

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Check out our **NEW Web Site!**

Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - JULY/AUG 2017

GROWTH STOCKS:

NCI Building Systems Inc.
United Rentals Inc.

VALUE STOCKS:

Lear Corp
Nucor Corp

ETFs:

iShares Russell 1000 Growth
Vanguard Dividend Appreciation Index Fund



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

Portfolio Rebalancing

We have reached the halfway point for the year. This is a good time to review your portfolio, and, if you haven't already done it, make whatever changes you find appropriate. Personally, I believe a well-balanced portfolio doesn't have mutual funds and only has the number of bonds requested by our client. By using ETFs both for growth and/or value, along with a host of individual stocks, we believe we can build and outperform mutual funds and save our clients a substantial amount. With mutual funds under performing the market over 80% of the time (so says Morningstar) and built-in costs averaging around 6%, one choosing to use ETFs averaging less than 1% can begin here with substantial savings. We can add several individual stocks to better diversify the portfolio, and the cost to do this is only \$6.95 each. Tax advantages are important, and individual stocks and ETFs that trade as such have huge tax advantages.

I also encourage people getting started to talk with more than one investment advisor to find one you are comfortable with. For a small fee (usually 1%), let them do all the work for you. When we meet with new clients, we have a very informative discussion regarding their risk tolerance, their goals, and their time line for getting the job done.

When rebalancing is needed we do not choose a time for this because our system continuously does this. As an example, every time companies report their earnings and other pertinent information, if they are under performing, we place them on a watch list for possible sale. When a company disappoints for two quarters in a row, we place them on an immediate sell and give our analysts 48 hours to review and make an argument why we should hold and not sell. This system has

done us well for many years. For example, our largest individual stock is Apple (AAPL). They have missed on their earnings from time to time, but we continue to hold and to buy. All of us have been handsomely rewarded for this. Bed Bath & Beyond (BBBY) reported last week, failed again, and dropped another 12% that day. Now they are down 27% YTD. We sold ours in 2015 which was then selling in the mid-seventies, and today the stock price is \$29.65. This is why you must continue to monitor, rebalance, and make changes. Our research predicts that BBBY will continue to go lower.

Another reason we always have our eye on the ball is because we here at Pearson Capital own the same things our clients do. Most people, when they know this, are very impressed with us. We are not putting in clients' accounts products that make us better commissions; we work for you like a true partner on the same team.

Retirement Planning

Today with pensions almost a thing of the past, and 401k's being your best opportunity, the future does not look very promising for many people. One statistic I often read about is the shortfall between what one has today and what will be needed at retirement. As example, in 2015 the shortfall number was at \$28 trillion and by 2050 it will climb to \$137 trillion. This simply means people will be forced to work longer, and many may not retire at all. In April of this year the number of people 65 years or older who are still working was about 20%, and that's the highest rate since 1962. Today the median 401k balance for those who are 55-64 is less than \$72,000, and more than 25% of workers who are 55 years old or older have less than \$10,000 in retirement savings. Thus, this group says they plan to work into their seventies.

The message here is most of us are not doing

enough to help ourselves. I write this often: Review your situation and begin making the changes necessary to help yourself. You must pay yourself first and become better disciplined.

For those who are thinking it is too late to start, even starting from scratch, a 50 year-old worker who puts away roughly \$500 a month could save as much as \$144,000 by age 65 assuming a 6% rate of return.

Other options one can consider in trying to increase your retirement pot of wealth is downsizing your home or a reverse mortgage. Your health could become important too. If you must extend your work time into your seventies, minimizing health costs could save you a considerable amount of money. Thus, exercising and better eating habits can become very important and another cost saver.

A little bit of good news: A survey done by Fidelity regarding 401k investors who have been in their plan for 15 years have seen their balance grow on average from \$43,900 in 2001 to \$331,000.

Unfortunately another recent survey done by Franklin Templeton shows that about 40% of millennials don't have a retirement plan in place, and about 75% do not have a financial advisor. Another recent survey by Natixis shows this group only contributes between 1-5% of their income to their retirement plan. All financial advisors will tell you the minimum amount should be at least 10%. Whenever I have the opportunity to talk to younger people within this group, I encourage them to place 15% into their retirement plan. If that means driving an older car for the first five years or so, or other sacrifices have to be made, know this, ten to twenty years from now you'll thank me for the good advice I gave you, and if you do call me I'll applaud you for taking it.

DP

OPPORTUNITY KNOCKS

Necessary or not, I will repeat myself in order to get across to nonbelievers one important fact: **YOUR DOLLAR GOES DOWN IN VALUE DAILY. YOU CAN DO SOMETHING TO CORRECT THIS.** Buy stocks. They may go down on a temporary basis but long term their growth will show up anyway. Look for companies that are growing and you will find that they may go down just to follow the market, but they will go back up again.

Just to clarify my expertise, I will show you one. Remember, a stock is not a bond and it may have some growth in it. Look at Apple for one. We are recommending it as a buy right now, and we have been recommending it for a long time. I bought it back in August of 1997, 60 shares for \$1200. We have had many splits since then and I now have 1680 shares which are in the neighborhood of one quarter of a million dollars. And, we are still recommending it. I think everyone here has it at the present time. It is a company that has grown, and it is a company that is still growing.

What every one of you should be doing at this time is going over your individual holdings and making a note of extra cash that you may have which you could put to work. By this time you should be fully inebriated with the understanding that idle cash should go to work. I am also thinking along the possibility that you may have one or more of your friends you could help get started. Have you ever thought how much it would mean to them? It could make a huge difference if you explained to them a little of what you have learned here.

I have since come to the conclusion that it is the duty of the parents to teach their children the value of investing. Things have really changed. At one time we had Fort Knox where we kept enough gold to back up the amount of new money we issued. Today things are different. We not only cannot back up the currency but we are so far in debt that everyone agrees that it will never be repaid. What that means to you - and to me - is that we only have one way out! Buy stocks! Think of it this way: When you are holding dollars, you have invested in a non-growing entity. If you bought a stock and it went down, and then down some more and you finally sold, did you finally get the message?

One more thing that we should take into consideration is what are you looking for? Is it income with growth, or income primarily, or could it be growth as much as possible, with no interest in the amount of income paid? Here is what you may expect: Your recent purchases may have gone up 3% for the year. If your stock is paying 3% dividends, that figures out to 6% for the year.

And here are the names of some of those companies that you may own which have just decided to raise their dividend in spite of the fact that it makes you richer. DST, PBA, JCOM, MCHP, NHC, CP, PAAS, POT, SCCO, SLF, WBK, STN, PNR, MGA, AGN, VET, MELI, FSV, TEVA, NOC, LFC, UFS, WRB, KEY, MNRO, LUV, DXC, NTES, RNR, CBRL, BMO, NTAP, RY, TD, CBRL, F:LO, CM, CYD, SIG, ESV, LYB, TSR, XL, BNS, CSWC, ABEV, BMA, LOW, GG, TKC, IBN, UNH, RDY, HDB, PBA, FDX, TGT, TSM, VET, MGP, NFG, MMP, NRZ, PKBK, BBD, CIB, KR.

WP

Copyright © 2007 Pearson Capital, Inc. - All Rights Reserved - Sources: Pearson Capital, Inc. research, various publications and the Internet

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

NCI BUILDING SYSTEMS INC. (NCS) NYSE PRICE \$16.70

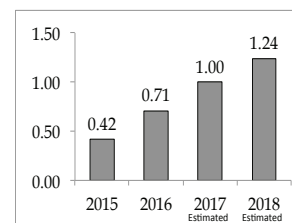
NCI Building Systems, Inc. is a manufacturer and marketer of metal products in North America. The Company's operating segments include engineered building systems, Metal components and Metal coil coating. The Engineered building systems segment is engaged in the manufacturing of main frames and long bay systems, and engineering and drafting. The Metal components segment's products include metal roof and wall panels, doors, metal partitions, metal trim, insulated metal panel (IMP) products and other related accessories. The Company manufactures and distributes a range of metal products for the non-residential construction market. It operates in the United States, Mexico, Canada and China. The Company provides metal coil coating services, and designs, engineers, manufactures and markets metal components and engineered building systems. It also provides metal coil coating services for commercial and construction applications, servicing both internal and external customers.

Type: Growth
Sector: Industrials

Institutional Holdings: 281
Industry: Building Products

Ratings & Recommendations Earnings per share

Current P/E Ratio: **19.4**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **A**
The Street (analyst avg.): **C**



UNITED RENTALS INC. (URI) NYSE PRICE \$112.71

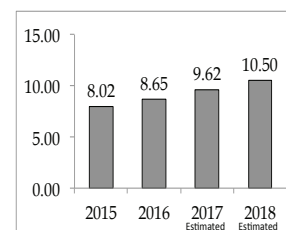
United Rentals, Inc. is a holding company. The Company is an equipment rental company, which operates throughout the United States and Canada. It operates through two segments: general rentals, and trench, power and pump. The general rentals segment includes the rental of construction, aerial, industrial and homeowner equipment and related services and activities. The trench, power and pump segment includes the rental of specialty construction products and related services. Its general rentals segment includes the rental of general construction and industrial equipment, such as backhoes, skid-steer loaders, forklifts and material handling equipment; aerial work platforms, such as boom lifts and scissor lifts, and general tools and light equipment, such as pressure washers, water pumps and power tools. As of January 1, 2017, it operated 887 rental locations. The Company conducts its operations through its subsidiary, United Rentals (North America), Inc. (URNA) and subsidiaries of URNA.

Type: Growth
Sector: Industrials

Institutional Holdings: 1550
Industry: Trading Companies & Distributors

Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.3**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B**
Morningstar Rating: **B**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**



LEAR CORP (LEA) NYSE PRICE \$142.08

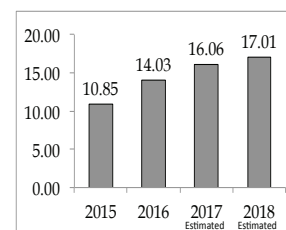
Lear Corporation (Lear) is a supplier to the global automotive industry. The Company is engaged in supplying seating, electrical distribution systems and electronic modules, as well as related sub-systems, components and software, to automotive manufacturers. The Company's segments include Seating and 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: 1363
Industry: Auto Components

Ratings & Recommendations Earnings per share

Current P/E Ratio: **9.7**
Annual Yield: **1.4%**
Annual Dividend: **2.03**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**



NUCOR CORP (NUE) NYSE PRICE \$57.87

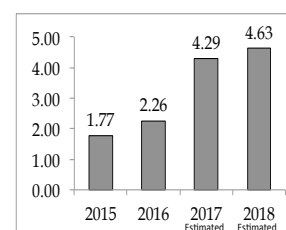
Nucor Corporation (Nucor) manufactures steel and steel products. The Company produces direct reduced iron (DRI) for use in its steel mills. It operates in three segments: steel mills, steel products and raw materials. The steel mills segment produces and distributes sheet steel (hot-rolled, cold-rolled 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: 1503
Industry: Metals & Mining

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.6**
Annual Yield: **2.6%**
Annual Dividend: **1.50**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B+**



JUST ASK ANN

It's important to know how to access and use your online account information so that you can stay in control of your personal data, document preferences, and account transactions and balances.

TD Ameritrade is constantly updating their site to give you the best experience for your personal needs. There is a great tutorial on the site that teaches you how to navigate and make updates as needed.

Simply log in to your account and click on the **EXPLORE UPDATES TO AdvisorClient.com** box to the right of your home page. The green tab **LEARN MORE>** takes you to a step by step instruction of the site. This is about a 14 minute presentation and worth the time to learn all you can do with managing your account information.

For those of you with new accounts or never having accessed the website, follow these instructions:

- Go to our web site <http://www.pearsoncapitalinc.com>
- Click on: LOG INTO TD AMERITRADE (in gold tab, upper right)
- On the log in page look for: **First time here?** Then click on **GET STARTED**
- Enter your account number: xxxxxxxx
- Enter the zip code associated with your account: xxxxx
- Follow the instructions for obtaining your security code. Once received, enter that code where indicated.
- Continue to CREATE and choose your ID and Password, add your other account(s) (if applicable), read and agree with TD Ameritrade's terms and conditions.

If you have an older account that you never accessed, you may have already been assigned a user ID. You would use this in place of the account number, where it asks, Already have a user ID? Enter xxxxxx

If you need any assistance, you can always contact me or call tech support at TD **800-431-3500** option 3.

iShares Russell 1000 Growth ETF (IWF) NYSE ARCA PRICE \$119.02

The investment seeks to track the investment results of the Russell 1000® Growth Index, which measures the performance of large- and mid-capitalization growth sectors of the U.S. equity market. The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. It may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, as well as in securities not included in the underlying index, but which the advisor believes will help the fund track the underlying index.

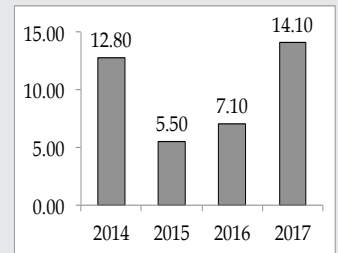
Location: USA
Type: 100% Stock

Category: Large Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.2%**
Annual Dividend: **1.46**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



Vanguard Dividend Appreciation Index FUND ETF (VIG) NYSE ARCA PRICE \$92.67

The investment seeks to track the performance of a benchmark index that measures the investment return of common stocks of companies that have a record of increasing dividends over time. The fund employs an indexing investment approach designed to track the performance of the NASDAQ US Dividend Achievers Select Index, which consists of common stocks of companies that have a record of increasing dividends over time. 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.

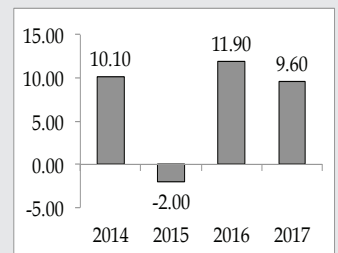
Location: USA
Type: 100% Stocks

Category: Large Blend
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2%**
Annual Dividend: **1.82**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



Earnings Flows:

July is the start of this quarter's earnings announcement season. By this time of year, analysts have already lowered expectations. Good news may be mixed in with bad news as markets are set to meet the summer rush. This is the time when the market meets a new high, then settles in until the fall season. We expect the top stocks in the market, Amazon, Google, Facebook, and Apple, to continue leading the way.

The new trends continue:

- 1) We hope to see gains in the financial sector with the next move in interest rates.
- 2) The administration is finally giving guidance for the health and biotech sectors.

Key Point: The postelection rally continues to move forward.

Cash Flows:

The Federal Reserve has gone through the latest stress tests for the banking industry, and most of the big banks now have passed and have more than enough reserves. So, each bank is reviewing its options on how they will return value to their shareholders. Citigroup is first with increasing its share buyback by billions of dollars. Other banks should then give their own updates on how they will proceed.

With trillions of dollars in money parked overseas, the upcoming proposal for a tax holiday seems to be on hold. As we stated before, Congress previously enacted such a tax holiday for U.S. multinational companies, allowing them to repatriate foreign profits to the United States at a 5.25 percent tax rate. Corporations brought \$362 billion into the American economy, paying dividends to investors, repurchasing shares, and purchasing other corporations. Congress failed to pass a second version in 2009. So this year both the Democrats and Republicans were poised to start this process forward, but it seems to be stalled at this time along with the one-time boost to accomplish the current administration's stated goals of enhancing infrastructure products.

Once again our hope is that these changes will happen:

- (1) The start of cash repatriation from overseas, with a 10 percent repatriation tax.
- (2) Boost dividends and create special one-time dividend payouts.
- (3) Increase stock buyback activity.
- (4) Boost earnings and help increase growth with acquisitions.

New trends that are happening.

- 1) Companies are still raising dividends.

Key Point: The tax holiday is on hold but financial stocks are back for investors.

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%	8.2%
Dow Jones	5.5%	7.3%	26.5%	7.5%	(2.2%)	7.9%	8.1%
Nasdaq	(1.8%)	15.9%	38.3%	13.4%	5.7%	4.1%	14.1%
Market Average	1.2%	12.2%	31.5%	10.8%	0.9%	5.9%	10%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



Recently, the Federal Reserve made the decision to raise key interest rates another 0.25 percent. Many economists expected a cautious but "dovish" tone due to continued uncertainty in the U.S. economic outlook. However, instead, their public comments sounded surprisingly the opposite. Chair Janet Yellen still sees a "gradual" pace of rate increases. The consensus is that there will still be at least one more rate hike in the future.

For their next step, the Fed will soon begin reducing the massive bond portfolio accumulated in the years during Quantitative Easing (QE). They have already started by slowing their bond buying down to zero, except for reinvestment of dividends and maturity rollovers. Now their goal is to sell \$6 billion per month in Treasury securities and \$4 billion per month in mortgage-backed securities. Then the Fed would eventually unload \$50 billion a month in assets, including \$30 billion per month in Treasury securities and \$20 billion per month in mortgage-backed securities, to start unwinding the process and continue with its tightening policy with a two-pronged approach. However, critics state that by raising rates when inflation is nowhere near problematic, they risk tipping the economy into recession.

Since the beginning of the year, the trend of pro-EU election victories in the Netherlands and France, and possibly one coming in September in Germany, has lit a fire under the euro. This has caused the dollar to weaken slightly, allowing more profits to come in from multinational firms. This will probably reverse though, because we, the major country with the strongest currency, highest interest rates, and strongest economy will continue to attract capital from around the world. Consequently, the Fed's move could strengthen the U.S. dollar, attracting more capital. This will add fuel for the stock market as well.

New trends that we see:

- 1) The Affordable Care Act (ACA) is still going through major revisions as the new bill is being passed through Congress.
- 2) The stock market may continue to new highs till the end of the year with the changes made by the new administration.

Key Point: The Federal Reserve is keeping its goal of three interest rate increases.

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

Walter's Wisdom:.....	2
Featured Stocks:	3
Featured Stocks:	4
Ask Ann	4
Market Outlook	5-6