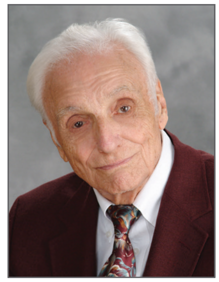
Your Personal Money Manager
Pearson INVESTMENT LETTER
Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - FEB/MAR 2018

GROWTH STOCKS:
Celgene Corp
JetBlue Airways Corp

VALUE STOCKS:
Hasbro Inc.
Lear Corp

ETFs:
iShares Core S&P Growth
iShares Core S&P Value



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

What's Next? You Ask

The million-dollar question is, "What's next?" The best answer to this question can be found by going back into history. I'm writing this on Wednesday, February 7, following Monday's 1175 point loss and 300 plus gain on Tuesday, and the market today going positive and negative, back and forth. History has taught us when people react with fear and emotion they almost always sell low and buy back in when it's high. So my thought is do nothing and stay the course. Although we did see an 8-10 percent pullback, it does appear stability is working its way back. We have had a tremendous upside run, but with that said the fundamentals seem to be in place and companies will be reporting favorably, thus stabilizing the market and growing company share value too. As investors we have learned that every day is not an up day, and neither is every month nor year. We have also learned if we are invested in quality companies and ETFs, we can see over a time period of years these have continued to increase in value through market good times as well as the bad times. With the tax changes being put in place right now most companies will enjoy a very favorable tax relief thus having additional funds to use within their businesses. Many will reward employees while others begin buying back their own stock, thus driving up the value of the shares you and I own. Others will expand their businesses while many will attempt to do more, or a combination of what I've referenced. The bottom line is, as business continues to improve, stock values will improve, and you and I as shareholders will share in the profits.

If your account is being managed by us, you need not try to look at adjusting as we will do this for you. Once we've discussed your risk tolerance, we continue to manage to that level. Quality of life and sleeping well at night without market fears are very important, but sustaining growth is also very important. We spend a great deal of time building each portfolio, using ETFs that replicate your risk tolerance, then adding several individual stocks to better diversify the portfolio. Over the years we have found this to be exceptionally successful as we work to outperform the market averages. The S&P 500 is the real report card. Over the past 50 years it has averaged 10 percent growth annually, and, according to Morningstar statistics, over 80 percent of mutual funds cannot do this over time, as we have.

Roth IRA vs. 401k

In a perfect world you should take advantage of all money being offered by a 401k plan while at the same time putting the maximum amount into your Roth IRA. Why do we want to do this? Because getting all the dollars being offered by the employer is paramount, and growing money tax free over many years should be an important part of retirement planning. First, you can amass a significant amount in your 401k over your working lifetime. The good news here is you've created a great deal of wealth once you have retired. When you leave your employer this then becomes what is referred to as a rollover IRA. Without your employer contributing to it anymore, the term "401k" is changed. The bad news here is once you begin taking distribution what comes out is taxed. It's not at the 15 percent like a capital gain would be; it's added to your annual income for that year, and in most cases it will push you up into a higher tax bracket.

Another problem here is once you've reached 70 1/2, the Federal Government forces you to take what is referred to as your RMD (required minimum distribution). For example, a retiree at age 70 1/2 who is getting $25,000 social security and has another part-time income of $20,000 and an RMD of $35,000 gets taxed at the rate of one making $80,000, thus a considerably higher tax rate. The RMD which is mandatory from age 70 1/2 continues to increase every year, as the government wants the tax dollars they don't receive until you are forced to take it out.

The Roth IRA, although it is not getting an employer contribution, will grow from the start tax free. You can add money every year, up to $5,500 until age 50, and then $6,500 from age 50 to retirement. You can begin withdrawing at age 59 1/2 tax free. Contribution limits for a 401k are set at $18,500 annually, and the Roth is set at $5,500/$6,500. If you don't have enough to max out your limits, consider putting enough into your 401k to maximize the company match, and then placing the remainder into your Roth IRA. You might also check at your place of employment as they may offer a Roth opportunity for you. If not, we can certainly help you with this as we have no minimums.

DP

EDUCATE YOUR CHILDREN

One of the things that we should talk about is the education of your children regarding investing. I do not mean after they leave your doorway, I mean the education which they receive at home, before they leave. I did not receive mine and I surely missed it. I can recall my father and mother discussed stocks, but I was never brought into the picture. How much better off I would have been if I had learned these things at home while I was growing up. Think about it. There are things which are often hidden from children. Would it not be easier for them if you explained about the dollar's demise? Explain to them why gasoline is now selling for so much more than when you were a child, and bread has not improved in quality at all, but the price has risen enormously over the years.

Enough said about that. I know you have heard the story before, but the important thing about it is the fact that the story is true, and it should go without saying that you must understand and follow through. You may have the whole picture, but what we are attempting is to get to those who do not understand as yet. Think about McDonald's. You might have purchased it in the beginning because of the growth potential or you may be buying it today. There has been much growth in the past, but inasmuch as the growth has slowed, it is still growing. The important thing is to find a growing company and then invest in it. Try getting a company like McDonald's was a few years back. They had much more growth a few years ago. This is information which you probably have already, but it is important to have your children grow up with this knowledge. In my case, I received no training even though my parents were buying and selling and giving me no information. Think about your childhood. Were you taught about money or did you have to learn the hard way?

Let us cover a different ground. I have given you time to think, but now I am going to tell you of an adventure of mine. I took a trip to the moon. I went all by myself and now I find that some people do not believe me. If I had taken someone with me, I guess those nonbelievers would have thought differently. Well, anyway here goes; I went to the other side. There were other fellows in a different group. I couldn't understand them nor could they understand me. And believe it or not, they are far behind us. They are living the way we used to live. No autos. They are still living with donkeys for transportation. I felt like showing them, but I had no way of putting things together. Think about how far we have come, and we didn't do it ourselves. I feel quite overjoyed that some group has put these things together for me inasmuch as I would be unable to get these things together for my own use. Not only a car but I cannot assemble a camera either. There are just so many improvements in the way we live. So much for my visit and I know there are a few out there who don't believe me. Next time maybe I will take one or two disbelievers with me. Or, maybe it was just a dream? See you all next month.

And to those of you who are waiting to see if their stocks have decided to pay a bigger dividend this year, here goes; ALG, OZRK, MSM, ABEV, MFGP, SIMO, BPT, TEP, PBA, SIG, EPQ, LEN, LEN.B, SAN, BLK, VET, FAST, OHI, OKE, GFA, F,BBD, WIT, FFBC, NSC, ROL, VAL, CNI, CPF, BF.B, ALK, ADS, AIT, LVS, MXIM, NOC, DEO, NVS, RCI, PX, SCHW, CINF, INTC, MPLX, NI, WTFC, YUM, SCCO, ETE, NATI, PAG, AFL, ANTM, CVX, HCSG, LSTR, TMO, COP, FCFS, RDS.A, MINI, PIL, V, AZN, NVO, CHD, CMS, GILD, HOG, JCOM, MCHP, BP, PBA, CTSH, FORR, HUM, ICE, PRI.

WP

Source Rating Key *for **PCI's** featured stocks:* **Pearson Investment Growth Rating** *measures long-term past and future growth.*
Pearson Value Rating *measures current value in terms of potential for the dollar.* **Investors Business Daily** *measures growth and relative price strength.*
S&P *measures financial quality and growth potential.* **Value Line** *measures timeliness, value and safety.*

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.
He is the author of the book, Investing for the Millions and Publisher Emeritus for the Pearson Investment Letter.
At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc.
He is a contributing columnist for various publications and is listed in Who's Who in America.

"Remember the Lord your God, for it is He who gives you the ability to produce wealth." (Deut. 8:18)

 Investment letters are complimentary to our clients with managed accounts!

PEARSON CAPITAL'S RECOMMENDED STOCKS FEB/MAR 2018
www.pearsoncapitalinc.com

CELGENE CORP (CELG) NASDAQ PRICE $92.51

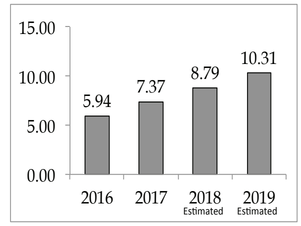
Celgene Corporation is an integrated global biopharmaceutical company. The Company, together with its subsidiaries, is engaged in the discovery, development and commercialization of therapies for the treatment of cancer and inflammatory diseases through solutions in protein homeostasis, immuno-oncology, epigenetics, immunology and neuro-inflammation. Its commercial-stage products include REVLIMID (lenalidomide), POMALYST/ IMNOVID (pomalidomide), OTEZLA (apremilast), ABRAXANE (paclitaxel albumin-bound particles for injectable suspension), VIDAZA, azacitidine for injection (generic version of VIDAZA) and THALOMID (thalidomide). Its clinical trial activity includes trials across the disease areas of hematology, solid tumors, and inflammation and immunology. The Company also markets ISTODAX, which is an epigenetic modifier. The Company is also evaluating AG-221 (enasidenib) in combination with VIDAZA in newly diagnosed acute myeloid leukemia with isocitrate dehydrogenase-2 mutations.

Type: Growth
Sector: Health Care
Institutional Holdings: 7.2%
Industry: Biotechnology

Ratings & Recommendations

Current P/E Ratio: **25.3**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **B+**
Stand & Poor Rating: **A**
The Street (analyst avg.): **C+**

Earnings per share



JETBLUE AIRWAYS CORP (JBLU) NASDAQ PRICE $19.89

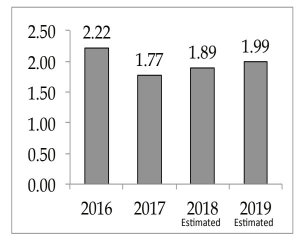
JetBlue Airways Corporation is a passenger carrier company. The Company provides air transportation services across the United States, the Caribbean and Latin America. Its segments include Domestic, and Caribbean & Latin America. It operates various kinds of aircrafts, including Airbus A321, Airbus A320 and Embraer E190. It also provides premium transcontinental product called Mint. As of December 31, 2016, Mint included 16 fully lie-flat seats, four of which were in suites with a privacy door. The Company also provides Fly-Fi in-flight Internet service across its Airbus fleet. It provides its customers a choice to purchase tickets from three branded fares, which include Blue, Blue Plus and Blue Flex. Each of these fare include different offerings, such as free checked bags, reduced change fees and additional TrueBlue points. As of December 31, 2016, its Airbus A321 aircraft in a single cabin layout had 200 seats and those with Mint premium service had a seating capacity of 159 seats.

Type: Growth
Sector: Industrials
Institutional Holdings: 11.3%
Industry: Airlines

Ratings & Recommendations

Current P/E Ratio: **5.6**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**

Earnings per share



HASBRO INC. (HAS) NASDAQ PRICE $97.73

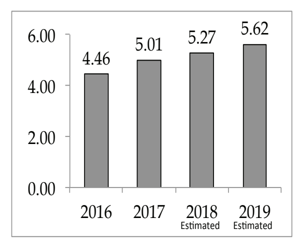
Hasbro, Inc. (Hasbro) is a play and entertainment company. The Company's operating segments include the U.S. and Canada, International, and Entertainment and Licensing. From toys and games to content development, including television programming, motion pictures, digital gaming and a consumer products licensing program, Hasbro fulfills the fundamental need for play and connection for children and families around the world. The Company's U.S. and Canada segment is engaged in the marketing and sale of its products in the United States and Canada. The International segment is engaged in the marketing and sale of the Company's product categories to retailers and wholesalers in most countries in Europe, Latin and South America, and the Asia Pacific region and through distributors in those countries where it has no direct presence. The Entertainment and Licensing segment includes the Company's consumer products licensing, digital gaming, television and movie entertainment operations.

Type: Value
Sector: Consumer Discretionary
Institutional Holdings: 9.4%
Industry: Leisure Products

Ratings & Recommendations

Current P/E Ratio: **30.9**
Annual Yield: **2.6%**
Annual Dividend: **2.52**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**

Earnings per share



LEAR CORP (LEA) NYSE PRICE $186.63

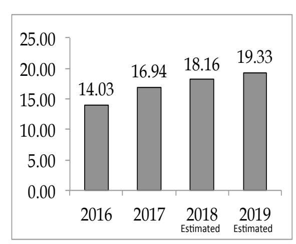
Lear Corporation (Lear) is a supplier to the global automotive industry. The Company is engaged in supplying seating, electrical distribution systems and electronic modules, as well as related sub-systems, components and software, to automotive manufacturers. The Company's segments include Seating and E-Systems. The Company serves the automotive and light truck market. The Seating segment consists of the design, development, engineering, just-in-time assembly and delivery of complete seat systems, as well as the design, development, engineering and manufacture of all seat components, including seat covers and surface materials, such as leather and fabric, seat structures and mechanisms, seat foam and headrests. The E-Systems segment consists of the design, development, engineering, manufacture, assembly and supply of electrical distribution systems, electronic modules and related components and software for light vehicles across the world.

Type: Value
Sector: Consumer Discretionary
Institutional Holdings: 10.1%
Industry: Auto Components

Ratings & Recommendations

Current P/E Ratio: **9.7**
Annual Yield: **1.1%**
Annual Dividend: **2.00**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A+**
Morningstar Rating: **A-**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**

Earnings per share



JUST ASK ANN

Regarding your 2017 Tax documents, here is a message from TD Ameritrade dated 2/9/2018:

As a follow-up to our January 22, 2018 release of your clients' 2017 Consolidated 1099 tax forms, we are pleased to inform you that we are posting most of the remaining forms (where applicable) on Veo® for you to view. These new forms are intended for clients to whom we did not issue a 1099 tax form on January 22, 2018, and who did not hold investments deemed likely to reallocate their income distributions. In addition, some clients who previously received a 2017 Consolidated 1099 tax form may receive a corrected form due to a reallocated income distribution and/or tax correction.

If you have online access, you may view/print your form from there; however, a hard copy will be mailed to you from TD.

A big question we always get at this time of year is about how much tax you will have to pay based on the 1099 information. Unfortunately, Pearson Capital cannot answer this for you and we will always refer you to your Tax Professional for advice.

However, one rule that always applies is that money taken from a NON-ROTH IRA will be taxed as regular income because funding to these accounts was deposited as pretax dollars. Keep in mind, this is added to your current income and can change your tax bracket.

Tax filing deadline for 2018 is April 17 so you have two extra days to file AND make any 2017 contributions to your IRA accounts.

iShares Core S&P U.S. Growth ETF (IUSG) NASDAQ PRICE $53.46

The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization growth stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Large Cap Growth Index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. The advisor 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.

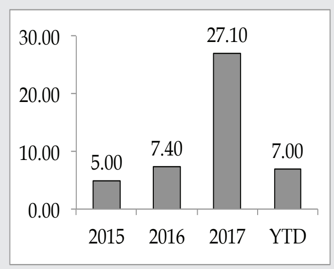
Location: USA
Type: 100% Stocks

Category: Large Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.3%**
Annual Dividend: **0.69**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



iShares Core S&P U.S. Value ETF (IUSV) NASDAQ PRICE $53.34

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.

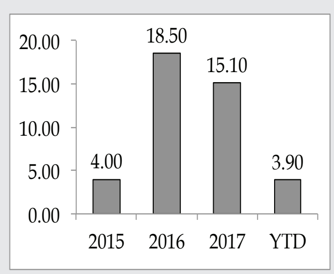
Location: USA
Type: 100% Stocks

Category: Large Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.1%**
Annual Dividend: **1.07**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **B**
Morningstar Rating: **C**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



Investment letters are complimentary to our clients with managed accounts!

New trends that we see:

1) Rising interest rates could make the cheap capital that has fueled the boom in stocks harder to come by.

2) Currently, there are more heated debates in Congress over whether to spend more money on infrastructure, the military, disaster relief, and other domestic programs.

Key Point: Higher interest rates are in the near future.

Earnings Flows:

The good news and excitement about the tax bill and major corporate tax reform has recently sent all three major stock market indexes to new all-time highs before the recent selloff. Corporate earnings guidance is at a record high - about 8 percent this quarter. Companies this past quarter have not just been beating earnings expectations, but most of the companies in the S&P 500 have been reporting better-than-expected sales, which is more than any time in years. What's more, analysts now expect those strong earnings to continue, with some stating as high as 20 percent this year, much of which can be attributed in part to not just the deep corporate tax cut but also to strong global growth.

In the most recent quarter:

1) We expect earnings to grow in every market sector.

2) New tax rules may take longer to implement over the next year.

Key Point: The tax cuts and strong growth are both increasing this year's earnings

Cash Flows:

The five largest U.S. technology companies hold a combined market value of nearly $500 million in cash abroad. Three of these companies, Microsoft Corp., Alphabet Inc., and Amazon.com, have suggested greater access to the cash didn't change their spending plans. Apple on the other hand has outlined what its intentions are with part of its money from overseas. We expected these companies with meaningful overseas cash balances were more likely to pay down debt, buy back stock, or raise dividends at a greater pace. But, they have decided to continue as normal.

New trends we see.

1) Infrastructure investments are now part of the upcoming legislature discussions this year.

2) Companies are bringing back manufacturing from overseas.

Key point: Some companies that have money overseas will continue to keep it there.

WALL STREET INDEXES

Indexes	2012	2013	2014	2015	2016	2017	2018
S&P 500	13.4%	29.6%	11.4%	(0.8%)	5.8%	19.6%	(2.0%)
Dow Jones	7.3%	26.5%	7.5%	(2.2%)	7.9%	25.1%	(2.1%)
Nasdaq	15.9%	38.3%	13.4%	5.7%	4.1%	28.2%	(0.4%)
Market Average	12.2%	31.5%	10.8%	0.9%	5.9%	24.3%	(1.8%)

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

Last month, the Senate made Jerome Powell the 16th head of the Federal Reserve Board. He will officially begin his term as the leader of the nation's central bank at the same time the stock market has taken a sharp decline. This much volatility has not happened in quite some time. Just recently, the S&P 500 closed at an all-time high. Why is this happening? Some analysts believe that this is panic over the possibility of higher interest rates. Here are some indications of why that may happen:

1) Recently, the Bureau of Labor Statistics released its monthly jobs report, which showed that in January, average wages increased the most in any month since 2009. This can signal that inflation might soon spike, which might in turn cause the Federal Reserve to raise interest rates more quickly than expected, making borrowing money more expensive.

2) Quantitative tightening. The Federal Reserve is raising rates from near-zero level to something more normal. Analysts believe the Fed will raise interest rates from the 1.25 to 1.5 percent today to about 2.5 to 3 percent over the next two or three years. Higher interest rates will lead to tighter financial conditions, constricting the flow of capital, and reducing the demand for stocks. Higher bond yields also reduce demand for stocks because the comparative dividend yield is less attractive, meaning that investors can get decent relative returns from safer government bonds. The Fed understands that the near-term boost of economic growth from tax cuts raises the odds that the U.S. economy will overheat, making it likely that interest rates will rise at a more rapid rate in 2018 and 2019.

3) The dollar has been selling off. The expected spike in short-term government debt levels due to tax reform might have something to do with the dollar weakness. Many analysts not only question how far the ten-year yield goes up, but how fast it gets there. The Fed intends to stop buying bonds at the very time the U.S. Treasury will issue more bonds to fund a growing budget deficit. The federal government is on track to borrow nearly $1 trillion this fiscal year. It is the highest amount of borrowing in six years, and a big jump from the $519 billion the federal government borrowed last year as a reflection of recent tax cuts.

4) The current process the Fed outlined is first gradually decreasing the Fed's balance sheet as they sell more bonds and mortgage-backed securities. This will take four or more years to shrink the balance sheet to $2.5 trillion or $3 trillion, the level many economists say they expect will be the new normal for the Fed. Its ultimate goal is to try to get back higher interest rates and a lower balance sheet so it can deal with any future crises or downturns with a full set of tools. However, the sheer size of its holdings has caused so much concern about how the central bank could rattle markets when it unloads the assets. Analysts believe that the Fed currently owns 15 percent of America's federal debt, and about a third of mortgage-backed securities.

Continued to page 5

Pearson Capital, Inc.

P.O. Box 3739
6431 Rubia Circle
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

Services Provided

Managed Accounts:
Individual - Joint - Custodial
Corporate - Partnership - Trust
IRA's; Roth - Trad - College - SEP
401(k) & 403(b) Rollovers - Transfers

Free consultation
No hidden fees

Privacy Policy
Available online or mailed upon request.

Table of Contents