

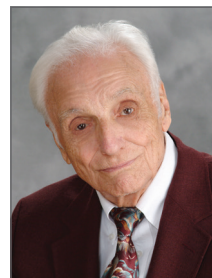
# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

Published Monthly Since 1982

[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)



Walter D. Pearson  
Chairman



Donald E. Pearson  
President



Ann Hathaway  
Account Manager

### FEATURED STOCKS - JANUARY/FEBRUARY 2018

#### GROWTH STOCKS:

Caterpillar, Inc.  
Cognizant Technology Solutions Corp.

#### VALUE STOCKS:

Amgen, Inc.  
Wal-Mart Stores, Inc.

#### ETFs:

Bitcoin Investment Trust  
Technology Select Sector Fund

## OUTLOOK FOR 2018

By Donald Pearson

As we bid farewell to 2017, we can look back at all the success we have had this year. The bull, the second longest in history, is nine years old and continues to age gracefully, but will this continue on as is? My opinion is yes, it will. Many of today's prognosticators share my opinions, which I will share with you.

I will say the changes to our federal tax code which just passed will provide tremendous support to many companies in multiple ways. We should see stock buy backs and increased dividends along with pay increases to employees. Many companies that have been holding billions of dollars overseas to avoid taxes will be able to repatriate that money by paying a 12 percent tax rate. Before this bull began back in 2007-2009, when we were faced with the recession, economic growth was merely 2 percent. We will finish this year at or very close to 3 percent. Next year has all the makings of being even better.

Another indicator is the inflation rate remains low at about 2 percent, and it doesn't appear to be heading much higher anytime soon. Also, interest rates, even though they have had increases, remain low, and, even with two or three more increases anticipated in 2018, will still be low. Our unemployment situation today is as good as it has been since the recession period when it hovered around 10 percent. It will end this year around 4 percent and should improve and go lower in 2018.

Our style of management will continue as we have in the past. We do not purchase mutual funds as we believe we build more successful portfolios without them. With their hidden costs averaging around 6 percent, our method has consistently outperformed. We select several exchange traded funds to diversify a portfolio, and then add individual stocks to

better diversify while also building the portfolio to replicate the client's risk parameters.

At the beginning of 2017 my prediction for the year was we would see a market return of 10 percent or more, and I am going to use the same prediction for 2018. We do not use bonds very often unless requested by a client because of the poor return most provide. As interest rates continue to rise, the value of existing bonds is depressed. The yield on a ten-year treasury note today, and going forward, will remain under 3 percent, thus another reason to seek out quality long-range investments with yields above 3 percent.

### CVS - Aetna

As our marketplace continues to change we must learn to change with it. We must also keep our eye on the ball as these changes affect companies and their stock prices. A good example of this is the anticipated merger between CVS and Aetna. We will see others because their businesses are being targeted by Amazon. Recently Amazon won approval from twelve states to become a wholesale prescription drug distributor, a development that could upend the pharmacy business. Amazon has already done this in other sectors such as cloud computing and other retail areas.

It's very possible we may see within the CVS stores nurses monitoring patients who were recently released from the hospital. The purpose here would be to monitor their medication and helping to keep them from being readmitted.

Currently we are trying to assess this situation as CVS has been a standout stock for quite some time. We have held it within our core group, and it is a company in most portfolios large enough to hold individual stocks. CVS is currently down 6 percent for the year. Also,

Aetna is in many portfolios, and their stock price year to date is up 45 percent. I am going to continue to monitor this and say, if this merger goes through, it will help CVS considerably as well as Aetna shares.

### Bitcoins

Bitcoin is the most popular cryptocurrency, and with the serious money it is attracting, provoking this year's record highs, more folks are looking to own the virtual currency. There are many methods by which you can acquire Bitcoins, including setting up a PC to mine it yourself, paying for a professional mining contract, or trading another cryptocurrency for it. Or you can simply buy Bitcoins for cold, hard cash. In the latter case, the issue then becomes how best to change legal tender into Bitcoins. As Bitcoin is an all-digital virtual currency, the novice buyer might well be a little confused concerning where to start. As Bitcoin is not a physical currency, but a virtual one, it needs to be held in a digital wallet. A digital wallet is where you hold your cryptocurrencies and it interacts with others via the blockchain technology. Currently, the most popular digital wallet provider is Blockchain.info. This allows you to save your bitcoin electronically.

Here is a website you can go to and learn all there is to know:  
<http://www.techradar.com/how-to/how-to-buy-bitcoins-in-2017>

TD Ameritrade has just begun offering an ETF trust that participates with Bitcoin value. It trades right now around \$2400 for one share and it has wild daily swings. This is Bitcoin Investment Trust (GBTC). To learn more about it, it is featured in this letter as some may see it in their portfolio.

DP

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

## YOUR FUTURE

What should we talk about today? Let's look at the future. Have you been looking at your future? The time will come when you have ceased working for one reason or another and you will need money. Now is the time to be thinking about it. Should you use professional help to make your money grow? My answer is yes because professionals understand things better and have had expert training in the field. In addition to that you are not forced to study about these things yourself and can let someone else do it for you. Here are the things we must consider: money, risk, and avenues. We have selected investing in the stock market for more than one reason. In the first place money is going down in value and stocks are following their future. If companies are growing, so will their price.

The first thing we must consider is the dollar. It is going down in value daily. Think of gasoline and soap. The price of gas when I was a boy was 15 cents a gallon and the price of soap was 5 cents a bar. Gas has risen in price more than twenty times and so has soap. The thing to take into consideration here is that gas and soap are the same as they have always been. There is no sense in raising the price because their quality has risen. What it does mean is the value of the dollar has come down.

The next thing to consider is the stock market. The market is composed of stocks which are actual entities. If they were stagnant entities like soap and gas, their cost would follow in the same manner, but hopefully, you are in growing companies which means that they will be much better. When we are considering stocks, it is necessary to think of safety, growth, and income. The stock market is composed of hundreds of entities, and it is our job to consider all the avenues. After we have considered safety and income we must look for growth. Imagine our pride if we had chosen correctly. Think of the difference: soap suds and gasoline do not grow but companies do. Most companies are producing more today than they did a few years ago.

This is where growth comes in. Growth is important whether the dollar is dropping or not. If a company is growing in size, it usually means an incline in their business, which should mean bigger profits. Look very carefully for growth. This is something you must create from nothing that you can see or hear, but something you must imagine. Let us see if your imagination is as good as we had hoped.

Now on to the increase in dividends. Nothing new except that these companies that have raised their dividends this month are different from the ones who raised their dividends formerly. They are: MORN, SYK, PNR, ABEV, FSV, ADC, OMC, BMO, BTI, MA, GG, TOT, LLY, VTR, BBD, LSTR, AMGN, BEN, SEIC, POT, VET, VALE, ABT, BCPC, PFE, ROP, WNC, LMNR, PFBC.

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 JANUARY/FEBRUARY 2018**

[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)

**AMGEN, INC. (AMGN) NASDAQ PRICE \$173.75**

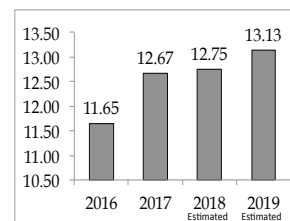
Amgen Inc. is a biotechnology company. The Company discovers, develops, manufactures and delivers various human therapeutics. It operates in human therapeutics segment. Its marketed products portfolio includes Neulasta (pegfilgrastim); erythropoiesis-stimulating agents (ESAs), such as Aranesp (darbepoetin alfa) and EPOGEN (epoetin alfa); Sensipar/Mimpara (cinacalcet); XGEVA (denosumab); Prolia (denosumab); NEUPOGEN (filgrastim), and other marketed products, such as KYPROLIS (carfilzomib), Vectibix (panitumumab), Nplate (romiplostim), Repatha (evolocumab), BLINCYTO (blinatumomab), IMLYGIC (talimogene laherparepvec) and Corlanor (ivabradine). It focuses on human therapeutics for the treatment of serious illness in the areas of oncology/hematology, cardiovascular disease and neuroscience. Its product candidates in Phase III include Erenumab for episodic migraine, Aranesp for myelodysplastic syndromes, BLINCYTO for acute myeloblastic leukemia and IMLYGIC for metastatic melanoma.

Type: Value  
Sector: Health Care

Institutional Holdings: 3112  
Industry: Biotechnology

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **15.8**  
Annual Yield: **3.1%**  
Annual Dividend: **5.28**  
Investor's Bus. Daily: **B**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **B+**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **B+**



**WAL-MART STORES, INC. (WMT) NYSE PRICE \$98.80**

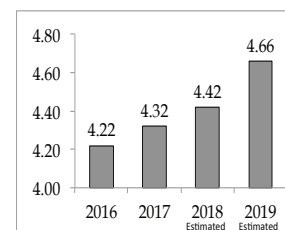
Wal-Mart Stores, Inc. is engaged in the operation of retail, wholesale and other units in various formats around the world. The Company operates through three segments: Walmart U.S., Walmart International and Sam's Club. The Walmart U.S. segment includes its mass merchant concept in the United States operating under the Walmart or Wal-Mart brands, as well as digital retail. The Walmart International segment consists of the Company's operations outside of the United States, including various retail Websites. The Walmart International segment includes various formats divided into three categories: retail, wholesale and other. These categories consist of various formats, including supercenters, supermarkets, and warehouse clubs, such as Sam's Clubs, cash and carry, home improvement, specialty electronics, apparel stores, drug stores and convenience stores, as well as digital retail. The Sam's Club segment includes the warehouse membership clubs in the United States, and samsclub.com.

Type: Value  
Sector: Consumer Staples

Institutional Holdings: 2544  
Industry: Food & Staples  
Retailing

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **26.4**  
Annual Yield: **2.1%**  
Annual Dividend: **2.04**  
Investor's Bus. Daily: **C**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **B**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **B**



**CATERPILLAR, INC. (CAT) NYSE PRICE \$157.55**

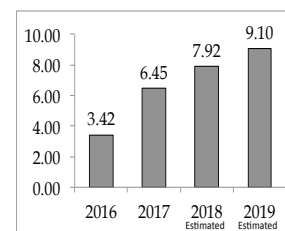
Caterpillar Inc. is a manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The Company operates through segments, including Construction Industries, which is engaged in supporting customers using machinery in infrastructure, forestry and building construction; Resource Industries, which is engaged in supporting customers using machinery in mining, quarry, waste and material handling applications; Energy & Transportation, which supports customers in oil and gas, power generation, marine, rail and industrial applications, including Cat machines; Financial Products segment, which provides financing and related services, and All Other operating segments, which includes activities, such as product management and development, and manufacturing of filters and fluids, undercarriage, tires and rims, ground engaging tools, fluid transfer products, and sealing and connecting components for Cat products.

Type: Growth  
Sector: Industrials

Institutional Holdings: 1890  
Industry: Machinery

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **24.4**  
Annual Yield: **2%**  
Annual Dividend: **3.12**  
Investor's Bus. Daily: **A+**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **A**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **B**



**COGNIZANT TECHNOLOGY SOLUTIONS CORP (CTSH) NASDAQ PRICE \$71.02**

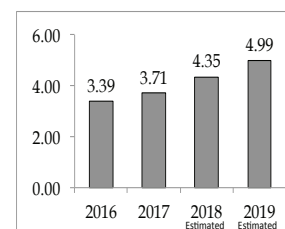
Cognizant Technology Solutions Corporation is a professional services company. The Company operates through four segments: Financial Services, Healthcare, Manufacturing/Retail/Logistics, and Other. The Financial Services segment includes customers providing banking/transaction processing, capital markets and insurance services. The Healthcare segment includes healthcare providers and payers, as well as life sciences customers, including pharmaceutical, biotech and medical device companies. The Manufacturing/Retail/Logistics segment includes manufacturers, retailers, travel and other hospitality customers, as well as customers providing logistics services. The Other segment includes its information, media and entertainment services, communications and high technology operating segments. Its services include consulting and technology services and outsourcing services. Its outsourcing services include application maintenance, IT infrastructure services and business process services.

Type: Growth  
Sector: Information Technology

Institutional Holdings: 2288  
Industry: IT Services

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **22.1**  
Annual Yield: **0.8%**  
Annual Dividend: **0.60**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **A**  
Morningstar Rating: **A**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **A**



## JUST ASK ANN

On the following pages you will see photos from our recent Toys for Tots event held on December 9th at The Alley at South Shore in Riverview.

From October until this collection party, Pearson Capital coordinates and urges the businesses and residents of our local communities to support the Marines and their Toys for Tots program by filling boxes with toys or providing cash donations to assist our area families in need at Christmas time.

Once again our efforts were handsomely rewarded. Our Community generosity is phenomenal! Everyone gets involved. Sloane Rodriguez, age 6, asked her birthday party guests to bring toys instead of gifts for her!

Over two truckloads of toys and bikes were collected as well as nearly \$10,500 in cash on that day. Contributions were still pouring in after the event.

Walter, Don & Ann and the entire Pearson team offer our heartfelt thanks to the Boje Family and The Alley at SouthShore for all their support. Besides providing us with a wonderful venue for our event, they challenge all their bowling leagues to reach deep into their hearts and wallets. They are truly generous!

We'd also like to thank Huth & Booth Photography for all the pictures you see here, Costco, and Apollo's Bistro for their donations and Bill McConnell, our announcer.

A special shout out goes to Century 21 Beggins Enterprises, South Shore Falls Community, Bass Pro Shops and our honored guest, John O'Conner (AKA Mr. Claus). And let's not forget all our other wonderful volunteers.

### 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.  
First Quarter January-February-March-see your January statement.*

## BITCOIN INVESTMENT TRUST OTC MARKETS GROUP INC. (GBTC) PRIME QX PRICE \$2400.00

Bitcoin Investment Trust holds bitcoins and, from time to time, issues creation baskets in exchange for deposits of bitcoins and distributes bitcoins in connection with redemption baskets. The activities of the Trust includes issuing Baskets in exchange for bitcoins deposited by the authorized participants or liquidity providers, as applicable, with the custodian as consideration and transferring actual bitcoins as necessary to cover the combined fee and selling bitcoins as necessary to pay extraordinary fees. The activities of the Trust also includes transferring actual bitcoins in exchange for Baskets surrendered for redemption by the authorized participants, causing the sponsor to sell bitcoins on the termination of the Trust. The Trust also engages in all administrative and custodial procedures necessary to accomplish such activities in accordance with the provisions of the trust agreement, the custodian agreement, the license agreements and the participant agreements.

Location: World  
Type: 100% Stock

Category: Financial  
Industry: Bitcoins

### Ratings & Recommendations

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

## TECHNOLOGY SELECT SECTOR SPDR® FUND (XLK) NYSE ARCA PRICE \$64.05

The investment seeks investment results that, before expenses, correspond generally to the price and yield performance of publicly traded equity securities of companies in the Technology Select Sector Index. In seeking to track the performance of the index, the fund employs a replication strategy, which means that the fund typically invests in substantially all of the securities represented in the index in approximately the same proportions as the index. It generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index.

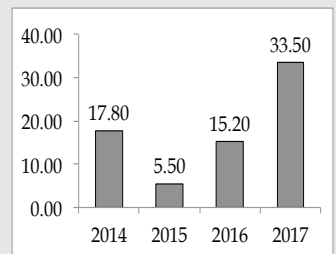
Location: USA  
Type: 100% Stock

Category: Large Growth  
Industry: Diversified

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **1.7%**  
Annual Dividend: **\$1.09**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **B**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **N/A**

### Performance by%



year. With the corporate tax cut rate at 21 percent, the passage of corporate tax reform stands to boost earnings for the S&P 500 by 7 to 10 percent. The combination of expected improvement in the economy and added profits from the tax cuts indicates that we are not yet at an earnings peak. Analysts will undoubtedly be revising their 2018 earnings estimates higher. As a result, January will likely be characterized by positive analyst revisions, as well as strong fourth-quarter results. This quarter's earnings have already reflected in today's current prices. So the market may hinge on each company's expectations for the remaining year.

The Corporate Tax Reform should boost business investment, so we expect a large increase in durable goods orders in the upcoming months. Companies should announce any expansion ideas in the next few quarters as economic growth moves forward.

**In the most recent quarter:**

- 1) The growth of new housing may finally show this year.
- 2) New tax rules may benefit small businesses the most.

**Key Point: The tax cuts should boost earnings growth another 7 to 10 percent for this upcoming year.**

**Cash Flows:**

2018 could be a record year for announced dividend increases based on rising net income and the repatriation of dollars of overseas capital set to go to work in the form of business investment, stock buy-backs, and the declaration of higher dividend payouts. The tax plan starts to take effect January 1, 2018. However, some aspects of the tax plan may not take hold until 2019. It's more likely that the cuts will benefit shareholders and investors first as this has allowed companies to bring money held overseas back to the U.S. at a low tax rate starting right away. This will allow companies to pay down debt, repurchase stocks, and allow the opportunity for the financial means to create future mergers to gain market share.

The Reduction of the maximum corporate tax rate from 35 percent to 21 percent and elimination of the corporate alternative minimum tax will provide significant benefits to many corporations. The U.S. will move from having one of the highest corporate tax burdens in the world to being more competitive worldwide.

The tax bill moves toward a territorial tax system, taxing companies on profits earned in the U.S. It also provides incentives for companies to repatriate overseas profits from prior years back to the U.S. The positive impact of repatriation primarily will help a number of companies, including technology companies such as Apple (APPL), Microsoft Corp. (MSFT), and Google (GOOG). Many drug companies such as Pfizer (PFE) and major banks are the primary beneficiaries of the repatriation provision. These companies with meaningful overseas cash balances are more likely to pay down debt, buy back stock, or raise dividends.

For other companies, changes in capital expense will help out with the bottom line. Telecommunication providers will be among the companies that benefit from the ability to immediately expense capital investments.

Small company stocks, many of which pay close to the statutory maximum tax rate, will get a significant earnings boost, as the lower tax rate will benefit them greatly.

**New trends we see:**

- 1) The discussion has stopped about infrastructure investments, as they were part of the original discussion of the tax bill.
- 2) Lower corporate taxes may lead investment by foreign corporations.

**Key Point: Congress finally passed a tax cut bill.**



**Don & Ann host the 2017 Toys for Tots party**



**The toy mountains begin!**



**Sloane Rodriguez with Bill McConnell**



**Eileen Eletto of C21 and our faithful reporter Lois Kindle.**



**Delivery of Century 21 Beggin's donations.**



**Bicycles arrive by the dozens!**



**GySgt Macias & The South Shore Falls Bike Club**



**Joe & Eileen Eletto and the Century 21 Beggin's Staff**



**Peter and Alison Farnan are checking in with Lori Elder**



**Shirley Bhat and daughter Aliya**



**Debbie Kirkland and Family**



**Presentation of the check from The Alley bowlers with owner Mr. Boje**



# Happy New Year



**Our wonderful announcer and his wife, Bill and Patricia McConnell**



**Don with the Guileys of A+ Hearing Center**



**Ann Hathaway and Jeff McGowan**



**Don with Costco Representative, Nancy Sanney**



**The Steelers Club check for \$2,017 (this year's goal)**



**Faith Hanaway, The Alley Events Coordinator and Jennifer King of Rodan & Fields**



**Check presentation from the VFW 6287, Ruskin, Florida**



**Melissa Hartman and Manny Gonzalez**



**Larry Brooks, Ed Booth (photographer extraordinaire!) and Ted Manna**



**James Pulkowski, CPA, wife Kristi with daughter Reagan**



**Lori Elder and Berta Scott**



**Peter and Sally Florence**



# Happy New Year



**Jerry & Vivian Rothstein with Mike Beiter and Chris Guiley**



**TFT Southshore Campaign check presentation**



**John Smith of H&R Block with Ann**



**Pam Vassello displaying the check from The Alley and BCB bowlers**



**Donation from the Riverview VFW 8108**



**Don and Diane Lane**



**Fun for boys and girls of all ages!**



**Ed Booth and Pat Magruder**



**GySgts Macias and Rios**



**Donations by the boxful!**



**The Alley pool room transforms into Toyland**





# Santa was busy...



Don & Miz Zuzack and her granddaughter Arianna



Santa Arrives!



Darrell and Patricia Green



Steelers Club members



Santa and friends!



Hugs for Santa!



GySgt and Mrs. Macias



Santa off on his mission!



Sgts Haywood & Walker, GySgt Macias and Sgt Watkins



Santa checking it twice!



Ann and daughter Alison North



# 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% | 19.6% |
| Dow Jones      | 5.5%   | 7.3%  | 26.5% | 7.5%  | (2.2%) | 7.9% | 25.1% |
| Nasdaq         | (1.8%) | 15.9% | 38.3% | 13.4% | 5.7%   | 4.1% | 28.2% |
| Market Average | 1.2%   | 12.2% | 31.5% | 10.8% | 0.9%   | 5.9% | 24.3% |



## MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

### Economic 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. Since the economy is already growing stronger, lower taxes may extend the market well into the next few years. The Federal Reserve understands that this near-term boost of economic growth from tax cuts raises the odds that the U.S. economy will overheat, leading many to believe that inflation will rise at a more rapid rate in 2018 and 2019.

However, we expect that the Fed will be very cautious, as their intention is to make very few, if any, increases in interest rates until they see the full effects of any economic expansion. They may hold off until they get updated data showing real effects before making future changes. At this time we do not have a full idea of what impact the tax reforms will make right away as the full implementation of the program will take up to two years. Also, any changes to the economy may not even show for the next few quarters. However, once that happens, the Fed can take gradual measures to deal with any future inflation worries.

At the same time, we will see the gradual decrease of the Fed's balance sheet as they sell more securities. So the tax cut may also help with the continual stabilization of the economy especially in the short term.

#### New trends that we see:

- 1) Some critics believe the tax bill may only be beneficial in the short term.
- 2) Other critics believe that, in the long run, the tax cuts will create a large, overwhelming deficit.

**Key Point: With this new tax plan, we believe the Fed will wait before making any major decisions on interest rate increases.**

### Earnings Flows:

January starts the new year right with good news from this quarter's earnings growth. Due to the upcoming tax cuts, companies will expect higher growth moving forward, so we should also see higher expectations for this upcoming

Continued to page 5

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 401(k) & 403(b) Rollovers - Transfers

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**No hidden fees**

**Privacy Policy**  
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