

# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

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### FEATURED STOCKS - NOV/DEC 2016

#### GROWTH STOCKS:

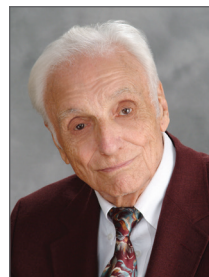
Biogen Inc  
Express Scripts Holding Co

#### VALUE STOCKS:

Gilead Sciences Inc  
Johnson & Johnson

#### FEATURED ETF INVESTMENTS

iShares Nasdaq Biotechnology  
Vanguard High Dividend Yield Index Fund



**Walter D. Pearson**  
*Chairman*



**Donald E. Pearson**  
*President*



**Ann Hathaway**  
*Account Manager*

## TRUMPED

I was thinking about calling many of you and asking if you'd write this article for me. Imagine 48 hours after the surprise of the century people are expected to tell us what the results will mean as we go forward with the changes no one expected. Donald Trump is our president-elect. Please know I didn't expect these results either. I continue to hear what he will or might do within his first hundred days, but as an investor I cannot make buys and sells predicated on this. We don't even know cabinet choices or forward decisions, so directional-wise investing is difficult, or perhaps impossible, without better guidance. If you called and asked, I'd share my voting choice with you, but for the sake of this article it's irrelevant who you or I voted for.

As investors we need to decide what is important now, how this will affect our investments, and where the opportunities might be. For example, Mrs. Clinton, if elected, wanted to begin a new department to monitor the bio tech sector and drug companies, and to drive their pricing and profits down. All of these companies have been driven down, most more than 20 percent YTD, and a relief flag has been waived for them once she lost her election and the opportunity to punish them further. Many of the companies we purchase as solid additions to portfolios had a superior day, first day after the results were announced. As example, CELG was up 10.7 percent, JAZZ was up 6.4 percent, GILD was up 6.0 percent, ESRX was up 7.1 percent, and MNK was up 10.1 percent. The ETF that we purchase often is IBB and that also went up 9.0 percent. We've featured these in this newsletter believing these are beaten down and worth considerably more than what they're selling for. The standout is GILD with a P/E of seven and a five-star rating by Morning Star and S&P as well as Pearson Capital.

On the other side of the coin the technology sector has been pummeled with standouts such as AAPL,

GOOG, BIDU and so many others being targeted and declining 5 percent or more. If you asked how or why can this be, my answer would be we are trying to understand this and make a determination, but right now I cannot. Monitoring is what good investment advisors do. As we continue to monitor we will get it right and, as always, choose and select the right investments. As often said, remember this: Buy what's projecting positive growth for three to five years and consistently meeting or exceeding projected earnings. If it is yielding and increasing annually, this is the frosting on the cake. This has been our ongoing formula, and it will again help us to outperform the market for our fifteenth year out of the last seventeen.

## GETTING PREFERRED

A model portfolio in our opinion should be well-diversified, emphasizing above-average growth as the number one priority while also prioritizing safety. There are no guarantees that it's only going to go up and continuously increase in value, but built and managed correctly it should be able to outperform the market. The S&P 500 has averaged an increase of approximately 10 percent annually. Simply said our objective is to outperform. In a year when the market suffers a loss, we want to have lost less. On the upside when the market value increases we want our portfolio to outperform with a larger profit.

We believe creating this portfolio should have many choices that we refer to as "core" selections. About 70 percent of a portfolio is built with the selections we prefer for all our portfolios, and this is referred to as the base. Once this is completed, individual choices are made to better align the portfolio with the risk that has been assigned by the account owner and me. We prefer not to use mutual funds, which save the 5-6 percent costs that are built into them, and we work with Exchange Traded Funds

instead. We prioritize dividend stocks, especially those displaying continuous growth. Examples of this would be Walgreens. Although WBA is currently around \$81 and down 3 percent YTD, five years ago it was about \$28 and has returned well over 100 percent while yielding approximately 2 percent.

Choosing bonds with their very poor return is not something we do much with either. An alternative to this would be preferred stocks. These are similar to common stocks with some variation. Their preset dividend payout must be made before the common shareholders get theirs. Preferred can be purchased individually or, as we like to do it, through ETFs. Our top two choices here are iSHARES U.S. Preferred Stock, symbol PFF, and Power Shares Financial Preferred Portfolio, symbol PGF. While each has consistently shown annual increases, we purchase these more for their stability while returning considerably higher yields than bonds in today's market environment. PFF returns 5.7 percent and PGF returns 5.6 percent.

Preferred shares are issued largely by financial firms, telecom companies, and utilities, and generally the interest received is higher than you would earn from a bond from the same company. Doing this through ETFs we believe is a safer way. PFF holds more than 270 issues, mainly by banks, such as Citigroup, HSBC, and Wells Fargo. A sharp rise in interest rates could hurt their performance, but most experts do not anticipate this occurring. A slow and steady interest rate increase is anticipated, and this would actually help and benefit these.

So, although preferred stocks would not fit the portfolio of someone young pursuing strong growth, they could certainly become a part of other portfolios seeking value and income. If you'd like to know more about these, please call me anytime. I'd be happy to talk with you without any obligation.

DP

## MY TIME IN THE ARMY

Today I have decided not to tell you how to make money, because you've heard about that before, but to share with you my experiences during the war which might be more interesting. It all began for me when the Japanese bombed Pearl Harbor. The minute I heard what had happened I grabbed my hat and told my wife I was going down to enlist. "No, you're not," she said. We argued about it for a while, and we finally decided to wait a while and see how things went. There were enough other enlistees that they didn't need me. Time went by and we had children. Florence and Donald came into being, and married men were not drafted until the single men had all been called up. BUT, finally my turn came and I was told to report as I would become a soldier. I was one of the first to go. The last words my wife said to me were to be sure I didn't volunteer for anything. Let everybody else do that, and I agreed.

Eighty percent of my \$50 pay for the month was being sent home because I was the sole support of my wife and children and also of my father. It seemed to me that I was being underpaid with only receiving \$10, but there was nothing I could do about it. Then it happened! We were all herded into a Quonset hut where we were to be interviewed to see what kind of work we should do. The fellow who was interviewing me noted that I had worked in a restaurant and suggested I be sent to bakers' school. "NO," I replied. Then, he said, "You did so well on the wireless test you should get a rating there and it would mean more money!" I got really excited and I asked how much. He replied, "Another \$4 a month." I replied, "I'd rather fight," which is how I wound up in the infantry.

Next thing was a Quonset hut where we went in as soon as there was space available. We all sat down at a desk where we were asked to sign up for insurance so that our heirs would collect when we were killed. My insurance would cost me almost \$7 a month and considering the \$10 I was getting I just couldn't afford it. I said "no," but then the lieutenant came over and tried to convince me. I just said "no." Then came the captain and I said "no" to him. And then the general came over and I said "no" to him. Sergeant Pelham came next. "Pearson," said he, "do you see all those guys sitting out there?" I had not noticed but the Quonset hut was empty and everybody was sitting outside on the grass. "If you don't sign that paper your life ain't gonna be worth living." So I signed and my pay became less than \$4 a month, but never mind, I would be in combat soon.

Shortly it came! The order to line up, and it was here. We all got into busses and we were deposited into the fighting area. Another guy and I formed our foxhole and we sat nearby and waited. Shortly after, the bombs came. I said to my foxhole buddy, "Let's pray." He said to me "If you think there's a God in heaven do you think he'd allow all this?" I prayed by myself and came to realize that there were atheists in the foxholes. Shortly after, we got the order to chase the Germans. We came to a cornfield which I had never seen before. It seemed like it would never end. I trudged and trudged and finally I took one more step and I was out. The cornfield was behind me. BUT there in front of me were about 35 German soldiers with a captain facing to my left. The next thing I heard was: "Achtung" from the captain. I knew not what to do but a hand grabbed my shoulder and I found it was my sergeant and we proceeded to leave the vicinity.

After that the war was pretty much over for me. I only lasted for five or six months. When the time came that we were out of food for three days, we wound up going after it. When we got it, we all grabbed it and ate it except me. I couldn't eat. I found out later that I had come down with battle fatigue. About one month later I was discharged as unfit for combat.

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**

**BIOGEN INC (BIIB) NASDAQ PRICE \$317.95**

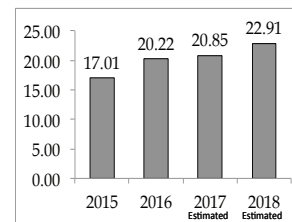
Biogen Inc., formerly Biogen Idec Inc., is a biopharmaceutical company. The Company operates in discovering, developing, manufacturing and delivering therapies to patients for the treatment of neurodegenerative diseases, hematologic conditions and autoimmune disorders segment. The Company markets products, including TECFIDERA, AVONEX, PLEGRIDY, TYSABRI and FAMPYRA for multiple sclerosis (MS), ELOCTATE for hemophilia A and ALPROLIX for hemophilia B, and FUMADERM for the treatment of severe plaque psoriasis. It also has a collaboration agreement with Genentech, Inc., a member of the Roche Group, with respect to RITUXAN for the treatment of non-Hodgkin's lymphoma, chronic lymphocytic leukemia (CLL) and other conditions, GAZYVA indicated for the treatment of CLL and follicular lymphoma, and other potential anti-CD20 therapies. It also develops late stage product candidates, including Aducanumab (BIIB037) for the treatment of Neurodegeneration, and Nusinersen for other programs.

Type: Growth  
Sector: Health Care

Institutional Holdings: 2751  
Industry: Biotechnology

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **18.1**  
Annual Yield: **0.0%**  
Annual Dividend: **0.0**  
Investor's Bus. Daily: **B**  
Pearson Growth & Value: **A**  
Morningstar Rating: **B**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **A**



**EXPRESS SCRIPTS HOLDING CO (ESRX) NASDAQ PRICE \$75.41**

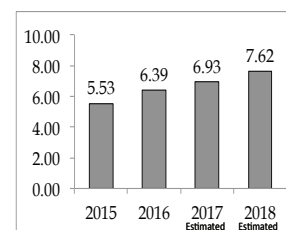
Express Scripts Holding Company is a pharmacy benefit management (PBM) company in the United States. The Company is engaged in providing healthcare management and administration services. Its segments include PBM and Other Business Operations. The PBM segment includes its integrated PBM operations and specialty pharmacy operations. Its Other Business Operations segment includes United BioSource Corporation and its specialty distribution operations. The PBM segment consists of products and services, including clinical solutions; pharmacy care; home delivery pharmacy services, drug utilization review, an array of Medicare, Medicaid and Health Insurance Marketplace offerings, drug formulary management and others. The Other Business Operations segment consists of products and services, including the distribution of specialty pharmaceuticals and medical supplies to providers, clinics and hospitals, and consulting services for pharmaceutical, biotechnology and device manufacturers.

Type: Growth  
Sector: Health Care

Institutional Holdings: 2103  
Industry: Health Care  
Providers & Services

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **17.7**  
Annual Yield: **0.0%**  
Annual Dividend: **0.0**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **B+**  
Morningstar Rating: **B**  
Stand & Poor Rating: **C**  
The Street (analyst avg.): **B-**



**GILEAD SCIENCES INC (GILD) NASDAQ PRICE \$77.05**

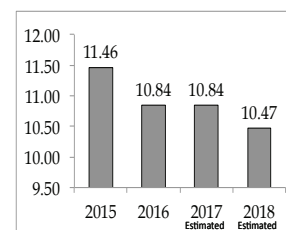
Gilead Sciences, Inc. is a research-based biopharmaceutical company. The Company focuses on the discovery, development and commercialization of medicines in areas of unmet medical need. The Company's principal areas of focus include human immunodeficiency virus (HIV), liver diseases, such as chronic hepatitis C virus infection and chronic hepatitis B virus infection, cardiovascular, hematology/oncology and inflammation/respiratory. Its HIV products include Genvoya, Stribild, Complera/Eviplera, Atripla, Truvada, Viread, Emtriva, Tybost and Vitekta. The Company's liver diseases products include Harvoni, Sovaldi, Viread and Hepsera. The Company's cardiovascular products include Letairis, Ranexa and Lexiscan/Rapiscan. Its oncology product is Zydelig. Its respiratory products include Cayston and Tamiflu. Its other products include AmBisome and Macugen. The Company's Nimbus Apollo program is a Phase II ready clinical program for NDI-010976 and related metabolic and liver diseases.

Type: Value  
Sector: Health Care

Institutional Holdings: 3958  
Industry: Biotechnology

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **7.3**  
Annual Yield: **2.4%**  
Annual Dividend: **1.88**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **A**  
Morningstar Rating: **A**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **B+**



**JOHNSON & JOHNSON (JNJ) NYSE PRICE \$118.39**

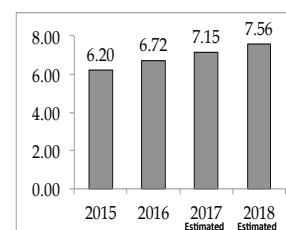
Johnson & Johnson, together with its subsidiaries, researches and develops, manufactures, and sells various products in the health care field worldwide. It operates through three segments: Consumer, Pharmaceutical, and Medical Devices. The Consumer segment offers baby care products; skin care products; women's health products; wound care products, and first aid products. This segment also provides over-the-counter medicines, including acetaminophen products; allergy products; ibuprofen products; and heartburn products. The Pharmaceutical segment provides various products in the areas of immunology, infectious diseases and vaccines, neuroscience, oncology, and cardiovascular and metabolic diseases. The Medical Devices segment offers orthopedic products; general surgery, biosurgical, endomechanical, and energy products; electrophysiology products to treat cardiovascular disease; sterilization and disinfection products to reduce surgical infection; blood glucose monitoring and insulin delivery products; and disposable contact lenses. The company offers its products to general public, retail outlets and distributors, wholesalers, hospitals, and health care professionals for prescription use, as well as for use in the professional fields by physicians, nurses, hospitals, eye care professionals, and clinics. Johnson & Johnson was founded in 1885 and is based in New Brunswick, New Jersey.

Type: Value  
Sector: Health Care

Institutional Holdings: 4592  
Industry: Pharmaceuticals

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **21.1**  
Annual Yield: **2.7%**  
Annual Dividend: **3.20**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **B+**  
Morningstar Rating: **C**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **B+**





## JUST ASK ANN

For our IRA clients (those over 70½ years of age) and Beneficiary Account clients (of ALL ages), it's getting down to the wire to get those Required Minimum Distributions (RMDs) satisfied. In the next few weeks, those of you who still need to do this should contact us, or you will be contacted, so that we can arrange for the paperwork to be completed and returned to Ameritrade in a timely manner. Please keep in mind, this obligation needs to be met before December 31, 2016 or the IRS will help themselves to 50 percent of the amount you were supposed to take from your account in penalties!

In an effort to make this process easier, we are attempting to have everyone use a newer form, a Move Money Manager form. Once this form is completed and added to your account file, you will no longer have to complete another form as long as the information on it remains the same.

\*\*\*\*\*

Holiday note: Pearson Capital has started our 12th annual Toys for Tots drive here in our local community. The collection will end on December 10th with a party hosted by PCI at The Alley in Riverview, FL from 3 to 7 p.m. Santa and the Marines will be on hand as well.

Last year we had an incredible response from our local businesses and residents. We collected 83 boxes of toys along with 251 bicycles, and \$9100 in cash. As usual, our goal is to surpass the previous year's collection!

Everyone is invited to bring a new, unwrapped toy and join in the celebration! For all of you outside our area, we encourage you to support this worthwhile cause in your local community. Help make Christmas special for those children who would otherwise not have toys under the tree on Christmas morning.

### CORE ETF (EXCHANGE TRADED FUND) ISHARES NASDAQ BIOTECH FUND (IBB) NASDAQ PRICE \$286.88

The investment seeks to track the investment results of the NASDAQ Biotechnology Index, which contains securities of NASDAQ® listed companies that are classified according to the Industry Classification Benchmark as either biotechnology or pharmaceuticals and that also meet other eligibility criteria determined by Nasdaq, Inc. The fund generally invests at least 90% of its assets in securities of the index and in depositary receipts representing securities of the index. It may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents.

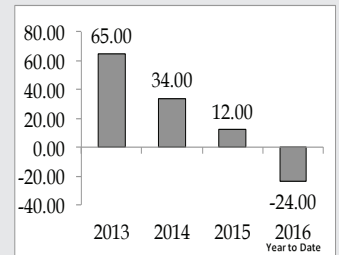
Location: USA  
Type: 100% Stocks

Category: Growth  
Industry: Health Care

#### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **0.2%**  
Annual Dividend: **0.43**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Morningstar Rating: **C**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **N/A**

#### Performance by%



### CORE ETF (EXCHANGE TRADED FUND) VANGUARD HIGH DIVIDEND YIELD INDEX FUND (VYM) NYSE ARCA PRICE \$72.67

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. The adviser 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.

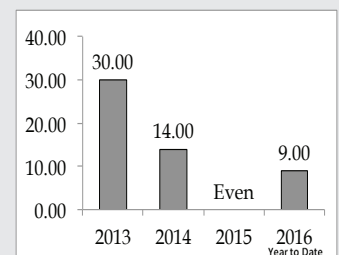
Location: USA  
Type: 100% Stocks

Category: Value/Income  
Industry: Diversified

#### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **2.9%**  
Annual Dividend: **2.14**  
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%



- He has also promised the biggest tax changes since the Reagan era, pledging that no American business would pay more than 15 percent of their profits in tax, compared with a current maximum of 35 percent.

**New trends that we see:**

- 1) China is now the #1 consumer of oil.
- 2) The Dodd-Frank banking regulations may be repealed or changed.

**Key Point: This election may change the future of many sectors of the economy.**

**Earnings Flows:**

We are also in the midst of this quarter's earnings announcement season. The stock market is set to hit new highs, with the post-election surge in the market. However, with individual stocks, we expect surprises both on the upside and downside as companies will try to keep up with earnings expectations.

**The new trends continue:**

- 1) The dollar may continue to move lower, helping multinational companies.

**Key Point: The post-election rally has moved stocks to new highs.**

**Cash Flows:**

With more than \$2 trillion in corporate cash parked overseas, the proposal for a tax holiday will bring money back to this country. Companies such as Apple and Microsoft will use that money to pay off its debt, buy back its own stock, or purchase another company to grow and gain market share. The taxes that will be earned from repatriation will also give the federal government a one-time boost to accomplish its stated goals of enhancing infrastructure products.

**New trends that we see:**

- 1) We will continue to see dividend increases into next year.

**Key Point: A tax holiday now has a greater chance of succeeding.**

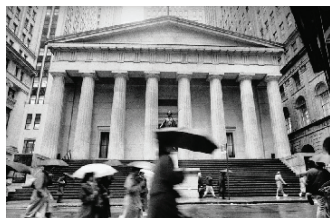
**Management Fee:**

*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.*

*Fourth Quarter October-November-December-see your October 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%)	5.8%
Dow Jones	11.0%	5.5%	7.3%	26.5%	7.5%	(2.2%)	7.9%
Nasdaq	16.9%	(1.8%)	15.9%	38.3%	13.4%	5.7%	4.1%
Market Average	13.8%	1.2%	12.2%	31.5%	10.8%	0.9%	5.9%



## MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

### Economic Flows:



President-elect Donald Trump has stated that he will follow a pro-business agenda. The Republicans have also kept control of both the Senate and the House, giving the party greater freedom to implement its policy platform. At the same time, the U.S. Dollar has plunged against the Euro, Yen, and Swiss Franc. The Mexican Peso was hit hardest, tumbling as much as 13 percent at one point. The president-elect's goals of tariffs and protectionism have created unease with the country's trading partners. He also opposes the Trans-Pacific Partnership and called for fundamental changes to the NAFTA pact with Mexico and Canada.

Most people have felt that the Fed will raise interest rates at the end of this year and follow with further gradual hikes over coming years. That will now be called into question.

Here are some other changes that may take place with the new administration:

- Obamacare reforms are set to be "repealed and replaced" and major legislation that Clinton proposed is unlikely to be imposed on drug makers. This has caused the drug and biotech sectors to rebound from their lows.
- Trump has called for eliminating the sequestration on defense spending and initiate a military buildup, boosting troop levels and the number of ships and aircraft. This has given a favorable outlook to defense contractors.
- Donald Trump's call for a repatriation holiday of a 10 percent tax for the more than \$2 trillion in corporate cash parked overseas is now closer to reality. This will benefit multinational companies. That money may be designated to the infrastructure needs of the nation.
- Republicans will renew support for fossil fuel development including drilling and fracking. Many stalled pipeline infrastructure projects could be restarted almost immediately.

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**No hidden fees**

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