

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - JANUARY 2013

GROWTH STOCKS:

Apple Comp
BAIDU Inc.

VALUE STOCKS:

IBM Corp
McDonald's Corp.

INCOME STOCKS:

AT&T
Walgreens

ETF'S

Dow Select Div.
S&P Div



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

2012 & 2013 *By Donald Pearson*

Before I began writing this, I went back and read my January 2012 article to see how close I came to predicting the year and many of the events that might create the problems or the opportunities necessary for us to grow and prosper financially. I'm almost sorry to tell you I was right on and suggest you get out your copy, or go to our web site and read it again. I referenced problems with our elected officials, and wanted them to get in a room and not come out until agreements were reached that would solve our problems and get this economy on the road to prosperity. Well, they stretched these issues to the absolute last minute and then simply postponed the real problem until March first. While all this was going on, and everyone continues searching for ways to reduce debt and save money, they receive another pay increase. Imagine taking this for themselves while their approval rating rests around 11%. It just might be the only profession that can get away with this.

I also wrote that keeping the majority of our investments here in this country would seem to be the wisest way to manage a portfolio pursuing growth and income, while making safety paramount. Other places around the world have their own problems, so for the next several months we will not be doing much in Europe or Asia with ETFs. One can go abroad by investing in US companies that have very large foreign ties. AAPL, IBM, MCD, KO, and a host of others can accomplish

this without facing the challenges and hurdles that are still current in foreign economies. Investing here at home or abroad might lose money, but doing nothing while inflation, growing at 6-8 percent annually, eats away at our cash doesn't make any sense either.

Regarding 2012 market performance, I thought the market would weave its way through many challenges and issues, while ending the year favorably somewhere in the area of 10 percent. This prediction was right on also. The Dow ended with an increase of 6.6 percent, and the S&P ended with a 12.6 percent gain. Inside this letter you will find a graph showcasing our chosen ten for last year. With their yields included, the group finished the year with a gain of 14 percent. We display this small but opportunistic portfolio hoping that new investors, especially young start-ups, would consider opening a Roth IRA and selecting some or all of these selections (The contribution limit has increased for 2013 – see inside). I would be happy to answer questions that anyone might have about new account openings. Please feel free to call.

We will again track the eight selections featured in this letter along with gold (GLD) and silver (SLV) for 2013. I believe regardless of the market's overall performance this is a great handful of selections that could be added to everyone's portfolio depending upon the strategy.

Now let's look ahead to this upcoming year and figure out what we know and don't know, and what we can do

to improve our portfolios. I'll have to wait again for the politicians to give us better direction regarding many sectors and selections, and this can be done after they start making the spending cuts that are necessary. The housing market in many areas across the US appears to have finally bottomed. ETFs or individual selections will have to be researched for opportunity and VALUE, so either do your homework, or have us do it for you. Automobiles here in the US are now at an all-time high with an average road life of 11 years. With financing interest rates at an all-time low, and car dealerships offering quality incentives and upgrades, 15 million cars are predicted to be sold this year - an all-time high. A commodity that will be needed for housing and automobiles in large supply is copper. As we have made gold and silver a part of everyone's portfolio, look for copper as an addition to many. Lastly, drug chains such as Walgreens, CVS, and others will continue to minimize risk exposure while growing at a rate of 12-15 percent.

For 2013 I believe the market index will have about the same growth rate as last year (around 10 percent), and I believe we will again outperform because of our strategy, BUY VALUE.

Thank you again for your trust in our decision making and leadership. We look forward to serving you all again this year as members of the Pearson Investment Family.

HAPPY NEW YEAR

Well, I guess the time has come. I have a desire to wish each one of you a Happy New Year. And, inasmuch as this is a brand new year, I wish to take this opportunity to hope that you all had a very remunerative Christmas. Hopefully, your stocks will do even better for you this year than they did last year. Now that the subject has come up, I would like to mention to each of you that selecting stocks to buy brings out a willingness to do some work before the buy. I think it is quite interesting, and I think you may also find it so. In selecting a stock one should look at numerous things. At this point price does not matter because the potential of the company may make it worth more than some of its peers. If the company has been around for some time, I like to look at its past record. If that looks good, I like to check out its potential for the near and distant future. If that looks good, it is time to look at price. The price can be in the hundreds of dollars and still be selling cheap because the price must be rated against present and future earnings. Of course, no one can do these things perfectly, which means you simply do your job to the best of your ability and MAKE NO MISTAKES.



We do not catch everything that is going to become a winner, but I think we have done a commendable job down through the years. Some of you who have been with us long enough can understand whereof I speak. Let me bring up a few examples. Back in 1987 we might have bought McDonald's for you at a price of \$36 or thereabouts. Since that time the stock has split four times, so if you had spent a little less than \$1500 you could have bought 40 shares. Today your 40 shares have climbed up to 240 shares and the value has climbed to about \$22,000. This is the reason to invest in growing companies. At that time we could see the possibilities of the expansion that has actually come about. In addition to that, we can still see the same possibilities, so there is no reason to sell and look for something else. We are still buying this company for some who do not have it.

There are numerous other companies that we have bought for people or that we may purchase in the near future. Some of these are similar in that they have been around for a long time, whereas others may be newcomers. However, we do try to find companies that will grow forever. In that manner if you do not have an IRA, there will be no necessity to sell and no income tax is due on the profits. As you can see from McDonald's, by finding that one investment, a portion of your investment has grown at a rate of better than 2000 percent in a period of 25 years. This is one of the things about investing: Think Long Term. I can recall some years ago that much of the thinking about Apple Computer was derogatory.

More companies that have raised the dividend again, or which have decided to start paying dividends this month, and that are owned by some of you are: MRK, DIS, ESP, BMY, ENSG, SYK, CHRW, LLTC, PAYX, CYH, STX, DLB, IPGP, AMGN, CVS.

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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 FOR JANUARY 2013

www.pearsoncapitalinc.com

APPLE INC (AAPL)

NASDAQ PRICE: \$532.17

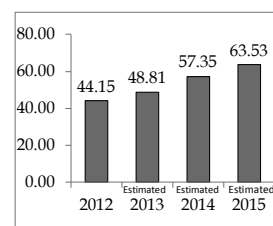
Apple Inc. (Apple) designs, manufactures and markets mobile communication and media devices, personal computers, and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications. The Company's products and services include iPhone, iPad, Mac, iPod, Apple TV, a portfolio of consumer and professional software applications, the iOS and OS X operating systems, iCloud, and a variety of accessory, service and support offerings. The Company also sells and delivers digital content and applications through the iTunes Store, App StoreSM, iBookstoreSM, and Mac App Store. The Company sells its products worldwide through its retail stores, online stores, and direct sales force, as well as through third-party cellular network carriers, wholesalers, retailers, and value-added resellers. In February 2012, the Company acquired app-search engine Chomp.

Type: Growth
Sector: Technology

Institutional Holdings: 5017
Industry: Computer Hardware

Ratings & Recommendations Earnings per share

Current P/E Ratio: **12.1**
Annual Yield: **1.99%**
Annual Dividend: **\$10.60**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A**



BAIDU INC (BIDU)

NASDAQ PRICE: \$100.29

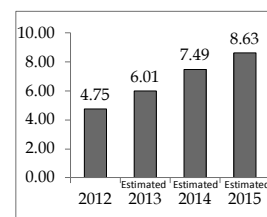
Baidu, Inc. operates as a Chinese language Internet search provider for web pages, audio files, news, images and multimedia through links provided on their website. The Company offers search and community services including an online collaboratively-built encyclopedia and a searchable keyword-based discussion forum. Baidu, Inc. also provides online marketing services that includes auction-bases pay for performance and tailored solutions..

Type: Growth
Sector: Technology

Institutional Holdings: 1488
Industry: Computer Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **22.5**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A+**
Morningstar Rating: **B**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**



INTERNATIONAL BUSINESS MACHINES CORP. (IBM)

NYSE PRICE: \$191.55

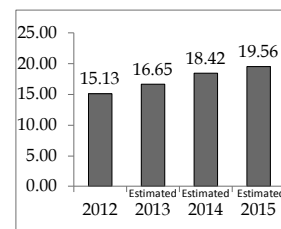
International Business Machines Corporation (IBM) is an information technology (IT) company. IBM operates in five segments: Global Technology Services (GTS), Global Business Services (GBS), Software, Systems and Technology and Global Financing. GTS provides IT infrastructure services and business process services. GBS provides professional services and application management services. Software consists of middleware and operating systems software. Systems and Technology provides clients with business solutions requiring advanced computing power and storage capabilities. Global Financing invests in financing assets, leverages with debt and manages the associated risks. In October 2012, it acquired Texas Memory Systems. In October 2012, it announced the opening of three new branch offices in ASEAN, which are located in the cities of Ipoh and Malacca in Malaysia and Bandung in Indonesia, and announced the opening of three new branches across Brazil. In December 2012, it acquired Kenexa.

Type: Value
Sector: Technology

Institutional Holdings: 3249
Industry: Computer Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.8**
Annual Yield: **1.77%**
Annual Dividend: **\$3.40**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A-**



MCDONALD'S CORP. (MCD)

NYSE PRICE: \$88.21

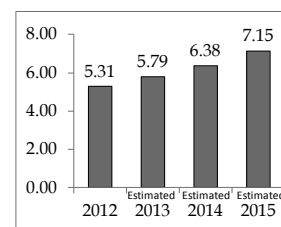
McDonald's Corporation franchises and operates McDonald's restaurants in the global restaurant industry. These restaurants serve a menu at various price points providing value in 119 countries globally. As of December 31, 2011, of the 33,510 restaurants in 119 countries 27,075 were franchised or licensed (including 19,527 franchised to conventional franchisees, 3,929 licensed to developmental licensees and 3,619 licensed to foreign affiliates (affiliates)-primarily Japan) and 6,435 were operated by the Company. McDonald's menu includes hamburgers and cheeseburgers, Big Mac, Quarter Pounder with Cheese, Filet-O-Fish, several chicken sandwiches, Chicken McNuggets, Snack Wraps, French fries, salads, oatmeal, shakes, McFlurry desserts, sundaes, soft serve cones, pies, soft drinks, coffee, McCafe beverages and other beverages

Type: Value
Sector: Services

Institutional Holdings: 2832
Industry: Restaurants

Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.6**
Annual Yield: **3.49%**
Annual Dividend: **\$3.08**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A**



PEARSON CAPITAL'S RECOMMENDED STOCKS JANUARY 2013
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AT&T INC. (T) NYSE PRICE: \$33.71

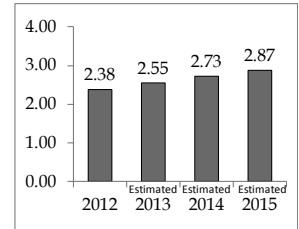
AT&T Inc. (AT&T) is a holding company. AT&T is a provider of telecommunications services in the United States and worldwide. Services offered include wireless communications, local exchange services and long-distance services. AT&T operates in four segments: Wireless, Wireline, Advertising Solutions and Other. Its Wireless subsidiaries provide both wireless voice and data communications services across the United States, and through roaming agreements, in a substantial number of foreign countries. Wireline subsidiaries provide primarily landline voice and data communication services, AT&T U-verse TV, high-speed broadband and voice services (U-verse) and managed networking to business customers. Advertising solutions subsidiaries publish Yellow and White Pages directories and sell directory advertising and Internet-based advertising and local search. AT&T's Other segment includes customer information services (operator services) and corporate and other operations.

Type: Income
Sector: Services

Institutional Holdings: 2932
Industry: Communications

Ratings & Recommendations Earnings per share

Current P/E Ratio: **14.2**
Annual Yield: **5.34%**
Annual Dividend: **\$1.80**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A-**



WALGREEN CO. (WAG) NYSE PRICE: \$37.01

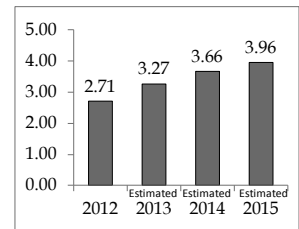
Walgreen Co. (Walgreens), together with its subsidiaries, operates the drugstore chain in the United States. The Company provides its customers with access to consumer goods and services, pharmacy, and health and wellness services in communities across America. The Company offers its products and services through drugstores, as well as through mails, by telephone and online. The Company sells prescription and non-prescription drugs, as well as general merchandises, including household items, convenience and fresh foods, photofinishing and candy. On August 2, 2012, it acquired 45% interest in Alliance Boots GmbH (Alliance Boots). In September 2012, the Company completed the purchase of a regional drugstore chain in the mid-South region of the United States. In September 2012, WP Carey & Co LLC acquired five retail stores leased to Walgreen Co. In December 2012, the Company completed a transaction giving company a ownership stake in Cystic Fibrosis Foundation Pharmacy LLC.

Type: Income
Sector: Services

Institutional Holdings: 1755
Industry: Retail (Drugs)

Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.6**
Annual Yield: **2.97%**
Annual Dividend: **\$1.10**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **B-**



ISHARES DOW JONES SELECT DIVIDEND INDEX FUND (DVY) NYSE ARCA PRICE: 57.21

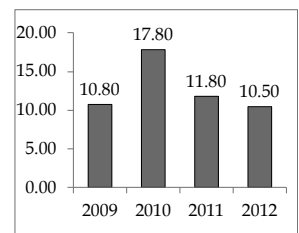
The investment seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Dow Jones U.S. Select Dividend Index (the "underlying index"). The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. The underlying index measures the performance of a selected group of equity securities issued by companies that have provided relatively high dividend yields on a consistent basis over time.

Location: USA
Type: 100% Stocks

Category: Large Value
Industry: Diversified

Ratings & Recommendations Performance by %

Current P/E Ratio: **N/A**
Annual Yield: **3.49%**
Annual Dividend: **\$1.99**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**



SPDR S&P DIVIDEND ETF (SDY) NYSE ARCA PRICE: 58.11

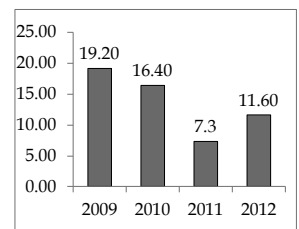
The investment seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index that tracks the performance of publicly traded issuers that have historically followed a policy of making dividend payments. The fund employs a sampling strategy in seeking to track the performance of the S&P High Yield Dividend Aristocrats Index. It generally invests substantially all, but at least 80%, of total assets in the securities comprising the index. The fund may invest in equity securities that are not included in the index, cash and cash equivalents or money market instruments.

Location: USA
Type: 100% Stocks

Category: Large Value
Industry: Diversified

Ratings & Recommendations Performance by %

Current P/E Ratio: **N/A**
Annual Yield: **3.14%**
Annual Dividend: **\$1.82**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A+**
Morningstar Rating: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**



Below are the selections featured in our January 2012 Newsletter. These choices were taken from our basket of growth, value, income, ETFs, and commodities that are in most of our client's accounts. These selections are also a part of my own personal portfolio too.

We show this group and make the following statement; Although one can lose money investing, with an inflation rate growing annually between 6-8 percent, it is our opinion the best way to get ahead is by making wise investment decisions. Investing in quality companies, many with increasing yields that are selling at under-valued prices can do exactly this. Value investing can minimize risk while providing the opportunity to be successful.

NAME	Symbol	Yield	Value 1/1/2012	Value 12/31/2012	\$\$\$ Gain/Loss	%% Gain/Loss
APPLE INC	AAPL	2.00%	405.00	532.17	127.17	31.4%
BAIDU INC	BIDU	N/A	116.47	100.29	-16.18	-13.9%
IBM	IBM	1.65	183.88	191.55	7.67	4.2%
MCDONALDS CORP	MCD	3.20%	100.33	88.21	-12.12	-12.1%
AT&T INC	T	5.80%	30.24	33.71	3.47	11.5%
TECO ENERGY	TE	4.50%	19.14	16.76	-2.38	-12.4%
VANGUARD (ETF) APPLICATION	VIG	2.70%	54.65	59.57	4.92	9.1%
S&P DIVIDEND (ETF)	SDY	4.10%	53.87	58.16	4.29	7.9%
GOLD TRUST (EFT)	GLD	N/A	151.99	162.02	10.03	6.6%
SILVER TRUST	SLV	N/A	26.94	29.37	2.43	9.1%
TOTALS	-	2.70%	\$1,142.51	\$1,271.81	\$129.30	14.0%

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.

2013 Roth IRA change. Maximum contribution - \$5,500 – For those over 50 years of age - \$6,500

MARKET VIEW *Continued from page 10*

Cash Flows

The worst thing the "fiscal cliff" does is paralyze the ability of businesses to make financial allocation decisions while waiting for legislation to pass. The House managed to pass the Senate's 11th-hour agreement on averting the newest political calamity and put the stock market on a roller coaster ride, sending the markets surging higher the next day. Tax increases are still set to take place, but they are less than expected. Tax rates have changed, including an increase in tax rates for couples with incomes over \$450,000, to 39.6%. For those same households, capital-gains and dividend taxes would increase to 20%, from 15%. Estate taxes would increase from 35% to 40%. Unemployment benefits will be extended until the end of the year, and planned spending cuts scheduled to kick in this month are to be postponed for two months. The debt ceiling will be coming up in the next few months, and the market will move up and down before that issue is resolved. I had thought that the members of Congress did not want to be seen doing anything that seemed like a tax increase, for they would meet an angry electorate, or an angry rich benefactor. I had also thought they would much prefer to let the automatic expiration occur and then they could see some major cuts in programs. Unfortunately without new spending cuts, we will see a larger deficit this year, and at the same time, most households will face higher payroll taxes because the deal does not extend a two-year-old tax break on them.

New trends that are happening:

- 1) Dividend stocks will not have a problem with the new tax rules.
- 2) Companies will start making decisions on mergers and acquisitions.

Please note:

1. More politics will happen before March.
2. February will see if we have a good year.
3. China is starting to pick up.



On December 9, 2012, the collection party for the 8th annual **South Shore Toys for Tots** toy drive was held at the local VFW Post #6287 here in Ruskin, FL.

This event, sponsored by **Pearson Capital, Inc.** is the culmination of 6 weeks of area businesses helping to fill 100+ boxes with new, unwrapped toys for children of need in our local area and throughout Hillsborough County. That amounted to over 5,000 toys requiring two and a half Penske trucks to haul away!

Mr. & Mrs. Claus welcomed our guests and DJ Gary provided music and acknowledged every donation dropped off by our generous visitors!

All of us at Pearson Capital want to thank everyone who participated in making this another wonderful, Christmas morning for these deserving children.

A special thank you to Costco, Apollo's Bistro and West Shore Pizza for their donations to our party buffet and to Huth & Booth Photography.



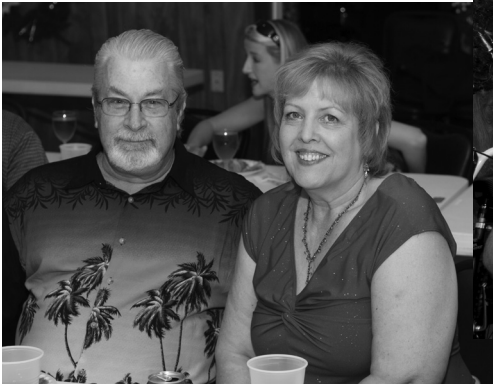
Don, Ann and our Tampa Marines



The James Pulkowski family



Boxes, boxes everywhere!



Penny & John Smith of H&R Block



"Big" Ed Booth & Santa



Santa's Helpers



A Marine from the 4th Assault Amphibious Battalion



Pastor Charlie Lewis & Larry Brooks with Don and Ann



Santa's Helpers



Happy New Year



Santa and the troops



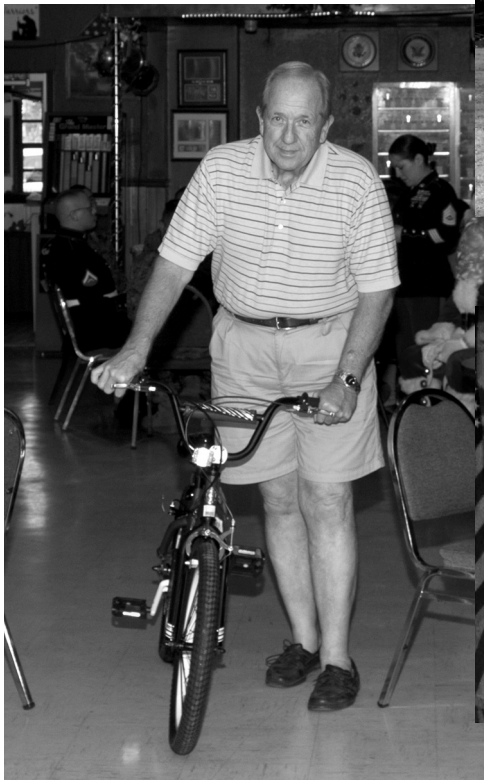
Walter Pearson, Lucille Scodari and Mr & Mrs Claus



Our kitchen crew: Joanne Fishburn, Grace Stalley, Colleen Leahy & Paula Zellinger



One packed truck!



Larry Brooks of A&A Mortgage Funding



Don & Gunny Sgt. America Dones



More toys being brought into the VFW



Don, Ann and the troops



Alison & Peter Farnan
Toys for Tots 2012



Bringing in toys

Happy New Year



Pam Vassello of The Alley shares a laugh.



Mia Zuzack with Don & the Clauses



Kitchen Crew on Photo patrol!



Pastor Lewis & Family & Friends



Toys...



Toys...



And more toys!!!



The Clauses, Don, Ann and the troops



Emma Lewis with Santa



A roomful of toys & people.

*Happy
New Year*



Ann and Santa.



Have you been naughty or nice?



Edith Calvert and a friend



**Doesn't hurt to send Santa
a reminder text!**



Box duty all day long!



**Last minute instructions from
the Clauses.**



Larry Brooks



"We have been good this year."



**Ellen & Joe Eletto of Beggins Century 21
Toys for Tots 2012**



Colin Howgill & Weichert Realty

WALL STREET INDEXES

Indexes	2006	2007	2008	2009	2010	2011	2012
S&P 500	13.6%	3.6%	(40.0%)	23.5%	12.9%	EVEN	13.4%
Dow Jones	16.3%	6.4%	(33.4%)	18.8%	11.0%	5.5%	7.3%
Nasdaq	9.5%	9.8%	(42.1%)	43.9%	16.9%	(1.8%)	15.9%
Market Average	14.1%	5.6%	(38.4%)	27.9%	13.8%	1.2%	12.2%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows

With the calamity of the "fiscal cliff" taking over the financial headlines, the stock market is on a roller coaster ride, with stocks moving

up or down each day. The Federal Reserve has stated that it is the job of the Congress to get its financial house in order, and they are creating a mess of it. The Fed, in their latest meeting, made it clear that they will continue to pursue the objectives they set out in QE3 - buying mortgage-backed securities every month until the unemployment rate falls to 6.5%. Right now, the Fed currently purchases around \$45 billion in securities per month. The U.S. dollar should continue to steadily erode, simply due to 0% interest rates attracting few investors. While this is a good thing for manufacturers and global multinational companies, this is bad for those who are the nation's "savers," who keep their preserved safe money in treasuries, CD's and money market accounts. Critics have stated that the Fed also reversed its own "fighting inflation" policy by saying it would allow inflation to run above its 2% target as long as the unemployment rate remains high. In other words, unemployment, rather than inflation, is the top priority of interest rate targeter Ben Bernake. This policy will likely weaken the dollar, sparking commodity inflation. Fortunately, the stock market has been a good historical hedge against inflation. In particular, we believe multinational stocks will benefit greatly from the gradual decline of the dollar.



New trends we see:

- 1) Inflation in commodity prices will show up in food and gasoline prices.
- 2) The housing market still will have a good quarter.
- 3) The growth rate of banks is slowing because they are not lending.
- 4) The Congress will continue to make short term decisions, but not long term.
- 5) Unemployment will remain high even though the Fed will continue to print money.

Key Point: Looks like we averted going over the cliff.

Earnings Flows

January starts out the new year right with this quarter's earnings reports in the middle of the month. Year over year expectations are not going to be easy to beat again, as they have been in the past few years. This is almost the fourth year since the market bottomed in March 2009. So, in January, companies will give analysts and investors this year's expectations for earnings and growth, and if they are happy and upbeat, the stock will move higher. If management is unhappy or grim in their views, the stock will go sideways or lower. We remain optimistic that the stocks of the S&P 500 will continue to raise their current high dividend yields and fund stock buybacks that will allow prices to remain stable. We see the global economy slowly improving, and the Fed creating a weak dollar environment will help global stocks increase their earnings in 2013. This in turn will help global stock markets as well. Expectations are key in January, since we always see management as low key and somber. This leaves analysts to trend too high in their current year earnings analyses, then they lower them to more rational levels in the summertime. We love to see companies have low expectations and conservative numbers; this leaves room for positive earnings surprises.

Once again some of the new trends are:

- 1) Apple's stock (APPL) hopefully will beat expectations.
- 2) I expect construction stocks to do well.
- 3) Christmas has done well for retail companies.
- 4) Oil prices may rise if there are continued problems in the middle east.

Key Point: January will have good earnings even though it will be difficult.

Continued to page 5

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