

Your Personal Money Manager Pearson INVESTMENT LETTER

Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - MARCH 2012

Growth Stocks:

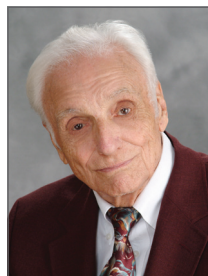
Apple Comp
McDonald's
Neustar
Zhongpin

Value Stocks:

Creditcorp Ltd
Danaher
Guess?
MasterCard

ETFs:

SPDR S&P Div
Vanguard Div



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

THE RIGHT BALANCE

By Donald Pearson

Many of you have already seen activity within your account and, for many who have not, it will be happening soon. We continue to monitor activities around the world, and, because of market uncertainties, we are pulling some of the money back from foreign investments. Europe's economy has slipped to a very dangerous level, and the euro has gone from being what was thought to be a real value to a currency on the verge of extinction. Equity prices of other markets, such as Brazil, China, India, and a host of others, have also begun to slow from the same world uncertainties.

The Investment Company Institute reports that since 2007 every new dollar that Americans put into stock funds has gone into funds that invest overseas. As a result, the average US investor's stake in international equities has grown from around 15 percent in 2001 to more than 30 percent today. We have not been this aggressive, but we also have placed a larger percentage into these markets. Our ability to make changes quickly, in a manner that benefits everyone individually, shows why our method is so much superior to owning mutual funds. In many cases our clients will see partial sell offs of hundreds or thousands of dollars while a significant amount remains, thus maintaining the diversification we seek. It is done individually and quickly and tax

consequences are correctly managed in those accounts that are affected. Thus, the perfect amount is changed. Many times, when a mutual fund tries to do something like this, it can take years, and taxing can become a real problem for some if the type of account, or the length of time of ownership, is not in their favor.

Before I explain what we believe the alternative is to this, let me make it perfectly clear why departing foreign investments completely would be a huge mistake. Even though foreign markets had a poor year in 2011, this is merely a hiccup in a long-term investor's portfolio. Exiting now, or pulling back sharply, would alter the diversification benefits that overseas investments can provide. This is why trimming a bit to invest somewhere else makes a world of sense.

One will probably see additions to their portfolio of SDY, VIG, or DIA. Most will receive two of these and they will give great at-home diversification. These are ETF's that replicate the United States and do so with a basket of stocks trading under one symbol, with exceptionally low management costs. This is the exact opposite of mutual funds. Why do we like the features of these particular ETF's? SDY selects companies within the S&P total companies that make up 1500, not simply the 500 we hear about. Companies that appear to be the most successful in

the years past, increasing their dividend every year for a minimum of 25 years or more, are the companies considered to be chosen as one of the fifty. Companies that are within these ETF's can be well known such as IBM that holds a 10 percent share of DIA and Caterpillar (CAT) that holds a stake of 7 percent. In this month's letter we have featured both SDY and VIG.

Once these have been added, we can then review the companies that make up these ETF's and add additional standalone shares to better balance. Many US companies today are expanding a significant part of their business into foreign countries. This then becomes another way to increase your overseas investments. Many will see McDonald's added to their portfolio if it isn't already there. The company has locations in every city here at home, and it is now expanding to every corner throughout the world. Currently they have 33,000 locations in 117 countries. Their expansion plans are to place locations in many new markets, while at the same time grow their current business with new products. With tough times upon us their prices are affordable, and because of their size, their margins are higher. The company has also paid a dividend for the past 35 years, and today, with its rising equity share price, it is still near 3 percent. As we continuously write,

continued on page 5

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Investment Letters are complimentary to our clients with managed accounts!

BUY OR SELL?

In reading the material put out by financial analysts, I am sure you would find advice that you should try to time the market. Buy when the market is low and sell when it gets too high. This is one system of investing and works very well if you can work everything out. One of the problems with this system is that you may be holding a stock that is actually low in price while the market as a whole is overpriced. If you have a good company, I would be more inclined to consider it a buy.

I believe there is no system that is perfect, and that means that each stock you own should be defined on its own merits. The first thing to consider is past performance. Suppose you can find a company that has increased earnings by 20 percent each year for the past ten years. WOW! That looks very good. Now you check out the price earnings ratio and find that it is selling at fifteen times earnings. WOW! There must be something that you have missed. No stock that good is selling that cheap. Taking the next step, you look at the anticipated earnings for this year, next year, and as many more as you can find. Suppose you find that earnings are going to slow down to a 12 percent growth. Now you know why the stock is so cheap. Now you have a decision to make. Is it a buy? Supposing the rest of the stock market is sky high, should that influence your decision?

One of the things we try to do for our clients is find companies that are going to grow and, hopefully, not stop growing. In this manner it is not necessary to buy and sell in order to accumulate profits. By investing in long term growth companies we not only accumulate profits, but we are able to save taxes for our clients which would be necessarily paid on the profits. Some of these have done very well through the years. Just to give you an indication, I shall quote some we have bought for our people through the years.

August 1997: Bought \$1200 worth of Apple Computer which did nothing for a long period but suddenly came to life. Today's value is more than \$125,000.00.

August 1987: Bought \$1900 worth of Gap which is now worth \$60,000.00.

August 1991: Bought \$1200 worth of Cisco which is now worth \$72,000.00.

The list could go on and on but I think the piece de resistance as the day I had a woman buy one thousand shares of Berkshire Hathaway for \$8500. This was during the time that it was still a woolen mill and Mr. Buffet had not yet decided to sell out and invest the money. But he did and the rest is history. You can figure how many millions or billions she is worth today if she hasn't sold.

Maybe Berkshire Hathaway and Mr. Buffet have together proven the buy and hold philosophy to be a winner. Again, let me stress that it is not overly important whether some other stocks are going up or down. What is important is whether or not the stock you are contemplating is a buy. It may even be a bargain if the market is high. And let's take a look at those three stocks you might have bought some years ago. Cisco's growth has slowed but Standard and Poor still rates it as a hold. Gap has done well year after year, with one exception, and Standard and Poor rates them as a hold. Apple has set the world on fire and has shown a growth that I would not consider a possibility. Still it's there and S&P rates them as a buy today. In my opinion the buy and hold philosophy is a winner. It may not be perfect, but it kept you from selling Apple at \$100 a share just to take a profit. The buy and hold investor does not have to pay \$500 a share today nor the \$600 or \$700 which may be coming up in the near future.

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Source Rating Key for PCI's featured stocks: **Pearson Investment Growth Rating** measures long-term past and future growth.

Pearson Value Rating measures current value in terms of potential for the dollar. **Investors Business Daily** measures growth and relative price strength.

S&P measures financial quality and growth potential. **Value Line** measures timeliness, value and safety.

Information & data obtained from other sources is believed to be reliable, but its accuracy and completeness can not be guaranteed.

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.

He is the author of the book, "Investing for the Millions" and Publisher Emeritus for the Pearson Investment Letter.

At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc.

He is a contributing columnist for various publications and is listed in Who's Who in America.

"Remember the Lord your God, for it is He who gives you the ability to produce wealth. Deut. 8:18"

PEARSON CAPITAL'S RECOMMENDED STOCKS FOR MARCH 2012
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APPLE INC (AAPL) NASDAQ PRICE: \$542.44

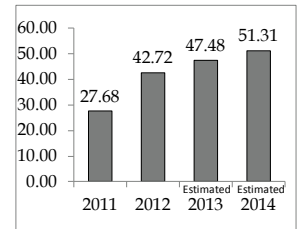
Apple Inc. (Apple) along with its subsidiaries is engaged in designs, manufactures and markets mobile communication and media devices, personal computers, and portable digital music players, and sells a range of related software, services, peripherals, networking solutions, and third-party digital content 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 Mac OS X operating systems, iCloud, and a range of accessory, service and support offerings. It also sells and delivers digital content and applications through the iTunes Store, App Store, iBookstore, and Mac App Store. The Company sells to consumers, small and mid-sized businesses (SMB), and education, enterprise and government customers. During the year ended November 24, 2011, the Company, as part of a consortium, acquired Nortel Networks Corporation's patent portfolio.

Type: Growth
Sector: Technology

Institutional Holdings: 4811
Industry: Computer Hardware

Ratings & Recommendations Earnings per share

Current P/E Ratio: **14.8**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A+**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**



MCDONALD'S CORP (MCD) NYSE PRICE: \$99.28

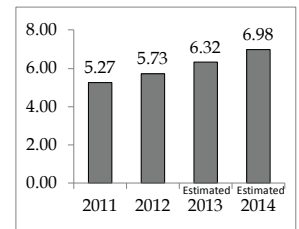
McDonald's Corporation franchises and operates McDonald's restaurants in the global restaurant industry. These restaurants serve a varied, limited, value-priced menu in more than 100 countries around the world. All restaurants are operated either by it or by franchisees, including conventional franchisees under franchise arrangements, and foreign affiliated markets and developmental licensees under license agreements. The Company and its franchisees purchase food, packaging, equipment and other goods from various independent suppliers. It offers a range of products. Independently owned and operated distribution centers, approved by it, distribute products and supplies to McDonald's restaurants. s menu includes hamburgers and cheeseburgers, Big Mac, Quarter Pounder with Cheese, Filet-O-Fish, several chicken sandwiches, Chicken McNuggets, Chicken Selects, Snack Wraps, french fries, salads, shakes, McFlurry desserts, sundaes, soft serve cones, pies and cookies.

Type: Growth
Sector: Services

Institutional Holdings: 2807
Industry: Restaurants

Ratings & Recommendations Earnings per share

Current P/E Ratio: **18.8**
Annual Yield: **2.8%**
Annual Dividend: **\$0.70**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A+**



NEUSTAR INC (NSR) NYSE PRICE: \$35.05

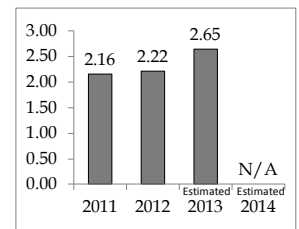
NeuStar, Inc. provides authoritative directory and policy management services to its customers, including communications service providers, or carriers, and non-carrier, commercial businesses, or enterprises. It provides the authoritative solution and it also provides a range of services to meet an expansive range of its customers' needs. It provides directory services, which its carrier and enterprise customers rely upon to manage a range of technical and operating requirements, including Carrier Services and Enterprise Services. It serves providers of communications, including local exchange carriers, such as Verizon Communications Inc. and AT&T Inc.; local exchange carriers, such as XO Holdings, Inc. and Level 3 Communications, Inc.; wireless service providers, such as Verizon Wireless Inc., and long distance carriers. It serves emerging providers, including Comcast Corporation, Cox Communications, Inc. and Cbeyond, Inc. In November 2011, it acquired Targus Information Corporation.

Type: Growth
Sector: Services

Institutional Holdings: 392
Industry: Communications Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.1**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A**



ZHONGPIN INC (HOGS) NASDAQ PRICE: \$11.02

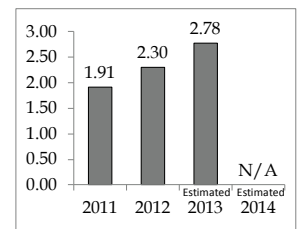
Zhongpin Inc. is a holding company, principally engaged in the meat and food processing and distribution business in the People's Republic of China, (the PRC or China). As of December 31, 2010, the Company's product line included over 390 meat products, including chilled pork, frozen pork and prepared meats, and over 35 vegetable and fruit products. It sells these products on both a wholesale basis to 31 fast food companies in China, 59 processing factories and other purchasers, and on a retail basis through an exclusive network of showcase stores, branded stores and supermarket counters. As of March 31, 2011, the Company had 13 processing plants in China, located in Henan, Jilin and Sichuan provinces and in the municipality of Tianjin. Its total production capacity for chilled pork and frozen pork is approximately 1,566 metric tons per eight-hour day, or approximately 563,760 metric tons on an annual basis.

Type: Growth
Sector: Consumer/Non-Cyclical

Institutional Holdings: 55
Industry: Food Processing

Ratings & Recommendations Earnings per share

Current P/E Ratio: **5.6**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **C+**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR MARCH 2012
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CREDICORP LTD (BAP)

NYSE PRICE: \$122.89

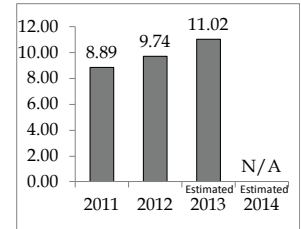
Credicorp Ltd. (Credicorp) is a financial services holding company. Credicorp is engaged principally in banking (including commercial and investment banking), insurance (including commercial property, transportation and marine hull, automobile, life, health and underwriting insurance), pension funds (including private pension fund management services), and brokerage and other (including brokerage, trust, custody and securitization services, asset management and proprietary trading and investment). The Company operates in four segments: banking, insurance, pension funds, and brokerage. It conducts its commercial banking and investment banking activities primarily through its operating subsidiary Banco de Credito del Peru, and Atlantic Security Holding Corporation. It conducts its pension fund business through Prima AFP and its insurance activities through El Pacifico-Peruano Suiza Compania de Seguros y Reaseguros. In October 2010, Credicorp acquired American Life Insurance Company.

Type: Value
Sector: Financial

Institutional Holdings: 602
Industry: Regional Banks

Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.8**
Annual Yield: **1.87%**
Annual Dividend: **\$1.95**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **B-**



DANAHER CORP (DHR)

NYSE PRICE: \$52.83

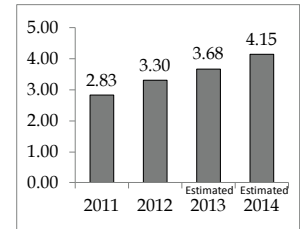
Danaher Corporation (Danaher) designs, manufactures and markets professional, medical, industrial and commercial products and services. The Company operates in five segments: Test & Measurement; Environmental; Life Sciences & Diagnostics; Dental, and Industrial Technologies. The company also provides sensors and control instruments to manufacturing markets and electric utility industry; energetic material systems to defense systems integrators and prime contractors; and supplemental braking systems for commercial vehicles. The Company acquired Keithley Instruments, Inc. and the petroleum dispenser business of Larsen & Toubro, AB Sciex and Molecular Devices during the year ended December 31, 2010. On February 6, 2012, L-3 Communications Holdings, Inc. acquired Kollmorgen Electro-Optical unit of the Company. The company was formerly known as Diversified Mortgage Investors, Inc. and changed its name to Danaher Corporation in 1984. Danaher Corporation was founded in 1969 and is headquartered in Washington, District of Columbia.

Type: Value
Sector: Technology

Institutional Holdings: 1879
Industry: Scientific & Technical Instr.

Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.6**
Annual Yield: **0.19%**
Annual Dividend: **\$0.03**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A+**



GUESS? INC (GES)

NYSE PRICE: \$34.65

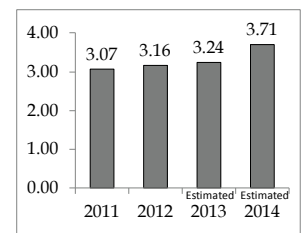
Guess?, Inc. (GUESS?), designs, markets, distributes and licenses apparel and accessories for men, women and children. The Company's apparel is marketed under numerous trademarks including GUESS, GUESS?, GUESS U.S.A., GUESS Jeans, GUESS? and Triangle Design, MARCIANO, Question Mark and Triangle Design, a stylized G and a stylized M, GUESS Kids, Baby GUESS, YES, G by GUESS, GUESS by MARCIANO and Gc. The lines include full collections of clothing, including jeans, pants, overalls, skirts, dresses, shorts, blouses, shirts, jackets, knitwear and intimate apparel. It also grant licenses to manufacture and distribute a range of products that complement its apparel lines, including eyewear, watches, handbags, footwear, kids' and infants' apparel, leather apparel, swimwear, fragrance, jewelry and other fashion accessories. The Company operates in five segments: North American retail, Europe, Asia, North American wholesale and licensing.

Type: Value
Sector: Services

Institutional Holdings: 521
Industry: Retail (Apparel)

Ratings & Recommendations Earnings per share

Current P/E Ratio: **11.5**
Annual Yield: **2.33%**
Annual Dividend: **\$0.20**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B-**



MASTERCARD INC (MA)

NYSE PRICE: \$420.00

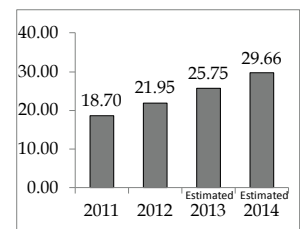
MasterCard Incorporated (MasterCard) is a global payments and technology company that connects consumers, financial institutions, merchants, Governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. The Company offers a range of payment solutions that enable its customers and partners to develop and implement credit, debit, prepaid and related payment programs for their customers. Its customers and partners include financial institutions and other entities that act as issuers and acquirers, merchants, Government entities, telecommunications companies and other businesses. MasterCard manages a family of payment brands, including MasterCard, Maestro and Cirrus, which the Company license to its customers for use in their payment programs and solutions. On April 15, 2011, MasterCard acquired the prepaid card program management operations of Travelex Holdings Ltd., since renamed Access Prepaid Worldwide.

Type: Value
Sector: Financial

Institutional Holdings: 2073
Industry: Consumer Financial Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **28.3**
Annual Yield: **0.28%**
Annual Dividend: **\$0.15**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **B**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **B**



PEARSON CAPITAL'S RECOMMENDED STOCKS MARCH 2012

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SPDR S&P DIVIDEND ETF (SDY)

NYSE ARCA PRICE: 55.91

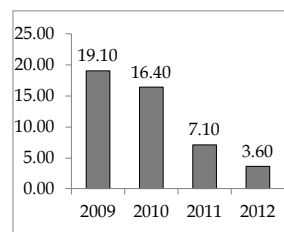
The investment seeks to provide investment results that, before expenses, correspond generally to the total return performance of an index that tracks the performance of publicly traded issuers that have historically followed a policy of making dividend payments. The fund employs a replication strategy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

Location: USA
Type: 100% Stocks

Category: Large Value
Industry: Diversified

Ratings & Recommendations Performance by%

Current P/E Ratio: **N/A**
Annual Yield: **0.51%**
Annual Dividend: **\$3.2**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**



VANGUARD DIVIDEND APPRECIATION ETF (VIG)

NYSE ARCA PRICE: \$57.62

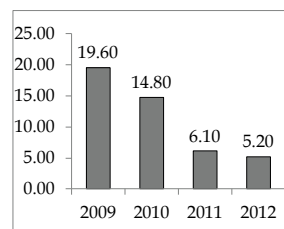
The investment seeks to track the performance of a benchmark index that measures the investment return of common stocks of companies that have a record of increasing dividends over time. The fund employs a "passive management" —or indexing—investment approach designed to track the performance of the 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: Large Value
Industry: Diversified

Ratings & Recommendations Performance by%

Current P/E Ratio: **N/A**
Annual Yield: **0.34%**
Annual Dividend: **\$2.1**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**



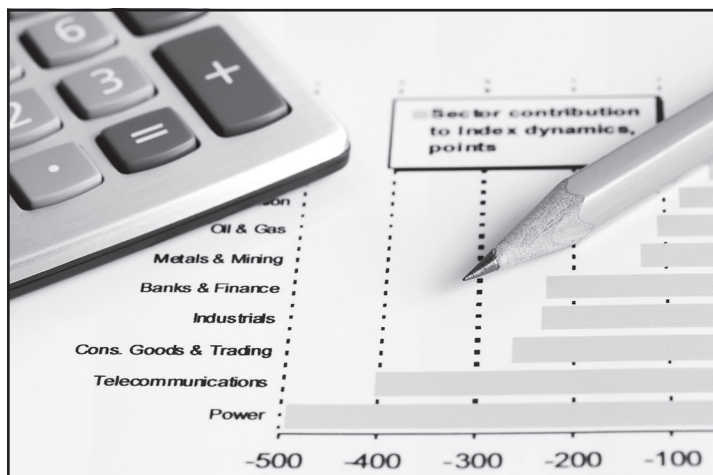
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this is another way of improving the portfolio's value, while still pursuing growth overseas. IBM is another that meets and exceeds expectation while deriving the majority of its revenue from Asia, as do many of the stocks outlined in our January 2012 letter. If you are without these today, you will see some or all added in the near future. IBM paid a dividend of 25 cents a share in 1995. The payout rate today is now \$3 a share, and the company is capable of increasing this. The annual dividend tab of \$3.5 billion is less than one-fourth of their free cash flow.

On another note, please review Pages 7 and 8 of this month's letter. We have explained how our management fee is extracted quarterly from the managed accounts. We also include a copy of our privacy policy, with instructions how to get these documents and/or a copy of our ADV II.

We are honored having earned your trust and the opportunity to be your financial advisory service yesterday, today, and in the future, as we continue to seek prosperity through diversification and value, while minimizing risk.

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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.

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Revised January 2012

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 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 accessed 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.

2012 - IMPORTANT UPDATES

(This information is also accessible on our web site 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.

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	2006	2007	2008	2009	2010	2011	2012 YTD
S&P 500	13.6%	3.6%	(40.0%)	23.5%	12.9%	EVEN	8.6%
Dow Jones	16.3%	6.4%	(33.4%)	18.8%	11.0%	5.5%	6.1%
Nasdaq	9.5%	9.8%	(42.1%)	43.9%	16.9%	(1.8%)	13.9%
Market Average	14.1%	5.6%	(38.4%)	27.9%	13.8%	1.2%	9.5%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The Federal Reserve and the European Central Bank (ECB) are following the same path that the Bank of Japan (BOJ) decided to follow twenty years ago to keep interest rates low to stimulate growth. Since then the BOJ has been stuck in a continuous flat growth rate where real GDP has not grown even 1 percent per year since the 1990's. The devastation caused by the tsunami that hit Japan's northeastern coast last year will take many years to rebuild, and possibly give them the chance to get themselves out of their deflationary spiral. The BOJ is allowing prices of goods and services to rise slowly and take advantage of the building growth to gain some sort of inflation. Only through inflating the currency, can the country get out of its debt crisis, which is far larger than Europe's at this time. Since Japan is the third largest economy in the world, it will be interesting to see if it can finally start growing again. Europe's deflationary woes are just beginning, while the United States' problems are trying to be managed before its crisis hits a few years from now. Government debt in the U.S. will soon be overwhelming, and will put more pressure on the Fed as it carries us through a growth rate target of 2 percent. That growth rate will not solve its long term unemployment problems.



Key Point: Lower rates abound throughout the developed nations.

Earnings Flows:

March winds down the fourth quarter earnings season. Stock prices have caught up with expectations as the stock market has continued on a positive swing. A European slowdown was the main worry last month, with the EU now working a major deal with Greek debt bondholders. Now there are Middle East tensions in Syria and nuclear proliferation in Iran taking the world stage. The problem is that there are stronger sanctions coming in place starting July 2, when European nations, including Italy, are barred from buying oil from Iran. With Syria going through a possible civil war and Iran not backing down, analysts are expecting that gas could go up past \$5.00 a gallon during summertime, with Europe moving much higher. Americans have already prepared themselves with \$4.00 gas. I do not know what \$5.00 gas will do. \$4.00 gas was one of the triggers for the last recession in 2008. Economists estimate that for every \$1 increase in gas in the United States, there is a decrease of 1 percent of GDP. So, when gas goes from \$3.50 a gallon to \$5.50, will there be a bigger shock? We will wait and see this summer.

Key Point: Attention has now turned from Europe to Iran.

Cash Flows:

Long term trends often benefit those who are there to take full advantage of them. Apple (APPL), of course, is benefiting from society's demand for mobile phones and devices. It now has a \$500 billion market capitalization and \$68 billion in cash. Like Microsoft in the nineties, it has positioned itself with connecting the customer to the phone, music, and down-loadable applications that one can take anywhere with them. There are other companies trying to ride the mobile wave, but none have done it better than Apple. There are other long term trends taking shape.

1. The switch from oil to natural gas: Natural gas is expected to fall to an all-time low of \$2.00 per BTU.
2. The average car in America is reaching ten years old and will need to be replaced.
3. The move to your TV as the central computing center.
4. Home builders are coming back with new smaller houses.
5. Banks are now becoming well capitalized and starting to lend.

Key Point: Apple has dominated the trend of mobile devices.

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 for accounts of \$25,000 or more
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