

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Check out our NEW Web Site!

Published Monthly Since 1982

www.pearsoncapitalinc.com

FEATURED STOCKS - MAY/JUNE 2017

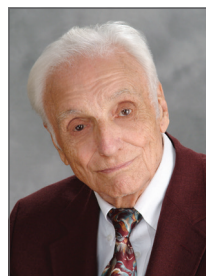
VALUE STOCKS:

Apple Inc
Magna International Inc

Nucor Corp
Taiwan Semiconductor Manufacturing Co

FEATURED ETF INVESTMENTS

iShares Core S&P U.S. Growth
iShares Core S&P U.S. Value



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

1st QUARTER RESULTS

As the first quarter has come to a close, it affords us an opportunity to assess where we are with the market's performance. I will share results that the numbers provide, but it's no guarantee of where we will be later in the year. I am happy to report that both the earnings of the companies within the S&P 500 and the stock market are up over 10% year to date. This appears to be a combination of very positive earnings results and the Trump bump.

The S&P recently set a record high pushing stock valuations to new heights. The average stock today has a trailing P/E ratio of 23, above its 20-year average of 21 and near its highest level since January 2004. Note that high valuations are rarely enough on their own to cause the market to slump. Bulls are saying the strong economy supports their outlook, and the long-term fundamentals remain favorable while ignoring the pessimists and all their horror stories.

The recent rally is partially driven by anticipation that U.S. companies will benefit from lower taxes and regulations in a Republican-led Congress. With that said many investors still remain on the sidelines anticipating a pullback. If the market continues to climb, and their fear of missing out overtakes their fear of market losses, we may see many investors return. If this occurs, the water level should rise for all of us. Still, today many believe Trump being unpredictable and irrational will lead to very unfavorable results going forward with the market's performance. Obviously none of us know the answers to these questions so for that reason I give you the following advice: Letting one's political opinion shape investing decisions is a good way to lose money.

As promised at the beginning of this article I said I would share my opinion as to what I would do

as I am in the same position you are. My advice: Make wise investment decisions, do not try to fix Congress, and do not allow politics to become a part of your decision making. A good example: Invest in Apple and leave the politics out of it. Why, you ask? This is our number one holding and has been for well over twelve years. Through the good times and the bad in the past twelve years the stock is up over 1000%. Year to date it's up 30%. With our investment beliefs, and trying to help everyone, we have no start-up minimums. We can get everyone into Apple through ETF's as an alternative. The ETF, Technology Select (XLK) is made up of 15% Apple and 11% Google with Amazon and Facebook included. For the past three years this has averaged favorably well over 12%.

If you would like to discuss these opportunities at any time, please give me a call.

HELPFUL FINANCIAL TIPS

Don't cheer a big tax refund: The average tax refund has amounted to \$2,860 for the past few years. Many believe this is free money but the reality is, it is not. A refund of this amount means you massively overpaid. You gave the IRS what amounts to an interest free loan. This money could have helped you pay down a debt or been invested to benefit you. If you overpaid you might consider asking your employer for a new W-4 and adjust the amount withheld.

Paying off a mortgage early: Most experts recommend not paying a mortgage off early because it is more efficient to take the tax deduction on mortgage interest and invest the extra money. Many believe the peace of mind of paying it off may have some merit even losing the tax break, but with a 4% mortgage, the money

might be better spent paying down credit cards or student loans with much higher interest debt.

Early contributions: Nearly one quarter of IRA contributions for 2017 won't be made until NEXT April, just before the tax filing deadline. If you contribute as soon as the law allows, you have a better opportunity to take advantage of the extra months for additional growth.

Social Security decisions: Your decision is like having penalties and/or bonuses included, depending on what choice you make. Did you know that if you decide to claim your benefits at the earliest possible age (62), you'll get 25% less than if you wait until your full retirement age? If you postpone claiming past full retirement age, you earn delayed retirement credits at a rate of two-thirds of a percent a month (8% a year). For those with full retirement at age 66, waiting until age 70 means receiving 32% more than you would have at age 66 and about 76% more than if they had started at age 62. This large gap might make you believe most wait, but more than 45% sign up as soon as possible, and only about 3% wait until age 70.

Gifts for children and grandchildren: This might be for a graduation, or a birthday, or a newborn, or any other special event. Why not start an investment account for them. Others can add to this at any time, too. If you're a client of ours, we can help you with this. Start them with \$500 and we'll do this for you at no charge. Call Ann or I and we can discuss this. For a college graduation gift a Roth can be started for the graduate and it can be funded with any amount up to \$5,500. The only requirement is the student's new employment position must pay them that much within the year the Roth is opened.

DP

REPETITION

I have written to you in the past, but what I have to say bears repeating. The information I have is no doubt repetitious, but it is necessary to repeat, and repeat, and to say it again. **THE DOLLAR IS GOING DOWN IN VALUE EACH YEAR AT A RATE OF 5% OR BETTER.** Those of you who have been with us for a number of years can understand, but it is important that those of you who are newcomers, and those of you who are subscribers to our paper, understand this, too. The next thing to understand is how to counteract the dollar's demise, and each of you old-timers understands this fully. **Buy Stocks! Stocks will go up as the dollar goes down. But then there is an added momentum; your stocks will not only go up in relation to the dollar's drop, but the actual growth of your stock gives you another added value.**

To show you what this means, let's take a look at some of the things in the past. In January of 1992 I bought \$840 worth of Fastenal. This stock has split five times since then and I now have 800 shares with a value approximating \$37,000. This will show you what time can accomplish when given the opportunity. McDonald's was bought in October of 1987 for \$1500 giving me 40 shares. I now have 320 shares with a value of \$42,000. Isn't this much better than placing it in the bank and accepting the interest payments? This has happened over and over depending on how much growth has been inherent in the stock. Perhaps I should show you one that has not done as well. Okay! Here goes! I bought 17 shares of RLI back in December of 2010 for \$894 or approximately \$52 a share. Today it is selling for \$52 a share so I imagine your first impulse is to say, "I told you so." But, hold it! They have split two for one and I now have 34 shares, so they have doubled in value.

You should notice that you have more than one thing working for you here: growth of your company, time, and the demise of the value of the dollar. You may not realize that bread used to sell for only 5 cents a loaf about seventy-five years ago, and now it is more than one dollar. The bread is no different now than it was then which means the dollar value has gone down that much. You can do this same thing with gasoline or anything else, but the answer comes out just the same. **YOUR DOLLAR IS LOSING VALUE! Do something to correct it, now that you know the truth.**

One of the things I have mentioned that you have working for you is time. You cannot imagine what this can do for you. Take a look at some of these stocks and imagine what you would have if you had purchased and held them during that period. Apple, if you had bought during 2008 and had waited you would have bought at about \$30 a share and today we are still recommending it at \$150 a share. Look at Hershey; it was about \$40 dollars a share ten years ago but is \$110 today. Or take a look at McDonald's, which has gone from about \$50 to \$140 in the same period. The necessary thing is to buy good growing companies and then wait. Patience is a necessity. I say this because it has happened to me. When I just couldn't wait any longer I sold out, but shouldn't have.

And for those of you who are sitting idly by and just waiting for an increase in those dividends, maybe you are one of these and you can find one or more that you own. Here they are; each one has just announced an increase to their normal payout. Good luck to you, and to you too.

RTN, SNP, SBS, GBCI, USPH, SHI, PBA, OZRK, TJX, TGP, BBY, EPD, STZ, SAP, BPT, CCL, GS, CHL, PG, HCSG, LKFN, QCOM, CHA, OHI, VET, WHR, TEP, GS, PKBK, SAN, CLB, RCI, BBD, CSX, CE, MMP, RN, TRV, BBD, UN, FMS, CNI, FELE, APU, AMP, COST, IBM, UGI, WBS, ABX, ETN, QSR, STNG, SU, XLNX, GWW, MPLX, IEX, GWB, XOM, JNJ, ETP, INFY, TRN, NYLD/A, BWXT, SYT, HNP, GGAL, ECA, BP, PEP, KKR, BAX, AAPL, CAH, EXPD, PSX, POOL, WIN, MFC, CBI, PRGO, BBD, RLI, HY, GPN, TEF, CTSH, MAR, JLL, BGCP, BIP, MAR.

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 MAY/JUNE 2017
www.pearsoncapitalinc.com

APPLE INC. (AAPL) NASDAQ PRICE \$155.69

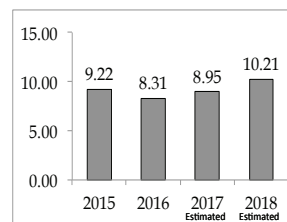
Apple Inc. designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players. The Company sells a range of related software, services, accessories, networking solutions, and third-party digital content and applications. The Company's segments 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: Value
Sector: Information Technology

Institutional Holdings: 5778
Industry: Technology Hardware, Storage & Peripherals

Ratings & Recommendations Earnings per share

Current P/E Ratio: **18.1**
Annual Yield: **1.6%**
Annual Dividend: **2.52**
Investor's Bus. Daily: **B+**
Pearson Growth & Value: **A+**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A-**



MAGNA INTERNATIONAL INC. (MGA) NYSE PRICE \$45.02

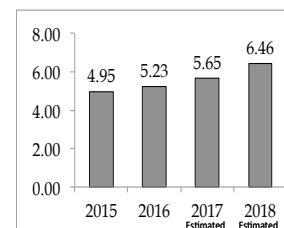
Magna International Inc. (Magna) is a global automotive supplier. The Company's segments are North America, Europe, Asia, Rest of World, and Corporate and Other. The Company's product capabilities include producing body, chassis, exterior, seating, powertrain, electronic, active driver assistance, vision, closure, and roof systems and modules, as well as vehicle engineering and contract manufacturing. The Company has over 320 manufacturing operations and approximately 100 product development, engineering and sales centers in over 30 countries. It provides a range of body, chassis and engineering solutions to its original equipment manufacturer (OEM) customers. It has capabilities in powertrain design, development, testing and manufacturing. It offers bumper fascia systems, exterior trim and modular systems. It offers exterior and interior mirror systems. It offers sealing, trim, engineered glass and module systems. It offers softtops, retractable hardtops, modular tops and hardtops.

Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 1276
Industry: Auto Components

Ratings & Recommendations Earnings per share

Current P/E Ratio: **8.2**
Annual Yield: **2.5%**
Annual Dividend: **1.10**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B-**



NUCOR CORP (NUE) NYSE PRICE \$57.23

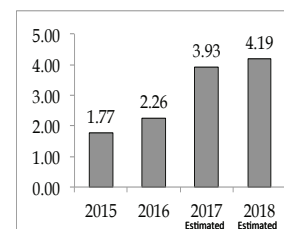
Nucor Corporation (Nucor) manufactures steel and steel products. The Company produces direct reduced iron (DRI) for use in its steel mills. It operates in three segments: steel mills, steel products and raw materials. The steel mills segment produces and distributes sheet steel (hot-rolled, cold-rolled 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: 1562
Industry: Metals & Mining

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.4**
Annual Yield: **2.6%**
Annual Dividend: **1.51**
Investor's Bus. Daily: **C-**
Pearson Growth & Value: **A-**
Morningstar Rating: **D**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**



TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD (TSM) NYSE PRICE \$35.27

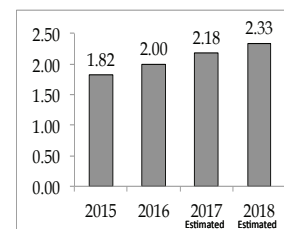
Taiwan Semiconductor Manufacturing Company Limited (TSMC) is a semiconductor foundry. The Company is engaged in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks. It operates through foundry segment. The foundry segment is engaged in manufacturing, selling, packaging, testing and computer-aided design of integrated circuits (IC) and other semiconductor devices and the manufacturing of masks. It operates three 12-inch wafer fabs, four eight-inch wafer fabs, one six-inch wafer fab (fab 2) and two backend fabs (advanced backend fab 1 and 2). It also manages two eight-inch fabs at its subsidiaries, WaferTech, LLC in the United States and TSMC China Company Limited. Its exploratory work focuses on transistors and technologies, such as three dimensional (3D) structures, strained-layer complementary metal-oxide semiconductor (CMOS), high-mobility materials and 3D IC devices.

Type: Value
Sector: Information Technology

Institutional Holdings: 1341
Industry: Semiconductors & Semiconductor Equipment

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.6**
Annual Yield: **2.6%**
Annual Dividend: **0.94**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A-**
Morningstar Rating: **D**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A+**



JUST ASK ANN

We are almost half way through the year and I want to remind our clients who have IRA accounts and have attained the age of 70½ that they are required by the Federal government to take their RMD from their account by December 31, 2017 or incur a 50% penalty on the amount due.

The RMD or Required Minimum Distribution is determined by the account balance on December 31 of the prior year and the age of the client in the current year. The IRS uses the Uniform Distribution Table, a life expectancy chart, to calculate the divisor. Hence, the End of Year Account Value divided by Life Expectancy = RMD \$.

Many clients that take this RMD ask us what options they have to take this money. Of course, they may take the entire amount in a lump sum at any time during the year, but many account owners opt to take a monthly distribution to fulfill this obligation. Not only does this prevent overlooking this obligation but it also helps to supplement their income over the year.

You may also transfer these funds to a regular individual or joint account if you don't need the cash right now and wish to keep the funds invested.

If you were fortunate to have been the beneficiary of someone's IRA account, you also need to take an RMD from the account. This amount will be determined by your Life Expectancy based on age in the year following the date of death of the original owner. A different chart is used to determine this life expectancy.

No matter what option you choose, you will need to complete an IRA Distribution form or have an IRA Move Money Advisor Authorization form on file before withdrawing the RMD. I can provide you with this. We strongly recommend the Move Money form as it is usually a one-time completion for your ongoing obligation.

If you fall into this client base and have any questions, please contact me. If you have already been taking your RMD and wish to alter your method of distribution or amount, let me know so that we can accommodate your request.

CORE ETF (EXCHANGE TRADED FUND) ISHARES CORE S&P U.S. GROWTH INDEX (IUSG) NYSE ARCA PRICE \$47.64

The investment seeks to track the investment results of the S&P 900 Growth Index (the "underlying index"). 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. The underlying index measures the performance of the large- and mid- capitalization growth sector of the U.S. equity market.

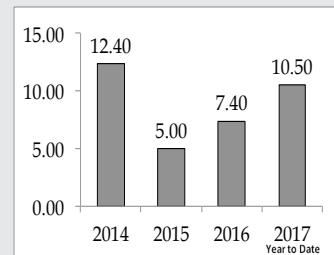
Location: USA
Type: 100% Stocks

Category: Large Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.2%**
Annual Dividend: **0.59**
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%



CORE ETF (EXCHANGE TRADED FUND) ISHARES CORE S&P U.S. VALUE INDEX (IUSV) NYSE ARCA PRICE \$50.14

The investment seeks to track the investment results of the S&P 900 Value Index (the "underlying index"), which measures the performance of the large- and mid-capitalization value sector 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.

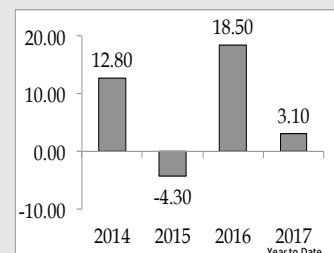
Location: USA
Type: 100% Stocks

Category: Large Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.1%**
Annual Dividend: **1.01**
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%



that have reported earnings to date have been above expectations. According to Zach's research, 58 S&P 500 members are up about 12 percent from the same period last year on 8 percent higher revenues. Seventy-four percent are beating their earnings estimates and 65 percent beating revenue estimates. These results represent a big improvement over the recent past. This is one of the reasons the Federal Reserve is ready to increase interest rates. The pace of growth in both earnings and revenues are above other recent periods, and the proportion of companies beating estimates, particularly revenue estimates, is notably tracking above other recent periods as well.

Analyst estimates for the next earnings period have started coming down, but that is normal as their expectations are almost always higher at the beginning of the year, and then lower as they move forward. Any increase in estimates to reflect the heightened postelection expectations in taxes and changes from the current presidential administration are not factored in as of yet. Analysts will raise their estimates only after Congress passes tax and other reforms of higher interest rates and the immediate repeals of any new Dodd-Frank rulings.

The new trends continue:

- 1) According to the Value Line's stock portfolio, the P/E ratio is still near an all-time high.
- 2) Homebuilding is coming back as home prices have risen higher.
- 3) We will see more stocks move from growth to income.

Key Point: Earnings came in with good news this quarter.

Cash Flows:

Buybacks are fewer this year than last year as companies are waiting for both the overall tax plan and the repatriation as well. We had thought that the repatriation would be one of the first things on the agenda, but it looks like that may not happen until a future date, as long as next year. In 2004, Congress passed the American Jobs Creation act. The tax break allowed foreign earnings to be taxed at a rate of 5.25 percent. This administration wants something similar, with the expected tax proceeds to go toward the nation's infrastructure needs. However, right now, many companies are postponing their buyback and dividend decisions as they wait for the new repatriation rules. This may cause the market to move sideways until these new rules are set in place.

The bump in the financial sector has been a big help, as banks and other financial institutions are going to immediately benefit from reduced regulations and a slightly higher interest rate. They may take this time to increase their dividends.

New trends we see:

- 1) Companies are still holding off potential mergers and large dividend increases until the new tax rulings.
- 2) We still see growth in earnings due to higher revenues.

Key Point: Companies are still waiting for this administration on the new repatriation act.

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%	6.7%
Dow Jones	5.5%	7.3%	26.5%	7.5%	(2.2%)	7.9%	5.6%
Nasdaq	(1.8%)	15.9%	38.3%	13.4%	5.7%	4.1%	13.6%
Market Average	1.2%	12.2%	31.5%	10.8%	0.9%	5.9%	8.6%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



In its most recent meeting, the Federal Reserve decided to keep interest rates on hold but maintained expectations for further 2017 rate hikes. In its latest statement, the committee said it “views the slowing in growth during the first quarter as likely to be transitory” and believes the “fundamentals remain solid.” This leaves the Fed Funds rate at the same levels. The Fed’s goal implies that it is still on track to continue to raise key interest rates only if the economy improves. If it does not, then the Fed will keep interest rates the same. Recent job gains and the continued growth in consumer spending have allowed the Fed breathing room to raise rates, but growth is tepid enough to have them still worried.

An example of this is the debt issue in the territory of Puerto Rico. It is moving toward the largest debt restructuring in the history of the U.S. municipal market. Investors are worried about the precedent it sets, as the emergency rescue law for Puerto Rico, known as Promesa, is overriding some bondholders’ rights leaving them next to nothing in the value of their holdings. Current debts for some states and municipalities are still waiting to be resolved, and this may give them ideas of future bailouts that hurt current bondholders.

New trends we see:

- 1) The Fed can’t control long-term interest rates.
- 2) Oil could go lower in the summer months as shale drilling ramps up.
- 3) China is now setting a new five-year plan for infrastructure goals.

Key Point: The Federal Reserve has put on hold its goal of future interest rate increases.

Earnings Flows:

June is in the middle of this quarter’s earnings season. This quarter’s earnings have improved more than we expected as more than two-thirds of the companies

Continued to page 5

Pearson Capital, Inc.

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

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

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

Stock Analyst
Chris Carothers
PearsonCapital2@yahoo.com

Account Manager
Ann Hathaway
PearsonCapital7@gmail.com

The Pearson Investment Letter
 published monthly since 1982

Editor
Roberta Wilde

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