weakened currencies. A stronger dollar can also help American companies, particularly those that import a great deal of their raw materials that are used for production. As input and production costs fall, a company stands to boost their net margins. On the other hand, those companies that depend on the rest of the world as consumers for their products receive less overall in profit, as their respective currencies are traded for dollars. This in turn affects overall earnings.

Due to the stock market correction, traders have been stampeding into safe haven assets, with the ten-year Treasury going back to levels last seen in 2011. The other world banks are now in crisis mode as their stock markets in Europe and China are down by 20 to 30 percent. Those dependent on commodities will go through a correction that could last for the rest of the year. As we stated previously, investors parked their funds in a much safer U.S. economy, another key factor which has been driving up the U.S. Dollar for the past few months, and the sovereign wealth funds of oil-producing nations are liquidating non-energy assets or at least not buying them. Stung by energy losses, portfolio managers are also reducing risk elsewhere. This is the opposite of what we had expected for bonds due to the interest rate hike, but given that the threat of global recession has worsened, that is now the case.

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The Pearson Investment Letter
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