Your Personal Money Manager

# Pearson INVESTMENT LETTER

Published Monthly Since 1982

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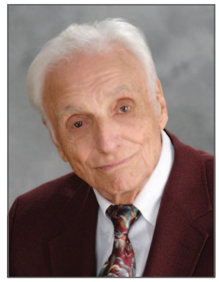
**FEATURED STOCKS - NOVEMBER 2011**

| Growth Stocks: | Growth Stocks: | Value Stocks: |
|---|---|---|
| Destination Maternity | Lockheed Martin | Cummins Inc. |
| Firstmerit Corp | Oceaneering Int. | Parker Hannifin |
| Intel Corp | Vodafone Group | Toronto Dominion |
| Kohl's Corp | | |



**Walter D. Pearson**
*Chairman*

**Donald E. Pearson**
*President*

**Ann Hathaway**
*Account Manager*

## PROTECTION PLUS

***By Donald Pearson***

I believe if I told you it is exceptionally difficult to navigate through today's multiples of choices for investing at a time of world uncertainty, you would quickly agree with me. Many who sell investments continue to undress and redress their product to make it appear more attractive. I can honestly say that we do not have any products to sell to you or anyone else. When I refer to our investment strategy, by comparison, I think you can see a significant difference. I also hope you will share this article with a neighbor, relative, or friend because they may find we have something that will benefit them also. Helping isn't really difficult for us, because it is our intention to give exactly what is asked for, without exception.

While touring Southern California last week with Ms. Hathaway, we heard the same statement over and over from many in attendance. "I am afraid of the market right now, so I keep my money in cash." During our presentations we were able to convince most that there is a better way, and then I explained the alternative in detail. After about 35 minutes explaining the facts that brought me to this conclusion, most agreed.

Just for the record I am afraid of the market too. This is why we build from scratch and create what we believe is the solution sought by most. If you read the article from the Wall Street Journal that we included with our Letter two months ago, you would know why we prefer building, rather than buying, mutual funds that carry excessive tax consequences, fees built in often exceeding 4 or 5 percent, and most needing to continue to purchase to keep the cash liquidity low. About half the fund decision-makers do not own the fund themselves. The difference with us is we all own our selections, because we are only recommending or purchasing the investments that meet our criteria. Our methods of analyzing include fundamental, quantitative, technical, and cyclical. Couple this with old-fashioned research and company management, and this works favorably most of the time. Although we can all lose with this process, losses are usually lower and gains usually exceed the market as we know it through the indexes.

On Page 2 of this month's letter I have written about Index CD's in detail. I've done this because many people would like to get a better return than their neighborhood bank is offering, yet they do not want their money at risk in any way at any time. We can also assist here.

Following is an explanation of the title of this article, "Protection Plus." After talking with new clients extensively, we place a risk exertion on their portfolios that replicates exactly what they are expecting. We rate clients in 25 different categories, and this is from the information gained from them when we had our confidential interview together. Current clients may see a value rating on their paperwork at any time. A is the lowest risk, and the number 1 has them the lowest within the safety category. Simply said, this client cannot lose money because we buy only FDIC insured investments. Another client might want only 80 percent of his portfolio in this category and chooses investments with higher risk yet also offering a chance at a higher return. Our C category has five levels of choice, and this is where blue chip type companies such as McDonald's, Coke, IBM, and a host of others can be found. Once we elevate further, we enter the D and E categories, and this is where the growth and emerging growth companies can be found. When we refer to Biadu (BIDU), and Apple (AAPL), and many others, risks are higher, but generally rewards are too.

Another reason why we believe this unique way of building and managing is so effective, is we can change an account at any time when something significant occurs within one's life. This could be a promotion at work, creating additional funds to invest, or a pending retirement. We encourage you to keep us up to date on your life's events so we can continue to do this for you. ***DP***

*Continued on page 5*

# INVESTING

If you are not an investor, you should be. Inflation is here and it is here to stay. What inflation means to each individual is that the purchasing power of your currency is going down at a certain percentage on a regular basis. The rate of inflation has been figured by numerous financial gurus, and they have come out at figures between 5 to 10 percent per year. These figures are well above the government figures of 2 or 3 percent. Of course it is easy enough for the average individual to remember how much he paid for gasoline at different times in the past two years and calculate the rate on gasoline alone. What it comes down to is that it is absolutely necessary to protect your capital if it is at all possible.

Years ago investing was very simple as one could purchase bonds, receive a good income, and have no risk. As there was no inflation in those days, one would prosper safely. Today things are different, and there are two things to understand. First, unless something is done, your capital will deteriorate in much the same manner as if you asked some crook to hold your cash for you. The second thing each individual should grasp is that your capital can be protected through investments. One can invest in property or in the stock market. I shall discuss the value of stock market investing. One of the nice things about investing in the stock market is that it can be done in a diversified manner. Suppose you are investing $100,000. You might make fifty different purchases and have only $2000 in each one. In that manner not only is the risk spread, but so is the possibility of catching on to one of those great ones that do much better.

One thing that bothers a number of people about the stock market is the ups and the downs. Many people are inclined to sell their stock holdings simply because market averages have gone down. When the averages have gone down, it will usually hold true that most stocks have gone down also. But there will be a number of stocks that have gone up in price on that day almost definitely. However, it also means that if the stock price has gone down, that particular stock is a better buy today than it was yesterday. Each investor must learn to think long term. Relatively, it is of little importance what kind of convolutions a person's stock performs each day. What is of importance is how much money the company is earning this year in relation to last year. Over the long term a company's performance in the earning category will show up in its price.

That is the reason why the investor should be earnings-oriented rather than price-oriented. Think of it this way: Suppose you are doing a good job at your place of employment and have been notified of a raise in pay. Now you go home and read in the newspaper about how many people are unemployed and cannot find a job. You certainly may feel sorry for the others, but everything looks good for you here, now and in the future. This not only means that you are going to stay with your job, but you certainly should hold on to the stocks that you own that are doing well. The thing you might consider is buying more shares if your stock has depreciated in price. Remember, price is one thing and value is another. Sometimes the stock price will be near the actual value and sometimes it is well below.

Another thing that I should mention is that if you have an account with us, I would say it would be an excellent idea to add more cash. Our problem is this: We are finding more and more situations that should be bought, and it is nerve racking to come to a person's account and find that he does not have the wherewithal to consummate a purchase. If you don't have an account with us, do us both a favor and open one. You may find it strange in the long run that you benefit much more than we do.

Send money; we'll take it. We'll find the stocks; you'll rake it. ***WP***

**Index Certificate of Deposit**

If you are not satisfied with the minimal rate of return offered by banks and other lending institutions, an Index CD may be something that would be perfect for a part of your investment portfolio. Every month I receive information about several, and many times they are exactly what our clients are looking for. I will reference one in particular that would fit the majority of our clients interested in this type of investment. This is a four-year CD issued by Union Bank of NY, FDIC insured, so all principal is protected throughout the entire period. This CD (with a $5,000 minimum) is tied to the performance of the S&P Index, and it has a four-year term beginning October 28 of this year and completes its term on October 25 of 2015. At maturity, this CD pays par plus the greater of (a) 2% or (b) the quarter-over-quarter percentage changes to the index. The quarter changes may be negative and are subject to a cap of (3.50-4.50). Therefore the maximum return is 56-72%.

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



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 NOVEMBER 2011
## www.pearsoncapitalinc.com

### DESTINATION MATERNITY CORP (DEST) NASDAQ PRICE: $16.57

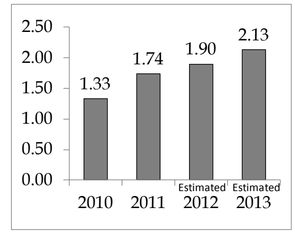
Destination Maternity Corporation is the designer and retailer of maternity apparel in the United States and is the nationwide chain of maternity specialty stores. As of September 30, 2010, the Company operated 1,725 retail locations, including 698 stores in all 50 states, Puerto Rico, Guam and Canada, and 1,027 leased departments located within department stores and baby specialty stores throughout the United States. As of September 30, 2010, it also provided maternity apparel to Kohl's, which operated approximately 1,089 stores throughout the United States. The Company operates its 698 stores under three retail nameplates: Motherhood Maternity, A Pea in the Pod and Destination Maternity. In addition to its 698 stores, it operates 1,027 maternity apparel departments, which it refers to as leased departments, within retailers, such as Sears, Kmart, Macy's, Bloomingdale's, BabiesRUs, Boscov's and Gordmans.

Type: Growth
Sector: Services
Institutional Holdings: 162
Industry: Retail (Apparel)

**Ratings & Recommendations**

Current P/E Ratio: **9.1**
Annual Yield: **4.1%**
Annual Dividend: **$0.70**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

**Earnings per share**




### FIRSTMERIT CORP (FMER) NASDAQ PRICE: $14.01

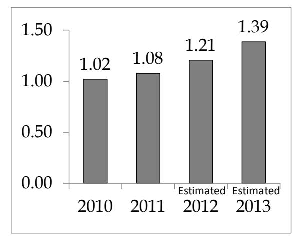
FirstMerit Corporation (FirstMerit) is a bank holding company. FirstMerit business consists of owning and supervising its affiliates. Through the Company's subsidiaries, it operates as a line of business banking organization, providing a range of banking, fiduciary, financial, insurance and investment services to corporate, institutional and individual customers throughout Ohio, Western Pennsylvania and Chicago, Illinois. The Company's business line consists of commercial, retail, wealth and other. FirstMerit's banking subsidiary is FirstMerit Bank, N.A (FirstMerit Bank). As of December 31, 2010, FirstMerit Bank operated a network of 207 full service banking offices and 220 automated teller machines (ATMs). In May 2010, FirstMerit Corporation acquired, through its subsidiary FirstMerit Bank, N.A., the banking operations of Midwest Bank and Trust Company, the subsidiary bank of Midwest Banc Holdings, Inc.

Type: Growth
Sector: Financial
Institutional Holdings: 348
Industry: Regional Banks

**Ratings & Recommendations**

Current P/E Ratio: **13.5**
Annual Yield: **4.5%**
Annual Dividend: **$0.64**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

**Earnings per share**




### INTEL CORP (INTC) NASDAQ PRICE: $24.54

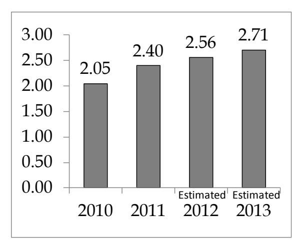
Intel Corporation is a semiconductor chip maker company. The Company develops advanced integrated digital technology products, primarily integrated circuits, for industries, such as computing and communications. The Company designs and manufactures computing and communications components, such as microprocessors, chipsets, motherboards, and wireless and wired connectivity products, as well as platforms that incorporate these components. The Company's reportable operating segments are PC Client Group (PCCG) and Data Center Group. It also has non-reportable operating segments, whose product lines are based on Intel architecture: Embedded and Communications Group, Digital Home Group and Ultra-Mobility Group. The Company's NAND Solutions Group, Wind River Software Group, and Software and Services Group segments are included within the other operating segments category. In February 2011, it acquired McAfee, Inc.

Type: Growth
Sector: Technology
Institutional Holdings: 3651
Industry: Semiconductors

**Ratings & Recommendations**

Current P/E Ratio: **10.8**
Annual Yield: **3.4%**
Annual Dividend: **$0.84**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A+**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A-**

**Earnings per share**




### KOHL'S CORP (KSS) NYSE PRICE: $53.01

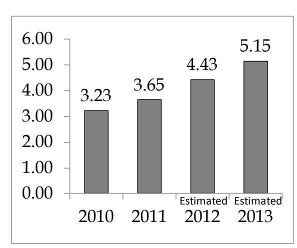
Kohl's Corporation operates family-oriented department stores that sells apparel, footwear and accessories for women, men and children; soft home products, such as sheets and pillows, and housewares. The Company's apparel and home fashions appeal to classic, modern classic and contemporary customers. As of January 29, 2011, the Company operated 1,089 stores in 49 states. In addition, Kohl's offers on-line shopping on its Website at www.Kohls.com. Originally designed as an added service for customers who prefer to shop using the Internet, the Website include a selection of items and categories beyond what is available in stores, with a primary focus on extended sizes, product line extensions, and Web-exclusive product lines. Only at Kohl's is a brand of the Company.

Type: Growth
Sector: Services
Institutional Holdings: 1480
Industry: Retail (Department & Discount)

**Ratings & Recommendations**

Current P/E Ratio: **13.4**
Annual Yield: **1.9%**
Annual Dividend: **$1.00**
Investor's Bus. Daily: **A-**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

**Earnings per share**



# PEARSON CAPITAL'S RECOMMENDED STOCKS FOR NOVEMBER 2011
## www.pearsoncapitalinc.com

### LOCKHEED MARTIN CORP (LMT) NYSE PRICE: $75.90

Lockheed Martin Corporation is a global security company engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems and products. The Company also provides a range of management, engineering, technical, scientific, logistic, and information services. It serves both domestic and international customers with products and services that have defense, civil, and commercial applications, with its principal customers being agencies of the United States Government. The Company operates in four business segments: Aeronautics, Electronic Systems, Information Systems & Global Services (IS&GS), and Space Systems. On November 22, 2010, it completed the divestiture of Enterprise Integration Group (EIG). In April 2011, the Company completed the divestiture of its Pacific Architects and Engineers Incorporated (PAE) business to Lindsay Goldberg, LLC. In September 2011, the Company acquired QTC Holdings Inc.

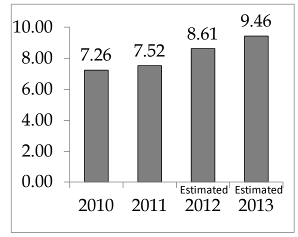
Type: Growth
Sector: Capital Goods

Institutional Holdings: 1308
Industry: Aerospace & Defense

**Ratings & Recommendations**

Current P/E Ratio: **9.5**
Annual Yield: **5.3%**
Annual Dividend: **$4.00**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **N/A**

**Earnings per share**




### OCEANEERING INTERNATIONAL INC (OII) NYSE PRICE: $41.83

Oceaneering International, Inc. is an oilfield provider of engineered services and products to the offshore oil and gas industry, with a focus on deepwater applications. Through the use of its applied technology, the Company also serves the defense and aerospace industries. It is an underwater services contractor. The services and products the Company provides to the oil and gas industry include remotely operated vehicles (ROVs), built-to-order specialty subsea hardware, engineering and project management, subsea intervention services, including manned diving, nondestructive testing and inspection, and mobile offshore production systems. The Company's business segments are contained within two businesses: services and products provided to the oil and gas industry (Oil and Gas) and all other services and products (Advanced Technologies). During 2010, it acquired all the operating assets of SMX International Canada Inc.

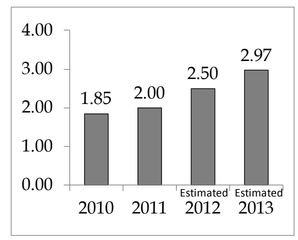
Type: Growth
Sector: Energy

Institutional Holdings: 570
Industry: Oil Well Services & Equipment

**Ratings & Recommendations**

Current P/E Ratio: **20.9**
Annual Yield: **1.4%**
Annual Dividend: **$0.60**
Investor's Bus. Daily: **B-**
Pearson Growth & Value: **B+**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

**Earnings per share**




### VODAFONE GROUP PLC (VOD) NASDAQ PRICE: $27.84

Vodafone Group Plc (Vodafone) is a mobile communications company operating across the globe providing a range of communications services. The Company offers a range of products and services, including voice, messaging, data and fixed-line solutions and devices to assist customers in meeting their total communications needs. Vodafone has a global presence, with equity interests in over 30 countries and over 40 partner markets worldwide. It operates in three geographic regions: Europe, Africa and Central Europe; Asia Pacific, and the Middle East, and has an investment in Verizon Wireless in the United States. In October 2010, Vodafone Global Enterprise, the business within Vodafone, announced the acquisition of two telecom expense management (TEM) companies, Quickcomm and TnT Expense Management.

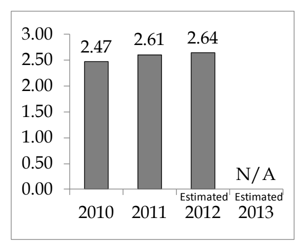
Type: Growth
Sector: Services

Institutional Holdings: 624
Industry: Communications Services

**Ratings & Recommendations**

Current P/E Ratio: **11.6**
Annual Yield: **5.1%**
Annual Dividend: **$1.44**
Investor's Bus. Daily: **B-**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

**Earnings per share**




### CUMMINS INC (CMI) NYSE PRICE: $99.43

Cummins Inc. designs, manufactures, distributes and services diesel and natural gas engines, electric power generation systems and engine-related component products, including filtration, exhaust aftertreatment, fuel systems, controls and air handling systems. The Company sells its products to original equipment manufacturers (OEMs), distributors and other customers worldwide. It has four segments: Engine, Power Generation, Components and Distribution. It serves its customers through a network of more than 600 company owned and independent distributor locations and more than 6,000 dealer locations in more than 190 countries and territories. In November 2010, it purchased a majority interest in a previously independent North American distributorship. On January 4, 2010, it acquired the 70% interest in Cummins Western Canada (CWC). In April 2011, the Company sold its exhaust business to Global Tube.

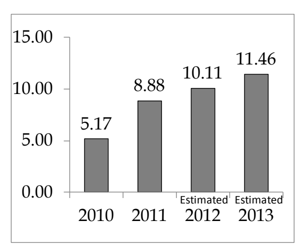
Type: Growth
Sector: Capital Goods

Institutional Holdings: 1748
Industry: Misc. Capital Goods

**Ratings & Recommendations**

Current P/E Ratio: **12.1**
Annual Yield: **1.6%**
Annual Dividend: **$1.60**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**

**Earnings per share**



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## PEARSON CAPITAL'S RECOMMENDED ETFS NOVEMBER 2011

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### PARKER HANNIFIN CORP (PH) NYSE PRICE: $81.55

Parker-Hannifin Corporation (Parker) is a full-line diversified manufacturer of motion and control technologies and systems, including fluid power systems, electromechanical controls and related components. In addition to motion and control products, the Company also is a worldwide producer of fluid purification, fluid and fuel control, process instrumentation, air conditioning, refrigeration, electromagnetic shielding and thermal management products and systems. The Company's manufacturing, service, distribution and administrative facilities are located in 39 states and in 45 foreign countries. The Company's motion and control technologies and systems are used in the products of its three business segments: Industrial, Aerospace, and Climate & Industrial Controls. The products are sold as original and replacement equipment through product and distribution centers worldwide. In July 2011, the Company acquired SSD Korea Co, Ltd.

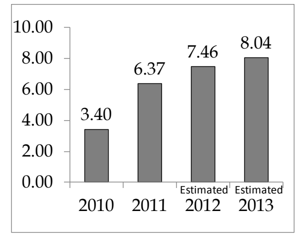
Type: Value
Sector: Basic Materials

Institutional Holdings: 1461
Industry: Misc. Fabricated Products

**Ratings & Recommendations**

Current P/E Ratio: **12.4**
Annual Yield: **1.8%**
Annual Dividend: **$1.48**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**

**Earnings per share**




### TORONTO DOMINION BANK (TD) NYSE PRICE: $75.28

The Toronto-Dominion Bank is a Canada-based bank. The Toronto-Dominion Bank and its subsidiaries are collectively known as TD Bank Group (TD the Bank). The Bank's operations and activities are organized around four business segments: Canadian Personal and Commercial Banking; Wealth Management, including TD Ameritrade; U.S. Personal and Commercial Banking, operating under the brand name, TD Bank, America's Most Convenient Bank, and Wholesale Banking. The Bank's other activities are grouped into the Corporate segment. On September 30, 2010, the Bank completed the acquisition of The South Financial Group, Inc. (South Financial) and South Financial's subsidiary, Carolina First Bank, merged with TD Bank.

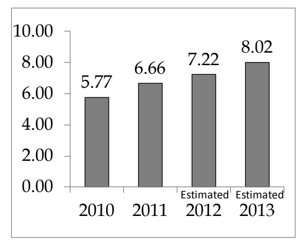
Type: Value
Sector: Financial

Institutional Holdings: 1366
Industry: Money Center Banks

**Ratings & Recommendations**

Current P/E Ratio: **13.1**
Annual Yield: **3.4%**
Annual Dividend: **$2.58**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B-**

**Earnings per share**




*Continued from page 1*

We also have the means in place to put a quality blend of all categories into a portfolio while placing the majority to the category of choice. We often write about great buys within all three sectors as we label them - growth, value, and income and an occasional crossover. A good example of a crossover is this: Apple is really a growth stock, but for value accounts, although it doesn't yield, it is still a sensational investment. Vodafone is featured in this month's letter as a growth stock while yielding more than 5 percent. So the question to be answered is, "How much exposure am I willing to accept while still maintaining the protection I seek?" Call me to discuss it if you wish. It is a pleasure to serve you.

***DP***


**The U.S. Marine Corps Reserve Toys for Tots Program** was created to collect new, unwrapped toys during October, November and December each year, and distribute those toys as Christmas gifts to needy children in the community in which the campaign is conducted.

For the sixth year, Pearson Capital is sponsoring this program in our local area. Last year we had 100+ collection boxes placed with local businesses, service clubs and other organizations in the pursuit of spreading much happiness to less fortunate children in our area on Christmas morning. This year we have set a goal of over 125 boxes to be filled and we are well on our way!

Our collection drive ends on December 10th with a huge party at the VFW Post 6287, here in Ruskin. Festivities begin at 3 pm and we'll have food, fun & entertainment as well as a visit from Santa & Mrs. Claus and the US Marines, all for the admission price of one new unwrapped toy!

If you live in the South Shore area, please join us for this wonderful event. If you wish to participate and would like to obtain a box to fill, please contact us!

Contact: Ann Hathaway, Pearson Capital 813-645-6392 or pearsoncapital7@gmail.com

# WALL STREET INDEXES

| Indexes | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | YTD |
|---|---|---|---|---|---|---|---|
| S&P 500 | 3.0% | 13.6% | 3.6% | (40.0%) | 23.5% | 12.9% | (0.4%) |
| Dow Jones | (0.6%) | 16.3% | 6.4% | (33.4%) | 18.8% | 11.0% | 3.3% |
| Nasdaq | 1.4% | 9.5% | 9.8% | (42.1%) | 43.9% | 16.9% | 1.2% |
| Market Average | 1.8% | 14.1% | 5.6% | (38.4%) | 27.9% | 13.8% | 1.4% |

## MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

**Economic Flows:**
As the Federal Reserve stays put with its financial decision, all eyes are on Europe, while its leaders are coming to an agreement on how to handle its burgeoning debt. The E.U. is going to extend the powers and start to fund the European Financial Stability Facility, a financial unit of the European Union designed to help backstop the debt problems of the European nations. It will be leveraged four to five times in order to stabilize the economy, in some estimates about 1.5 trillion dollars. In exchange with the deal, private banks will take a 50 percent loss on their Greek sovereign debt and agree to strict recapitalization rules and regulations. In my opinion this is only a stopgap for the long term, but a necessary one. However, in the short run this will lead to tight lending, and in fact create a slowdown in their economy just as regulations have created one here. In the long run, however, the EU Facility can easily be granted more and more powers to help solve the long-run problems and create more flexibility like the Federal Reserve. In doing so, member states will start giving up more of their own powers and start acting like our states within the U.S. instead of individual countries. In fact, some countries joined at the hip with the Euro, such as Greece, will always need financial support, as the currency has driven many of their natural talents, such as shipping, to other countries like Norway and China.

**Key Point:** *The E.U is granting more powers to a central financial facility to help solve its problems.*

**Earnings Flows:**
October moves on with third quarter earnings reports and gives us expectations for the next quarter. The miss by Apple (APPL) came as a great shock to me as well as many other people, but expectations for next quarter are still quite high. However, we now see the next year earnings expectations coming down a few notches, as many economists are expecting further belt tightening. I hope to see a further rebound in the market as the financial situation settles down for the time being, and companies start setting their growth goals for the New Year. In the U.S., we as a whole are slowing but becoming even more productive. This means as sales numbers may slow, or even go slightly negative, companies can still keep their profit margins at high levels, and in turn create high positive cash flows. Companies are also preparing earlier, as Christmas this year will probably start one minute after Halloween ends.

**Key Point:** *October leads the way toward a happy Christmas season.*

**Cash Flows:**
As I stated earlier, slow growth does not mean slow profits and good management will be taken seriously, as the market's price earnings ratio (P/E) will also slowly decrease over time. With that said, investors should look for total return - dividends, stock buybacks, and clear simple growth expectations. Managements will focus on tightening and lowering expectations, not for it to get out of hand with lowered economic outlooks. Instead of earnings growth of 12 to 15 percent for many S&P 500 stocks, I will probably expect to see less than 10 percent in the next few years. Productivity will reach all time highs, and with that the bottom line will still grow.

**Key Point:** *Key Point: Slow growth plus high productivity will still be a good combination of total return.*

**Please note:**
*1. U.S. growth in the third quarter has increased to 2.5 percent.*
*2. We will still see the end of 2011 as a good year.*
*3. The market will still remain fully valued.*



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