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Pearson

INVESTMENT LETTER

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FEATURED STOCKS - JULY/AUG 2015

GROWTH STOCKS:

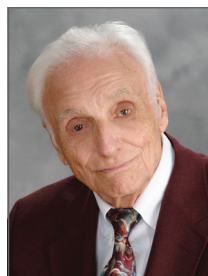
Carnival Corp
Harman International Industries Inc

VALUE STOCKS:

Amira Nature Foods
CVS Health Corp

FEATURED CORE INVESTMENTS

Featured Stock - Walgreens Boots Alliance Inc
Featured ETF - Vanguard Growth Index Fund



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

HALF WAY *By Donald Pearson*

As June comes to a close we are six months into this year, and the market is behaving as most thought it would, a bit choppy but overall doing okay. Interest rates still haven't increased and the thought of one or two quarter point increases remains a strong possibility before year end. In my opinion the market believes this will happen and has priced it in already.

For us it's keep on doing what we've been doing. Continue to review our decisions and monitor selected companies. When something is purchased within our portfolios, the belief is it will be with us for five years or more. As we continue to monitor the companies in which we are invested, if their earnings fall short when reporting, they are immediately reviewed. If they fall short a second time, when reporting three months later, they are put on the sell now list for our review and almost always are sold. It's my opinion one can save themselves a great deal of financial loss if the portfolio is continuously monitored. As we do this I know every decision will not be correct, but to keep on the side of safety almost always proves to be a wise decision when examining total results. Outperforming the S&P 500 most years is everyone's measurement for success, but most cannot. This is one reason so much of our time is spent on research. As I wrote last month about exchange traded funds, by getting the right ones

and better diversifying a portfolio with what we refer to as "core" stocks, one should be able to outperform the index. This month we've featured Vanguard's Growth Index as our ETF and Walgreen's as our Core stock. Both of these choices we try to get into all portfolios.

The other part to portfolio selections is the decision on what to buy. We have a system in place that we continue to monitor and try to improve. A spread sheet is created and all companies being researched are placed onto this. We will examine the most obvious things that one would find relevant such as price, earnings growth for one, two, and five years, and then so much more before a decision to buy is made. We want to see the reports from Morningstar, S&P, Investor's Business Daily, and analysts that follow the company along with insider activity. Are the top executives buying or selling their stock? Once all of this information is made available to us, we then sit together as a group and make the all-important decision. Should we own it and make it available to everyone as a core holding, or use it as a secondary choice to better diversify someone's portfolio according to their personal risk tolerance and diversification? We've been using these methods for more than ten years and found them to be most effective.

CVS Stores, (CVS) \$104.88

We featured CVS as a core holding

in our February newsletter, this being one stock almost everyone would own if size allows. It was in our letter back in December of 2009 at \$31.01 and it's been featured every year at least once since then. Today it trades over \$100 and it still appears to have plenty of room to climb higher. CVS was featured in the news last week as now taking over Target Pharmacies. Target has 1,600 in-store pharmacies and an additional 80 clinics. The price for this acquisition was \$1.9 billion. This would appear to be a good deal for both companies. CVS Health is already the largest dispenser of prescription drugs and will now be adding additional territory to their geography as they expand into Denver, Seattle, and Portland, Oregon. The Target Pharmacies will be renamed CVS/Pharmacy and the clinics will be renamed Minute/Clinics.

Currently CVS has 7,779 locations and this acquisition will grow their locations by an additional 20 plus percent. It is our opinion that this is truly a long range buy-and-hold stock with tremendous upside opportunity. Currently up almost 10 percent YTD, we believe there is much room for growth for the foreseeable future. CVS has averaged double digit growth consistently since we began purchasing it back in 2009. Before year-end 2016 I believe this should reach a price target of \$129 per share barring anything unforeseen to us.

DP

How can we make things better? Well, the best thing to do is to explore things as they stand today and decide if you are satisfied or not.

When investing in companies, the first thing to take into consideration is how much a company is earning, how much it earned last year, and how much did it earn the year before. If those earnings are constantly increasing, you know you have bought into a constantly increasing company and that should meet with your approval. If your company is not living up to these standards, it may be time to consider getting rid of it. Not too fast though! There may be a reason for it. It may be a temporary glitch in the earnings that has taken place on a temporary basis. That is for you to decide.

One thing that is necessary in this business is to be aware when something new hits the horizon. You must find out more about it. What is it? Who will use it? How can we invest in it? Your job is to investigate thoroughly and then get in if you are convinced it is right. When TV started you should have done more than buy a TV set. You should have invested in all the TV companies.

The thing I haven't mentioned yet is price. How much is this stock selling for? How much is it worth? How much is it earning? How much growth is ahead of it? How fast is that coming in? These are the important considerations. When these things have all been taken into consideration and rightfully done, the time has come to make a decision. A very comical thing has recently happened in the stock market. It may not be apparent to you as you live day to day with your regular goings on, but it is very apparent to me because I am making these decisions daily, and I see things going here and there and I find it quite unbelievable.

Here is what has happened recently which I find to be very, very strange. I have never seen it happen before. Yesterday the stock market was high. I had come to expect a correction. All stocks were 20 or 30 times earnings, and even though I have never seen them that high, I couldn't visualize any imminent correction. Then today it happened. All of a sudden here and there one whole stock moved to the price I would normally expect a stock of that kind to sell. In other words it has happened. Here and there I find stocks selling for 10 or 15 times earnings. What a difference! And there is no calamity as we have had in the past, when the whole market went down simultaneously!

Now that you have considered everything, or almost everything, the time has come to think about the whole ball of wax. Do I want more money or am I fluid enough financially? Do I have enough income coming in or am I more interested in cash on hand? Each one of us may have a different idea. It may simply be necessary to corral your thinking. Once it settles down that is the time to put it all together and think about your end results. It may seem to you that you've gone this road before and it is all working for your own good. From your end there is only one thing that you can do to help yourself and that is to ADD MONEY. It can be somewhat surprising the things that can happen just because you sent in a few more dollars. It doesn't hurt.

Here are the companies that want you to live better, and for that reason they have decided to give you more money to spend by increasing the dividend payout again: AIZ, FELE, HY, TICC, SAP, FDS, AXP, HDB, LUV, KEY, NRZ, CP, NTES, NYLD, NYLD/A, JPM, BG, NTAP, NOC, ABEV, PTR, TOT, MMC, BMO, RY,TD, BNS, CM, LOW, CBRL, UNH, GG, FDX, INFY, SAIC, TGT, BCR, CAT, CIM, LYB, LGF, TSM, MDT, DIS, WOR, NFLX.

So, till next time--arrivederci!

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)

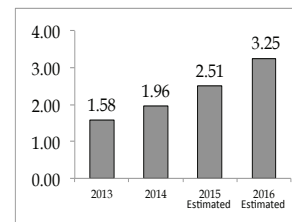
CARNIVAL CORP (CCL) NYSE PRICE \$49.39

Carnival Corporation is a cruise vacation company. The Company has three cruise segments that consist of North America cruise brands, Europe, Australia & Asia (EAA) cruise brands, and Cruise Support. In addition, it also has a Tour and Other segment. The Company offers its services under nine cruise brands. Its North America segment cruise brands include Carnival Cruise Lines, Holland America Line, Princess Cruises (Princess) and Seabourn. Its EAA segment cruise brands include AIDA Cruises (AIDA), Costa Cruises (Costa), Cunard, P&O Cruises (Australia) and P&O Cruises (United Kingdom). Its Cruise Support segment includes its cruise port and related facilities located in Cozumel, Mexico; Grand Turk, Turks and Caicos Islands, Roatan, Honduras and Puerto Plata, Dominican Republic. In addition to its cruise operations, it owns Holland America Princess Alaska Tours, a tour company in Alaska and the Canadian Yukon.

Type: Growth
Sector: Consumer Discretionary
Institutional Holdings: 1495
Industry: Hotels, Restaurants & Leisure

Ratings & Recommendations Earnings per share

Current P/E Ratio: **26.9**
Annual Yield: **1.98%**
Annual Dividend: **0.98**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**



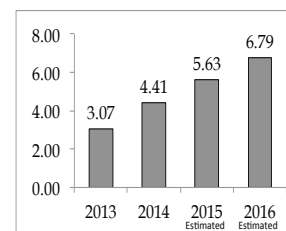
HARMAN INTERNATIONAL INDUSTRIES INC (HAR) NYSE PRICE \$118.94

Harman International Industries Inc. (Harman), develops, manufactures and markets audio products, lighting solutions and electronic systems, and offers digitally integrated audio and infotainment systems for the automotive industry. The Company's products are sold under multiple brands, primarily Aha, AKG, AMX, Becker, BSS, Crown, DigiTech, Infinity, JBL, Lexicon, Mark Levinson, Revel, Selenium and yurbuds. The Infotainment segment of the Company designs, manufactures and markets infotainment systems for vehicle applications to be installed primarily as original equipment by automotive manufacturers. The Lifestyle segment designs, manufactures and markets automotive audio systems for vehicle applications. The Professional segment designs, manufactures and markets a range of loudspeakers, power amplifiers, digital signal processors, microphones and headphones.

Type: Growth
Sector: Consumer Discretionary
Institutional Holdings: 1155
Industry: Household Durables

Ratings & Recommendations Earnings per share

Current P/E Ratio: **26.6**
Annual Yield: **1.11%**
Annual Dividend: **1.32**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A-**
Morningstar Rating: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B+**



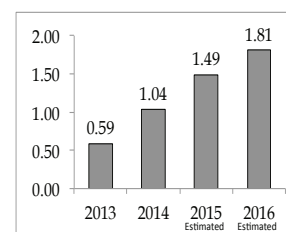
AMIRA NATURE FOODS LTD (ANFI) NYSE PRICE \$11.49

Amira Nature Foods Ltd. (ANFI) is a provider of packaged Indian specialty rice and other related rice based products. The Company's products include snacks, ready-to-heat meals, organic product offerings, wheat, barley and legumes. ANFI sells Basmati rice, a long-grain variety of rice grown only in certain regions of the Indian sub-continent, under the brand name Amira. Amira branded products are sold by retailers such as Bharti, Big Bazaar, Carrefour, Costco, easyday, Jetro Restaurant Depot, Smart & Final, Spencer's and Tesco. In emerging markets, its products are sold by retailers and supermarkets and privately-owned independent stores. The Company operates a fully-automated and integrated processing and milling facility that is strategically located in the vicinity of the key Basmati rice paddy producing regions of northern India. The facility spans a covered area of approximately 310,000 square feet, with a processing capacity of approximately 24 metric tons of paddy per hour.

Type: Value
Sector: Consumer Staples
Institutional Holdings: 37
Industry: Food Products

Ratings & Recommendations Earnings per share

Current P/E Ratio: **8.1**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **A**



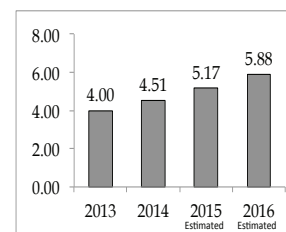
CVS HEALTH CORP (CVS) NYSE PRICE \$104.88

CVS Health Corporation, together with its subsidiaries (CVS Health), is a pharmacy company. The Company operates through three business segments: Pharmacy Services, Retail Pharmacy and Corporate. The Pharmacy Services segment provides a range of pharmacy benefit management (PBM) services, such as plan design offerings and administration, formulary management, Medicare Part D Services, mail order pharmacy, specialty pharmacy, retail pharmacy network management, prescription management systems, clinical services, disease management programs and medical pharmacy management. Its Retail Pharmacy segment includes 7,822 retail drugstores, of which 7,765 operated a pharmacy, its online retail pharmacy Websites, CVS.com, Navarro.com and Onofre.com.br, 17 onsite pharmacy stores and its retail health care clinics. The Corporate segment provides management and administrative services to support the overall operations of the Company.

Type: Value
Sector: Consumer Staples
Institutional Holdings: 3590
Industry: Food & Staples Retailing

Ratings & Recommendations Earnings per share

Current P/E Ratio: **25.6**
Annual Yield: **1.32%**
Annual Dividend: **1.38**
Investor's Bus. Daily: **A-**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A-**



CORE STOCK

WALGREENS BOOTS ALLIANCE INC (WBA) NASDAQ PRICE \$84.44

For this month's newsletter, we are featuring Walgreens Boots Alliance, as our highlighted stock.

Walgreens Boots Alliance (WBA) operates one of the largest drug store chains in the world. The company provides its customers with access to consumer goods and services, pharmacy, and health and wellness services in communities across America. The company sells prescription and non-prescription drugs, as well as its products and services, through its retail stores, mail, and online. The company has an extremely long history of successful mergers and acquisitions [M&A]. From its single-store beginnings, Walgreens has grown into a leading drugstore chain.

Following seventeen years of organic growth without any acquisitions, in 2003 Walgreens acquired eleven stores from Hi-School Pharmacy. In 2010, Walgreens acquired the Duane Reade drugstore chain, then, in 2012, it acquired the USA Drug chain. It then formed a partnership with the Boots, a drug store in the United Kingdom to create a "global pharmacy-led, health and wellbeing enterprise." In

August 2014, Walgreens announced that it would exercise its option to fully combine the companies.

Today, according to recent figures, Walgreens owns the largest number of drugstores in the U.S., totaling 8,330 stores. Walgreens is now the eleventh-largest retailer of any type in the world, the sixth-largest retailer of any type in the U.S., and is among the top fifty e-retailers in the world.

The stock was featured on these dates:

July 2012	\$29.58
January 2013	\$37.01
July 2013	\$44.20
Today	\$86.77

Walgreens Boots Alliance, Inc. (Walgreens Boots Alliance) is a holding company. The Company is a global pharmacy-led, health and wellbeing enterprise. Walgreens Boots Alliance operates through three divisions, including Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale. The Company's products are marketed under a number of brands, which include No7, the Botanics range, Almus (generic medicines), Boots Pharmaceuticals and Soap & Glory (bathing and beauty brand). In addition, the Company has investments in Guangzhou Pharmaceuticals Corporation and Nanjing Pharmaceutical Company Limited. The Company operates in around 25 countries, which include the wholesale and distribution network with over 340 distribution centers and more than 180,000 pharmacies, health centers and hospitals in 19 countries.

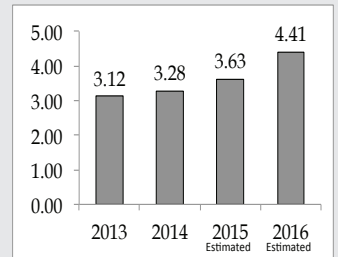
Type: Value
Sector: Consumer Staples

Institutional Holdings: 1904
Industry: Food & Staples Retailing

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **25.4**
Annual Yield: **1.56%**
Annual Dividend: **1.32**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A+**



CORE ETF (EXCHANGE TRADED FUND)

VANGUARD GROWTH INDEX FUND (VUG) NYSE ARCA PRICE \$107.06

The Vanguard Growth ETF (NYSE: VUG \$107.06) provides exposure to a deep pool of 360 large company stocks that are based on the US Large Cap Growth Index. Vanguard has always been known for its cost-effective funds and VUG doesn't disappoint with a similar expense ratio of 0.09 percent.

This ETF has accumulated over \$19.1 billion in total assets and has a slightly different index construction methodology than typical Dow Jones or Russell Investment brands. The top ten holdings of this market cap weighted ETF represent 25 percent of the total asset allocation and include outsized positions in Apple and Google. We have chosen this for two reasons: the outstanding diversification of their holdings and the consistent performance versus the market.

Top 10 Holdings

Company Percent of Assets

Apple Inc.	8.15%
Walt Disney Co.	1.81%
Facebook Inc. Class A	1.81%
Gilead Sciences Inc.	1.80%
Coca-Cola Co.	1.73%
Amazon.com Inc.	1.71%
Google Inc. Class A	1.68%
Google Inc. Class C Capital Stock	1.66%
Home Depot Inc.	1.58%
Oracle Corporation	1.54%

The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization growth stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Large Cap Growth Index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. The advisor 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.

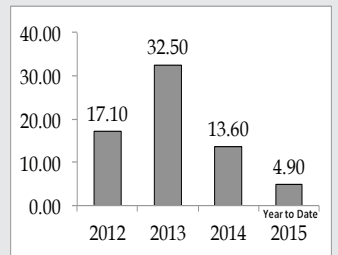
Location: USA
Type: 100% Stocks

Category: Growth / Value
Industry: Diversified

Ratings & Recommendations

Performance by%

Current P/E Ratio: **N/A**
Annual Yield: **1.21%**
Annual Dividend: **1.29**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**



If any of you have logged into your account through our website in the past few days, I'm sure that you have noticed some really big changes. We are very happy to announce the launch of our new and improved website! After almost 11 years, it was time to upgrade and make our site more user-friendly and have it accessible to all the new mobile devices that folks are operating today.

This new site gives you a one click access to your TD account as well as direct contact with us. It is now available to access on your smart phone, tablets, and those super-duper watches! The content has been upgraded to give viewers a better understanding of who we are, what we do, and how we interact with our community and beyond. There is also a wealth of information presented that will help clients and prospective clients understand and choose the right investment options for their needs.

Please take a few minutes to visit the site. We'd love to hear your comments, and hope you'll be as pleased as we are over the improvements.

I would also like to take a minute to thank all of you who completed the client update form. We had a really good response! In the next few weeks, I'll be reviewing the accounts and making sure that everything we have on file for you is current and managed according to your specifications. If you haven't had the time to complete this yet, no problem! Just send it back at your leisure. We always appreciate knowing that we have the most accurate information on our clients.

For those of you who responded before the June 20 gift card drawing deadline, I am happy to announce our two winners! Congratulations to Mike and Fran from Wisconsin and Helenanne and John from Florida. Your gift certificates are on the way!

Management Fee:

Our fee is extracted quarterly from the account at 25% of one percent by TD Ameritrade. Immediately following any quarterly management fee extraction, it is posted within your account's history information available on line. It is also posted in your TD Ameritrade monthly statement. Third Quarter July-August-September-see your July statement.

MARKET VIEW *Continued from page 6*

At the same time, the good news is the US economy is growing stronger, especially in commercial construction and car sales. We remain optimistic that companies will continue to raise their current high dividend stock yields and fund stock buybacks that allow prices to remain stable. Any revised upside surprise may actually move stocks higher in the summer months.

The new trends continue:

- 1) The Jeep brand is the hottest selling SUV in America.
- 2) The summer rally normally starts the middle of July.

Key Point: We expect the market to improve toward the end of the year.

Cash Flows:

As we talked about before, the Supreme Court's Affordable Care Act ruling was announced just recently, and health care stocks have soared based on this news. Many states that have not taken Federal funding may be inclined to change their minds. The current subsidies for individuals will lead more people to purchase health care plans and use their services more often. This in turn will cause more sales and profits for the health care sector, as almost every health care stock will benefit. That is one of the reasons why we highlighted Walgreens Boots Alliance (WBA) this month.

New trends that are happening:

- 1) Health care companies' balance sheets are in very good shape.
- 2) With this health care expansion, I expect a positive year for stocks.
- 3) Biotechnology stocks will continue to do well and lead the way this year.

Key point: Health care stocks will see a big boost from the Affordable Care Act.

Please note:

- 1) If Greece begins its negotiations, Europe will start the beginning of a turnaround.
- 2) Politics are starting to become a 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%	0.2%
Dow Jones	18.8%	11.0%	5.5%	7.3%	26.5%	7.5%	(1.1%)
Nasdaq	43.9%	16.9%	(1.8%)	15.9%	38.3%	13.4%	5.3%
Market Average	27.9%	13.8%	1.2%	12.2%	31.5%	10.8%	1.5%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



Last Friday, Greek Prime

Minister Alexis Tsipras called for

a surprise referendum on July 5th, in which Greece's citizens would vote on whether or not they want to comply with Eurozone and IMF demands of significant pension cuts and other austerity measures. This referendum is occurring as we are mailing out this newsletter. The European Central Bank (ECB) is still pumping money into Greece's banks as they are taking a wait-and-see approach with the upcoming vote. In my view, the ECB will now stabilize its economy with or without the Greek nation.

Although business spending has been weak so far this year, it finally improved in May, and we expect it to continue to improve in the upcoming summer months. Global stock markets are tumbling, as fears over a Greece exit from the Eurozone intensifies. However, at the time of this writing, I look for better-than-expected earnings reports to help the stock market rebound from its recent pullback.

After the June 17 FOMC meeting, just about everybody is assuming that the Federal Reserve will raise interest rates later this year. However, the Federal Reserve is not going to let economic issues from European countries interfere with their long term goals. I expect the FOMC to raise interest rates by so little that it may be about a 5 to 10 basis point increase, as it is trying to prevent a recession as interest rates eventually move higher.

New trends we see:

- 1) New stock market IPOs are flooding the market.
- 2) The price of oil is holding its own.
- 3) Puerto Rico needs to restructure its debt.

Key Point: The Federal Reserve is still doing its part to prevent recession worldwide.

Earnings Flows:

With the Greek crisis the US Dollar is getting stronger again. This may cause 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. This is also the month that analysts traditionally lower their forward guidance for the rest of the year, as they normally start with higher expectations.

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