Your Personal Money Manager

Pearson INVESTMENT LETTER

Published Monthly Since 1982

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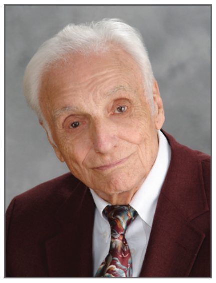
FEATURED STOCKS - NOVEMBER/DECEMBER 2013

INCOME STOCKS:	VALUE STOCKS:
AT & T	Mircosoft Corp
General Electric	Time Warner Corp Inc

ETFs:

ALPS Sector Dividend Dogs
iShares Select Dividend
SPDR S&P Dividend
Vanguard Dividend Appreciation



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

MAKING THE RIGHT DECISION

By Donald Pearson

I have always been of the belief that an expert in any field of business, can, almost every time, make better decisions than the inexperienced person. With investments there are many insurance agents and brokers selling products that may or may not be the best choice for the recipient. It may be the only choice available to this person and must be the one selected. More than half the people in this business of managing money for others do not buy, or own, the products they choose for their clients. This is not the case with us. We put our own money up too. If it's not good enough for us, it is certainly not good enough for you as our client.

The S&P today trades at a multiple of 15 times expected earnings over the next 12 months and appears reasonably priced, based on price/earnings ratios and other metrics. Many stocks continue to hit new highs, another healthy sign for the market to continue, and this says investing for growth and income should continue.

Today many investors are placed into funds for a variety of reasons. The funds have a good ongoing performance rating, or have outperformed their competitors. Rather than own three to six mutual funds and maintain the expense that goes along with this, we believe we can build one portfolio that can outperform these funds, and save the client a great deal of money too. This also provides us with a better handle on tax consequences accrued when applicable.

In this month's letter rather than feature a list of stocks being chosen for the portfolios, I selected many ETFs and stocks already within the portfolio base, with the intent of showing why they were selected and the purposes they have.

We have ETFs as a base for all portfolios and many of these are used to gain diversification in a sector. SDY becomes a part of everyone's portfolio because of the strategy they use for selecting and the requirement needed, increasing their dividend annually. We first featured this in October 2010 at $50.18 and again in 2012. Today it closes at $72.49 creating an increase over 40%. VIG is another following the same format of selecting companies increasing their dividend annually. We have been recommending this since February 2011 at $53.38 and again twice in 2012. Today VIG closed at $73.23 producing an increase of 37%. DVY and SDOG have similar success while not guaranteeing dividend increases annually. To learn more about these you can read the write-up on each within this letter.

In today's market with rates remaining low, bonds continue to have little or minimal value, and do not appear worth having in portfolios both today or in the foreseeable future. This is why we say often it makes more sense to buy the company's stock and use their dividend instead. Here are a few that meet our value buying criteria featured in this month's letter while producing a dividend at or above 3%. MSFT is one we've recommended and continued to buy for our clients since March 2009 at $16.15, and again recommended every year since. Today it closed at $37.78 producing an increase over 100%. GE was recommended in April 2012 at $20.07 and today closed at $27.05, thus producing an increase of 35%. AT&T (T) is another that is purchased to do exactly the same. We've been recommending this since February 2011 at $27.52. Today it closed at $35.17 producing an increase of 28%, although purchased not for the increase but for the yield. All of these referenced with growth and yield combined have far outperformed their bond.

So, what exactly is the message? Do not simply focus on past performance if you're buying funds. Dig in and know exactly what you are getting. You might find the risk is considerably higher than where you want to be or where you belong. Choosing more doesn't necessarily get you better diversified. Ask your broker or consultant, one who knows better than you do. Chasing headlines because things are in the news or getting the day's hot stock isn't the road to success either. Most important, don't buy something because someone has rated it a buy or strong buy. Get a consensus of many, or better yet, do the digging yourself to really peak under the hood and learn more about the company. Are insiders buying or selling, what's in the pipeline for new products and opportunities? What is the current management forecasting and what is the current value based upon performance/value? Is the dividend being increased annually?

Now I'll give you my own personal opinion. Trust us, know you will be invested in exactly the same things we are. We do the research and look for upside opportunity. Find selections under value, with above average growth potential, in many cases increasing their dividend. We truly are your Personal Investment Partner!

DP

WALTER'S WISDOM

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ROAD TO PROSPERITY

Try something for me. Remember back when you were a new driver? Suppose that you were in Massachusetts and you were about to drive to California to be interviewed for a higher paying job, going the northern route to start and returning by the southern route. Sit down and figure how you would go about it. Which cities you might think were safer to drive through even though you might be just guessing. First, it would be necessary to trot out a map and then to go on from there. You might start with upper New York State or you might start with Connecticut and lower New York State. As you went further and further west you would find changes taking place. Prices might go higher or lower. Milk shakes would get thicker and thicker until you would have to start with a spoon. As you changed vicinities you might be surprised at the different dialects you encountered. And, yes, it is still the USA.

What would you think when you reached California, went to get a haircut, and found that the price was double what you usually paid in Massachusetts? Now it would be necessary to check other prices in the area and try to figure if the higher pay in the new job possibility would be worth it. This would take a good bit of thinking. It would be necessary to compare living conditions here and living conditions there. It would be necessary to stop and think about what you were giving up if you left here and what you would gain by making the change. After due consideration, you would make your decision. In later years you might think it was the wrong decision but you made it and you've got it.

Now think about your investment plans for your later years. Yes, you are again a new driver. All of those pitfalls you must try to avoid. The milk shake is one problem that I don't think you will have to cope with. Those California prices are the biggest things for you to think of. You must understand that the bank keeps printing more money and our government borrows it and spends it. This is what causes inflation. As more money is printed, it requires more money to buy things. The nice thing is that you will have Social Security, but it does not go up as fast as prices. Some people have renamed it to be Social Insecurity.

Now you come down to the answer. You should check thoroughly to find a financial advisor. He needs only to be honest and capable. If you can find a man or a woman who covers those two necessities, your future is assured. There are two areas which will enable you to live a leisurely life when you quit working. Investing in stocks or in property should do the job. There are not many advisors who bother with property so that field you might have to do yourself. Stocks you can also do yourself but I don't advise it. Think of it this way. The advisor is a professional, you are an amateur. He works at it all day five or six days a week. You are hit or miss. He should outperform you by a good deal more than his small fee.

Here are some companies that some of you own that have just increased the dividend: GG, WBK, ARCC, ABC, JCOM, RL, ESV, MFC, and about twenty more, but they have been absorbed by the computer.

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)

PEARSON CAPITAL'S RECOMMENDED STOCKS NOVEMBER/DECEMBER 2013
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MICROSOFT CORP (MSFT) NASDAQ PRICE $37.78

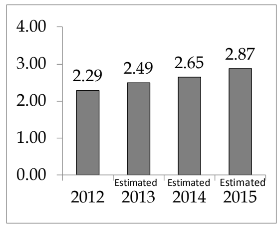
Microsoft Corporation is engaged in developing, licensing and supporting a range of software products and services. The Company operates in five segments: Windows & Windows Live Division (Windows Division), Server and Tools, Online Services Division (OSD), Microsoft Business Division (MBD), and Entertainment and Devices Division (EDD). The Company's products include operating systems for personal computers (PCs), servers, phones, and other intelligent devices; server applications for distributed computing environments; productivity applications; business solution applications; desktop and server management tools; software development tools; video games, and online advertising. It also designs and sells hardware, including the Xbox 360 gaming and entertainment console. In September 2013, Ericsson completed the acquisition of Microsoft's Mediaroom business and TV solution. Effective October 23, 2013, Microsoft Corp acquired Apiphany Inc.

Type: Value
Sector: Information Technology
Institutional Holdings: 5053
Industry: Software

Ratings & Recommendations

Current P/E Ratio: **14.1**
Annual Yield: **3.0**
Annual Dividend: **1.12**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A-**

Earnings per share



TIME WARNER CABLE, INC (TWC) NYSE PRICE $121.08

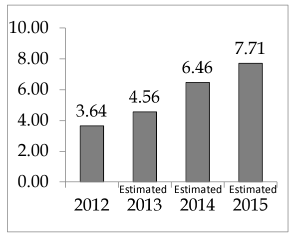
Time Warner Cable Inc. (TWC) is a provider of video, high-speed data and voice services in the United States with systems located in five geographic areas: New York State, the Carolinas, Ohio, Southern California and Texas. As of December 31, 2011, TWC served approximately 14.5 million customers who subscribed to one or more of its three primary services, totaling approximately 27.1 million primary service units. The Company offers its residential and business services customers video, high-speed data and voice services over its broadband cable systems. It markets its services separately and in bundled packages of multiple services and features. As of December 31, 2011, 60.4% of TWC's customers subscribed to two or more of its primary services, including 26.5% of its customers. On November 1, 2011, TWC completed a acquisition of certain NewWave Communications. On April 21, 2011, TWC acquired NaviSite, Inc. In February 2012, the Company acquired Insight Communications Company, Inc.

Type: Value
Sector: Consumer Discretionary
Institutional Holdings: 1825
Industry: Media

Ratings & Recommendations

Current P/E Ratio: **18.7**
Annual Yield: **2.2**
Annual Dividend: **2.60**
Investor's Bus. Daily: **C-**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B+**

Earnings per share



AT & T, INC (T) NYSE PRICE $35.17

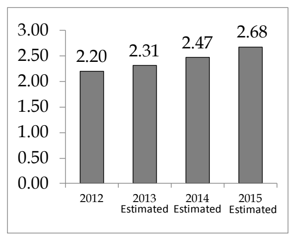
AT&T Inc. (AT&T) is a holding company. AT&T is a provider of telecommunications services in the United States and worldwide. Services offered include wireless communications, local exchange services and long-distance services. AT&T operates in four segments: Wireless, Wireline, Advertising Solutions and Other. Its Wireless subsidiaries provide both wireless voice and data communications services across the United States, and through roaming agreements, in a substantial number of foreign countries. Wireline subsidiaries provide primarily landline voice and data communication services, AT&T U-verse TV, high-speed broadband and voice services (U-verse) and managed networking to business customers. AT&T's Other segment includes customer information services (operator services) and corporate and other operations. On May 8, 2012, AT&T sold its Advertising Solutions segment.

Type: Income
Sector: Telecommunication Services
Institutional Holdings: 2724
Industry: Diversified Telecommunication Services

Ratings & Recommendations

Current P/E Ratio: **24.9**
Annual Yield: **5.1**
Annual Dividend: **1.80**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**

Earnings per share



GENERAL ELECTRIC CO (GE) NYSE PRICE $27.05

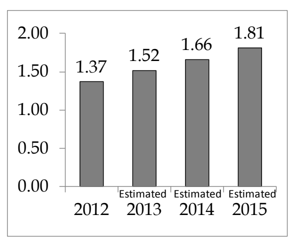
General Electric Company (GE) is a diversified technology and financial services company. The products and services of the Company range from aircraft engines, power generation, water processing, and household appliances to medical imaging, business and consumer financing and industrial products. It serves customers in more than 100 countries. In June 2013, American Realty Capital Trust IV Inc announced that it has closed on the acquisition of 377 primarily net lease retail properties as part of its previously announced portfolio acquisition from certain affiliates of General Electric Co's GE Capital. In July 2013, General Electric Co's GE Oil & Gas completed its acquisition of Lufkin Industries, Inc. In August 2013, General Electric Company completed the acquisition of the aviation business of Ario S.p.A

Type: Income
Sector: Industrials
Institutional Holdings: 3519
Industry: Industrial Conglomerates

Ratings & Recommendations

Current P/E Ratio: **19.4**
Annual Yield: **2.8%**
Annual Dividend: **$0.76**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B+**

Earnings per share



ALPS SECTOR DIVIDEND DOGS ETF (SDOG) NYSE ARCA PRICE $33.60

The investment seeks investment results that replicate as closely as possible, before fees and expenses, the performance of the S-Network Sector Dividend Dogs Index. The underlying index is a rules-based index intended to give investors a means of tracking the overall performance of the highest dividend paying stocks in the S&P 500 on a sector-by-sector basis. The fund generally will invest in all of the securities that comprise the underlying index in proportion to their weightings in the underlying index. However, under various circumstances, it may not be possible or practicable to purchase all of the securities in the underlying index in those weightings.

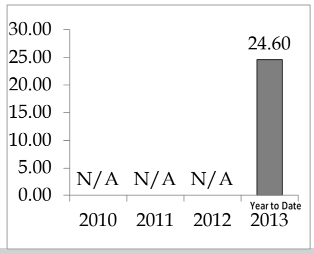
Location: USA
Type: 100% Stocks

Category: Dividend Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3.6%**
Annual Dividend: **$1.21**
Investor's Bus. Daily: **NA**
Pearson Growth & Value: **A**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



iSHARES SELECT DIVIDEND ETF (DVY) NYSE ARCA PRICE $70.15

The investment seeks to track the investment results of an index composed of relatively high dividend paying U.S. equities. The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. It seeks to track the investment results of the Dow Jones U.S. Select Dividend Index (the "underlying index"), which measures the performance of a selected group of equity securities issued by companies that have provided relatively high dividend yields on a consistent basis over time.

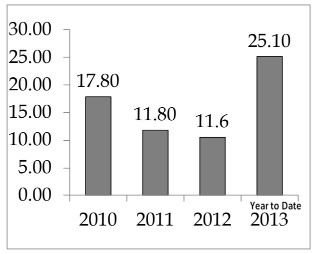
Location: USA
Type: 100% Stocks

Category: Dividend Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3.1%**
Annual Dividend: **$2.19**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



SPDR S&P DIVIDEND ETF (SDY) NYSE ARCA PRICE $72.49

The investment seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index. In seeking to track the performance of the S&P High Yield Dividend Aristocrats Index, the fund employs a sampling strategy. It generally invests substantially all, but at least 80%, of its total assets in the securities comprising the index. The index is designed to measure the performance of the highest dividend yielding S&P Composite 1500® Index constituents that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 consecutive years.

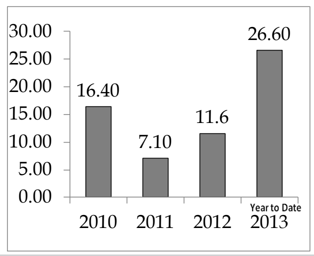
Location: USA
Type: 100% Stocks

Category: Dividend Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.2%**
Annual Dividend: **$1.61**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A+**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by%



VANGUARD DIVIDEND APPRECIATION EFT (VIG) NYSE ARCA PRICE $73.23

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 an indexing investment approach designed to track the performance of the NASDAQ US 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.

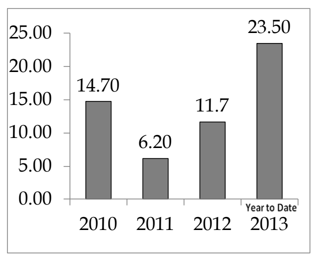
Location: USA
Type: 100% Stocks

Category: Dividend Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **9.1**
Annual Yield: **1.8%**
Annual Dividend: **$1.50**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A-**

Performance by%



JUST ASK ANN

There have been a few questions about the billing notices we have been required to send to our clients these past two quarters.

Yes, there was a typo on the notice. Instead of reading '**Account Market Value as of June 28, 2013**,' it should have read '**Account Market Value as of September 30, 2013**'. Somehow we missed this date change when updating the notification form. (Sorry! We're new at this!) As always, the management fee is based on the balance in your account on the last business day of the quarter. Be assured that the fee was calculated using the correct, September 30, balance date.

And no, there has been no change to the billing procedure. These notices are simply a new requirement by the Florida Office of Regulations to let you know that the fees are taken from your account. You will still continue to see the Management Fee deduction on your TD Ameritrade statement.

Also, those accounts that contain large bonds or Index CDs are discounted for the amount of these investments since they are long term and do not require ongoing management. The billing notices for these accounts DO NOT follow the standard formula; however, be assured that the fee has been adjusted to reflect these discounts.

I hope this clears things up, but feel free to contact us with any questions.

On another note, it's hard to believe that we are closing in on the holidays, and for Pearson Capital, we are once again joining with the local Marines and sponsoring the South Shore Toys for Tots Drive here in Apollo Beach and surrounding communities. Last year we were able to fill almost 150 boxes with toys and provide twelve new bikes for the children in our county whose families needed assistance making Christmas morning a happy one for their kids.

Our program is underway and will culminate in a collection party at The Alley in Riverview - open to all the participants as well as the general public with a toy donation.

The party will be held from 3-7 p.m. on Sunday, December 15th with Santa, Mrs. Claus, and the Marines in attendance. If you are a client in our area, we invite you to join us on this amazing day. You will not believe the generosity of the people of our community! If you are outside our area, we invite you to find a local Toys for Tots box and make a toy donation. On Christmas morning some child will be smiling because you cared to help.

MARKET VIEW *Continued from page 6*

The new trends continue:
1) Once again, stock buybacks will continue all next year.
2) The dollar is starting to fall and could do well for earnings.
3) Home builders have slowly rebounded.
4) Hedge funds got hurt by the Fed's sudden actions.

Key Point: We are hoping for a Santa Claus rally for the year end.

Cash Flows:

In our estimation, the market is fully valued. Most sectors are overbought. However, at this time there are no indications that there will be a market selloff. In fact, in October, the S&P went up 5 percent. Usually October is a negative month, but this year it turned out to be a positive one, just the opposite of expectations. Observers state that the market is very bullish, so investors have responded by continuing to bid up the stock market. The U.S. dollar is also weakening. This will benefit many multinational stocks that do well with a lower dollar, such as Coca Cola (KO). At the same time, companies' estimates had fallen enough to make it easy for companies to come ahead of them creating a "positive" boost for market hopefuls. In fact, consensus estimates for the end of this year and beginning of next year represent real decline in earnings growth, albeit a slow one. The stock leadership, such as Google, still is coming out with great earnings, but that group is slowly shrinking as well. Since there has been no market selloff, investors will continue to pay a higher multiple to those stocks that beat their continued lower earnings estimates.

New trends that are happening:
1) Stock dividend payouts are still increasing.
2) Stocks still have great balance sheets.
3) Retail stocks may look worse than I anticipated.
4) Stocks we favor will continue to have high profit margins.
5) Gas prices are low, oil prices are high.

Key Point: The market is fully valued.

Please note:
1. A government shutdown will come back next year.
2. January will start a new earnings season.
3. We expect a happy holiday market.

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%	24.2%
Dow Jones	6.4%	(33.4%)	18.8%	11.0%	5.5%	7.3%	20.3%
Nasdaq	9.8%	(42.1%)	43.9%	16.9%	(1.8%)	15.9%	29.8%
Market Average	5.6%	(38.4%)	27.9%	13.8%	1.2%	12.2%	24.8%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

This is the fifth anniversary of the 2008 crash. Wall Street has been the major benefactor during this time. The Fed's continued support has brought the S&P 500 to new highs, with this year alone going up over 20 percent. Money is now starting to move from bond accounts into the stock market, propelling the markets even higher. I had thought September would be the time when the market would begin to taper and go into correction mode. But, since the Fed still sees a tepid economy, the market has not backed off from reaching new highs. As we have stated before, the Federal Reserve has kept short term interest rates near zero, allowing the banks to heal their balance sheets and help stimulate growth. In October, the Federal Open Market Committee (FMOC) once again confirmed that economic conditions remain too weak to taper Quantitative Easing (QE), pushing tightening expectations out to 2015. At this stage, the financial companies were supposed to take the lead and lend to consumers and companies to create further growth. Because of ultra-low interest rates, the banks see no value in lending out money without a substantial return. I see 2014 as a sub-par year for many banks and financials, creating a flat environment for growth. Like I mentioned before, the good news is that many companies are using this to their advantage by buying their competitors and taking out loans to buy back more stock. QE is helping companies buy back shares and, in turn, helping the U.S. stock market to move higher. In these situations, previously overbought markets can remain that way for a very long time. So, investors that are waiting for inexpensive stocks may have to wait for years to come.

New trends that we see:

1) Europe now is stating they will continue with a flat economic outlook for next year.
2) The energy industry is continuing to grow in the Midwest.
3) Manufacturing is coming back to the United States.
4) I believe that home builders will have a good year for 2014.
5) Janet Yellen is the new Fed chairman.

Key Point: QE is fueling the stock market.

Earnings Flows:

November wraps up most earnings this season, and December prepares for next season. Observers believe that the market will end up on a high note, as companies, investors, and mutual funds will move money into the stock market to fuel a higher year-end run. Mutual funds like to buy the best performing stocks to enhance year-end results, and investors take time to finish their tax loss appropriations. Others use it to jump on what is known as the "Santa Claus rally." December is usually known as a positive time for the market, as negative surprises normally do not take place. As we have stated before, Pearson Capital looks at the projections of both 2014 and 2015 in order to make assessments on future growth rates. Expectations were lowered for the beginning six months of next year. At the same time the Price Earnings Ratio (P/E) has increased. Many companies have increased their earnings not because of internal growth, but because they are buying back their own shares at these increasing higher prices. Often, companies make the business decision of buying back their own shares at the height of a bull market, yet do not do so when the market has a major downturn or correction. If we go into a period of lackluster growth, the market will continue to move sideways or possibly decrease over time.

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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

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Editor
Roberta Wilde

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