

Your Personal Money Manager

Pearson

INVESTMENT LETTER

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See Ann's Article for details!

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FEATURED STOCKS - AUG/SEPT 2015

GROWTH STOCKS:

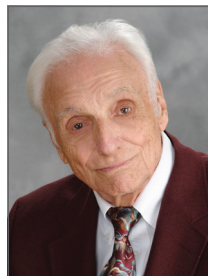
Apple Inc
Priceline Group Inc

VALUE STOCKS:

Hasbro Inc
Toronto-Dominion Bank

FEATURED CORE INVESTMENTS

Featured Stock - Google Inc
Featured ETF - SPDR® S&P Dividend



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

POSITIVE POLICIES *By Donald Pearson*

The policies that outline a company say a great deal about the management. We here at PCI are always trying to help our clients and do the very best we can to assist whenever we see an opportunity. Starting today we are doing away with our 2 percent annual management fee for smaller accounts under \$25,000 without exception. This will have more dollars working for those in most cases who need the funds to grow. Along with this we are making another push to getting accounts opened for children or grandchildren to educate them on the value of investing while growing their pot of wealth, be it large or small. Many of you will become custodians on the minors' accounts and can help to teach the value of these investments. As an example, if four years ago you had opened an account for your grandchild with \$500, we would have purchased three shares of Apple and two shares of Disney. Today the value of this investment has doubled. You and other family members can add to this account at any time too. The added money could become a birthday, Christmas, or special occasion present. Although it's a financial loss for us we do these at no charge. The one percent management fee is not applied until the account reaches \$1,500 and then it's only \$15.00 annually. This is another way of showing to you our appreciation for utilizing PCI for the many years you've entrusted us with the responsibility of managing your investment portfolio.

My father has done this with all of his children and grandchildren. For over 25

years we have watched many of these accounts grow to values of significant amounts.

For those who are older, and I might say at any age if you are not within a plan of action that's producing the growth needed for a productive retirement, get started immediately. You are welcome to talk with me to develop a strategy plan and then get it implemented. For those with a plan in place but not hitting the numbers needed, as my father so often says, "add money to your account."

A reminder: For those with a 401K, the maximum amount one can contribute is \$18,000 annually. If you're not doing this you should if possible increase your deduction, and have the money grow tax free. For those with IRAs the maximum amount is \$5,500, and over age 50, \$6,500. Many have accounts with former employers just sitting there without guidance and supervision. Look into getting this rollover and receiving professional guidance.

One last policy: we give our clients assistance with 401K selections. If you call me I will offer my services and help with the many choices you have to make. This is offered to everyone within the PCI family.

Stock Splits & Buy Backs

Today 20 to 25 percent of the share prices of companies within the S&P 500 have gone over \$100 and most are not planning a stock split that was so popular in the nineties. Exchange Traded and Mutual Funds are not

concerned as the companies are focused on increasing their dividends or making significant stock buybacks.

When a company forecasts a stock buyback, it immediately indicates there will be a reduction with the number of outstanding shares, thereby increasing their earnings and implying the stock price should rise. This year should be a record year with US companies exceeding one trillion dollars.

Once a company buyback is announced, you must do your homework because many things can, and in many cases will, happen that negate what you first thought. Nearly 25 percent of companies announcing a buyback program do not follow through. A prime reason for this is business softens before the buyback begins, so the buyback is reduced or cancelled.

It doesn't always reduce the number of outstanding shares either. A good example of this is QUALCOMM which has spent more than \$13 billion in buybacks over the past five years, while the number of shares has grown by 2 percent because the company has awarded nearly 100 million new shares to management.

A buyback with value should reduce outstanding shares by 5 percent or more. The company may be doing this trying to attract new investors or pleasing current shareholders. So the message is, look before you leap, and do the research before jumping in.

DP

Hello again. It's me!

Nice to have come together again. Maybe I should say that it's nice for me, but I am not thinking of the ramifications that may be interposing between us. How come I haven't taken that into account? Well, after all it tends to prove that I am not perfect, regardless of what you may have thought before. After all, you have your own thoughts. Let's stop and consider your past thinking. Were you right, or, were you wrong? It is much easier to think positive rather than the negative.

Let's think about making money. There are two ways: one is by working for it, and the second choice is to let somebody else do the work and allow the profits to come your way. What a nice kettle of fish. I sure wish I had known about this when I was younger. Perhaps you might just step up and volunteer the job for me. Oh well, beggars can't be choosers; better luck next time. I do have something to tell you, and yes I do think it is quite important. The story is that we have come across a company that looks like it may be even better to own than Baidu or Apple. Believe it or not they seem to be able to increase earnings every quarter and the earnings are increasing at a phenomenal rate. It seems to be in a position so that the earnings will keep increasing.

Now I don't know how this affects your thinking but it just blows the lid off of my thinker. You may not take this all in as I do, but the ramifications of a company of this ilk are tremendous, and what it could mean is the possibility of this company growing and growing and never stopping. This is something on which you cannot count for sure, but we have studied, and pulled it apart, and put it together again, and we have come to the ultimate conclusion that we not only have a winner here but it may turn out to stand above our former leaders. If our soldier boy can only duplicate Baidu's performance, it will have appreciated 15 times in the next 20 years.

What we have decided to do is just to get everyone invested in this company as quickly as possible. Now! Let's talk about something else. Have you noticed the changes that have been taking place lately? Have you noticed that things are not the same as they were yesterday, or the day before, or the day before that? And each day that passes seems to multiply the changes. Gas has finally gone down but I can remember paying one dollar for seven gallons. I can remember getting a shave and a haircut for twenty-five cents and a tip was unheard of. Think back, you may not be as old as I am, but you certainly have noticed that your world is changing.

What does this all mean to you? I am constantly thinking of the future and trying to make changes that will be affected by the next change. I read other people's papers and try to benefit by what I have read. I have come to the conclusion that we are going to have inflation and not in too mild a manner. Some literature I have read seems to feel that hyper-inflation will start with the New Year. I would expect that it also means higher prices for stocks. I have noticed lately that the price earnings ratio has increased considerably which means that you will pay more. I can't say that this means that the time is right or not but it has been proven by the chart which covers the last hundred years that the market will make you money even if you come in at the worst time providing you stick with it. Arrivederci!

Here are a few companies that are thinking in the positive vein: They have decided to raise your income slightly by raising their dividend. Hopefully you own most of them. OZRK, SAN, GG, CLB, WBA, R, CMI, OHI, COP, CCL, CP, RAI, BP, AIG, AFSI, ATRI, JCOM, DOV, IFF, MFC, RIO.

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 AUGUST/SEPTEMBER 2015
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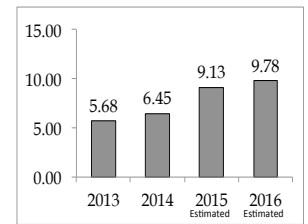
APPLE INC (AAPL) NASDAQ PRICE \$115.96

Apple Inc. 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 offers a range of mobile communication and media devices, personal computing products and portable digital music players, as well as a variety of related software, services, peripherals, networking solutions and third-party hardware and software products. The Company's primary products include iPhone, iPad, Mac, iPod, iTunes, Mac App Store, iCloud, Operating System Software, Application Software and Other Application Software.

Type: Growth
 Sector: Information Technology
 Institutional Holdings: 5736
 Industry: Technology Hardware, Storage & Peripherals

Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.3**
 Annual Yield: **1.81%**
 Annual Dividend: **2.10**
 Investor's Bus. Daily: **A**
 Pearson Growth & Value: **A+**
 Morningstar Rating: **B**
 Stand & Poor Rating: **B**
 The Street (analyst avg.): **C**



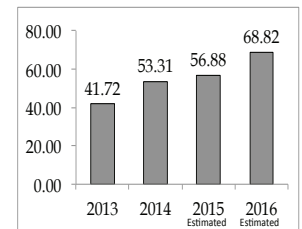
PRICELINE GROUP INC (PCLN) NASDAQ PRICE \$1283.80

The Priceline Group Inc. is a provider of online travel and travel related reservation and search services. The Company, through its online travel agent (OTA) services, connects consumers wishing to make travel reservations with providers of travel services across the world. The Company's brands include Booking.com, KAYAK, agoda.com, rentalcars.com and OpenTable. The Company offers consumers accommodation reservations, including hotels, bed and breakfasts, hostels, apartments, vacation rentals and other properties, through its Booking.com, priceline.com and agoda.com brands. Its priceline.com brand also offers consumers reservations for rental cars, airline tickets, vacation packages and cruises. The Company offers rental car reservations through its Website rentalcars.com. The Company also provides an online price comparison service from various travel Websites through KAYAK. OpenTable provides its services to consumers and reservation management services to restaurants.

Type: Growth
 Sector: Consumer Discretionary
 Institutional Holdings: 2382
 Industry: Internet & Catalog Retail

Ratings & Recommendations Earnings per share

Current P/E Ratio: **28.7**
 Annual Yield: **0%**
 Annual Dividend: **0**
 Investor's Bus. Daily: **A**
 Pearson Growth & Value: **A**
 Morningstar Rating: **B**
 Stand & Poor Rating: **C**
 The Street (analyst avg.): **A-**



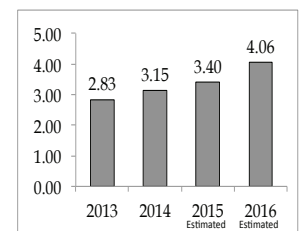
HASBRO INC (HAS) NASDAQ PRICE \$80.71

Hasbro, Inc. (Hasbro), through its wholly owned Hasbro Studios LLC (Hasbro Studios), creates entertainment brand storytelling across mediums, including television, film and among others. Its brand blueprint involves re-imagining, re-inventing, and re-igniting its owned and controlled brands, and imagining, inventing and igniting new brands, through toy and game innovation, immersive entertainment offerings, including television programming and motion pictures, and a range of products, ranging from traditional to digital. The Company markets its brands under product categories, which include boys, games, girls and preschool toys. The Company's business operations include United States, Canada, International, Entertainment and Licensing. Its global operations include arranging product manufacturing and sourcing for the United States and Canada and International operations. Its brands include LITTLEST PET SHOP, MONOPOLY, MY LITTLE PONY, NERF, PLAY-DOH and TRANSFORMERS.

Type: Value
 Sector: Consumer Discretionary
 Institutional Holdings: 1158
 Industry: Leisure Products

Ratings & Recommendations Earnings per share

Current P/E Ratio: **24.6**
 Annual Yield: **2.28%**
 Annual Dividend: **1.84**
 Investor's Bus. Daily: **A-**
 Pearson Growth & Value: **A-**
 Morningstar Rating: **B+**
 Stand & Poor Rating: **B**
 The Street (analyst avg.): **B**



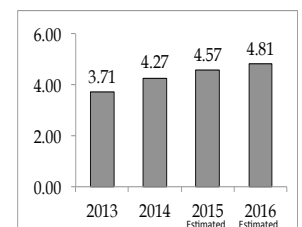
TORONTO-DOMINION BANK (TD) NYSE PRICE \$39.65

The Toronto-Dominion Bank and its subsidiaries are collectively known as TD Bank Group (TD). TD offers a full range of financial products and services to approximately 22 million customers around the world through three key business lines: Canadian Retail including TD Canada Trust, TD Commercial Banking, TD Auto Finance (Canada), TD Wealth (Canada) and TD Insurance; U.S. Retail including TD Bank, America's Most Convenient Bank, TD Auto Finance (U.S.), TD Wealth (U.S.) and TD's investment in TD Ameritrade and Wholesale Banking including TD Securities. It has approximately 8.8 million active online and mobile customers.

Type: Value
 Sector: Financials
 Institutional Holdings: 1691
 Industry: Banks

Ratings & Recommendations Earnings per share

Current P/E Ratio: **12.7**
 Annual Yield: **4.05%**
 Annual Dividend: **1.61**
 Investor's Bus. Daily: **D**
 Pearson Growth & Value: **B+**
 Morningstar Rating: **B**
 Stand & Poor Rating: **B**
 The Street (analyst avg.): **C+**



CORE STOCK

GOOGLE INC (GOOGL) NASDAQ PRICE \$689.37

For this month, we are focusing on one of our long-term holdings, Google (GOOGL). Google Inc. maintains an index of websites and other online content and makes this information freely available through its search engine to anyone with an internet connection. It also maintains other ventures into health care, life-sciences, and other new technologies.

Recently, Larry Page, the co-founder and CEO of Google, announced that he is stepping down as the CEO. The web-search and media giant, which with a market capitalization of \$434 billion, is restructuring and creating a new parent company called Alphabet. Every share of Google stock will automatically convert to Alphabet stock later this year. Alphabet will be an umbrella for numerous businesses. Google will be one of those companies. Alphabet will then separate the other current Google ventures. Among them are: (a) A life-sciences division working on contact lenses for diabetics and a "longevity" company called Calico. (b) Nest, which makes web-connected thermostats and security systems, and (c) Google X, which funds projects like driverless cars. Here

will also be two financial businesses: Google Ventures, the venture capital arm, and Capital, which invests in private equity deals. Google X, which is the company's experimental laboratory, will also be run separately.

In the last five years we have listed Google three times.

Year	Month	Featured newsletter price
2010	September	\$450.02
2011	January	\$593.97
2012	December	\$698.37
2015	Today	\$635.50 after a 2 for 1 split.

We expect this new company structure will provide clarity to investors, as well as provide a new direction for the company moving forward.

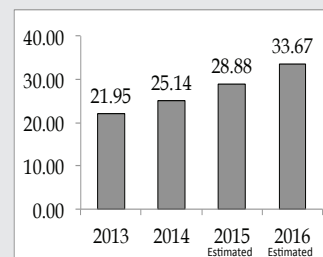
Google Inc. (Google) provides its products and services in more than 100 languages and in more than 50 countries, regions and territories. The Company offers a range of products across screens and devices. The Company delivers both performance advertising and brand advertising. The Performance advertising creates and delivers relevant ads, which leads to direct engagement with advertisers. Brand advertising enhances users' awareness of and affinity with advertisers' products and services, through videos, text, images, and other interactive ads that run across various devices. The Company has an ad technology platform for brand advertisers, agencies, and publishers to power its digital marketing businesses across display, mobile, and video.

Type: Growth
Sector: Information Technology
Institutional Holdings: 4427
Industry: Internet Software & Services

Ratings & Recommendations

Current P/E Ratio: **32.7**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **C-**

Earnings per share



CORE ETF (EXCHANGE TRADED FUND)

SPDR S&P DIVIDEND (SDY) NYSE ARCA PRICE \$78.15

SPDR S&P Dividend ETF (SDY) \$XX>XX, offers a portfolio of companies with a long track record of increasing dividends. Companies that consistently increase dividends throughout market cycles tend to have sustainable competitive advantages or have experienced strong growth. The investment seeks to provide results that, before fees and expenses, correspond generally to the total return performance of an index. The fund employs a sampling strategy to track the performance of the S&P High Yield Dividend Aristocrats Index. It generally invests substantially all, but at least 80 percent, of its total assets in the securities comprising the index. The index is designed to measure the performance of the highest dividend yielding S&P Composite 1500® Index constituents that have followed a managed-dividends policy of consistently increasing dividends every year for at least twenty consecutive years. Below is a list of their top ten holdings and the percentage invested in each. The fund is non-diversified.

Top 10 Holdings	Company % of Assets	Top 10 Holdings	Company % of Assets
AT&T Inc.	2.62%	Nat'l Retail Properties	1.70%
HCP Inc.	2.19%	AbbVie	1.69%
People's United	2.08%	McDonald's Corp	1.63%
Consolidated Edison	1.99%	Chevron Corp	1.53%
Realty Income Corp	1.98%	Kimberly-Clark Corp	1.53%

Featured in the earlier newsletters

October of 2010	\$ 50.18	April of 2013	\$ 65.99
January of 2011	\$ 51.98	April of 2014	\$ 72.77
January of 2012	\$ 53.87	August 11, 2015	\$ 77.89
August of 2012	\$ 57.80		

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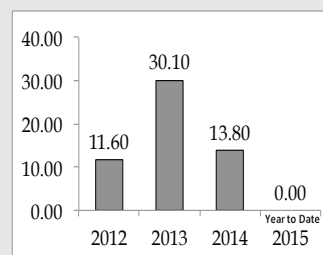
Location: USA
Type: 100% Stocks

Category: Growth / Value
Industry: Non-Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.34%**
Annual Dividend: **1.83**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



While we are only a little more than halfway through the year and the Required Minimum Distributions (RMDs) are not due until the end of the year, we are going to attempt to have the necessary paperwork in place by the middle of October.

In the next few weeks I will be contacting you regarding your preferences and setting up Distribution Forms for you to sign. YOU DO NOT HAVE TO TAKE THIS MONEY NOW. We can set this up for disbursement on any date you choose prior to 12/31/15. That way we will know that all affected clients will be in line for a timely payout and avoid any penalties from the IRS for failure to comply.

For those clients who take a monthly distribution that satisfies this RMD you will only be notified by a postcard that your RMD will be completed on time and that no additional action is needed.

Please note that RMDs only apply to our IRA clients who have reached the age of 70½ this year as well as clients that have Beneficiary IRA accounts.

As a follow-up to our request for updates on your accounts, I want you to know that this is still a work in progress. Many of you should have received notifications that these changes were made to your account. We strive to do this with accuracy, but if you notice that any error was made, please let us know asap so that we can keep our client information up to date.

MARKET VIEW *Continued from page 6*

The new trends continue:

- 1) South American countries are having economic problems.
- 2) Expect seasonal profit taking in thin market conditions.

Key Point: The strong dollar is affecting earnings.

Cash Flows:

Investors are now expecting companies to show where the money they create is going. Take our showcased stock for this month's letter, Google. It recently announced that it will create a parent company called Alphabet to separate their core businesses, which are search and You Tube video, with their new startup companies.

Until now, all those companies, which produce little or no revenue or cash flows, were lumped in with Google's overall results. That mixture could not show clearly how well Google's developed businesses were performing. But with the restructuring, the company is going to tell Wall Street for the first time just how profitable its core Google business is apart from all the money-losing ventures. At the same time it gives investors clarity on how much money is being spent on these "non-core" businesses. Alphabet is an attempt to answer the critics by revealing more information about the performance of the parts of Google that Wall Street and investors actually care about.

New trends that are happening:

- 1) We expect a rebound in technology stocks.
- 2) Companies are continuing their buybacks.
- 3) Biotechnology stocks will still continue to do well and lead the way this year.

Key Point: Companies are restructuring to give investors more clarity.

Please note:

- 1) Europe is in the middle of a turnaround.
- 2) Politics are now part of the summer news.

WALL STREET INDEXES

Indexes	2009	2010	2011	2012	2013	2014	2015
S&P 500	23.5%	12.9%	EVEN	13.4%	29.6%	11.4%	1.6%
Dow Jones	18.8%	11.0%	5.5%	7.3%	26.5%	7.5%	(1.9%)
Nasdaq	43.9%	16.9%	(1.8%)	15.9%	38.3%	13.4%	6.6%
Market Average	27.9%	13.8%	1.2%	12.2%	31.5%	10.8%	2.1%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



The Federal Reserve is still going to keep interest rates in check at all-time lows, but at the same time it is not going to let economic fluctuations interfere with its long-term goals. Wall Street remains convinced that the Fed will raise key interest rates in September, which in part will help keep the dollar stronger. We may see that pushed out to later in the year. It has also recently finished up its Federal Open Market Committee (FOMC) meeting and has repeated its statement that it believes its goal of a 2 percent inflation rate will largely remain. With a strong US Dollar so high, people expect that the Fed will raise rates only one time this year. Another factor that may influence the Fed's decision is their ongoing concern with a strong US Dollar causing a "commodity crunch" and raising the threat of deflation.

New trends we see:

- 1) China is devaluing its currency.
- 2) Oil and other commodities are going lower.
- 3) Expect other countries to devalue their respective currencies as well.

Key Point: The Federal Reserve is still keeping its goal of eventually raising interest rates.

Earnings Flows:

As we stated earlier, the US dollar is getting stronger again. At the same time, competing countries, such as China, are devaluing their currency. This once again causes this quarter's earnings to be under pressure, as the strong dollar continues to pinch the sales of many US multinational companies that dominate the S&P 500. Almost all of the earnings of the S&P 500 companies have reported, and total earnings as a group are down about 3 percent. With this quarter closing, expectations for the next quarter will begin at the end of the month, and with the expectations lowered, the market begins to drift into September and October. However, for good news, when you take the energy and commodities sectors out of the picture, total earnings for the rest of the S&P 500 are up both for earnings and revenues. That's still some sort of growth for the market.

Also, lower commodities have actually been a big positive for India. It led to a falling inflation rate, falling interest rates, and a monetary boost to the economy right at the time when the current government has embarked on a big reform agenda. As a result the Indian stock market is doing quite well, with one of our recent profiled stocks, Cognizant Technologies, leading the way.

Continued to page 5

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