

# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

Published Monthly Since 1982

[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)

### FEATURED STOCKS - APRIL/MAY 2014

#### GROWTH STOCKS

Amira Nature Foods, Ltd  
Continental Resources, Inc  
Northern Oil and Gas, Inc.  
USANA Health Sciences, Inc

#### INCOME STOCKS

AT&T, Inc  
Verizon Communications, Inc  
ETFs  
iShares Select Dividend ETF  
SPDR S&P Dividend ETF

## PLANNING WISELY *By Donald Pearson*

As I wrote last month, looking for Value is paramount when it comes to being a successful investor. Look for a company paying down its debt, or buying back stocks. Most importantly, do not overpay unless you have an exceptional reason. The Dow has more than doubled since March of 2009, and most stocks today are now at fair value. The S&P currently trades around 16 times its earnings over the past 12 months and is expected to trade at about 15 times its earnings over the next 12 months. This is slightly higher than prior year, and even a bit higher than the past 10-year average. Simply said, we all must become wiser investors and make better choices. If you review the selections we have featured in this month's letter, you will note the four growth stocks selected and being bought and added to client portfolios have a P/E that is lower than their projected growth rates. The same can be said for the two featured income stocks when the yield is included. The two ETFs do not show a P/E but their primary objective is low volatility and increasing yields. As written many times this is how we manage, believing one portfolio properly built and managed can well outperform a portfolio holding a half a dozen mutual funds. In a taxable account the advantages are even more as we have a better handle on the cost basis.

Getting everyone's portfolio built and managed properly is more important today than ever before. A few years ago one could drop 30-40% into bonds and believe the portfolio was properly diversified. Today that just doesn't work. Barclay's Aggregate Bond Index, a broad measure of U.S. investment grade issues, lost 2% in 2013, and with interest rates as they are this may happen

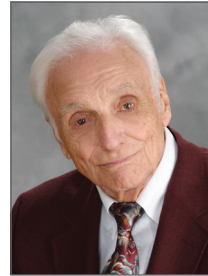
again in 2014.

Another problem we're facing today is our baby boomers reaching retirement age. There is a total of 70 million who will be there, and this began in 2011. This continues to occur at the rate of about 10,000 per day, and most don't have the funds necessary to do what they would like to do. Besides not having enough put away, many are faced with stagnant home values, rising health care costs, and fewer pension plans. Today we have 45 million older Americans, and government statistics tell us this will grow to 77 million by 2033. Only 57% has access to employer-sponsored retirement plans such as a 401(K) says the National Institute on Retirement Security. Fidelity did a study and found that 75% of individuals in the 55-64 age brackets have less than \$30,000 in 401(K) savings. This is simply telling us even if starting late, one must get started immediately.

I talk to groups and individuals often trying to make everyone realize time is a thief that will rob you of your retirement if you don't get started saving for your retirement NOW. With inflation doing the same, if you know of friends, relatives, neighbors, doing nothing, give them this letter. They can call me for suggestions and guidance without any obligation. I'd feel good helping them to get started, on their own or with us is immaterial, let's just help them. It should make you feel good too.

#### **Featured Stocks**

Our strategy has always been buy and hold if and whenever possible. Find companies undervalued that continue to grow and increase their yields and then add them to your portfolio and ours. Both Verizon and AT&T are great examples of this.



Walter D. Pearson  
Chairman



Donald E. Pearson  
President



Ann Hathaway  
Account Manager

AT&T (T) \$35.07 has been featured in our newsletter every year since 2010. We first featured this in May of 2010 at \$26.06 thus an increase of over 30% while yielding an additional 5 1/2 % every year. Verizon (VZ) \$47.42 is another with the same history. We featured this in our November 2009 letter at \$29.59 and this has returned 60% with an additional yield of approximately 4% annually.

Here are two ETFs that continue to increase their dividends too, while selecting highly profitable companies to be a part of their portfolio. DVY, \$72.52 has been three times in our newsletter starting in August of 2012 at \$57.33. The return here for 18 months has exceeded 25% while yielding an additional 3% annually. SDY, (72.77) is another meeting the same format. Stocks within this portfolio must increase their dividend for 20 years or more consecutively. This has also been featured many times since March of 2012 at \$55.91. The return has exceeded 30% while yielding an additional 2 1/2% annually.

This gives a good illustration of how one can lower volatility and minimize risk, while still pursuing growth and income at the same time.

**DP**

#### **Pearson Policies**

Please read pages 6 & 7 within this month's letter. We have included an overview of our company policies, our management fee policy, and our privacy policy. Anyone can request a copy and have it emailed or regular mailed upon request. If you have any questions about anything you've read, please call Ann or myself to discuss. If you are reading this as a client already, thank you for your confidence and trust with us.

**PCI - The 2011 E.G. Simmons Award winner for Outstanding Community Service!**

## MONEY WORKING

Well! Here we go again. Have you bought your stocks? Are you fully invested? The right time is now. No one can tell when the timing is right but what you can do is buy again if the market goes down. See, that's where most people make their mistakes. They tend to sell in down markets and the reason is fear. One should not be afraid of owning McDonald's or some other company that has been doing well for a number of years. Just recognize that a down period usually just means better prices; it usually has nothing to do with the stock's performance. You must look at earnings and the expected earnings. You should also take into consideration how much the company pays in dividends. That is not too important but you should consider it.

Much depends upon your parameters. It is my suggestion that long term growth should be your present goal. Look back upon a few - Cognizant Technologies for instance. We are still recommending this stock just as we did fifteen years ago when you might have bought 20 shares for less than \$900. Today you no longer have 20 shares because it has split numerous times since then and you now have 1080 shares worth about \$100,000. You can look back and see many of these, some of which we have recommended or bought for our clients and some that we have missed, but the important thing is that time is on your side. Have patience. Sometimes this is a waiting game. I actually remember buying a stock for myself. One year later it was at the same price and I bought it for a client. One year later she had a 100% profit. My profit was also 100% but I had to wait two years for mine. In other words she made 100% a year but mine was only 50% annually. Now if I had no patience I could have come out with zero percent. Patience is a virtue. Be virtuous.

The important thing is to be invested. Money which you have but is not invested is wrong unless you have set aside an emergency fund. This is an excellent idea and everyone should have one of these although there are some people who have no need of one. These are the ones who have Cognizant Technology or one of the others that have acted in a similar manner. In that case you may request money, and you will be in a good situation inasmuch as you can sell some and spend a part of your profits at the same time. Understand that we do not recommend selling just to take profits. Unless you are in an IRA you will find that the amount of taxes that you find necessary to pay will bring down the amount of profit which you can take down to net.

We always are looking for long term growth, and that is the reason you will usually find that once we put a stock into your account it will tend to remain on an infinite basis. This does not mean that we do not change our minds for various reasons, but if to sell is the decision, it leaves your account and ours together. If you have an account with us, the message that we would impart to you is that we cannot invest for you the money that you are keeping in the bank. By increasing your stock portfolio you will almost always find that your portfolio is increasing in value depending on two different factors. One factor that comes up right away is the size of the portfolio, and the other is whether or not we have done a good job. Just think of one thing here. Back when we first recommended Cognizant Technology, I distinctly remember that we immediately bought it for anyone who had capital or some method that would work in a positive manner

Maybe I shouldn't tell you this one, but after the stock had doubled in value I took a minute or two to look up how much I had paid for my own shares. I wanted to see if I had bought it cheaper or if I had paid more for it. Believe it or not, I had forgotten to buy it for myself, so I bought it right away, but I was paying double what everyone else had paid.

Good Luck to everyone!!!

Here are some stocks some of you own that have just declared an increase in their dividend; JKHY, LLL, AB, SNY, CSCO, JCOM, OXY, MFC, NTES, PGH, DB, DHR, XRAY, FLS, FL, GPC, BHP, HLF, FLIR, LEA, ALL, WMT, ABBV, KO, LO, CP, RIO, CTG, DPZ, EOG, STJ, BMO, CP, TOT, AEH, JWN, NRF, HSBC, RY, ROST, CM, BAP, SDRL, VIV, TD, CMO, NUS, BAP, FDO, CNO, GG, SNHY, GME, ESV, KAI, GFA, SSL, CTCM, PWRD, NVO, MELI, LGF, BCE, HPQ, PDCO.

**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 APRIL/MAY 2014**[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)**AMIRA NATURE FOODS LTD (ANFI) NYSE PRICE \$16.77**

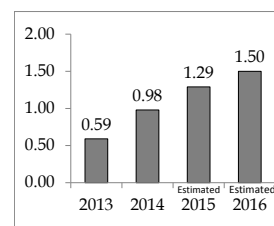
Amira Nature Foods Ltd. is a provider of packaged Indian specialty rice, with sales in over 40 countries. It generates the majority of its revenue through the sale of Basmati rice, a long-grain rice grown only in certain regions of the Indian sub-continent. The Company sells its products, primarily in emerging markets, through a distribution network. It sells its Amira brand in more than 25 countries. The Company sells its Amira branded products to Indian retailers such as Bharti Wal-Mart, Big Bazaar, Metro Cash & Carry, Spar, Spencer's Retail, Star Bazaar (Tesco in India) and Total and retailers, such as Carrefour, Costco, Jetro Restaurant Depot, Lulu's and Smart & Final, and through the foodservice channel. It participates across the entire rice supply chain from the procurement of paddy to its storage, aging, processing into rice, packaging, distribution and marketing. In January 2014, Amira Nature Foods Ltd acquired Basmati Rice GmbH.

Type: Growth  
Sector: Consumer Staples

Institutional Holdings: 48  
Industry: Food Products

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **22.2**  
Annual Yield: **0%**  
Annual Dividend: **0**  
Investor's Bus. Daily: **A**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **C-**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **N/A**

**CONTINENTAL RESOURCES INC. (CLR) NYSE PRICE \$125.67**

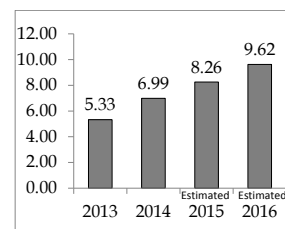
Continental Resources, Inc. (Continental Resources) is an independent crude oil and natural gas exploration and production company with operations in the North, South and East regions of the United States. The North region consists of properties north of Kansas and west of the Mississippi river and includes North Dakota Bakken, Montana Bakken, the Red River units and the Niobrara play in Colorado and Wyoming. The South region includes Kansas and all properties south of Kansas and west of the Mississippi river including the Anadarko Woodford and Arkoma Woodford plays in Oklahoma. The East region contains properties east of the Mississippi river, including the Illinois Basin and the state of Michigan. During the year ended December 31, 2011, daily production averaged 61,865 barrel of oil equivalent per day.

Type: Growth  
Sector: Energy

Institutional Holdings: 780  
Industry: Oil, Gas & Consumable Fuels

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **29.2**  
Annual Yield: **0%**  
Annual Dividend: **0**  
Investor's Bus. Daily: **A**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **N/A**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **A-**

**NORTHERN OIL AND GAS, INC. (NOG) NYSE PRICE \$14.49**

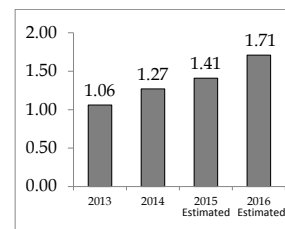
Northern Oil and Gas, Inc. is an independent energy company. The Company is engaged in the acquisition, exploration, development and production of oil and natural gas properties, primarily in the Bakken and Three Forks formations within the Williston Basin in North Dakota and Montana. The Company's primary focus is oil exploration and production through non-operated working interests in wells drilled and completed in spacing units that include its acreage. The Company primarily engages in oil and natural gas exploration and production by participating on a proportionate basis alongside third-party interests in wells drilled and completed in spacing units that include its acreage. During the year ended December 31, 2012, it acquired leasehold interests covering an aggregate of approximately 17,590 net acres in its key prospect areas. In addition, it earned approximately 6,450 net acres through farm-in arrangements during 2012.

Type: Growth  
Sector: Energy

Institutional Holdings: 282  
Industry: Oil, Gas & Consumable Fuels

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **16.6**  
Annual Yield: **0%**  
Annual Dividend: **0**  
Investor's Bus. Daily: **A**  
Pearson Growth & Value: **A**  
Morningstar Rating: **N/A**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **C-**

**USANA HEALTH SCIENCES (USNA) NYSE PRICE \$74.02**

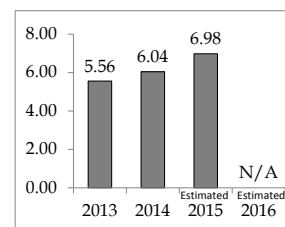
USANA Health Sciences, Inc. develops and manufactures science-based nutritional and personal care products. The Company has operations in 15 markets worldwide, where it distributes and sells its products by way of direct selling. The Company reports operations in two geographic regions: North America and Asia Pacific, which is further divided into three sub-regions; Southeast Asia/Pacific, Greater China, and North Asia. North America includes the United States, Canada, Mexico, and direct sales from the United States to the United Kingdom and the Netherlands. Southeast Asia/Pacific includes Australia, New Zealand, Singapore, Malaysia, and the Philippines; Greater China includes Hong Kong, Taiwan and China; and North Asia includes Japan and South Korea. The Company's customer base consists of two types of customers: Associates and Preferred Customers. As of December 31, 2011, the Company had 222,000 active Associates and 64,000 active Preferred Customers worldwide.

Type: Growth  
Sector: Consumer Staples

Institutional Holdings: 278  
Industry: Personal Products

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **13.3**  
Annual Yield: **0%**  
Annual Dividend: **0**  
Investor's Bus. Daily: **C**  
Pearson Growth & Value: **A**  
Morningstar Rating: **N/A**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **B**



**PEARSON CAPITAL'S RECOMMENDED STOCKS APRIL/MAY 2014**  
**www.pearsoncapitalinc.com**

**AT&T (T) NYSE PRICE \$35.07**

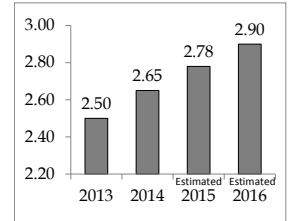
AT&T Inc. (AT&T), is a holding company. The Company is a provider of telecommunications services. The services and products offered by the Company include wireless communications, local exchange services, long-distance services, data/broadband and Internet services, video services, telecommunications equipment, managed networking, wholesale services and directory advertising and publishing. AT&T operates in three segments: Wireless, Wireline, and Other. The Company's 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. Its Other segment includes customer information services (operator services) and corporate and other operations. In March 2014, the Company completed the acquisition of prepaid wireless provider Leap Wireless International Inc

Type: Income  
 Sector: Telecommunications Services

Institutional Holdings: 2612  
 Industry: Diversified  
 Telecommunication Services

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **10.1**  
 Annual Yield: **5.3%**  
 Annual Dividend: **1.84**  
 Investor's Bus. Daily: **D**  
 Pearson Growth & Value: **A**  
 Morningstar Rating: **C**  
 Stand & Poor Rating: **B**  
 The Street (analyst avg.): **B**



**VERIZON COMMUNICATIONS, INC (VZ) NYSE PRICE \$47.42**

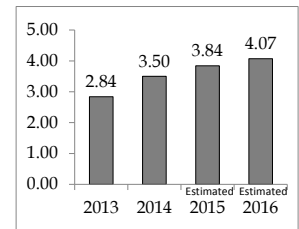
Verizon Communications Inc. (Verizon) is a holding company. The Company is a provider of communications, information and entertainment products and services to consumers, businesses and governmental agencies. It operates in two primary segments: Verizon Wireless and Wireline. Verizon Wireless' communications products and services include wireless voice and data services and equipment sales, which are provided to consumer, business and government customers across the United States. Wireline's communications products and services include voice, Internet access, broadband video and data, Internet protocol network services, network access, long distance and other services. Effective January 6, 2014, Verizon Communications Inc acquired EdgeCast Networks Inc. In February 2014, Verizon Communications Inc completed the acquisition of Vodafone Group Plc's 45% indirect interest in Verizon Wireless.

Type: Income  
 Sector: Telecommunications Services

Institutional Holdings: 2952  
 Industry: Diversified  
 Telecommunication Services

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **11.9**  
 Annual Yield: **4.5%**  
 Annual Dividend: **2.12**  
 Investor's Bus. Daily: **B**  
 Pearson Growth & Value: **A**  
 Morningstar Rating: **B**  
 Stand & Poor Rating: **N/A**  
 The Street (analyst avg.): **N/A**



**ISHARES SELECT DIVIDEND ETF (DVY) NYSE ARCA PRICE \$72.52**

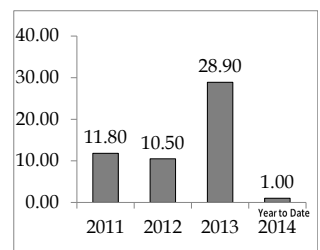
The investment seeks to track the investment results of an index composed of relatively high dividend paying U.S. equities. The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. It seeks to track the investment results of the Dow Jones U.S. Select Dividend Index (the "underlying index"), which 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: Dividend Value  
 Industry: Diversified

**Ratings & Recommendations Performance by %**

Current P/E Ratio: **N/A**  
 Annual Yield: **3.1%**  
 Annual Dividend: **2.20**  
 Investor's Bus. Daily: **N/A**  
 Pearson Growth & Value: **A**  
 Morningstar Rating: **C**  
 Stand & Poor Rating: **N/A**  
 The Street (analyst avg.): **N/A**



**SPDR S&P DIVIDEND (SDY) NYSE ARCA PRICE \$72.77**

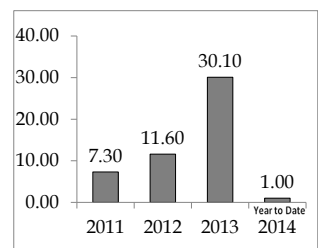
The investment seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index. In seeking to track the performance of the S&P High Yield Dividend Aristocrats Index, the fund employs a sampling strategy. It generally invests substantially all, but at least 80%, 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 20 consecutive years.

Location: USA  
 Type: 100% Stocks

Category: Dividend Value  
 Industry: Diversified

**Ratings & Recommendations Performance by %**

Current P/E Ratio: **N/A**  
 Annual Yield: **2.4%**  
 Annual Dividend: **1.72**  
 Investor's Bus. Daily: **N/A**  
 Pearson Growth & Value: **A**  
 Morningstar Rating: **B**  
 Stand & Poor Rating: **N/A**  
 The Street (analyst avg.): **N/A**



# JUST ASK ANN

Just a reminder as the tax season wraps up. If you want to make that contribution to your IRA for the year 2013, you only have a few days left. The money MUST be in your account by April 15.

If you are under the age of 50 you may contribute up to \$5500, those over 50 may contribute \$6500.

\*\*\*\*\*

For those of you with Google in your portfolio here is some news:

Google, (GOOG) has announced a stock split effective April 3, 2014. The split will be 2 for 1 and the additional shares will trade under the symbol of GOOGL. The reason for the different symbol is to keep our voting shares the same as our original holding.

Example: If you had 10 shares of GOOG at \$1200 each, you now have 10 shares of GOOGL (class A shares) and 10 shares of GOOG (class C shares) at \$600 each and your only voting shares are GOOGL.

\*\*\*\*\*

And by the way, this section of the newsletter is here to help answer any general questions you may have regarding your accounts, on-line access, or company procedures, etc. Feel free to contact me with your inquiries at 813-645-6392 or at [pearsoncapital7@gmail.com](mailto:pearsoncapital7@gmail.com) and I'll be glad to address them here.

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## MARKET VIEW *Continued from page 8*

However, this is also a good time for some companies to pre-warn shareholders about bad expectations, so they can lower their earnings and go back to underproducing and overdelivering.

### **The new trends continue:**

- 1) Major construction continues in the Midwest and West around oil-producing areas.
- 2) Many retail companies have suffered from the recent cold weather.
- 3) Companies will continue to buy back their stocks this year.

**Key Point: We are expecting the market to "back and fill" to prepare to move higher.**

### **Cash Flows:**

Putin's annexation of Crimea is the main focus right now in the market, as we are in between earnings announcements. Traders are not going to be focused on long-term earnings expectations, or business fundamentals. Instead they are worried about how potential sanctions will affect both companies in Europe and international companies here in America. Wall Street will continue to act very defensively and move money into stocks that primarily make its money here. For the long term investor, this may eventually turn out to be a good buying opportunity.

### **New trends that are happening:**

- 1) China may have a very flat year.
- 2) Some of our ETF's pay a 3 to 4 percent yield.
- 3) Companies will give us continued updates on future earnings.
- 4) Companies are still taking on increasing debt.

**Key Point: Russia's annexation will make Wall Street defensive.**

### **Please note:**

1. People have retreated back into bonds because of pending volatility.
2. Politics are starting to affect market volatility.

### **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.*

*Second Quarter April-May-June-see your April statement.*

## Privacy Policy

At Pearson Capital, Inc., protecting our clients' privacy is paramount; we recognize that an individual's financial matters are extremely private and sensitive in nature. Our commitment is to maintain strict standards to safeguard your personal financial information at all times, while diligently seeking to continue to bring you valuable products and services.

This information is being provided to you as required by Regulation S-P which was adopted last year by the Securities and Exchange Commission to modernize the laws governing the financial services industry.

### Information We Collect and Share

The personal financial information we collect directly from you includes information required to communicate with you and to assist us in effectively addressing your financial needs, as well as to operate prudently in complying with the legal and regulatory requirements imposed by federal and state regulations.

Such personal financial information we may collect and share is made available to us from the following sources:

- Information received on applications and other forms, such as your name, mailing address, telephone number, e-mail address, fax number; and to identify who you are, your Social Security number.
- Information about your financial transactions with us, our affiliates, or others, such as account balance, securities trading activity, fund transfers, and checking transactions.
- Information as required by law to ascertain your experience in margin use and trading, such as your approximate annual income and net worth.
- Information we may obtain about you from a consumer reporting agency, such as your credit worthiness and credit history.

In all cases, we collect and share only personal financial information that is either required by law or necessary to provide personalized financial services to you.

*Other information we may collect indirectly from you includes your IP address, browser type, and operating system used when you access our Web site. We do this through the use of cookies, which are small text files sent from the Web server to your computer. Cookies help us to know you better by providing operational data we can use to aid your interaction with our Web site and improve its navigation and usability. Standing alone, cookies, GIFs and other Web tools, as well as data derived from them, do not identify you personally - they merely recognize your browser. Unless you choose to identify yourself to us by requesting additional information through our Web site about our service, you will remain anonymous.*

### Our Use of Your Personal Financial Information

In the course of conducting investment advisory services on your behalf, there are occasions where we may engage affiliated and/or nonaffiliated companies to (i) service or process a financial product or service requested by you or, (ii) to maintain or service your account(s). These companies may be engaged in a related business such as mutual funds, annuities or other insurance products, consumer banking, mortgage lending, securities brokerage, investment advisory or tax, estate or financial planning. Or they may be engaged in some service such as a transfer agent, clearing or custodial firm, accounting or reporting, systems operation or marketing. In such cases, the personal financial information we may share about you with these companies is necessary and permissible by law to administer, process, service, and enforce a transaction that you requested or authorized. We may also share some or all of your personal financial information with your legal representative, trustee or other fiduciary, or where we need to protect the confidentiality and security of our records, or to prevent potential or actual fraud, unauthorized transactions, claims or other liability, for institutional risk control or resolving customer disputes or inquiries. Also, as permissible by law, we may provide your personal financial information on request, for example, to insurance rate advisory organizations; funds guaranty agencies; agencies rating our compliance with industry standards; and our attorneys, accountants and auditors. In addition, subject to the Right to Financial Privacy Act, sharing of your personal financial information is permitted on request by a law enforcement agency, regulator, self-regulatory agency or in a public safety investigation. Such sharing of your personal financial information is also permitted on request by a consumer reporting agency in accordance with the Fair Credit Reporting Act, or to comply with federal, state or local laws, rules or regulations, including requirements of self-regulatory organizations or a subpoena or judicial process. Outside of the exceptions mentioned above and as permitted by law, we will not share your personal financial information with anyone, unless you specifically ask us in writing to do so.

### Confidentiality and Security

When we share your personal financial information with affiliated and/or nonaffiliated companies, they are not allowed to use your personal financial information for their own purposes and are contractually obligated to maintain strict confidentiality. We limit their use of your personal financial information to the performance of the specific service we have requested. We restrict access to

**Continued on page 7**



**Continued from page 6**

your personal financial information to employees who need to know such information in providing products or services to you. We maintain physical, electronic, and procedural safeguards that comply with applicable federal regulations to guard your personal financial information. Of course, even with these safeguards, we cannot guarantee that your personal financial information will always be safe from unauthorized sharing, and we assume no responsibility or liability in that event, except as and to the extent that may be imposed by law.

## **Miscellaneous**

- We reserve the right to change this Privacy Notice at any time. In that event, we will inform you of any material changes as required by law.
- If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices described in this notice.
- Please keep this Privacy Notice for your records.
- This Privacy Notice has been established and is given in accordance with applicable federal law. It is not intended and in no event shall it be deemed to constitute an offer or agreement of any kind on our part or to impose any duty or obligation of any kind upon us except as and to the extent expressly required by law.

### **What you should know about your Pearson Capital, Inc. management fee. CHECK YOUR TD AMERITRADE STATEMENTS for your specific management fee.**

If assets under management exceed \$25,000, our management fee is one percent annually. Smaller accounts below \$25,000 are assessed a fee of 2% annually. We do not have any additional entry or exit fees (loads) penalties, or service charges. 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 • Third Quarter July-August-September
- Second Quarter April-May-June • Fourth Quarter October-November-December

The fee extracted for each quarter, will be assessed by the amount of assets under management on the closing of the last day of the preceding quarter. Accounts opening during the quarter will have their fee prorated. The fee taken will be reflected on the TD Ameritrade statement. Arrangements can also be made to send a check quarterly, rather than have the management fee extracted from the account. For those with two or more accounts, all management fees can be extracted from one account. Please call for additional information to learn more about these services.

(Example: \$100,000 under management on March 31, 2nd quarter assessed at 1% fee/year:\$1,000 divided into 4 quarterly billing periods, at .25%, quarterly fee would be \$250.00.)

A trading fee of \$9.95 is charged to your account and paid to TD Ameritrade when a buy or sell occurs within your account. Pearson Capital, Inc. does not receive any part of the trading fee. Every time a trade is made within your account you'll also receive written notification by mail arriving within three business days. For those requesting on-line account access, this service will be provided to you immediately by PCI. You can view your account history or performance at any time. TD Ameritrade also provides monthly statements recapping current holdings and all account activity.

## **2014 - Important Updates**

**(This information is also accessible on our web site [www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com))**

Keeping our clients well informed with updates, changes and improvements within our company is paramount. We are including these important updates in our Investment Letter.

## **Privacy Policy**

On November 13, 2000 the SEC adopted Regulation S-P, privacy rules promulgated under Section 504 of the Gramm-Leach-Bliley Act, which requires the Advisor to protect "nonpublic personal information" about their customers from being distributed to nonaffiliated third parties unless consent has been specifically granted by the Client. Therefore, Client hereby acknowledges delivery and receipt of the Advisor's Privacy Notice at the time they opened their account. Such notice reflects the Advisor's privacy policies and practices, and the options the Client has to "opt out" of any nonpublic information about them that may be distributed to a nonaffiliated third party.

## **Form ADV Part II**

If you would like to have our updated Form ADV Part II, or our Privacy Policy please notify us at any time, and we will email or send a copy to you immediately.

## **Proxy Voting**

Advisor will not be required to take any action or render any advice with respect to the voting of securities in the Account, and Advisor is specifically precluded from doing so. The Advisor is hereby expressly precluded from voting proxies. Client understands and agrees that Client retains the right to vote all proxies, which are solicited for securities held in the Portfolio.

# WALL STREET INDEXES

Indexes	2008	2009	2010	2011	2012	2013	2014 YTD
S&P 500	(40.0%)	23.5%	12.9%	EVEN	13.4%	29.6%	0.5%
Dow Jones	(33.4%)	18.8%	11.0%	5.5%	7.3%	26.5%	(1.5%)
Nasdaq	(42.1%)	43.9%	16.9%	(1.8%)	15.9%	38.3%	(0.5%)
Market Average	(38.4%)	27.9%	13.8%	1.2%	12.2%	31.5%	(1%)



## MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

### Economic Flows:



The Fed is continuing to draw its line in the sand, and it is stated that it will continue to fight against deflation. In its last meeting, the Fed stated it would taper quantitative easing (QE) by another \$10 billion to \$55 billion. They are slowly unwinding the current monetary situation that it started and are also changing their traditional long-standing ways of raising short term interest rates. Now, instead of making a decision to raise rates at the intended target of "below 7 percent employment" as it has done in years past, Fed Chairman Janet Yellen has decided to use other indications to determine increasing rates well into the future. Their main intention is to push the decision making far into 2015. This will be well after the Fed finishes the buyback of its bonds. I believe that only through worldwide wage increases will the Federal Reserve move forward and begin to raise interest rates back toward normal levels. The Fed does not need U.S. wages to make its decision because it does not just manage our economy, but does its part to support the rest of the world as well. Wage increases in India, China, and South America will bring back worldwide inflation. Then the Fed can go back to its traditional mandate of fighting inflation. As I stated last time, the Fed will at least help stabilize and let the dollar's value gradually erode. While this is good for manufacturers and global international companies, this is bad for the nation's "savers" who keep their money safe in treasuries, CD's and money market accounts. I have before called this a "tax" on the investor and saver in America.

### New trends that we see:

- 1) Oil prices are rising at this time.
- 2) Banks earnings will remain flat based on the Fed's recent statement.
- 3) Europe may have major issues with the standoff in Russia.

**Key Point:** *The Fed is considering new indicators to keep things going.*

### Earnings Flows:

This earnings season is upon us and so far so good. Expectations will continue to be tepid, so it is best for companies to continue the trend of underproducing and overdelivering its earnings. Once again, valuation in many areas is still stretched, but there are some companies that are still fairly valued. Good news is coming from Jazz Pharmaceuticals (JAZZ) and other companies that have new ideas and new products that make a difference in the economy. The market reactions have been strong showing that the good news has already been discounted. 2013 has been one of the best years in the last decade, so it needs time to back and fill in order for the next bull market to make another run. If there is any profit-taking at this time, then this will be a catalyst for the market to continue to go higher toward the end of the year. Soon the next quarter's earnings season will begin. Companies usually give guidance on the next quarter, and hopefully for the remainder of the year.

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**Management Fee:**  
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