

Your Personal Money Manager

Pearson

INVESTMENT LETTER

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FEATURED STOCKS - JULY/AUG 2016

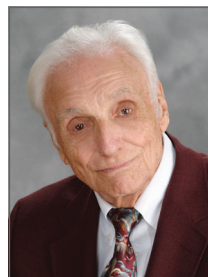
VALUE STOCKS:

Amgen Inc
CVS Health Corp

Intel Corp
Wells Fargo & Co

FEATURED ETF INVESTMENTS

iShares Russell 1000 Growth
Flaherty & Crumrine Preferred Income Fund



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

LONG TERM INVESTING

This week we watched as uncertainty and chaos began from Britain's vote to leave the European Union. The Dow dropped nearly 1,000 points in two days and the S&P and Nasdaq followed accordingly. This is similar to the start of the year as the markets retreat into negative territory again. Do we know how this will shake out and where the markets will end up because of this? Answer, no. I am asked by some when these things happen, do you think I should sell now and place my money on the sidelines until this uncertainty is behind us? Answer, no. When the market dips like this, it's really a buying time for those with cash. Think of it like this: a quality company says we're going on sale and offering our company stock for you to purchase at a 10%, or sometimes even more, discount. For those of us who plan to hold our stock for two, three, ten, or more years, we have just made a quality investment. As we go through our lives and continue to age, everyone invests one way or another. Even if you simply put your savings in the bank, you're looking for the best interest rate you can find. You may be receiving less than 1%, but it's still working for you. There are many other ways you can invest, and products you can purchase, but over time the stock market returning over 10% annually has proven to be the best way. Yes there are years when the results are negative, but staying the course has proven over time to be successful. Becoming cyclical and trying to sell when you think things are going to turn down, and then buying when you believe we have reached a bottom, rarely works well if at all. A good example of this is what has just occurred with the Brit's exit from the European Union. No one saw it coming and the Dow dropped over 600 points that day and 300 the next, followed by two up days, while many believing uncertainty would

drive the markets lower. This only proves again the best strategy is building a quality portfolio and making the changes and adjustments necessary to keep your investments working for you as you grow older. Here are some tips to consider that I believe should be done. As a client of ours, we are doing many of these things for you.

For those just starting:

Take advantage of employee-sponsored retirement plans such as a 401(k). Try to place 15% into a pre-tax account. If you cannot start with that much do whatever you can, hopefully enough to receive the employer match if there is one. If a 401(k) is not available at work, then start an Individual Retirement Account for yourself. Pay taxes now and start with a Roth.

10 to 15 years later:

You are probably married now and maybe have children. Your income has increased and you should be increasing your savings also. For those under 50 years of age, the current 401(k) contribution limit is \$18,000. For those with a Roth the maximum contribution is \$5,500. This is a key period because the money you're putting in will have time to grow exponentially.

Middle Age:

You may be caring for children or elder parents, or you may be considering setting up a college account for your children. It is important you do not lose sight of the goal here. Prioritize your retirement, continue funding and add more to it if you can. When you reach 50 the amounts you may add are increased. The Roth climbs to \$6,500 and the 401(k) climbs to \$24,000.

Nearing Retirement - 60 plus:

You will need about 75-80% of what you are earning now to live the same in retirement. This is a good time to review your portfolio to see what retirement will look like. You can add pensions if you'll be receiving any, social security, and any other forms of income along with your investment portfolio. Your investment portfolio could be calculated to grow at a conservative 6% annually until retirement. Hopefully this will work out for you, but if it doesn't, you can make one of two decisions: Either immediately add additional cash to your investment portfolio, or decide you'll be working longer. It might be a good time to meet with a financial advisor to review all your assets. One can help you with decision making after reviewing your entire package. Learn more about Medicare and Social Security, too. For Social Security you'll be eligible at age 62 although this might not be what's best for you at that time. If you wait until the full retirement age of 66, and gradually rising to 67 for those born in 1960 or later, you'll receive considerably more. If you can defer even longer, your monthly benefit will continue to increase approximately 7% more every year up to the age of seventy. There are many who, when they reach retirement age, can and do retire because they have met their goal monetarily. But many continue to stay working where they are, or they may decide to do something different because they now have the option to do what they have always wanted to do but couldn't afford to previously. I hope being retired with too much time on your hands and now looking for work or play that you enjoy describes you. With our clients we are working through these life changes to get us all there together.

DP

THOUGHTS

I've got a problem. I don't know what I should write about. I think I have brought my issues of women's skirts vs. trousers to fruition. I don't know if there is any more to be said along those lines. Certain other things have come to mind on past and current fads and behaviors. I have puzzled on these for some period of time and I can't come up with any answers. Probably you can. It seems that changes have occurred and that brings to mind how we can take advantage of the Internal Revenue Service and not take any correction.

Let's think of how we can make money and not have the IRS participate in the profits. VOILA! The answer is to never sell. Buy growth stocks and never sell, just let them continue to grow. One example might be Priceline. You might have bought that for \$493 per share. Let's say you bought \$2000 worth. You could sell it today and make about 150 percent profit in which you would have to let the IRS participate to their satisfaction. By not selling you can let the company continue to grow and all the profit is yours because you did not sell. Most of these companies will start paying dividends as they tend to get richer and richer. Supposing you had bought this company earlier when the price was cheaper, you might have bought 1,000 shares for the same money. Can you see the profits? And by not selling, all the profits are yours. At any rate, these are the companies we are looking for, companies that grow, and continue to grow.

This system is for the good of all of us. Profits are there but it is meaningful to the smart investor to let them continue to accelerate as long as possible. In some cases it may not be to your best interests to sell them when they stop growing. It may be that they have started paying dividends and the income is quite meaningful by now. Sometimes the growth will not stop but simply slow down for a period of time. All of these things have to be taken into consideration before we take in the Internal Revenue Service as one of our partners with whom we would like to share the wealth.

Think a bit! It is imperative for you to pick up on this: Grow! Grow! GROW. Try not to participate with the IRS.

And here you are once again scrutinizing the list to see if you own some of the ones that are raising the dividend once again. Isn't it nice to have one of those that is in its twentieth year of raising? FDS, CPGX, WAB, GPI, JPM, NOC, FSV, LUV, KEY, HDB, TOT, TD, BMO, RY, CM, CBRL, BNS, CIGI, INFY, FDX, TGT, UNH, BCR, TSM, LGF, MDT.

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 MAY/JUNE 2016
www.pearsoncapitalinc.com

AMGEN INC (AMGN) NASDAQ PRICE \$152.15

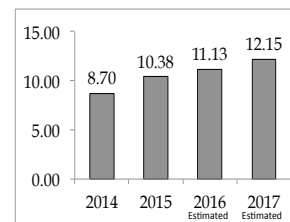
Amgen Inc. is a biotechnology company. The Company discovers, develops, manufactures and delivers various human therapeutics. The Company's business segment is human therapeutics. Its marketed products portfolio includes Neulasta (pegfilgrastim); erythropoiesis-stimulating agents (ESAs), such as Aranesp (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: 3174
Industry: Biotechnology

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.9**
Annual Yield: **2.7%**
Annual Dividend: **4.00**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A+**



CVS HEALTH CORP (CVS) NYSE PRICE \$95.74

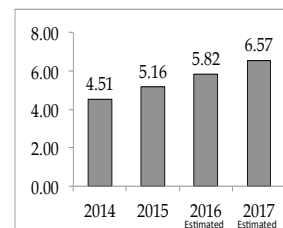
CVS Health Corporation, together with its subsidiaries (CVS Health), is a pharmacy company. The Company operates through three business segments: Pharmacy Services, Retail/LTC and Corporate. The Company offers a range of products and services, such as advising patients on their medications at its CVS Pharmacy locations, introducing programs to help control costs for its clients at CVS Caremark, how care is delivered to its patients with conditions through CVS Specialty, pharmacy care for the senior community through Omnicare. The Pharmacy Services Segment provides a range of pharmacy benefit management (PBM) solutions. The Retail Pharmacy segment includes retail drugstores, online retail pharmacy Websites and its retail healthcare clinics.

Type: Value
Sector: Consumer Staples

Institutional Holdings: 3641
Industry: Food & Staples
Retailing

Ratings & Recommendations Earnings per share

Current P/E Ratio: **20.5**
Annual Yield: **1.8%**
Annual Dividend: **1.70**
Investor's Bus. Daily: **B+**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A+**



INTEL CORP (INTC) NASDAQ PRICE \$27.29

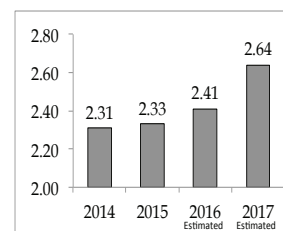
Intel Corporation is engaged in the design and manufacture of digital technology platforms. The Company's segments include Client Computing Group (CCG), Data Center Group (DCG), Internet of Things Group (IOTG), Software and Services (SSG) and All Other. CCG segment includes platforms designed for notebooks (including Ultrabook devices), 2 in 1 systems, desktops (including all-in-ones and personal computers (PCs)), tablets, phones, wireless and wired connectivity products, and mobile communication components. DCG segment includes server, network and storage platforms designed for the enterprise, cloud, communications infrastructure and technical computing segments. IOTG segment includes platforms designed for Internet of Things market segments, including retail, transportation, industrial, and buildings and home use. SSG segment includes Intel Security Group, and Software and Services group. All Other segment includes Non-Volatile Memory Solutions Group and the New Devices Group.

Type: Value
Sector: Information Technology

Institutional Holdings: 3412
Industry: Semiconductors & Semiconductor & Equipment

Ratings & Recommendations Earnings per share

Current P/E Ratio: **8.9**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**



WELLS FARGO & CO (WFC) NYSE PRICE \$47.33

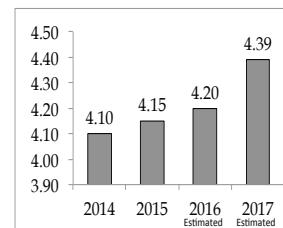
Wells Fargo & Company is a bank holding company. The Company is a financial services company, which offers banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage, and consumer and commercial finance. It has three operating segments: Community Banking, Wholesale Banking, and Wealth and Investment Management. Its Community Banking segment offers financial products and services for consumers and small businesses, including checking and savings accounts, credit and debit cards, and auto, student and small business lending. Its Wholesale Banking segment provides financial solutions to businesses across the United States and globally. Its Wealth and Investment Management segment provides a range of personalized wealth management, investment, and retirement products and services to clients across the United States-based businesses. It operates through over 8,700 locations and approximately 13,000 automated teller machines.

Type: Value
Sector: Financials

Institutional Holdings: 4155
Industry: Banks

Ratings & Recommendations Earnings per share

Current P/E Ratio: **11.5**
Annual Yield: **3.2%**
Annual Dividend: **1.52**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A-**



JUST ASK ANN

It's never easy to see a client leave, as we feel it's like losing part of our family. We do understand though, that closing or moving an account is a fact of life.

If it becomes necessary to you to liquidate, move, or close your account, we ask that you please let us help you with that.
Not only does this help to keep our records in order but it's also to your benefit.

When an account closes, we document the history and profile information for our files. Should you need any help with the coming tax season, we are able to go back and retrieve information. We also are able to see if any management fees need to be refunded to you.

The biggest concern is when the account is requested to be liquidated. If you let us do this for you, the trades are made at the Pearson Capital negotiated rate with TD Ameritrade which is \$9.95. If you contact TD directly and ask them to do this, you will be charged their fee of \$45.00 per trade! If the account has many securities, we can save you a considerable portion of your assets.

We do prefer that you notify us in writing (email is acceptable) and allow three days for the trades to settle.
We can then move the funds out to you in any manner you prefer.

Please check to see if your email address is correct on all your accounts so that you receive timely notices from TD Ameritrade. These would include your statements, trade confirmations, and account update information. If your email is incorrect, ONLY YOU can update this! Unfortunately, we are unable to change this information in your TD account. We will correct the Pearson Capital, Inc. files.

You can do this in three ways:

Via your online access: Click on CLIENT SERVICES in the green box, drop down to USER ID SETTINGS, then correct the email address in the box shown and click UPDATE FOR ALL ACCOUNTS.

Via phone to TD Ameritrade: 800-431-3500, option 2. A service representative will edit your email after several security questions.

In writing: FAX to 866-226-4617 or mail to TD Ameritrade, PO Box 919094, San Diego CA 92191-9094. Be sure to include ALL account numbers and your signature.

If you make these changes with Ameritrade, they will notify us and I will check to make sure our files are up to date.

Your cooperation in this will provide all of us with the best communications possible. Thanks!

CORE ETF (EXCHANGE TRADED FUND) ISHARES RUSSELL 1000 GROWTH (IWF) NYSE ARCA PRICE \$100.36

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.

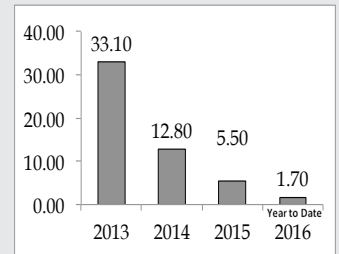
Location: USA
Type: 75% Stocks

Category: Value/Income
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.7%**
Annual Dividend: **1.73**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value:
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



CORE ETF (EXCHANGE TRADED FUND) FLAHERTY & CRUMRINE PREFERRED INCOME FUND (PFD) NYSE ARCA PRICE \$15.63

Flaherty & Crumrine Preferred Income Fund Incorporated (the Fund) is a diversified, closed-end management investment company. The Fund's investment objective is to provide its common shareholders with high current income consistent with the preservation of capital. The Fund invests in a portfolio of preferred securities, which includes preferred stocks eligible for the inter-corporate dividends received deduction (DRD) and fully taxable preferred securities. Approximately 80% of the Fund's net assets will be invested in preferred securities. Also, the Fund invests over 25% of its total assets in the financials sector, including bank, thrifts and mortgage finance, diversified financial services, finance, consumer finance, capital markets, asset management and custody, investment banking and brokerage, insurance, insurance brokerage and real estate investment trust industries. Flaherty & Crumrine Incorporated is the Fund's investment advisor.

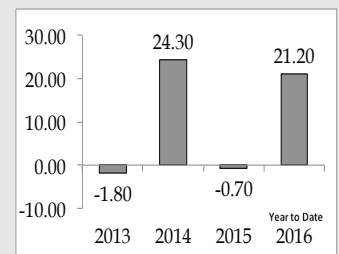
Location: USA
Type: Fixed Income

Category: Income
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **6.9%**
Annual Dividend: **1.08**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value:
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



the EU, making for a negative development both for that regional economy and their trading partners. Europe as a whole has stagnated economically. Southern Europe, where unemployment has remained at more than 20 percent for years, will see this as an opportunity to help the cause for further fragmentation throughout Europe. This has led to an EU response that may chart a different course. They stated that they will “recognize different levels of ambition among Member States when it comes to the project of European integration.”

New trends that we see:

- 1) The British Pound has moved to an all-time low.
- 2) OPEC is deciding on keeping oil prices in a set range.
- 3) The Olympics may be the sign of continued crisis in Brazil.

Key Point: The Federal Reserve has stopped its rate hike discussion due to world uncertainty.

Earnings Flows:

July is the beginning of earnings season, and many companies will give their guidance for the remaining of the year. And, the Brexit vote will definitely be part of the conversation. In times like these, the U.S. dollar gains in value relative to other currencies. This pushes down corporate profits in the United States because it makes our exports more expensive to buy abroad. It also has a negative impact on U.S. companies that earn money from operations in other countries, as they must then convert currency earned elsewhere into a stronger dollar. Since Britain is a major trading partner, their reduced currency has a negative impact as well. Companies will continue to remain conservative with future guidance as they will not know what the ramifications will be in the next few months for the European Union.

The new trends continue:

- 1) The dollar continues to move higher versus other currencies, acting as a place of safety.
- 2) We expect dividend stocks to continue to do well as the market becomes more volatile.

Key Point: The Brexit situation will cause stocks to have lower expectations for the next few quarters.

Cash Flows:

For some good news, since the Fed and other central banks will still focus on keeping rates low, these stock market corrections are allowing companies to continue to buy back their shares. The Wall Street Journal recently reported that companies in the S&P 500 spent \$161.4 billion on stock buyback programs last quarter. Compared to the first quarter of 2015, the S&P 500 stock buybacks rose 12 percent year over year.

According to many statistics, since 2005, companies have spent approximately \$5 trillion on stock buy-backs as companies continue to issue corporate bonds at ultra-low yields, often using those funds to aggressively buy back their respective stock. This is why the S&P 500 seems to rally after each earnings announcement season when the buybacks often pick up.

New trends that are happening:

- 1) We expect many mergers to continue this year.
- 2) We expect another quarter of rising dividends.

Key point: Stock buybacks are still going strong.

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%)	2.7%
Dow Jones	11.0%	5.5%	7.3%	26.5%	7.5%	(2.2%)	2.9%
Nasdaq	16.9%	(1.8%)	15.9%	38.3%	13.4%	5.7%	(3.3%)
Market Average	13.8%	1.2%	12.2%	31.5%	10.8%	0.9%	.08%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



After many Federal Reserve officials began talking up the possibility of another rate hike at the April meeting, Fed Chair Janet Yellen kept her "cautious" stance on raising U.S. interest rates and decided not to do so in the most recent June meeting. Many people believe that the Fed has contributed to financial market volatility this year by being hawkish in December and dovish now. For example, in a recent speech, Yellen expected that the U.S. economy will continue to improve and expects further gradual rate increases will "probably" be appropriate. However, during June's Federal Open Market Committee (FOMC) meeting, they decided to leave key interest rates unchanged.

As we noted before, many people believed the biggest fear was that another crisis would affect the global economy. Should this occur, central banks would not be able to cut interest rates any further. Little had anyone known that it came down so soon to the United Kingdom's referendum of remaining in the European Union (EU), called Brexit.

Going into the Brexit vote, the latest polls showed that Britain would vote to remain in the European Union (EU). That expectation started with a major market rally, with more cash on the sidelines waiting to pour into stocks in Europe and around the world on the conclusion of the vote. However, the British polls had a 5 percent margin of error. The final Brexit vote came in with only 48.1 percent wanting to stay in the EU versus 51.9 percent voting to exit. At the same time British Prime Minister David Cameron announced that he would resign in three months, necessitating another British election. Many members of each political party, and others holding responsible governmental positions, have also stepped down. Consequently, the British pound headed lower as many feared that leaving the EU will cause a negative economic effect for Britain as investment flows are likely to diminish dramatically in the months ahead. There were certainly a lot of knee-jerk reactions and more than a few margin calls, causing the market to violently react the next day.

The Brexit vote came as a huge surprise to many, as polls leading right up to the deadline implied a vote to remain in the EU. However, there had been growing dissatisfaction with many people leading up to this vote. The EU is a bureaucratic government that runs in a fundamentally undemocratic, indeed antidemocratic, way. Power to initiate legislation rests entirely with an unelected commission and president. Its court can overrule Parliament and make decisions that take away the nation's sovereignty.

Britain has now created a precedent for other countries that may consider leaving

Continued to page 5

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