

Your Personal Money Manager

Pearson

INVESTMENT LETTER

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Published Monthly Since 1982
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FEATURED STOCKS - AUG/SEPT 2017

GROWTH STOCKS:

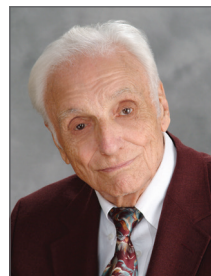
Apple Inc.
Express Scripts Holding Co.

VALUE STOCKS:

Air Lease Corp
Nucor Corp

ETFs:

iShares Edge MSCI USA Momentum Factor Growth



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

Why Must I Invest?

Why buy stocks you ask? I am going to reference 12 and 20 year periods as good examples. I'm utilizing this time frame because since 1926 through 2016 there have been 72 periods of 20 calendar years (for example, December 31, 1925 to December 31, 1945; December 31, 1926 to December 31, 1946 and so on). Never has the S&P 500 stock index recorded a loss over any of those 20 year stretches, and in more than half of them the average annual gain was in double digit percentages. At the same time it's important to know the dollar continues to decrease in value, so every year your money is worth on average 4% less. This simply means after about 12 years your money is worth 50% less as prices continue to rise on the things you need and purchase. Your paycheck, if you're still working, must grow at this same 4% rate simply to maintain pace. Even if it does, you're not getting ahead or paving the way for a successful retirement. People already in retirement must sustain the same 4% growth rate just to stay even. To improve quality of life a better return is necessary. The solution is investing in growth through the stock market. A well-diversified portfolio should be successful over a time frame such as what we are referencing. The market has averaged 10% favorable return for the past 50+ years. Yes, we will have periods such as 2008 when a drop of 30% or more is possible, but those who are disciplined can see in time this can be returned with patience.

Our two largest holdings, (companies that we invest in for ourselves and our clients) are good examples showing long range growth. Apple (AAPL), our number one for value and income, could have been purchased 20 years ago for

single digits. Over this period of time it has split several times (14 for 1) and today sells for \$160. Profits here for all of us have been significant. When Baidu (BIDU) became public, and we saw what we thought to be real opportunity, we began buying immediately. I bought 10 shares on August 16, 2005 for \$94.89 or \$958. Several years ago the stock split 10 for 1 after climbing over \$600, so now I own 100 shares. Closing price today as I'm writing this article on August 8, 2017 is \$229.79. This makes my 12-year-ago purchase of \$958 today worth \$23,000. This was purchased in a Roth so the entire profit will be credited to me without any tax due if/when sold.

Helpful Tips For You

I have never done my own taxes and always encourage people to find a credited CPA or bookkeeper to prepare one's income taxes. The fee charged for these services is well worth the reassurance that your return has been done correctly and you have received the maximum return. The average tax refund annually is \$2,860. Those receiving this amount, or even more, are just getting their own money returned to them. Speaking for the IRS, I know they'd like to thank you for the use of your money all year, but it might have been better if you were paying in at tax time and investing that amount instead. Working with a good CPA, an investment portfolio could be put in place for you, and your money is then working for you all year.

Another reason I am such a proponent of a CPA is the IRS can audit anyone. Having professional assistance assures me that it will be done correctly, and I'm probably not going to have audit issues.

Social Security update: You will soon get your largest increase in six years. Seniors can expect a 2.2% cost of living increase in 2018. This is the largest increase since 2011. The increase means the average beneficiary will get about \$30 a month more. Trustees who oversee Social Security also released their annual warning about the program's long-term health, projecting that the fund would be depleted by 2034.

A personal debt check-up: With interest rates on the increase it's a good time to re-evaluate your borrowing. The average credit card balance in the U.S. is at \$16,000 per household, and the average credit card interest rate is 15.2%. Reducing the balance gives you an excellent rate of return.

IRS collectors: An IRS program to use private debt collectors to recoup back taxes on some accounts has been set up and has attracted scammers looking to cash in. The IRS turned over more than 140,000 seriously delinquent accounts to collectors this year. Today we should be especially wary of receiving a call from someone claiming to represent the IRS. They currently have only four collection agencies that could contact you. They are CBE Group, Conserve, Performant, and Pioneer Credit Recovery. If you are on this list, the process never begins with a phone call. You would receive in writing a letter from both the IRS and the collection company notifying you of this process. Phone scams regarding delinquent taxes are in the number two spot of tax fraud, just behind email and websites trying to steal your personal data.

DP

PCI - The 2011 E.G. Simmons Award winner for Outstanding Community Service!

SOMETHING ELSE

Let's talk about something else today, inasmuch as I think you are a bit tired of hearing about stocks. Let's talk about Italy. Have you ever been there? I think it is just about the most beautiful place I have ever seen. The first thing you might consider is which city you will visit first. Supposing your choice is Naples. Not a bad first choice. But, how you are going to get around? Will you walk and take the bridges, or will you go by boat or possibly go both ways? At any rate you will get there and they will show you certain standouts while you are looking things over. It is a start, and it is hard to explain the beauty you have seen, and the beauty you are about to see. The beauty of Naples Bay is something to behold.

Let's not forget Rome. This is the capital of Italy. The thing that I remember most about Rome is that staircase that goes up even after you have arrived at the rooftop. I can remember my wife's slow gait up that stairway and I bid her good-bye as I was going faster, even two or three steps at a time. I told her I would meet her when she got to the top. Imagine my feelings as she plodded along and finally overtook me as I rested. Believe it or not she got there before I did, and she waited for me to catch up. By the time I got there she was fully rested, but I had to sit next to her and slowly inhale until my normal breathing was restored. After I was fully rested, we decided to visit St. Peter's Cathedral even though it was a long way down. They have markers on the floor of the cathedral showing you where some other cathedrals end. I guess they do this so you can see how much bigger it is than the other places. Well, we started at the entrance door to the cathedral, and it was amazing. As we went along, new rooms would open on each side. I decided to go into one of these for inspection and what do you think, each room was the size of most of our worshipping places at home. And these rooms were opening all the way up to the altar.

And then there is Firenzia, Florence to you all - another beautiful city. I will always remember the tour some of us took. It was difficult to expect more beauty after the last visitation, but the beauty kept on going and going. Everything had been so beautiful and then they took us to one home where a man carved his beauties out of marble. We saw this beautiful woman lying on a couch and it looked so realistic it was hard to believe that it had been carved out of pure marble. I couldn't believe it, so I tried to get closer and touch it, but then I found that the statuette had been roped off. But I noticed that I could get in a corner and reach. The rope had gotten dirty from all the hands that found it before I did. It was so beautiful. This beauty had been chipped out of pure marble. How could they ever get this done? The blankets had huge folds in them and everything looked normal.

But, enough of that. Let's go back to making money again. Currency goes downhill which means that the price of a loaf of bread, which is the same loaf today as it was then, will go uphill in price in relation to currency. This means that a stock will also go up in relation to currency. Except for one other thing, the earnings of your company may have gone up, which means that your stock has gone up more than the drop in currency. It pays to find companies that are increasing profits.

And let's take a look at these companies that have decided to raise your income: I say your income because some of you people own these stocks and they have decided to raise your income, like it or not: MDT, MBT, WSO, OZRK, NRZ, PKBK, BBD, CIB, KR, MMP, NFG, MGP, VET, TSM, TGT, FDX, PBA, HDB, RDY, UNH, IBN, TKC, GG, LOW, BMA, ABEV, CSWC, XL, TSR, LYB, ESV, SIG, CYD, CM, FLO, CBRL, TD, RY, NTAP, BMO, RNR, NTES, DXC, LUV, MNRO, KEY, WRB, UFS, LFC, NOC, TEVA, FSV, MELI, VET, AGN, MGA, PNR, STN, WBK, SLF, SCCO, POT, PAAS, CP, NHC, MCHP, JCOM, PBA, DST, TEP, PNC, DUK, CLB, TGP, CMI, HCSG, BBD, PAYX, WBA, ADNT, OHI, R, CP, VET, SAN. C, NEM, MS, BK, MMP, MXIM, PPG, SWKS, SCCO, STT, UN, ECA, APH, BBT, DFS, PAG, TSS, WFC, CNI, ETN, ABX, SU, ANTM, HSY, MCK, OKE, LYG, IFFAZN, BCS, RGA, EXPE, ARLP, AB, DCI, LFUS, RMD, BP, IFF, AGN, ING, PBA, QSR, SCCO, CHE, DRAD, ITW, BP, TEVA, XL.

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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 APRIL/MAY 2017
www.pearsoncapitalinc.com

APPLE INC. (AAPL) NASDAQ PRICE \$157.27

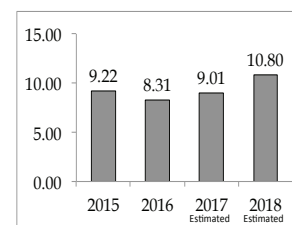
Apple Inc. designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players. The Company sells a range of related software, services, accessories, networking solutions, and third-party digital content and applications. The Company's segments include the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. The Americas segment includes both North and South America. The Europe segment includes European countries, India, the Middle East and Africa. The Greater China segment includes China, Hong Kong and Taiwan. The Rest of Asia Pacific segment includes Australia and the Asian countries not included in the Company's other operating segments. Its products and services include iPhone, iPad, Mac, iPod, Apple Watch, Apple TV, a portfolio of consumer and professional software applications, iPhone OS (iOS), OS X and watchOS operating systems, iCloud, Apple Pay and a range of accessory, service and support offerings.

Type: Growth
Sector: Information Technology

Institutional Holdings: 5600
Industry: Technology Hardware, Storage & Peripherals

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.7**
Annual Yield: **1.6**
Annual Dividend: **2.52**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A+**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**



EXPRESS SCRIPTS HOLDING CO (ESRX) NASDAQ PRICE \$60.81

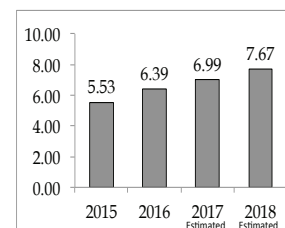
Express Scripts Holding Company is a pharmacy benefit management (PBM) company. The Company is engaged in providing healthcare management and administration services to its clients, including managed care organizations, health insurers, third-party administrators, employers, union-sponsored benefit plans, workers' compensation plans and government health programs. The Company operates through two segments: PBM and Other Business Operations. The PBM segment includes its integrated PBM operations and specialty pharmacy operations. Its Other Business Operations segment includes its subsidiary, United BioSource Corporation (UBC), and its specialty distribution operations. Its integrated PBM services include clinical solutions, Express Scripts SafeGuardRx, specialized pharmacy care, home delivery pharmacy services, specialty pharmacy services, retail network pharmacy administration, benefit design consultation, drug utilization review and drug formulary management.

Type: Growth
Sector: Health Care

Institutional Holdings: 1987
Industry: Health Care Providers & Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **10.5**
Annual Yield: **0**
Annual Dividend: **0**
Investor's Bus. Daily: **C+**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **C**
The Street (analyst avg.): **C+**



AIR LEASE CORP (AL) NYSE PRICE \$39.99

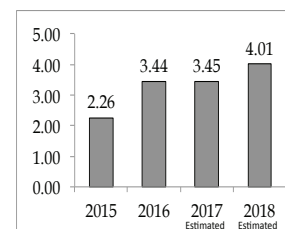
Air Lease Corporation is an aircraft leasing company. The Company is principally engaged in purchasing new commercial jet transport aircraft directly from aircraft manufacturers, such as The Boeing Company (Boeing) and Airbus S.A.S. (Airbus), and leasing those aircraft to airlines across the world. Along with its leasing activities, the Company sells aircraft from its operating lease portfolio to third parties, including other leasing companies, financial services companies and airlines. The Company also provides fleet management services to investors and owners of aircraft portfolios for a management fee. The Company provides aircraft to airline customers in various markets, such as Asia, the Pacific Rim, Latin America, the Middle East, Europe, Africa and North America. As of December 31, 2016, the Company had 237 owned aircraft and 30 aircraft in its managed fleet portfolio

Type: Value
Sector: Industrials

Institutional Holdings: 441
Industry: Trading Companies & Distributors

Ratings & Recommendations Earnings per share

Current P/E Ratio: **11.7**
Annual Yield: **0.8%**
Annual Dividend: **0.30**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **B+**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**



NUCOR CORP (NUE) NYSE PRICE \$55.49

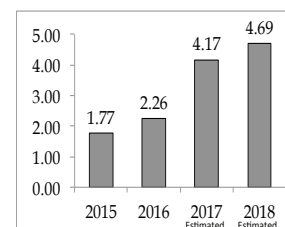
Nucor Corporation (Nucor) manufactures steel and steel products. The Company produces direct reduced iron (DRI) for use in its steel mills. It operates in three segments: steel mills, steel products and raw materials. The steel mills segment produces and distributes sheet steel (hot-rolled, cold-rolled and galvanized), plate steel, structural steel (wide-flange beams, beam blanks, H-piling and sheet piling) and bar steel (blooms, billets, concrete reinforcing bar, merchant bar, wire rod and special bar quality). The steel products segment produces steel joists and joist girders, steel deck, fabricated concrete reinforcing steel and cold finished steel. The raw materials produces DRI; brokers ferrous and nonferrous metals, pig iron, HBI and DRI; supplies ferro-alloys, and processes ferrous and nonferrous scrap metal. It also processes ferrous and nonferrous metals and brokers ferrous and nonferrous metals, pig iron, hot briquetted iron (HBI) and DRI.

Type: Value
Sector: Materials

Institutional Holdings: 1416
Industry: Metals & Mining

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.5**
Annual Yield: **2.7%**
Annual Dividend: **1.49**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**



A recent regulatory change requires us to send you the following letter:

Dear Client:

This letter serves to notify you we are amending your current Management Agreement (“MA”) to include language informing you we are a fiduciary as required by the newly adopted Department of Labor (“DOL”) Fiduciary Rule. The following language has been added:

“WHEREAS, The Company is a fiduciary, within the meaning of the Employer Retirement Income Security Act of 1974 (“ERISA”) and as defined under the Internal Revenue Code of 1986 (the “Code”), if investment advisory services are provided to the Client who is: (1) a participant or beneficiary of a retirement plan subject to ERISA or described in the Code; and/or, (2) the beneficial owner of an Individual Retirement Account (“IRA”).”

Nothing relating to this language changes the current management terms of our relationship or affects the fees we charge your managed account. Such amendments are allowed pursuant to the terms of the MA provided; such changes are made in writing and agreed to by both parties.

If you agree with the amended language, nothing further needs to be done and the changes to the MA will become effective July 1, 2017. If you do not consent to the changes, you may contact our office for further action.

Should you have questions regarding the amended language to the MA, you are welcome to give us a call. We appreciate the opportunity to serve you.

So, what does this “legalese” really mean?

On June 9, 2017 the Department of Labor (DOL) Fiduciary Rule required those who advise you on your retirement plan - such as broker-dealers, investment advisors, and insurance agents - to act in your best interests when they provide investment advice for a fee or other compensation. While brokerage firms have long operated under standards designed to take clients’ needs, risk tolerance and other suitability considerations into account, the rule addresses potential conflicts of interest that can arise.

Basically, “fiduciary” means “involving trust”. So in financial language, a fiduciary is someone you entrust with power or property, and who owes you good faith and trust. We see our fiduciary role in regard to investment advice for retirement plans (or any investments) as a positive step that reinforces our continued dedication to client needs.

PEARSON CAPITAL AND DON (AS AN RIA), HAVE ALWAYS ACTED IN YOUR BEST INTERESTS!

iShares Edge MSCI USA Momentum Factor ETF (MTUM) PRICE \$91.43 Consolidated Issues Listed by BATS Exchange

The investment seeks to track the investment results of the MSCI USA Momentum Index. The fund generally will invest at least 90% of its assets in the component securities of the underlying index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents. The index consists of stocks exhibiting relatively higher momentum characteristics than the traditional market capitalization-weighted parent index, the MSCI USA Index, which includes U.S. large- and mid-capitalization stocks.

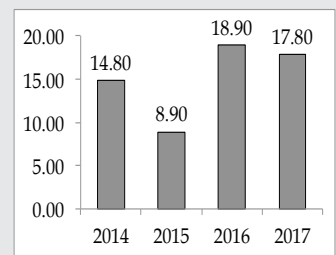
Location: USA
Type: 100% Stock

Category: Large Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.3%**
Annual Dividend: **1.19**
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%



Earnings Flows:

August is the middle of this quarter's earnings announcement season, and because of U.S. uncertainty, a weak dollar will affect many stocks in a positive way for the next several quarters. The U.S. dollar hit a recent one-year low relative to major currencies. As a result the international stocks within the S&P 500, defined as those with more than 50 percent of their revenue outside the U.S., are now taking the lead. The good news is many of these stocks also are part of our dividend leaders, and we hope they will go higher in the market with future growth potential.

However, on the other hand, commodity inflation is expected to materialize in the upcoming months if the dollar moves further downward. Domestic stocks, those stocks that depend on their income from the U.S. and other companies that depend on commodities, may lag in growth against the international stocks. This may cause a brief dip in the market, as buying may shift to the sectors that benefit the most. Any summertime dips should be viewed as great buying opportunities for longer-term gains.

The new trends continue:

- 1) Multinational companies may benefit during this next administrative term.
- 2) Earnings are still positive overall for this quarter.

Key Point: Multinational companies may drive future growth for the next few quarters.

Cash Flows:

Besides the financial sector, companies have bought fewer shares this year than last as trillions of dollars are still parked overseas. There is little or no news about the upcoming proposal for a tax holiday. The presidential administration wants to tackle the full tax reform first for corporations before moving on to the proposal that has had bipartisan support from many legislatures. The good news is the financial sector has been reviewed by the Federal Reserve and can send back excess capital to value as a combination of buybacks and interest rate hikes. So, each bank is reviewing their options on how they will return to shareholders.

New trends that are happening.

- 1) We hope to see gains in the financial sector with the next move in interest rates.

Key Point: Companies are waiting to buy back stock as tax change legislature is next to be debated.

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	2011	2012	2013	2014	2015	2016	2017
S&P 500	EVEN	13.4%	29.6%	11.4%	(0.8%)	5.8%	9.2%
Dow Jones	5.5%	7.3%	26.5%	7.5%	(2.2%)	7.9%	11.4%
Nasdaq	(1.8%)	15.9%	38.3%	13.4%	5.7%	4.1%	16.2%
Market Average	1.2%	12.2%	31.5%	10.8%	0.9%	5.9%	12.3%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



After the Federal Reserve recently made the decision to raise key interest rates another 0.25 percent, the Federal Open Market Committee (FOMC) changed direction again stating that they are taking a "wait and see" approach before raising key interest rates further. They see a clear lack of inflation in many sectors of the economy because inflation measures have declined and are running below 2 percent. So instead, the Fed now wants to wait for inflation to re-emerge before raising key interest rates further. At the same time, it expects to begin shrinking its bond holdings soon. Their goal is to sell \$6 billion per month in Treasury securities and \$4 billion per month in mortgage-backed securities to start the process. Fed chairman Janet Yellen testified before Congress and made it clear that any future interest rate increases would be very gradual, depending on the data that they gather. Right now, those hikes seem few and far between. Many observers have decided that key interest rates would not need to rise much further for the time being.

New legislation for U.S. sanctions against Russia overwhelmingly passed Congress. However, in parts of Europe, they are far less popular. Germany has an overriding interest in avoiding any stiffer sanctions than the current ones, as its economy depends on energy directly from Russian pipelines. The country has a vast economic sector, but it is very fragile, dependent mainly on exports for trade. This is something Germany can't risk, regardless of how unlikely the event would turn out negatively.

At this moment we still do not know what is going to happen with tax reform or tax cuts, with repatriation, with deficit spending, with the debt limit, with the budget, with infrastructure, with healthcare, and with the immigration reform bills. They are all still in debate, and may not be decided upon for many months.

New trends that we see:

1) Due to uncertainty, the dollar continues to slide compared to many other currencies.

Key Point: Everyone, including the Federal Reserve, is taking a wait and see approach while major legislative initiatives are dealt with.

Continued to page 5

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