

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - MARCH 2013

GROWTH STOCKS:

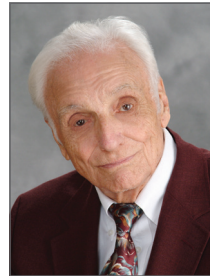
Atwood Oceanics, Inc
Encore Capital Group, Inc

INCOME STOCKS:

Abbvie, Inc
Bank of Nova Scotia

VALUE STOCKS:

Blackrock, Inc.
Walt Disney Co.
Flowers Food, Inc
Syntel, Inc.



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

THINGS TO KNOW

Included with the privacy policy is an explanation of our management fee and how this is received. In most cases the only other charge to any account is the \$9.95 trading fee when a trade occurs. This fee is taken from the managed account by TD Ameritrade, and PCI does not receive any part of it.

Our Investment Letter serves as our primary communication tool with our clients. It is our intent to continuously feature the stocks or ETFs we are selecting for our managed accounts as well as our own. It is our intent to research and find the absolute best companies in which one could invest. We have our own formulas, and we prioritize value and growth as the primary components, while searching for companies that are increasing their dividends annually. We also encourage every client to call at any time to update their profile. Often a life event can change one's needs, and a profile can be adjusted with very little time, effort, and expense. Many times things happen suddenly such as promotions or layoffs at work, but in other cases retirement may be in the near future, and the adjusting can be started and gradually completed over a longer period. Today people are living much longer, and even into retirement growth should still be a priority.

I've also included excerpts of an article printed in the Wall St. Journal regarding mutual funds written by Mr. Brett Arends. We have always believed we can better serve our client's needs by building a portfolio and continuously monitoring the content. We feel that utilizing our own

By Donald Pearson

research gives us a distinct advantage over these funds. Fees are considerably less when we apply only our own fee and the trading fee taken by TDA. Simply said, we are starting with a significant advantage because of the costs, loads, and fees built into mutual funds. This doesn't guarantee success, but we do start with lower fees and built in costs, and we can better monitor capital gains, as they are accessed for an individual rather than the fund owner. This article has been shortened because of space. If you'd like a complete copy, please contact us and we'll have one sent to you immediately.

1. What are the fund's total fees, and where do they go? The advisor pushing the fund may get a commission up to 5.75 percent. Many today have loads when getting in or out, and these can be as much as 5 or 6 percent. All of these additional fees are buried in a document called the "Statement of Additional Information," available if asked for.

2. Does the fund manager eat his own cooking? This is simply asking if the fund manager has his own money in the fund he's managing. A study done by Morningstar years ago found that funds where the manager's money was included did considerably better. It was also concluded by their report that most fund managers did not.

3. Will the fund company put your interests before their own? There's a conflict here. Your goal is to grow your money, and the fund manager's goal is to grow the size of the fund. Their income is a slice of the assets under management. The larger the

fund grows the more difficult it becomes. Very few shut down to new investors before getting into this situation.

4. Do your fund's performance figures mean anything? These figures should always be taken as one measurement only. The size of the fund is of equal importance and the fund management team needs reviewing also. The fund management may have changed recently and may again.

5. Who runs the fund - management or marketing? The management may want to keep money out of the market for a while because of uncertainty, and the marketing department wants the fund fully invested.

DP

CLIENT PRIVACY

Once each year we try to update and inform all clients of the PCI privacy policy and any other procedures that are modified. You will find this information included in this month's investment letter along with a descriptive explanation. Every year we modify or upgrade our policies with whatever changes we feel are necessary to best serve the needs of our clients. These changes are done to protect individual information and personal privacy. Please read these pages carefully. If you would like another copy of any of this material, contact Ann, and we will email, PDF, or send a copy by regular mail upon request. This information is also readily available on our web site. If you'd like to discuss how any of this applies to you, please contact me directly.

DP

GOOD MORNING, GOOD AFTERNOON, GOOD EVENING

Good morning, good afternoon, or good evening, depending upon the time you have decided to read this epistle. We may have discussed this before, but I would like to bring up the timing factor again, because it is a very important part of everyone's financial future. Let's suppose that you bought a stock at one of the highest points that it has sold. This does not mean that you have been wrong about your selection. It simply means that your timing has been off. If the price should come down considerably, it could be a good idea to buy more and average down. There are people in this business who sell information on how to time the market. I would like to suggest that you do not buy this information, as I believe you cannot rely upon it. Here is the timing factor that I think you should adhere to.

Invest in a company where you can see the future growth next year, the year following, and for an unknown number of years to come. Let's look at one or two where you might have looked ten years ago. FASTENAL. This has been a good growth company, and I expect it to continue to grow in the future. Ten years ago you might have bought it at a price between \$7 and \$13. Last year it ran between \$37 and \$55. As you can see, you have done very well if you chose that one. The earnings ten years ago were 28 cents. The earnings last year were \$1.42. Earnings increased each year. Inasmuch as you found a company that would more than triple earnings over a ten-year period you have increased considerably. Suppose you had bought 100 shares at \$13. That would mean you will have a 200% profit at \$39. But suppose the stock backed up to \$7 after you bought it at \$13 and you put in \$1400 to buy twice as much. This would mean you averaged out at \$9 and your profit at \$39 would figure to more than 300%.

Cognizant Technology might be another that you found ten years back. They earned 14 cents then and \$2.85 now. The stock sold between \$3 and \$6 then and \$53-\$83 now. You can see the profit picture very clearly. Now the important thing to notice is your timing. It is not too important to try to time your purchase. You could have bought it at \$3 or at \$6 and you still would have done well. Your timing is on hold. You do not sell for a quick profit. You hold for the ultimate. There are people who try to time the market. They believe that you do not buy when the Dow is high. Believe me! That is not the way to time. As I have pointed out, you might have bought Cognizant Technology at the top ten years ago, but who cares! You would have done splendidly. The important thing to remember about timing is this: Time the market by giving up some of your free time to study a stock thoroughly before purchasing. If you are one of those people who has us doing the job for you, it just comes down to the fact that you can play golf while we do the work. Oh well, I guess everybody can't have it the easy way.

One of the things to constantly bear in mind is that we live in an economy that has built-in inflation. Each year you need a raise in pay of about 5% in order to live as well as previously. Whether or not this happens, it is up to you to master your savings by seeing to it that they are invested wisely and efficiently. In that manner your savings should hold their own.

Here are some companies that you may or may not own which have just announced an increase in dividend payments. Good luck! HLF, SXL, EBIX, BX, CCE, LLL, MA, TWX, ALL, ROST, HAS, FLIR, LTD, BX, EBIX, TWC, PH, MH.



WP

Copyright © 2007 Pearson Capital, Inc. - All Rights Reserved - Sources: Pearson Capital, Inc. research, various publications and the Internet

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 FEBRUARY 2013

www.pearsoncapitalinc.com

ATWOOD OCEANICS, INC. (ATW) NYSE PRICE \$51.15

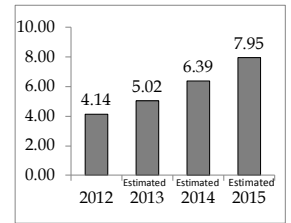
Atwood Oceanics, Inc., along with its subsidiaries, is engaged in the international offshore drilling contractor engaged in the drilling and completion of exploratory and developmental oil and gas wells. As of September 30, 2011, the Company owned a fleet of 10 mobile offshore drilling units located in the United States Gulf of Mexico, South America, the Mediterranean Sea, West Africa, Southeast Asia and Australia. During the fiscal year ended September 30, 2011 (fiscal 2011), it had a utilization rate of 95%. Its offshore drilling equipments include semisubmersible rigs, jack-up drilling rigs, semisubmersible tender assist rigs and submersible drilling rigs. It obtains the contracts, under which it operates its units either through individual negotiation with the customer or by submitting proposals in competition with other contractors. In October 2010, it entered into turnkey construction agreements with PPL Shipyard PTE LTD to construct two Pacific Class 400 jack-up drilling units.

Type: Growth
Sector: Energy

Institutional Holdings: 499
Industry: Oil Well Services & Equipment

Ratings & Recommendations Earnings per share

Current P/E Ratio: **12.2**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **N/A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**



ENCORE CAPITAL GROUP, INC. (ECPG) NASDAQ PRICE \$29.55

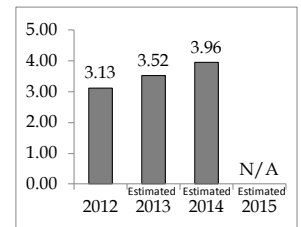
Encore Capital Group, Inc. (Encore) is engaged in consumer debt buying and recovery. Encore purchases portfolios of defaulted consumer receivables at deep discounts to face value and use a variety of operational channels to maximize its collections from these portfolios. The Company manages its receivables by partnering with individuals, as they repay their obligations and work toward financial recovery. Defaulted receivables are consumers' unpaid financial commitments to credit originators, including banks, credit unions, consumer finance companies, commercial retailers, auto finance companies, and telecommunication companies, and may also include receivables subject to bankruptcy proceedings, or consumer bankruptcy receivables. In addition, it provides bankruptcy support services to companies in the financial services industry through its wholly owned subsidiary, Ascension Capital Group, Inc. (Ascension). In May 2012, the Company acquired Propel Financial Services, LLC.

Type: Growth
Sector: Financial

Institutional Holdings: 298
Industry: Misc. Financial Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **9.8**
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-**



BLACKROCK, INC. (BLK) NYSE PRICE \$239.75

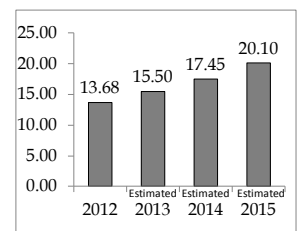
BlackRock, Inc. (BlackRock) is an independent investment management firm. The Company provides a range of investment and risk management services. The Company serves its clients as a fiduciary, and derives all of its revenues from client business. It invests in capital markets globally. Its clients include taxable, tax-exempt and official institutions (including pension funds, endowments, insurance companies, corporations, financial institutions, central banks and sovereign wealth funds) as well as retail investors and high net worth individuals. Its product range includes single- and multi-asset class portfolios investing in equities, fixed income, alternatives and/or money market instruments. In March 2012, it acquired Claymore Investments, Inc. from Guggenheim Partners, LLC. On February 14, 2013, BlackRock Inc sold its entire interest in Avocet Mining plc.

Type: Value
Sector: Financial

Institutional Holdings: 1622
Industry: Investment Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.5**
Annual Yield: **2.8%**
Annual Dividend: **\$6.72**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B+**



WALT DISNEY CO. (DIS) NYSE PRICE \$54.59

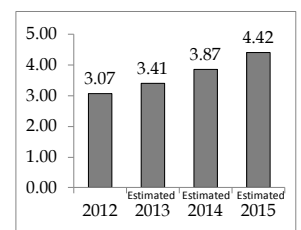
The Walt Disney Company, together with its subsidiaries, is a diversified worldwide entertainment company. The Company operates in five business segments: Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products and Interactive. The Company has a 51% effective ownership interest in Disneyland Paris, a 5,510-acre development located in Marne-la-Vallée, approximately 20 miles east of Paris, France. The Company manages and has a 40% equity interest in Euro Disney S.C.A. The Company owns a 48% interest in Hong Kong Disneyland Resort through Hongkong International Theme Parks Limited. On November 7, 2012, the Company sold its 50% interest in ESPN STAR Sports (ESS). On November 7, 2012, the Company sold its 50% equity interest in ESPN STAR Sports (ESS). On December 21, 2012, the Company acquired Lucasfilm Ltd. LLC.

Type: Value
Sector: Services

Institutional Holdings: 2631
Industry: Broadcasting & Cable TV

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.6**
Annual Yield: **1.4%**
Annual Dividend: **\$0.75**
Investor's Bus. Daily: **B+**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A-**



PEARSON CAPITAL'S RECOMMENDED STOCKS FEBRUARY 2013
www.pearsoncapitalinc.com

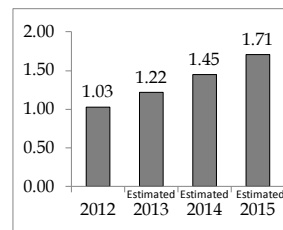
FLOWERS FOODS, INC. (FLO) NYSE PRICE \$28.18

Flowers Foods, Inc. (Flowers Foods) is a producer and marketer of bakery products in the United States. The Company is the producer and marketer of packaged bakery foods for retail and foodservice customers in the United States. Flowers Foods operates 44 bakeries that produce a range of bakery products, which include breads, buns, rolls, snack cakes, and pastries. These products are sold through a direct-store-delivery network with access to approximately 70% of the United States population in the East, South, and Southwest, as well as in certain markets in California. Select Flowers products are sold nationwide through customers' delivery systems. Among the Company's top brands are Nature's Own and Tastykake. The Company has two business segments: direct-store-delivery (DSD segment) and warehouse delivery segment (warehouse segment). In February 2013, it announced the completion of acquisition of Sara Lee and Earthgrains brands from BBU, Inc

Type: Value Institutional Holdings: 400
 Sector: Consumer/Non-Cyclical Industry: Food Processing

Ratings & Recommendations Earnings per share

Current P/E Ratio: **28.8**
 Annual Yield: **2.3%**
 Annual Dividend: **\$0.64**
 Investor's Bus. Daily: **A**
 Pearson Growth & Value: **A+**
 Morningstar Rating: **N/A**
 Stand & Poor Rating: **N/A**
 The Street (analyst avg.): **A**



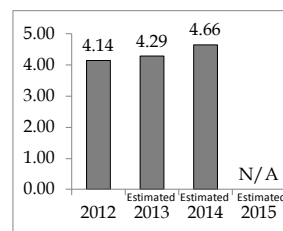
SYNTEL, INC. (SYNT) NASDAQ PRICE \$60.16

Syntel, Inc. is a provider of information technology (IT) and knowledge process outsourcing (KPO) services to Global 2000 companies. The Company is primarily organized into four business segments: Application Outsourcing, Knowledge Process Outsourcing (KPO), e-Business and TeamSourcing. Through Applications Outsourcing offering, the Company provides complete software applications development, maintenance, testing, migration and infrastructure services. Through its KPO offerings, the Company provides a host of outsourced solutions for knowledge and business processes. Through its e-Business practices, the Company provides advanced technology services in the areas of architecting, implementing and maintaining Web Solutions, Data Warehousing/ Business Intelligence, Enterprise Application Integration (EAI), Business Process Management (BPM) and Enterprise Resource Planning solutions. Through TeamSourcing, the Company provides professional IT consulting services.

Type: Value Institutional Holdings: 277
 Sector: Technology Industry: Computer Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.5**
 Annual Yield: **0.4%**
 Annual Dividend: **\$0.24**
 Investor's Bus. Daily: **B**
 Pearson Growth & Value: **A**
 Morningstar Rating: **N/A**
 Stand & Poor Rating: **N/A**
 The Street (analyst avg.): **B**



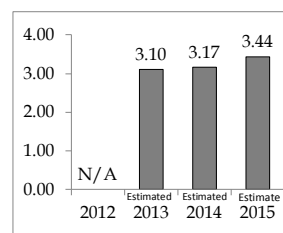
ABBVIE, INC. (CABBV) NYSE PRICE \$36.92

AbbVie Inc. (AbbVie) is a research-based pharmaceuticals company. The Company discovers, develops, and commercializes advanced therapies. AbbVie's portfolio of products include a line of adult and pediatric pharmaceuticals, which includes HUMIRA, metabolics/hormones products, virology products, endocrinology products, dyslipidemia products and other products. AbbVie products are used to treat rheumatoid arthritis, psoriasis, Crohn's disease, human immunodeficiency virus (HIV), cystic fibrosis complications, low testosterone, thyroid disease, Parkinson's disease and complications associated with chronic kidney disease, among other indications. In October 2012, AbbVie initiated a comprehensive Phase III program for hepatitis C virus (HCV) genotype one.

Type: Income Institutional Holdings: 542
 Sector: Healthcare Industry: Biotechnology & Drugs

Ratings & Recommendations Earnings per share

Current P/E Ratio: **11.9**
 Annual Yield: **4.4%**
 Annual Dividend: **\$1.60**
 Investor's Bus. Daily: **C-**
 Pearson Growth & Value: **B+**
 Morningstar Rating: **C**
 Stand & Poor Rating: **C**
 The Street (analyst avg.): **N/A**



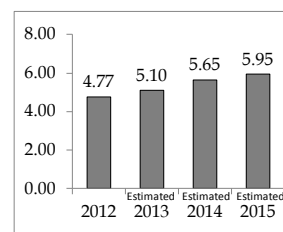
BANK OF NOVA SCOTIA (BNS) NYSE PRICE \$59.44

The Bank of Nova Scotia, together with its subsidiaries, provides various personal, commercial, corporate, and investment banking services in Canada and internationally. The company operates through four segments: Canadian Banking, International Banking, Global Wealth Management, and Global Banking and Markets. The Canadian Banking segment provides retail and small business banking products and services, such as debit cards, deposit accounts, credit cards, investments, mortgages, loans, and related creditor insurance products to individuals and small businesses; and commercial banking solutions, including lending, deposit, and cash management solutions to medium and large businesses. This segment offers its products through a network of 1,037 branches and 3,488 automated banking machines (ABMs) in Canada, as well as through telephone, mobile and Internet banking, and third party channels. The Bank of Nova Scotia was founded in 1832 and is headquartered in Halifax, Canada.

Type: Income Institutional Holdings: 1357
 Sector: Financial Industry: Regional Banks

Ratings & Recommendations Earnings per share

Current P/E Ratio: **11.6**
 Annual Yield: **3.9%**
 Annual Dividend: **\$2.29**
 Investor's Bus. Daily: **B+**
 Pearson Growth & Value: **A-**
 Morningstar Rating: **C**
 Stand & Poor Rating: **B**
 The Street (analyst avg.): **N/A**



JUST ASK ANN

Recently I have had several questions concerning Beneficiaries and Beneficiary Accounts. Here's a brief look at how this process works.

When you open an IRA type account (Individual Retirement Account, Traditional, ROTH, Rollover, SEP, etc.) you are requested to name a beneficiary so that the account can be passed on upon your death.

You may assign this to anyone of your choosing, and you may also list as many people as you desire. Each recipient will be given a percentage of the proceeds according to your instructions. They will be designated your PRIMARY beneficiaries.

Usually the primary beneficiary is a spouse who would normally receive 100% of the proceeds. Children are sometimes added to the list as CONTINGENT beneficiaries and would receive their percentage if the primary beneficiary predeceases them. This is a common example, but the recipient(s) may be of your choosing and need not be related. Upon death of the owner of the IRA account, the beneficiary then opens a BENEFICIARY ACCOUNT and the funds are transferred to the new owner(s). Before funds are moved, the new owner indicates on the application form how they would prefer to receive the proceeds. They may opt to:

- 1) Treat the account as their own (this is for a spouse only)
- 2) Follow the **Five Year Rule**: Take the entire balance out of the account by December of the fifth year after the IRA owner's death (all at once or in stages)
- 3) Take **Life Expectancy Payments**, that is, taking a Required Minimum Distribution every year determined by a non-recalculation method. (This involves your age at the time of the original owner's death, the balance of the account on December 31 of the prior year, and an actuarial table that determines a divisor for calculation)

The purpose of these choices is to give the new owner a say in how they wish to handle the taxes that will be incurred whenever funds are taken from the account as pre-tax dollars originally funded the account. (No tax on ROTH accounts)

This is certainly an abbreviated explanation of a Beneficiary Account, so if you have specific questions please let me know, and I can help you through the process.

MARKET VIEW *Continued from page 8*

Once again some of the new trends are:

- 1) Major construction in the United States is still doing well.
- 2) Some manufacturing stocks will rebound.
- 3) Technology stocks are consolidating.
- 4) Global stocks will be benefitting the most from the devaluing dollar.

Key Point: Congress's noise will overtake market volatility for March.

Cash Flows:

Cash flows have been increasing for many companies in the S&P 500. At the same time, earnings growth is slowing. These "Blue Chip" companies are taking advantage of low interest rates and borrowing in the bond market to buy back stocks and to increase their yearly dividends. This keeps their respected stock prices at a heightened level that they would normally not be. If a company cannot find a way to increase its intrinsic value by finding good companies to invest in, they should hand it over to its shareholders. We just disagree when that opportunity should be. Stock reinvestment at today's prices should not happen when a company is at an all-time high, for it does not bode well in the long run for shareholders who often look for long term results. Often, stock buybacks only benefit current management's short term expectations and stock options. We worry that some of these companies may suffer if they take on too much debt and cannot meet short term objectives. The good news right now is the economy is doing well enough that we see slow growth ahead.

New trends that are happening.

- 1) Stocks are still accelerating their dividend payouts.
- 2) Companies' balance sheets are now taking on debt.
- 3) The dividend tax rate for individual investors has increased.
- 4) The average stock in the S&P 500 is paying out about a 2 percent yield.
- 5) The sectors we favor will continue to have high profit margins.

Key Point: The market may be waiting for a pull back.

Please note:

1. Politics are now starting to affect the market volatility.
2. March is time for a stock market breather.
3. The Fed is now playing an active role in 2013.



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

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.

2013 - 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.

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 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 YTD |
|----------------|------|---------|-------|-------|--------|-------|----------|
| S&P 500 | 3.6% | (40.0%) | 23.5% | 12.9% | EVEN | 13.4% | 6.2% |
| Dow Jones | 6.4% | (33.4%) | 18.8% | 11.0% | 5.5% | 7.3% | 7.3% |
| Nasdaq | 9.8% | (42.1%) | 43.9% | 16.9% | (1.8%) | 15.9% | 4.7% |
| Market Average | 5.6% | (38.4%) | 27.9% | 13.8% | 1.2% | 12.2% | 6.1% |



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



"Sequestering" and "government shutdown" will be the buzz words for March. At the same time, the Bank of Japan has decided to spend more money to stimulate growth and apply it to its country's northeastern coast which was hit by the Tsunami. This will allow the yen to continue to depreciate in value and cause inflation. We see this already happening in the Japanese stock market. Its country's exporting companies will plan to benefit from a weaker yen as they are able to sell more goods. In our country, the Federal Reserve is allowing our U.S. dollar to continue to depreciate. In turn, we can see the effects of initial inflation, as crude oil prices rise as the U.S. dollar falls. Only by inflating the currency can these western countries get out of the ever-increasing debt crises they have created for themselves. However, complaints and criticisms are coming in from the rest of the world, especially from Europe, which is in the midst of a recession and continues to slow down. The EU is the only major currency that has maintained its strength. They are stating that if this continues, we will see an eventual currency war.

New trends we see:

- 1) Gas prices are again looking at going past \$4.00 per gallon.
- 2) New building for housing is slowing, but the overall prices for housing are rising.
- 3) Major construction in the United States is still building.
- 4) Natural gas prices are slowing rising as well.
- 5) The Financial sector earnings are slowing with a low interest rate environment.

Key Point: Devaluation of the major western currencies is in play so far this year.

Earnings Flows:

March is when earnings season starts slowing down, allowing for the market to take some "break time" for individual stocks in between earnings reports. This will create either uncertainty or listlessness, as traders focus not on business fundamentals, but on other items like Washington politics, or Fed rumors. In the latest Fed report, some voting members of the Federal Open Market Committee (FOMC) were unhappy about the costs of the latest Quantitative Easing (QE). Even though Fed officials were optimistic about accelerated economic growth from QE4 levels, the real focus was on growing concerns with the current QE program. Apparently members are worried about the amount of spending and may want to change the rules of how long they will be engaged in QE. Apparently, this rattled the market for a few days, and caused people to begin to take profits from this month's run up in the stock market. The next issue in Washington comes from the automatic spending cuts otherwise known as "sequestering" that started March 1. They will affect many defense industry stocks and stocks that benefit from long term government contracts. This is also a good time for some companies to pre-warn shareholders about bad expectations, but most hold off until the beginning of April for that.

Continued to page 5

Pearson Capital, Inc.

P.O. Box 3739
 Apollo Beach, Florida 33572
 Tel: (813) 641 - 7575
 Fax: (813) 641 - 7755
 Toll Free: (800) 510-0329
www.pearsoncapitalinc.com

Chairman Of The Board
 Head Of Investment Research
Walter D. Pearson
 E-mail: PearsonCap@aol.com

President
Donald E. Pearson
 E-mail: PearsonCapital@aol.com

Stock Analyst
Chris Carothers
PearsonCapital2@yahoo.com

Account Manager
Ann Hathaway
PearsonCapital7@gmail.com

The Pearson Investment Letter
 published monthly since 1982

Editor
Roberta Wilde

Services Provided

Managed Accounts:
 Individual - Joint - Custodial
 Corporate - Partnership - Trust
 IRA's; Roth - Trad - College - SEP
 401(k) & 403(b) Rollovers - Transfers

Management fee of 1% annually
 for accounts of \$25,000 or more
 (2% for smaller accounts)

Free consultation
No hidden fees

Privacy Policy
 Available online or mailed upon request.

Table of Contents

| | |
|---|---|
| Walter's Wisdom:..... | 2 |
| Featured Stocks: | 3 |
| Featured Stocks: | 4 |
| Just Ask Ann | 5 |
| Privacy Policy | 6 |
| What You Should Know About Your Management Fee | 7 |
| Market Outlook | 8 |