

Your Personal Money Manager

Pearson

INVESTMENT LETTER

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FEATURED STOCKS - OCT/NOV 2016

VALUE STOCKS:

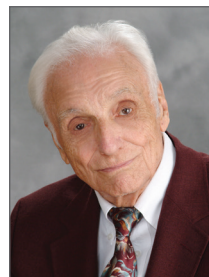
AmerisourceBergen Corp
Lear Corp
Time Warner Inc

GROWTH STOCKS:

Express Scripts Holding Co

FEATURED ETF INVESTMENTS

WisdomTree High Dividend Fund
ALPS Sector Dividend



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

BUY, SELL, OR HOLD

As an investor, whether to buy, sell, or hold might be the most difficult decision one has to make, and make again, and then again. Simply said, either you're the decision maker or you have your portfolio managed by someone who is better prepared to make that most important decision. This is exactly what we do, and although not always right, I can assure you we are very good at it.

To do this and become successful at it, we have developed a strategy and formula which are continuously reviewed so that changes can be made when an opportunity presents itself. Why is this important you ask? Within my personal portfolio and within our company portfolios are exactly the same things that are within yours - only the best in our opinion for all of us. We build portfolios using a combination of ETFs and individual stocks.

When we have selected a company to buy, we first have this choice placed upon a spreadsheet, and we use a formula that we have developed to determine projected growth both short and long range along with the value of its worth versus its current selling price. Insider activity is also accessed, because if we buy, we want to hold this for three to five years and hopefully longer.

When to sell something is more difficult, and we have a formula for this also. Every time a selection doesn't meet its projected earnings we look for the reason why. After evaluating we then make a decision as to what to do. If a company that we decide to hold onto misses again and now has two down quarters, we sell. We do this to minimize loss, and we also believe the available funds can purchase something we've found to be better.

When to hold is another option that should and must be considered. At this time many factors must be analyzed and hopefully the wisest decision prevails. Let me give you an example of what we believe to be a quality hold and why we've adopted this position. CVS Health Corp (CVS) is currently

down 8% year to date and by the current P/E ratio it's a bit overpriced. Three years ago this offering was selling at \$60 and today it's selling at \$90, thus a 50% gain. Five years ago it sold at \$30 a share, thus a 200% gain, but more importantly the forward projected growth is gaining 14% annually for the next five years. We also have software systems in place to determine a company's reliability as to consistently meeting or exceeding their forecast. CVS consistently does this, so this makes us comfortable determining this selection should be held in our portfolios. With their yield included we believe another 50% gain is foreseeable in the next three to five years. We continue to write about value investing as the way to becoming successful long range and CVS is a perfect example of this. It is one to already own and hold.

INVESTMENT ADVISOR CHOICES

Almost everyone would receive a better return with their investments today if they had professional help, providing the right person has been chosen to work with you. Choosing is not as easy as one might think because of the many choices being offered.

As an example, Fidelity, Schwab, TD Ameritrade, and a host of other brokerage houses are offering their in-house Separately Managed Accounts or SMAs as they refer to them. This means you choose the type of account you want and they will make the investment decisions for you. If you have sectors you prefer, or want a percentage in bonds, or any allocation, they will comply. Management fees can range from a small amount up to 1.7%.

Target Funds are another option, with lower fees and not much to be done on your part. Trying to achieve more growth than their competitors is a problem as they compete for your business. American Century Fund is the leader here and

Fidelity and Vanguard follow, but the risk is sometimes higher than you believe.

Another option now available, as investment companies compete for your business, is using what is called a Robo Advisor. This is a hybrid-service where decisions are made for you with a computer. With some of these you can phone in to question a financial advisor. This service is offered again to reduce the account's management fee. The problem with this is you do not have a relationship with a single person who is deeply familiar with your situation and has followed your financial life over a long period of time.

Would I personally recommend or consider any of these services to save a buck? The answer is absolutely not. Why? Finding the right advisor to work with you can give you better performance and confidence. A modest fee should not be a deterrent. As a registered investment advisor I have a fiduciary responsibility to all clients to make every decision based upon what is in your best interest. The options listed above are not held to the same high standard. I always suggest when looking for a financial advisor, talk to several. Many do a variety of things, while others specialize. One might consider <http://smartcheck.gov/check> to do a background check to verify registration status and disciplinary history before making that all important decision.

I'm happy to report to you we have been specializing in portfolio growth and management for over fifty years. We are family owned and carry a five-star rating with SmartCheckSM without any disciplinary history. We also own every investment our clients do. We only buy for ourselves and our clients what we believe to be the very best choices. Simply said, we have a joined relationship. Good enough for us means good enough for you, too, as a partner within the Pearson Investment Family.

DP

Ups and Downs

What should we write about today? The one thing that always upsets me is that individual who is afraid of the stock market. Owning stocks is very much like starting your own business. Choose a business that is growing and then let it grow. Look back one hundred years when they first decided to track the stock market. Believe it or not the market has gone nowhere but up. There are downsides but in looking long range it is hardly able to see the downs. In other words now is the time to get in. If your timing is imperfect wait awhile and you will be straightened out.

One of the vitally important things you should have learned already is there is no dollar of real value. The country that is backing your currency is some number of trillions of dollars in debt. What you should have learned by now is that as the value of your dollar depreciates the cost of everything else rises. Bread is no longer five cents per loaf as it was when I was a boy. Shave and a haircut is no longer 25 cents.

The name of the game is inflation. You must play as you have already been dealt in. All of your costs will rise as there is no longer a dollar that is backed by gold. One of the best ways to go is in the stock market. As the value of your currency depreciates, the value of your stocks goes up, but there is something else. Your stock is very likely growing which means there are two drivers here. One is the actual growth of your company, the other is inflation. Remember this! The value of the dollar goes down as everything else goes up.

Last night I was watching the nightly business report when I heard that a beginner in some industry was going to receive \$11.00 an hour. My memory came to work and I remembered when we hired new men in the baking industry back in 1931, we paid them by the week and not by the hour. A man was expected to work twelve hours a day and received \$8.00 a week and that was for six days not five. That was just about the time when the gold backing was removed from your currency. Can you grasp the idea that the value of your currency is moving and it's going downhill not up? One of the reasons you should be a stock investor is that as the value of your dollar goes down, the value of your stockholding goes up.

I really don't know why I spend my time trying to get through to those of you who will not listen. Look back and you will see that everything has gone up in price. Has everything improved or has the purchasing power of your dollar gone down? Even your stocks have to rise in price as the value of the dollar decreases. It used to be different when the dollar had gold backing. Back in those days we used to wait for prices to go down. Today it is different. If you wait too long, the price will go up. My parents used to invest in the market. As companies grew in size they would make money. Today you have two things working for you: the growth of your company plus the depreciating value of the dollar. Good luck to those of you who are listening. Send Money!

Here are the companies that have decided that you would like more income: ITC, BMO, CM, CEO, RY, TD, MO, BNS, SNP, PTR, VZ, SYNT, DHR, PM, SSL, NLY, FSV, MSFT, FLIC, CCE, LMT.

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 OCT/NOV 2016
www.pearsoncapitalinc.com

AMERISOURCEBERGEN CORP (ABC) NYSE PRICE \$80.78

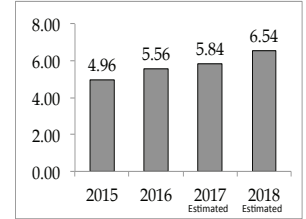
AmerisourceBergen Corporation is a pharmaceutical sourcing and distribution services company. The Company operates through two segments: Pharmaceutical Distribution and Other. The Company also provides data and other services to its manufacturing customers. The Company provides services to healthcare providers, and pharmaceutical and biotech manufacturers. The Company provides pharmacy services to certain specialty drug patients. Additionally, the Company offers healthcare providers and pharmaceutical manufacturers with services, including reimbursement and pharmaceutical consulting services, logistics services, inventory management, pharmacy automation and pharmacy management. The Company has a distribution facility network totaling approximately 30 distribution facilities in the United States.

Type: Value
Sector: Health Care

Institutional Holdings: 1566
Industry: Health Care Providers & Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **10.9**
Annual Yield: **1.7%**
Annual Dividend: **1.36**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**



EXPRESS SCRIPTS HOLDING CO. (ESRX) NASDAQ PRICE \$70.53

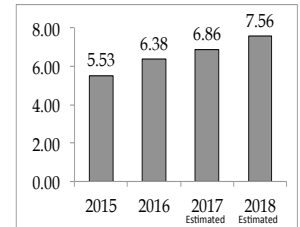
Express Scripts Holding Company is a pharmacy benefit management (PBM) company in the United States. The Company is engaged in providing healthcare management and administration services. Its segments include PBM and Other Business Operations. The PBM segment includes its integrated PBM operations and 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: 2201
Industry: Health Care Providers & Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.3**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**



LEAR CORP (LEA) NYSE PRICE \$121.22

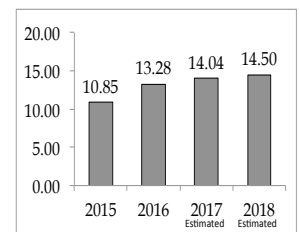
Lear Corporation (Lear) is a supplier to the global automotive industry. The Company is engaged in supplying seating, electrical distribution systems and electronic modules, as well as related sub-systems, components and software, to automotive manufacturers. The Company operates through two segments: seating and electrical. The seating segment consists of the design, development, engineering, assembly and delivery of seat systems, as well as the design, development, engineering and manufacture of seat components, including seat covers and surface materials. Its electrical segment consists of the design, development, engineering and manufacture of electrical distribution systems that route electrical signals and manage electrical power within a vehicle. It has over 240 manufacturing, engineering and administrative locations in approximately 40 countries. It has automotive content on over 350 vehicle nameplates across the world.

Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 1255
Industry: Auto Components

Ratings & Recommendations Earnings per share

Current P/E Ratio: **9.5**
Annual Yield: **1.1%**
Annual Dividend: **1.20**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**



TIME WARNER INC (TWX) NYSE PRICE \$79.61

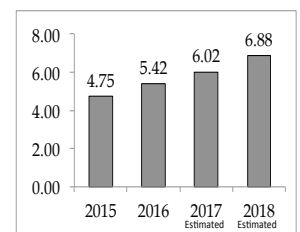
Time Warner Inc. is a media and entertainment company. The Company operates through three segments: Turner, which consists of cable networks and digital media properties; Home Box Office, which consists of domestic premium pay television and streaming services, and international premium pay, basic tier 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: 2401
Industry: Media

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.8**
Annual Yield: **2.1%**
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

Often, when people ask what Pearson Capital does (and Don specifically), they don't really understand the concept of a Registered Investment Advisor or RIA as opposed to working with someone from a brokerage company.

A key component of planning your financial strategy is finding the right advisor to help you reach your investment goals. With over 300,000 professionals working under the title of "personal financial advisor" today, it can be difficult to know the difference.

Independent RIAs take the time to get to know you, to understand your personal and financial goals, and to build a relationship that is focused on helping you meet your investment objectives. Here are a few facts about RIAs provided by TD Ameritrade.

An RIA is legally bound to work in your best interest.

Under the Investment Advisers Act of 1940, registered investment advisors are held to a fiduciary standard of care. By law, they must ensure that each investment recommendation they make is based on your best interest. In the event that a conflict of interest should arise, RIAs are required to let you know.

Additionally, they are required to have a written code of ethics that governs their actions and fully discloses how they are compensated.

Most RIAs work under fee-based compensation.

It's important to understand exactly how your advisor is compensated. Most independent RIAs charge a flat fee or a fee based on the assets they manage for you. This straightforward system is easy to understand, is fully disclosed to you in writing, and provides additional incentive for your advisor to grow your assets.

RIAs are required to maintain public business records.

RIAs must file a Form ADV with the Securities and Exchange Commission that describes exactly how they do business and how they are compensated. Form ADV consists of two parts. Part 1 contains information about the advisor's business regarding ownership and regulatory matters. Part 2, including two sections known as the ADV Brochure and Brochure Supplement, outlines the advisor's services, fees, background, and strategies in addition to information on the specific advisor providing financial advice.

Most independent RIAs work with a third-party custodian.

That means that your assets are held by an independent third-party custodian, such as TD Ameritrade, Inc., and that you will receive regular statements from that custodian detailing every transaction in your account, in addition to any reports that your RIA may send.

CORE ETF (EXCHANGE TRADED FUND) WISDOMTREE HIGH DIVIDEND FUND (DHS) NYSE ARCA PRICE \$66.48

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

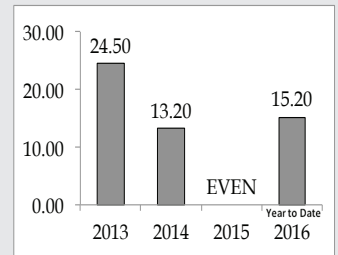
Location: USA
Type: 100% Stocks

Category: Value/Income
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3.3%**
Annual Dividend: **2.17**
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) ALPS SECTOR DIVIDEND DOGS (SDOG) NYSE ARCA PRICE \$41.57

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.

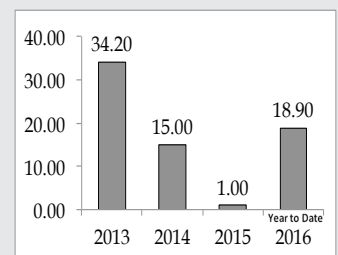
Location: USA
Type: 100% Stocks

Category: Value/Income
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **4.1%**
Annual Dividend: **1.67**
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%



October is the beginning of this quarter's earnings season. Normally the stock market starts to decline and falls into a tight trading range. Even though the stock market has hit new highs, the market is overstretched to a point that it will need a new set of quarterly earnings for it to propel higher. We will expect surprises both on the upside and downside as companies will try to keep up with earnings to move stocks forward. Most companies doubt that there's anything more central banks can do to stoke inflation and economic growth, and since the Fed can only set short-term rates, the main worry of multinational companies is the strong dollar versus other currencies. A lower dollar would help many of the S&P 500 companies increase earnings and profitability. We expect earnings this quarter to flatten out for the market as a whole. And even though that may happen, if people are willing to continue to pay for these earnings, the market can either go higher or continue to move sideways for the remainder of the year.

The new trends continue:

- 1) The Fed can't control long term interest rates.
- 2) The demographics of America are in favor of homebuilding.
- 3) We believe that a strong offense of fundamentally superior stocks will continue to do well at this time.

Key Point: Investors are willing to pay for an overstretched market.

Cash Flows:

Biotech and other pharmaceutical companies have recently declined due to government fears of price controls. As a result, we are seeing smaller upstart companies being bought by larger ones as their values have been cut in some cases up to 50%. These larger pharmaceutical companies, such as Pfizer, have large war chests of cash. They have made the decision that now is the time to make the move to acquire worthwhile companies to expand into newer growth areas.

New trends that are happening:

- 1) Pharmaceutical companies are also taking on more debt to merge with other companies.
- 2) The presidential candidates are discussing having programs to repatriate U.S. companies' cash that is now overseas.

Key Point: Big pharmacy companies are buying smaller companies to fuel growth.

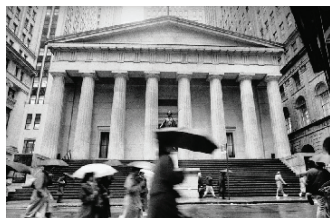
Management Fee:

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%)	6.1%
Dow Jones	11.0%	5.5%	7.3%	26.5%	7.5%	(2.2%)	5.1%
Nasdaq	16.9%	(1.8%)	15.9%	38.3%	13.4%	5.7%	6.1%
Market Average	13.8%	1.2%	12.2%	31.5%	10.8%	0.9%	5.8%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



The Federal Reserve has not made any significant changes since the most recent Federal Open Market Committee (FOMC) meeting. With its recent decision not to take action, it will wait for more indications of inflation to show in the economy. The constant worries about Europe and China helped them to continue on their course of doing nothing. The Fed's recent Economic indicators, such as the bearish Beige Book survey, did not foresee any significant GDP growth in the second half of 2016. Falling crude oil prices and falling food prices are some of the big factors for lower inflation. Previously, there were fears of an interest rate hike, but now the market has rebounded as the Fed talked about moderate growth. At the same time, the European Central Bank (ECB) recently announced that it is maintaining its negative interest rate policy and continuing its quantitative easing program. However, during the Federal Open Market Committee (FOMC) meeting, three of the ten voting members of the FOMC voted to raise rates, and seven of the 17 members expect the Fed funds rate to be 0.25% higher in December and four members expect the Fed funds rate to be 0.50% higher by year's end. No one can predict the future, and they have no idea what economic growth, inflation, unemployment, and wage growth will look like by then. So, any December rate hike will mostly depend on the economic data coming out in the upcoming months.

New trends that we see:

- 1) Fed Chair Janet Yellen's "cautious" stance on raising U.S. interest rates.
- 2) OPEC's meetings in November will attempt to meet its goals of freezing output.
- 3) Europe and Japan are continuing their paths for negative interest rates.

Key Point: The Federal Reserve decided to do nothing at this meeting.

Earnings Flows:

Continued to page 5

Pearson Capital, Inc.

P.O. Box 3739
 Apollo Beach, Florida 33572
 Tel: (813) 641 - 7575
 Fax: (813) 641 - 7755
 Toll Free: (800) 510-0329
www.pearsoncapitalinc.com

Chairman Of The Board
 Head Of Investment Research
Walter D. Pearson
 E-mail: PearsonCap@aol.com

President
Donald E. Pearson
 E-mail: PearsonCapital@aol.com

Stock Analyst
Chris Carothers
PearsonCapital2@yahoo.com

Account Manager
Ann Hathaway
PearsonCapital7@gmail.com

The Pearson Investment Letter
 published monthly since 1982

Editor
Roberta Wilde

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