Your Personal Money Manager

Pearson INVESTMENT LETTER

Published Monthly Since 1982

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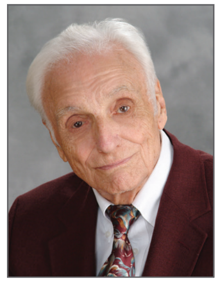
FEATURED STOCKS - MAY/JUNE 2015

GROWTH STOCKS:
Iconix Brand Group Inc

INCOME:
Royal Bank of Canada

VALUE STOCKS:
Lear Corp
Union Pacific Corp

FEATURED CORE INVESTMENTS
Featured Stock - Walt Disney Co
Featured ETF - iShares Biotechnology



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

EXCHANGE TRADED FUNDS *By Donald Pearson*

Exchange traded funds (ETFs) have been in existence since 1993. This makes these investments relatively new as compared with mutual funds. The older traditional way of investing has been finding mutual funds yourself, or hiring a pro to do it for you, and selecting a handful of them. Those chosen are either category-specific or balanced to meet all your needs while at the same time distributing the risk that you've requested. Some of the problems that are not disclosed with mutual funds are the hidden costs that can be as high as 5-6% and in some cases even higher. A study done by Morningstar disclosed most fund managers do not own their own fund or have a minimal investment with their own money. Many times the fund management has a different objective. It is important to ask questions and consider past performance and how long the fund manager has been in this position. Fund managers are changed from time to time, and the person making the decisions may not be the person deserving the credit if it is or was performing above the average. The yardstick for measurement is the S&P 500, because this can be purchased as is with a lower cost. S&P Dow Jones has found that not many managed funds are able to consistently reach the top quartile of performance over five successive years. At the end of 2014 it reported 88.44% of large-cap fund managers underperformed the benchmark over a one-year period. Over five and ten-year periods, respectively, 88.65% and 82.07% of large-cap managers failed to deliver incremental returns over the benchmark. Most mid-cap, small-cap, and international managed funds also lagged their benchmarks.

Since the startup of the first ETF in 1993, ETFs have continued to grow and improve, and now we believe can better outperform the index if and when selected properly. Today there are more than 1,400 from which to choose. Many are category specific, while others are balanced to try to fit almost everyone's portfolio. Today's ETF investments total $2 trillion and are growing.

Because we do not use mutual funds, it is our belief that a properly diversified portfolio should have many ETFs along with individual standout stocks. This strategy allows us exposure to various segments of the U.S. and international equity markets, and to various trading and investing strategies that require more flexibility than mutual funds provide. Those producing the most are Blackrock (iShares), State Street (SPDRs), Vanguard, Guggenheim, Wisdom Tree, and PowerShares. Two other reasons to add these to portfolios are first, ETFs trade like a stock so the tax consequences are better. One would immediately know the cost basis and not have to worry about any hidden surprises when something within the fund has been sold, and this is not the case with mutual funds. Second, the costs for most ETFs are under 1% and that's a large savings compared to the alternative. Most have 40-60 individual stocks built within their portfolio.

401Ks and IRAs

Today most Americans do not save and invest as they should. We try to educate everyone about time being a thief and it stealing your retirement. When we get to 65-70 years of age many will want to retire but unfortunately will not be able. A quarter of middle class households earning between $50,000 and $75,000 each year put away more than 15% of their income annually. Only 8% of lower-earning households, and 17% of wealthier households, save that much of their earnings.

Many employers offer 401K plans and others have similar programs. Most offer free money as an incentive to participate. The first thing you must do is meet the terms of your plan to receive the free money offered. If you invest 3-6% and your employer matches another 3%, you've immediately made 50-100% on your investment. What you choose to invest in becomes your decision. If you are a client of ours, I would be happy to assist you with your selections.

401Ks are primarily mutual funds provided by whomever your employer selected to be the administrator, so we cannot manage these until you change jobs or retire, but then they can be rolled over.

Roth and Traditional IRAs we can assist you with right from the start. Even if you have very little money to start, or you think you're too old to get started, just read what I wrote about Apple (AAPL) last month on the front page. Review your situation, and improve your position.

DP

AGAIN...

It's a little hard to decide what to say to you because whatever I say you have probably read it here before, but here goes anyway. One of the things that we have to decide is how to make the most money for our clients. Some of them have IRA accounts and some have regular accounts. The difference here is that an IRA account has no income tax to pay if we buy a stock one day and sell it for a profit along the way. First, we must think of the best way to make the most money, and we have come to the conclusion that the best way to make the most money is to buy growing companies and let them grow and grow and grow. Once this has been established, it is necessary to watch over the birdies and see if the growth rate has slowed or even terminated. Somewhere along the line a stock like Apple might stop growing and then it becomes necessary to think it out. Should it be sold and the profit taxes paid? Much depends upon the investment possibilities outstanding.

There are investment gurus who believe that it is only necessary to buy stocks that are going to rise and to sell them when the profit appears. We go along on this theory but only for a little bit. Our belief is to buy and hold for years but we are not adamant. Sometimes there is another way to make money and we are not prejudiced. Sometimes on occasion it will happen that one of your babies has fallen in price and we will look at it once again. In a situation of that kind it is necessary to reevaluate the stock and decide whether you made a mistake on the original purchase or whether everybody else is wrong and it has just become a better buy. In that case we shall buy more at a lower price if the client has money in his account or there is a good-looking trade that has appeared.

The nice thing about holding your stock for a long time appears when you decide to give money to your church. Most people who have accounts have decided to give annually rather than weekly. Where they used to give $10 a week they now give annually at whatever figure they desire and deduct the gift from their income tax. Instead of giving money they give stock on which they have profits and thus avoid the income tax. You do enjoy dodging the income tax, don't you? Or are you a friend of the IRS? Which is it? Or, maybe I can just hazard a guess.

In selecting stocks there are many ways in which to go. Thinking of it from my position means that these numerous ways abound. Think of it from your position and you can see what I mean. You have certain needs and desires that go into making up your portfolio of investments. Everyone has different ideas. You can see that my program is somewhat different from yours. The way we handle your account, as well as numerous others, is to watch out for the growth, as well as the income providers and those who were bigger once but have slipped and look as if they are striving for a comeback. After assimilating this list it is necessary to find the winners. But, if you have insisted you want nothing but high dividend payers we will do that even though we might be in disagreement.

And, believe it or not your pay has just been raised. Not your everyday employment but your dividend payments and here they are. Hopefully you may be enjoying one or more of these; LGF, CIM, ORCL, PDCO,RTH, SBUX, CIM, PFBC, SNP, CHL, PKBK, ACN, CEO, RESI, OZRK, SAN, GG, ARG, QCOM, STZ, GM, CSX, HCSG, GS, DFS, BX, COST, HUM, PG,DD, MS, MPLX GLP, AMP, CE, JNJ, SCCO, NE, IBM, AAPL, APU, MET, WFC, BP,C, ETP, GWW, TEF, SU, BCE, GG, PEP, WIN, CNO, CSAL, CPK, JCOM, MFC.

WP

Source Rating Key *for **PCI's** featured stocks:* **Pearson Investment Growth Rating** *measures long-term past and future growth.* **Pearson Value Rating** *measures current value in terms of potential for the dollar.* **Investors Business Daily** *measures growth and relative price strength.* **S&P** *measures financial quality and growth potential.* **Value Line** *measures timeliness, value and safety.*

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.
He is the author of the book, Investing for the Millions and Publisher Emeritus for the Pearson Investment Letter.
At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc.
He is a contributing columnist for various publications and is listed in Who's Who in America.

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

 Investment letters are complimentary to our clients with managed accounts!

PEARSON CAPITAL'S RECOMMENDED STOCKS JANUARY/FEBRUARY 2015
www.pearsoncapitalinc.com

ICONIX BRAND GROUP INC (ICON) NASDAQ PRICE $27.10

Iconix Brand Group, Inc. is a brand management company. The Company is engaged in licensing, marketing and providing trend direction for a portfolio of consumer and entertainment brands. The portfolio of the Company's brands: Candie's, Bongo, Badgley Mischka, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific (OP), Danskin, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter, Waverly, Zoo York, Sharper Image, Umbro, Lee Cooper, Ecko Unltd., Marc Ecko and Strawberry Shortcake. In addition, the Company owns interests in the Artful Dodger, Material Girl, Peanuts, Ed Hardy, Truth or Dare, Billionaire Boys Club, Ice Cream, Modern Amusement, Buffalo, Nick Graham and Pony brands. The Company licenses its brands to a network of retailers and manufacturers of retail distribution from markets in both the United States and across the world.

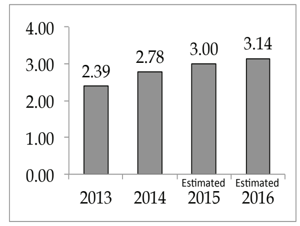
Type: Growth
Sector: Textiles, Apparel & Luxury Goods

Institutional Holdings: 468
Industry: Consumer Discretionary

Ratings & Recommendations

Current P/E Ratio: **9.5**
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**

Earnings per share



LEAR CORP (LEA) NYSE PRICE $114.42

Lear Corporation is a supplier of automotive seating and electrical. The Company supplies its products to automotive manufacturers with automotive seat systems and related components, as well as electrical distribution systems and related components. The Company has two segments: seating and electrical. The seating segment includes seat systems and related components, such as seat structures and mechanisms, seat covers, seat foam and headrests, and electrical, which includes electrical distribution systems for both traditional powertrain vehicles, as well as high-power for hybrid and electric vehicles. Its electrical segment is engaged in design, engineering and manufacturing of complete electrical distribution systems that route electrical signals and manage electrical power within a vehicle for both traditional powertrain vehicles, as well as high-power for hybrid and electric vehicles.

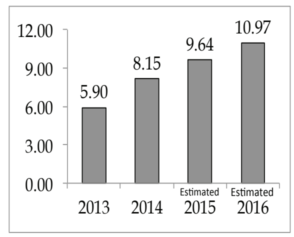
Type: Value
Sector: Auto Components

Institutional Holdings: 846
Industry: Consumer Discretionary

Ratings & Recommendations

Current P/E Ratio: **13.2**
Annual Yield: **0.88%**
Annual Dividend: **1.01**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**

Earnings per share



UNION PACIFIC CORP (UNP) NYSE PRICE $102.09

Union Pacific Corporation (UPC) operates through its principal operating subsidiary, Union Pacific Railroad. Union Pacific Railroad (UPRR) links 23 states in the western two-thirds of the country by rail, providing a critical link in the global supply chain. UPRR's business mix includes Agricultural Products, Automotive, Chemicals, Coal, Industrial Products and Intermodal. UPRR, along with its subsidiaries and rail affiliates, operates through one reportable operating segment. UPRR is a Class I railroad operates in the United States. UPRR have 31,838 route miles, linking Pacific Coast and Gulf Coast ports with the Midwest and eastern United States gateways and providing several corridors to key Mexican gateways.

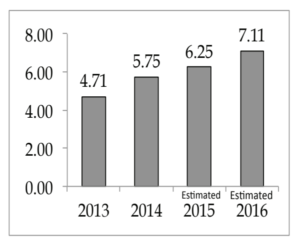
Type: Value
Sector: Road & Rail

Institutional Holdings: 2931
Industry: Industrials

Ratings & Recommendations

Current P/E Ratio: **17.5**
Annual Yield: **2.1%**
Annual Dividend: **2.12**
Investor's Bus. Daily: **C+**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A**

Earnings per share



ROYAL BANK OF CANADA (RY) NYSE PRICE $65.78

Royal Bank of Canada is a banking company. It serves over 16 million personal, business and corporate clients across a diversified mix of businesses in 40 countries. The Company's five business segments include Personal & Commercial Banking, Wealth Management, Insurance, Investor & Treasury Services and Capital Markets. The Company's Personal & Commercial Banking consists of personal and business banking operations, auto financing and retail investment businesses. Wealth Management consists of Canadian Wealth Management, United States and International Wealth Management and Global Asset Management. Insurance consists of its insurance operations in Canada and globally and operates under two business lines: Canadian Insurance and International Insurance. Investor & Treasury Services segment offers global custody, fund and pension administration. Capital Markets consists of a majority of its global wholesale banking businesses.

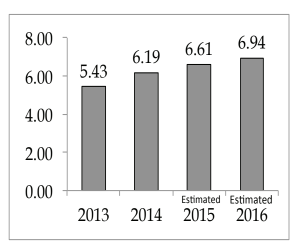
Type: Income
Sector: Banks

Institutional Holdings: 1589
Industry: Financials

Ratings & Recommendations

Current P/E Ratio: **12.5**
Annual Yield: **3.8%**
Annual Dividend: **2.52**
Investor's Bus. Daily: **C+**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **C+**

Earnings per share



CORE STOCK

WALT DISNEY CO (DIS) NYSE PRICE $109.93

For this month, we are returning to one of our long term holdings, Walt Disney Company (DIS). The Walt Disney Company, together with its subsidiaries, is a diversified worldwide entertainment company. The company was founded in 1923 and is based in Burbank, California.

We are coming back to Disney due to two of its most recent strategic purchases, Marvel and Lucasfilm Ltd., LLC. These purchases have been very successful, as Disney has brought forth Marvel characters and soon Star Wars Characters to the big screen. The current movie, Avengers: Age of Ultron, is expected to earn over $1 billion in sales worldwide in the next few months. China, just recently, has become one of the biggest markets for Hollywood's action movies and Disney's pipeline of movies will benefit from this growing market. The first Avengers movie collected $1.5 billion worldwide, and it is expected that this Avengers movie may earn more than its predecessor. The new movie markets in China, India, and Central/South America will provide an ever growing population of movie goers for the next few years, and Disney is the prime beneficiary toward this trend.

In the last five years we have listed Disney in our Investment Letter seven times:

Year	Month	Featured newsletter price
2011	October	$30.16
2012	February	$38.90
2012	September	$49.47
2013	March	$54.59
2014	February/March	$79.23
2014	August/September	$89.28
2015	Today	$109.25

We hope to see this growth continue, as Disney is poised to do well in the next few years, leveraging its brand and creating new opportunities.

The Walt Disney Company together with its subsidiaries and affiliates is a diversified international family entertainment and media enterprise with five business segments: media networks, parks and resorts, studio entertainment, consumer products and interactive media. Media Networks comprise an array of broadcast, cable, radio, publishing and digital businesses across two divisions; the Disney/ABC Television Group and ESPN Inc. Walt Disney Parks and Resorts (WDP&R) is a provider of family travel and leisure experiences. The Walt Disney Studio brings movies, music and stage plays to consumers throughout the world. Disney Consumer Products (DCP) delivers product experiences across thousands of categories from toys and apparel to books and fine art. Disney Interactive is a creator of interactive entertainment across all current and emerging digital media platforms.

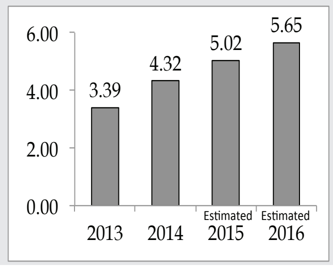
Type: Value
Sector: Media

Institutional Holdings: 3105
Industry: Consumer Discretionary

Ratings & Recommendations

Current P/E Ratio: **23.5**
Annual Yield: **1.1%**
Annual Dividend: **1.15**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A+**

Earnings per share



CORE ETF (EXCHANGE TRADED FUND)

iSHARES BIOTECHNOLOGY (IBB) NASDAQ PRICE $355.59

Investors seeking exposure to the highly uncertain but potentially promising prospects of the biotech industry can consider adding iShares Nasdaq Biotechnology to their portfolios as a tactical satellite position to a diversified equity portfolio. This exchange-traded fund holds 150 biotech firms listed on the NASDAQ with market caps of at least $200 million. More than 22 percent of assets are small-cap names applying innovative techniques to research, develop, and commercialize various drugs targeting certain diseases or therapeutic niches. The jarring pace of change, single-product liability, regulatory uncertainties, and intellectual property rights make picking stocks in the biotech sector a high-risk/high-reward proposition. As such, we think investing in the industry via an ETF makes a lot of sense; it's a low-cost way to gain diverse exposure to the industry in one trade. In addition, the odds of success of one drug typically have no bearing on another's, so an ETF offers diversification against single-stock risk. And this particular ETF may be best suited for investors looking for as much diversification as possible; it has the broadest number of holdings of any biotech ETF available.

Holdings

Company	YTD Return	% of Assets
Amgen Inc.	+2.27%	8.35%
Gilead	+12.09	8.09%
Biogen Inc.	+13.78%	7.61%
Celgene Corp.	-1.75%	7.41%
Regeneron	+15.58%	7.02%
Mylan NV	+29.59%	5.58%
Vertex	+6.31%	4.30%
Illumina Inc.	+2.75%	3.93%
Alexion	-7.42%	3.91%
Biomarin	+28.67%	2.81%

The investment seeks to track the investment results of an index composed of biotechnology and pharmaceutical equities listed on the NASDAQ.The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. The underlying index contains securities of NASDAQ® listed companies that are classified according to the Industry Classification Benchmark as either biotechnology or pharmaceuticals and that also meet other eligibility criteria determined by the NASDAQ OMX Group, Inc.

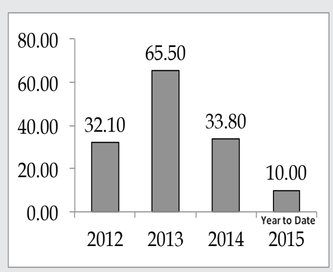
Location: USA
Type: 100% Stocks

Category: Healthcare
Industry: Specific

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **0.13%**
Annual Dividend: **0.46**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A+**
Morningstar Rating: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



JUST ASK ANN

Over the years, things in our life constantly change and keeping up with these changes can be trying. For us, keeping our client's information updated and current is one of those difficult tasks, especially when we have over 400 clients!

Our files are brimming with paperwork, some of it dating back over 15 years, way past the required regulations, and it's time for us to do some housekeeping and purging. We're asking for your help on this.

Enclosed with this issue of our newsletter, you will find an update sheet and a return envelope. We are asking all of you to help us bring our files up to date and also to let us know if your investment goals or needs have changed. We are especially interested in those accounts opened prior to 2005.

Please take a moment to complete the form and return it to us. We will compare this to what we now have on file and make the necessary changes so that we can be sure to provide you with the best possible service.

If you have any questions or concerns, please use the back of this form to let us know how we can assist you. We promise to personally answer every request in a timely manner.

To show our appreciation for your time and effort, we will have a drawing for a $50 gift card to the establishment of your choice for two lucky respondents. All those who respond before June 20th will be entered into this drawing. Winners will be announced (first name and state only - to protect your privacy) in our next newsletter.
Thanks for your help!

MARKET VIEW *Continued from page 6*

The new trends continue:

1) According to Value Line's stock portfolio, the P/E ratio for their portfolio is about 19, an all-time high.
2) The summer rally will start normally in the middle of July.

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

Cash Flows:

Due to market volatility, many advisors believe that the best strategy for investing in this market is to target and own dividend-paying companies. We believe that dividends and buybacks are here to stay. Last year almost one trillion dollars was returned to shareholders via stock buybacks and dividends. Our current ETFs such as DVY put our investments into strong companies that increase their dividends year after year. However, these groups increasingly appear inversely correlated to interest rates. Many companies in these sectors stumbled recently as ten-year Treasury rates rose nearly 50 basis points since the bond's most recent low in late January. We believe that is a short term factor, as continued deflation will confound the markets.

New trends that are happening:

1) Stocks that have been previous growth stocks will start or increase dividends.
2) Airline stocks are still doing well, but will eventually flatten out.
3) Biotechnology stocks will continue to do well the next quarter.

Key Point: We still see potential in our dividend stock selections.

Please note:
1) We expect the market to remain subdued due to earnings headwinds.
2) Europe is still in the beginning of a turnaround.

WALL STREET INDEXES

Indexes	2009	2010	2011	2012	2013	2014	2015
S&P 500	23.5%	12.9%	EVEN	13.4%	29.6%	11.4%	3.0%
Dow Jones	18.8%	11.0%	5.5%	7.3%	26.5%	7.5%	2.4%
Nasdaq	43.9%	16.9%	(1.8%)	15.9%	38.3%	13.4%	2.1%
Market Average	27.9%	13.8%	1.2%	12.2%	31.5%	10.8%	2.8%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The stock market fluctuated back and forth for the month of April, as short term interest rates and commodities sharply rebounded. At the same time Fed chairman Janet Yellen has, in recent interviews, discussed the high valuation of the U.S. stock market. However, European stocks have also rebounded in the face of an ever-increasing chance of an economic default in Greek bonds, causing a persistent deflation tendency in the Eurozone. Economic issues themselves are creating a choppy market. Due to interference of the Federal Reserve, the last few years have been incredibly difficult for most active managers, and there is no shortage of evidence that the number of outperforming actively-managed portfolios has reached long-term lows. We expect that to continue for at least the near future. In the current environment we continue to believe in our balanced portfolios of dividend stocks with additional stocks in the most promising sectors of the economy.

New trends we see:

1) New markets are expanding for American stocks worldwide.
2) Oil may go lower into the summer months.
3) The European Central Bank (ECB) will now stabilize its economy.

Key Point: The Federal Reserve is still doing its part to prevent deflation and create inflation.

Earnings Flows:

This quarter's earnings are under pressure by a strong dollar and a previous rising market. The strong dollar continues to pinch the sales of many US multinational companies that dominate the S&P 500. Expectations overall are lowered based on the strength of the dollar, as many multinational corporations are impacted by currency fluctuations. Earnings misses and disappointing economic data have increased the market's volatility. For every earnings success story, there are several disappointments. The good news is that the dollar has slightly decreased versus the other currencies, and will create an improved outlook for the rest of the year. Right now however, earnings are not strong enough to create a positive catalyst for stocks. And, as a result, the breadth of the stock market is getting narrower, with Energy and Information Technology sectors leading the way.

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