Your Personal Money Manager

Pearson INVESTMENT LETTER

Published Monthly Since 1982

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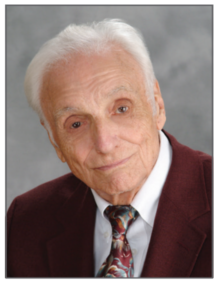
FEATURED STOCKS - FEBRUARY/MARCH 2015

GROWTH STOCKS	ETFs
Apple Inc.	Vanguard High Dividend Yield Index Fund
Gilead Sciences Inc.	iShares Nasdaq Biotechnology

FEATURED CORE INVESTMENTS

Featured Stock - CVS Health Corp.

Featured ETF - Vanguard Dividend Appreciation Index Funds



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

SUCCESSFUL DIVERSIFICATION

It is my opinion that to be invested wisely today, whether young, old, or retired, the majority of your portfolio should be in growth equities that will perform well over time. Obviously the path will never be straight north, but quality investments, especially if you're finding companies undervalued, should outperform the stock market that has historically averaged a return of about 10% annually. If you're doing your own investing, develop a long range strategy that will outperform the market, or hire a professional with a proven track record to do it for you. If you choose this second route, which I would strongly recommend, meet with several, ask a lot of questions, find out what makes them unique, and choose the one with many years of successful performance that you feel comfortable with.

A few things that make our portfolio building unique are first, we do not buy nor recommend annuities unless requested by our clients. You would be locking in for life payouts of a very low interest rate. It is rather like CD's returning near to nothing today. Remember back in the 1980's when we could get a CD returning around 15%? So, secondly, we are not a proponent of CD's either. Also, mutual funds are another vehicle we stay away from. We've republished an article from the Wall Street Journal written a few years ago outlining the problems with these. The fund manager has an agenda that doesn't always work in your best interest, and the fees that are written in their prospectus, but not easy for you to see and understand, average about 4-6% and in many cases even more. We believe if we build it ourselves we will start with about a 5% start-up savings. The biggest deterrent for me personally was a report published by Morningstar stating that more than half the fund managers heading up their funds do not own any of them. I find this to be troublesome because personally, I would only invest in what we find to be the very best available. I know if I asked you what you'd like in your portfolio, I am sure your reply would be to get you the very best too.

For this reason we've created a new section on page 4 showcasing stocks and ETF's that are what we call "core" holdings, simply meaning this is a part of the base of everyone's portfolio. This edition is featuring CVS and VIG.

Once we begin building a portfolio, a large part of the base is made up of ETF's because we can broadly diversify with minimal cost. We can also select from different sectors or strategies depending on the need of the client. As we continue to diversify we almost always add gold (GLD) and silver (SLV). Although these have both performed poorly over the last few years, they are there for safety, too. I believe these have been down and have remained down for longer than expected. Look for improvement this year. Once the ETF purchases are made we begin the addition of individual stocks to better diversify the portfolio.

Example: First bought is Apple (AAPL) and for many reasons. Last year it was up over 30% and this year appears to be strong again. With their new products being introduced such as their smart watch, this could deliver another year of strong earnings. It should also be noted AAPL has hiked their dividend twice in the last two years by 24% bringing it now to 1.6%. With interest rates being as low as they are, look for another year of highly successful stock buybacks, again increasing our shareholder value.

iShares Nasdaq Biotechnology (IBB) is an ETF that will be added to many client portfolios as we continue to better diversify. This ETF consists of many successful biotech companies that we continue to purchase individually.

It might also be noted that several months ago we decided to part ways with McDonald's (MCD), and the reason was simply their market share was decreasing, and we didn't see any relief for them in the short or intermediate future as their stock price continued to decline. They reported their fourth quarter results on February 9, and again missed their targeted results causing a further stock price decline. By continuously monitoring what is currently in our portfolios, we can most of the time reduce the losses by occasionally trading out of a "core" stock and having the funds available for something newly found. Currently on the hot seat and being watched daily as a possible trade is IBM. With the new Cloud business storing data, selling their computer products has become difficult. They are trying to gain access into the Cloud business but do lag some in this area.

DP

MAKING MONEY WORK FOR YOU

I am now later on in life and the thing that is rather annoying to me is that my folks never alerted me to the stock market even though they were well versed in same. I discovered the market in my middle thirties which means that I had lost a number of years when my money was not working for me. It is my opinion that the same thing should not happen to any of your progeny. This is not taught in schools. It is a necessary thing that parents should explain about inflation and the only way to counteract it. I believe that it should be thoroughly explained about the way the value of the dollar decreases each year and the way the stock market increases constantly, but it does have its ups and downs. In my early years the dollar was backed by gold, and there was no inflation, but things are different today, and in my thinking everybody should be invested and should be going for growth in one's younger years. Teach your children about growth and if possible, open up an account for each of them no matter how small. By having an account, your children will find it easier to understand the whole thing.

My job is to make money, and by that I mean investment-wise. Have you ever given a thought to how much time and effort is put into this avenue? The first thing to consider is in which avenue the client is most interested. Some people want growth and some want income and some want both. Once in a while, or should I say once in a great while, we find a company that pays no dividend, but we are almost sure that there is money to be made. On that rare occasion we tend to buy it for anybody who has the capital to spare.

Let's take a look at one or two of these that might have been bought for one or more of you. Twenty years ago we might have bought you Apple Computer, and we might have gone to extremes and bought you 60 shares for $1200. Today because of the splits you would have 1440 shares with a value of about $170,000. This is an example of time. For the first few years you might be wondering just why you were in this one, but after enough time has gone by everything becomes readily apparent. Sometimes it is necessary to wait and Apple is a good example. I can recall one time that I was on a speaking engagement with some other men in my field and I asked one of them what he thought of Apple. He replied, "Sell it. Poor management. The stock's no good." One man's opinion! He might be right or he might be wrong but it behooves the intelligent investor to invest in companies that seem to have the outlook and then stay the course.

Another one of these that has always excited me is Cognizant Technology. The reason that this company has been such a standout with me is that a very strange thing happened here. I had bought this bone for just about everybody because I was convinced that it was a winner. After some time had gone by I thought I would check my price to see how much I had paid for it. Everyone else's had doubled and horror of horrors I had forgotten to buy mine. That did it. I bought it at double the price everyone else had paid for it. I only bought $900 worth, or twenty shares, back in Oct. of 1999, but I now have 2160 shares worth about $125,000 today. If I hadn't been so forgetful it would be worth double that amount. Oh well, so goes the battle.

And here are the companies that some of you own which have just announced an increase in their dividend. Isn't it nice of them to increase your standard of living without a formal request?

SNR, BBD, OZRK, CP, GG, UVE, FAST, LLTC, OHI, BLK, WBA, SLB, MPLX, NVEC, GLP, ALK, INTC, ETP, ROL, HCSG, ANTM, GNC, SCCO, TOT, COST, GG, UTX. - *WP*

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.*

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 FEBRUARY/MARCH 2015
www.pearsoncapitalinc.com

APPLE, INC. (AAPL) NASDAQ PRICE $126.46

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.

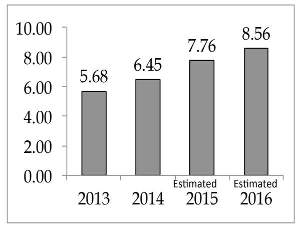
Type: Growth
Sector: Information Technology

Institutional Holdings: 5428
Industry: Technology Hardware, Storage & Peripherals

Ratings & Recommendations

Current P/E Ratio: **17.4**
Annual Yield: **1.5%**
Annual Dividend: **1.88**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A+**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A+**

Earnings per share



GILEAD SCIENCES INC. (GILD) NASDAQ PRICE $100.80

Gilead Sciences, Inc. (Gilead) is a research-based biopharmaceutical company that discovers, develops and commercializes medicines. Gilead's primary areas of focus include human immunodeficiency virus (HIV)/AIDS, liver diseases, such as hepatitis B and C and cardiovascular/metabolic and respiratory conditions. The Company has operations in North America, Europe and Asia Pacific. The Company's products include Atripla, Truvada, Viread, Complera/Eviplera, Emtriva, Hepsera, Letairis, Ranexa, Lexiscan/Rapiscan, AmBisome, Vistide, Macugen, Cayston and Tamiflu. In January 2012, the Company acquired Pharmasset, Inc. On February 8, 2013, its subsidiary, acquired YM BioSciences Inc.

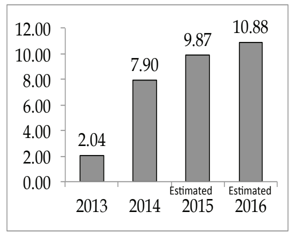
Type: Growth
Sector: Health Care

Institutional Holdings: 767
Industry: Biotechnology

Ratings & Recommendations

Current P/E Ratio: **13.5**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**

Earnings per share



VANGUARD HIGH DIVIDEND YIELD INDEX FUND ETF (VYM) PRICE $69.80

The investment seeks to track the performance of a benchmark index that measures the investment return of common stocks of companies that are characterized by high dividend yield. The fund employs an indexing investment approach designed to track the performance of the FTSE High Dividend Yield Index, which consists of common stocks of companies that pay dividends that generally are higher than average. It 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.

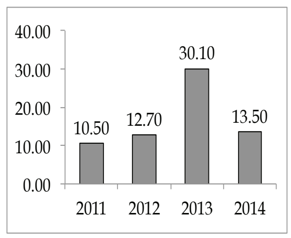
Location: USA
Type: 100% Stocks

Category: Dividend Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.9%**
Annual Dividend: **1.99**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A+**
Morningstar Rating: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by %



iSHARES NASDAQ BIOTECHNOLOGY ETF (IBB) PRICE $320.42

The investment seeks to track the investment results of an index composed of biotechnology and pharmaceutical equities listed on the NASDAQ. 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 contains securities of NASDAQ® listed companies that are classified according to the Industry Classification Benchmark as either biotechnology or pharmaceuticals and that also meet other eligibility criteria determined by the NASDAQ OMX Group, Inc.

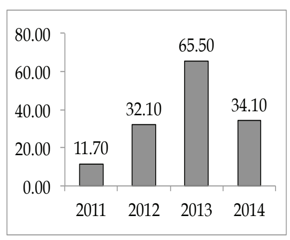
Location: USA
Type: 100% Stocks

Category: Health Care
Industry: Specific

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **0.14%**
Annual Dividend: **0.45**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A+**
Morningstar Rating: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by %



CORE STOCK

CVS HEALTH CORP. (CVS) NYSE PRICE $103.00

In this stock core, we are highlighting CVS Caremark Corporation (CVS).

CVS is one of the largest drug store chains, and a leading pharmacy health care provider in the United States. As the U.S. population ages, the need for prescription and generic drugs continues to increase. CVS is leading the way, becoming a dominant retail health provider, offering its consumers access to goods and services, pharmacy, and health and wellness services. It also provides pharmacy services through its pharmacy benefit management, mail order, and specialty pharmacy division.

More than a year ago, CVS made a critical business move and decided to get rid of tobacco related products. The stock price dropped immediately, as a traditional retail chain normally relies on tobacco to bring in existing traffic to the front end of the store. Although the retail division is slowing, the company has done well. It provided an over 40 percent return in its stock, rebranding itself as CVS Health.

We believe that this new direction toward pharmacy benefit management and wellness services will continue its growth. As a central player in the benefit management business, they now have the power to help control prices for new drugs. Take the most recent case in a deal with the pharmaceutical company Gilead (GILD). Due to the high price of Gilead's Hepatitis C drug, CVS was one of the leading negotiators in lowering the cost, signing an exclusive agreement in order to get a lower price to its customers. CVS is also focused on expanding its Medicaid care, and its specialty pharma care, with its new infusion company which they just acquired. Their wellness centers will continue to grow as the need for neighborhood clinics rises. Their specialty clinics will be able to provide basic care services at a local level allowing more people access to treatment.

In conclusion, we believe that this stock remains a core holding in many of our accounts.

CVS Health Corporation, formerly CVS Caremark Corporation, is a pharmacy healthcare provider in the United States. The Company has three business segments: Pharmacy Services, Retail Pharmacy and Corporate. Pharmacy Services provides pharmacy benefit management (PBM) services, including plan design and administration, formulary management, discounted drug purchase arrangements, Medicare Part D services, mail order, specialty pharmacy and infusion services, retail pharmacy network management services, prescription management systems, clinical services, disease management services and medical spend management. The Pharmacy Services business operates under the Caremark, CarePlus CVS/pharmacy, CVS/caremarkTM, CVS/specialtyTM, RxAmerica, Accordant, SilverScript, Novologix and Coram names. As of September 30, 2014, the Retail Pharmacy Segment includes 7,779 retail drugstores, online retail pharmacy websites, CVS.com and Onofre.com.br, 17 onsite pharmacy stores and retail healthcare clinics.

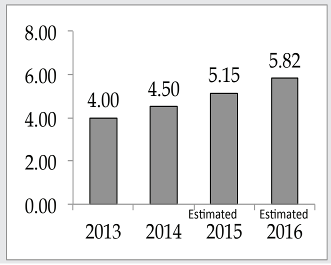
Type: Value
Sector: Consumer Staples

Institutional Holdings: 3376
Industry: Food & Staples Retailing

Ratings & Recommendations

Current P/E Ratio: **25.9**
Annual Yield: **1.4%**
Annual Dividend: **1.40**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A+**

Earnings per share



CORE ETF (EXCHANGE TRADED FUND)

NYSE VANGUARD DIVIDEND APPRECIATION INDEX FUND (VIG) PRICE $81.91

This ETF has a portfolio built with such companies as Wal-Mart, Johnson & Johnson, Coca-Cola, PepsiCo, Qualcomm Inc., Exxon Mobil Corp., CVS, IBM, 3M Company, United Technologies Corp, etc. The ten listed above are the primary companies, with about 3-4% held in each, and another 30 to 40 companies make up the other 65% of the portfolio. These are chosen because they create a quality blend of larger United States companies that display stability while increasing their dividends annually. The ETF has 25 billion under management, with an expense ratio of only 0.10%, while yielding just over 2%.

Performance for the last five years has been consistent too. The five-year return has averaged 13.8%, three-year growth average 14.3%, and last year meeting market average with 12%. We have featured this in our newsletter as a quality buy in February of 2011 @ $53.58, in May of 2012 @ $57.80, May and December of 2013 @ $67.87 and $73.23. Today the ETF trades in the neighborhood of $80.00 per share. We continue to add this to our new client portfolios as a "core" holding.

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. It 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.

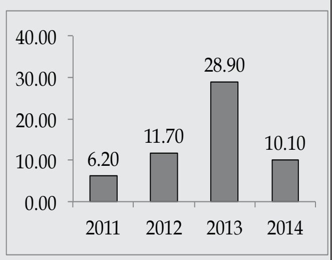
Location: USA
Type: 100% Stocks

Category: Dividend Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.1%**
Annual Dividend: **1.64**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



JUST ASK ANN

Clients have been inquiring about the arrival of their 1099s for tax filing. TDA will issue them before 2/28/15 as required by law. However, since companies are able to do income reallocations until 4/30/15 TD has set up a schedule of corrections to these 1099s as follows:

1st Correction Cycle - March 9, 2015
Reports reclassified income that was reported to TD Ameritrade between **February 13, 2015** and **February 26, 2015**.

2nd Correction Cycle - March 24, 2015
Reports reclassified income that was reported to TD Ameritrade between **February 27, 2015** and **March 12, 2015**.

3rd Correction Cycle - April 4, 2015
Reports reclassified income that was reported to TD Ameritrade between **March 13, 2015** and **March 26, 2015**.

4th Correction Cycle - April 24, 2015
Reports reclassified income that was reported to TD Ameritrade between **March 27, 2015** and **April 16, 2015**.

5th Correction Cycle - May 8, 2015
Reports reclassified income that was reported to TD Ameritrade between **April 17, 2015** and **April 30, 2015**.

Please note that TDA will be contacting impacted clients with a valid email address on file to alert them once their 2014 Consolidated 1099 form(s) and Corrected 2014 1099 form(s) (if issued) are available to be accessed online.

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The RMD amounts for 2015 have been calculated. If you want to know what your obligation will be for this year, feel free to contact me. It's a good time to determine how you want to take this money. If you want to take it monthly, call me and we can set this up for you. Please note that this year we will ask that **all paperwork for this RMD be completed by June 30th and we will be contacting you on this.** You will not have to take the money at that time; you can determine the date of delivery any time before December 31 but the paperwork will be on file. Every year we run into last minute issues on getting this requirement met and we are hoping to avoid that this year and save you from getting penalized!

MARKET VIEW *Continued from page 6*

Key Point: We are expecting the market to move sideways for the next few quarters.

Cash Flows:

Long-term trends often benefit some companies more than others. Apple (APPL), of course, benefits from society's demand for mobile phones and devices. It is a long-term holding in many accounts. We believe that Gilead (GILD) may also be a candidate as well. This company has created drugs for the treatment of Hepatitis C and HIV, which naturally has worldwide demand. Their Hepatitis C drug has just started getting worldwide approval. Although competition has created lower pricing for their treatments, we believe that in the long run their profit potential will create an opportunity for the company to be a dominant player in their respective markets. To prove that, Gilead has announced a dividend for the first time and a $15 billion dollar buy back. We see volatility ahead, as the company transforms from a growth to an income stock. We are hopeful that this will remain a long term holding that will benefit our customers.

New trends that are happening.

1) Stocks that have been previous growth stocks will start or increase dividends.
2) Airline stocks will do well.
3) Medical stocks will continue to do well this quarter.

Key Point: We see a potential long term holding in Gilead for income.

Please note:

1) We expect the market to remain subdued due to earnings headwinds.
2) Europe may be in the beginning of a turnaround.

WALL STREET INDEXES

Indexes	2009	2010	2011	2012	2013	2014	2015 YTD
S&P 500	23.5%	12.9%	EVEN	13.4%	29.6%	11.4%	1.4%
Dow Jones	18.8%	11.0%	5.5%	7.3%	26.5%	7.5%	0.8%
Nasdaq	43.9%	16.9%	(1.8%)	15.9%	38.3%	13.4%	2.6%
Market Average	27.9%	13.8%	1.2%	12.2%	31.5%	10.8%	1.6%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The Bank of Japan and the European Central Bank are now both using massive amounts of Quantitative Easing (QE) in order to stimulate growth. Japan, whose economy is mired in a long term recession, is now devaluating the Yen in order to stimulate exports. Since their economy is primarily based on exports, it is still undetermined whether this action will benefit the country in the long run. Europe is just beginning on this road. And, since Europe's debts are primarily held by European banks, the ECB is taking a page from the Federal Reserve's playbook and will buy sovereign debt directly to stimulate growth. This is intended to shore up the European banking system and in the long run stimulate the European economy. While both the Yen and the Euro are devaluating, money worldwide is moving into US treasuries, and driving up the value of the dollar. The dollar's value is now reaching decade highs against these devaluing currencies. This is having a negative effect on multinational corporations as their earnings are based primarily overseas, while other American-based companies that depend on imports will do well due to the strong dollar. With the dollar as a safe haven, consumers are also benefiting by lower oil and commodity prices. With both the European Central Bank's and the Bank of Japan's Quantitative Easing, the fear of deflation will keep the Fed continuing its goals of low interest rates for the foreseeable future. It is still doing its part to prevent deflation and create inflation.

New trends we see:

1) Big box retailers will see lower import prices.
2) Oil may go lower heading into the summer months.
3) The European Central Bank (ECB) may stabilize their economy.

Key Point: Expect the U.S. to continue to grow.

Earnings Flows:

February puts us in the middle of earnings season. Expectations overall are lowered based on the strength of the dollar, as many multinational corporations are impacted by currency fluctuations. Many of these stocks have missed analysts' forecasts and provided weak earnings guidance. At the same time, commodity prices are decreasing and consumer wages are increasing. This will be beneficial in the coming quarters. There are a few multinational companies like Apple that have done well enough this quarter to overcome currency fluctuations. The level of negative earnings revisions will start to rise, as many of the S&P companies are multinational. Smaller, US-based companies that benefit from consumer demand will most likely be the main beneficiaries this year.

The new trends continue:

1) Retail and restaurant stocks will once again move higher.
2) The U.S. market will keep growing.
3) March is a period of transition before next quarter's earnings.

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

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published monthly since 1982

Editor
Roberta Wilde

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