

# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

Published Monthly Since 1982  
[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)

### FEATURED STOCKS - DECEMBER 2008

AES Corp  
Coca Cola Enterpr  
Deere & Co  
McDonalds Corp

Pfizer, Inc  
Procter & Gamble  
Teco Energy  
Verizon Comm

Deutsche Bank  
General Electric



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Chairman



Donald E. Pearson  
President



Sandra Alberti  
Publishing President

### CHANGE IS COMING *By Donald Pearson*

The stock markets here at home and around the world are down more than 40% year to date and over 50% from the market highs of last October. Stimulus packages are being offered to banks, other financials, and automotive manufacturers, while other industries are getting in line for the opportunity to be included in the handout extravaganza. Home builders, credit card companies and a host of others say, "Don't forget us, we also need this kind of help." While this is being done, we as investors are trying to make intelligent decisions regarding our investments, our retirement, and our overall well being. As our new President Elect has said over and over, "change is coming."

Some of the changes that have been outlined continue to change daily. If you're reading our newsletter, you probably are one who will be affected by these changes, and if invested properly, can benefit from this. It is to you I say, we must be proactive if we're going to recoup our losses. Testing one's resilience as we have, and gutting out this downturn, should prove to be the right decision in time. The market can be very rewarding, yet, as it has proven over and over, it can hurt us all at any given time.

Although no one can say for sure, it appears the bottom is in sight - perhaps early in 2009, perhaps the second half of the year, but more important, many companies will actually begin to appreciate sooner than the market itself. Today, and in the weeks and months ahead, this will be the time to find the real opportunities based upon these upcoming changes. Being a bargain isn't enough. For a stock to be a bargain, a company must have a solid balance sheet, be a leader in its field of business, and have quality management, low P/E, and double digit growth in its short and long-range future. Couple this with increasing its dividend every year, while currently offering a yield of above inflationary proportion, and we're cooking with a recipe for success.

As these companies come under review, one must be very careful not to get suckered into what appears a too-good-to-pass-up dividend. If it appears too good to be true, it probably is. Yields of 10% or more in companies that have been severely beaten down in price appreciation and earnings are red flags. The dividend will probably be cut or not there when it's time to collect. Stocks like Citigroup and so many others are good examples of this. A 5% plus yield doesn't

have much value once the dividend gets cut or terminated. Buy only because the fundamentals and the other points referenced above are strong; thus the yield becomes a bonus and can be treated as such.

Today we have many clients at, near, or beyond retirement age and these are perfect for their portfolios. For others many years from retirement, a stock like General Electric, today selling around \$17.17 while yielding 7.7 %, can and will grow with you. Pfizer is also featured this month as a strong buy candidate because it meets the same fundamentals while yielding more than 7%. Unless additional changes are reflected within the near future, our road map for 2009 has been laid out already: Continue to purchase the ETFs of strong countries or sectors and couple this with the companies that have adapted to the changes necessary within their infrastructure or sector to remain competitive and successful in the years ahead. We are watching small and large companies closing right in front of us, simply because they failed to adapt to the changing times. Circuit City, Linens and Things, Movie Galley, Wilson Leather, and Sharper Image appear to be closing down all stores while

*Continued on Page 6*

Investment Letters are complimentary to our clients with managed accounts!

## INVESTING

There is an old poem that starts, "The time has come the walrus said to talk of many things" and further along it brings out that the discussion should include "both cabbages and kings." In today's market I think we are somewhat in the same place. It's not necessary to cover the stock market alone, because that could either be one of the cabbages or one of the kings. Let's take a look at the way we see things today and think about the future as well.

The stock market is having problems, but so is the economy, and so is our currency. Nothing is coming out of this financial crisis unscathed. We are having numerous problems, none of which we have caused. Global business is slowing down, leading to less income for operating businesses. The outcome is that many jobs are being terminated. This results in people having less money to spend, punishing businesses even further. With a company earning less, and possibly having other problems as well, it means that the company is not in as good a position as before and, consequently, is not worth as much.

The important thing to remember is that the stock market is not one stock, but a group comprising thousands of stocks. When the general market goes down, most stocks will follow with or without a good reason. In a situation such as we have today, almost every stock will drop in price simply because the general consensus is that the earnings of all companies will suffer. When values go down this far, and at this rate, it becomes time to consider becoming a purchaser. There are companies today that are selling for ten times earnings, or less, and are at the lowest price they have sold for in the last ten years; they are yielding 5% or more in the form of dividends, and have a record of not just having paid dividends on a regular basis, but have increased the dividend each year for twenty, thirty, or fifty years.

I know the market as a whole is down and may go lower, but I also say that the investor should not be looking at the market, but should be looking at companies that are selling at a ridiculously low price. Most investors in this bad market have suffered, but it

certainly makes sense to me to step in when the time is right. This may not be exactly the right time for the market as a whole, but I am convinced that companies with these records, which are at such low prices and paying such generous yields, are buys for the investor.

Let's just take a look at Pfizer. This is the world's largest pharmaceutical company, has been in business for a good many years, and during the last ten years the stock has traded between \$15 and \$50 per share. The company has earnings of \$1.34 per share and is expected to earn \$2.37 this year and \$2.50 next year. At the present time the stock is selling for less than \$17 a share and is paying a dividend of \$1.28 which means that the yield is about 7½%. In addition to that, Pfizer has paid dividends regularly each year and has raised the dividend each year. This has been going on for 41 years. How can you go wrong? If you are a client, I would suggest sending in some additional cash with instructions to purchase Pfizer along with any others you may be able to afford.

*By Walter Pearson*

### **Management Fee:**

*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-see your January statement.***

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

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

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

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

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

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

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

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

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

**PEARSON CAPITAL'S RECOMMENDED STOCKS FOR DECEMBER 2008**

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**AES CORPORATION (AES) NYSE PRICE: \$7.69**

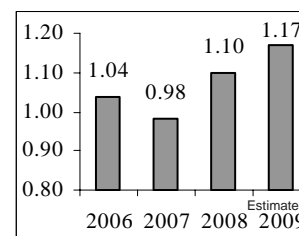
AES is a global power company. It owns a portfolio of electricity generation and distribution businesses on five continents and in 28 countries. During the year ended 12/31/07, the Company had a generation capacity totaling approximately 43,000 Megawatts. The segments of the Company are Latin America Generation, Latin America Utilities, North America Generation, North America Utilities, Europe & Africa Generation, Europe & Africa Utilities and Asia Generation. AES operates two types of businesses, which includes Generation and Utilities. In May 2007, AES completed the sale of La Electricidad de Caracas (EDC). In May 2008, the Company completed the sale of its interest in the AES Ekibastuz power plant and Maikuben coal mine in Kazakhstan to Kazakhmys PLC.

Type: Growth  
Sector: Utilities

Institutional Holdings: 314  
Industry: Electric

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **4.1**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Business Daily: **C+**  
Pearson Growth & Value: **A**  
Morningstar Rating: **C**  
Standard&Poor Rating: **B**  
Value Line Rating: **D**



**COCA COLA ENTERPRISES, INC. (CCE) NASDAQ PRICE: \$9.18**

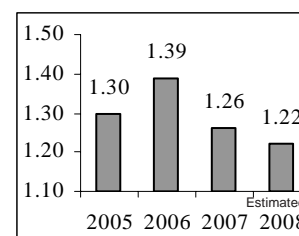
CCE is engaged in marketing, producing and distributing non-alcoholic beverages. The Company serves a market of approximately 414 million consumers throughout the U.S., Canada, the U.S. Virgin Islands and certain other Caribbean islands, Belgium, continental France, Great Britain, Luxembourg, Monaco and Netherlands. It represents 18% of the total Coca-Cola product volume globally. During the year ended 12/31/07, it sold approximately 42 billion bottles and cans (or 2 billion physical cases) throughout its territories. Products licensed to the Company through The Coca-Cola Company and its affiliates and joint ventures represented approximately 93% of its volume in 2007. CCE sells its products to consumers through retailers and wholesalers. In March 2008, the Company acquired the Cen-Tex Coca-Cola Bottling Company.

Type: Growth  
Sector: Consumer Goods

Institutional Holdings: 336  
Industry: Beverages

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **7.6**  
Annual Yield: **3.2%**  
Annual Dividend: **\$0.28**  
Investor's Business Daily: **C**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **B**  
Standard&Poor Rating: **C**  
Value Line Rating: **D**



**DEERE & COMPANY (JOHN DEERE) (DE) NYSE PRICE: \$34.81**

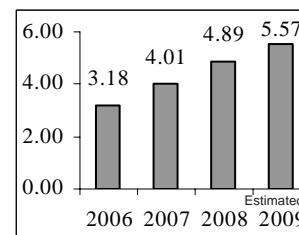
DE through its subsidiaries, operates in four business segments. The agricultural equipment segment manufactures and distributes a line of farm equipment and related service parts., including tractors; combine, cotton and sugarcane harvesters; tillage, seeding and soil preparation machinery. The commercial and consumer equipment segment manufactures and distributes equipment, products and service parts for commercial and residential uses. In May 2007, the Company completed the acquisition of LESCO, Inc. In August 2007, the Company completed the acquisition of Ningbo Benye Tractor & Automobile Manufacture Company Limited. In May 2008, the Company acquired T-Systems International, Inc., headquartered in San Diego, California. In June 2008, the Company acquired Plastro Irrigation Systems, Ltd., headquartered in Israel.

Type: Growth  
Sector: Capital Goods

Institutional Holdings: 527  
Industry: Agric. Machinery

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **7.2**  
Annual Yield: **3.1%**  
Annual Dividend: **\$1.12**  
Investor's Business Daily: **B-**  
Pearson Growth & Value: **A**  
Morningstar Rating: **A**  
Standard&Poor Rating: **C**  
Value Line Rating: **C**



**MCDONALD'S CORPORATION (MCD) NYSE PRICE: \$58.75**

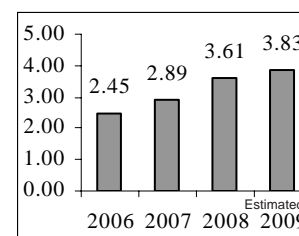
MCD primarily franchises and operates McDonald's restaurants in the food service industry. These restaurants serve a varied, yet limited, value-priced menu in more than 100 countries around the world. The Company also has a minority ownership interest in United Kingdom-based Pret A Manger. The Company owned Boston Market prior to its sale in August 2007. During the year ended 12/31/06, the Company disposed of its investment in Chipotle Mexican Grill (Chipotle). All restaurants are operated either by the Company, by independent entrepreneurs under the terms of conventional franchise arrangements (franchisees), or by affiliates and developmental licensees operating under license agreements. During the year ended 12/31/07, MCD sold its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America.

Type: Growth  
Sector: Services

Institutional Holdings: 815  
Industry: Restaurants

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **14.8**  
Annual Yield: **3.4%**  
Annual Dividend: **\$2.0**  
Investor's Business Daily: **A**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **C**  
Standard&Poor Rating: **A**  
Value Line Rating: **A-**



**PEARSON CAPITAL'S RECOMMENDED STOCKS FOR DECEMBER 2008**

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**PFIZER, INC (PFE) NYSE PRICE: \$16.43**

PFE is a research-based, global pharmaceutical company. The Company discovers, develops, manufactures and markets prescription medicines for humans and animals. It operates in two business segments: Pharmaceutical and Animal Health. PFE also operates several other businesses, including the manufacture of gelatin capsules, contract manufacturing and bulk pharm. chemicals. In Jan. 08, PFE completed the acquisition of Coley Pharm. Group, Inc., a company whose area of capability is immunotherapy with emphasis on Toll-like receptor research and development. In Jan. 08, it completed the acquisition of CovX Research LLC. In June 08, Pfizer completed the acquisition of all remaining outstanding shares of common stock of Encysive Pharm., Inc. through a merger of Pfizer's wholly owned subsidiary, Explorer Acquisition Corp., with and into Encysive.

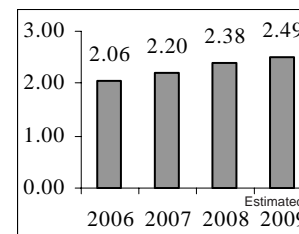
Type: Growth  
Sector: Healthcare

Institutional Holdings: 864  
Industry: Major Drugs

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **10.5**  
Annual Yield: **8.0%**  
Annual Dividend: **\$1.28**  
Investor's Business Daily: **B+**  
Pearson Growth & Value: **B+**  
Morningstar Rating: **A**  
Standard&Poor Rating: **C**  
Value Line Rating: **C**



**PROCTER & GAMBLE COMPANY (PG) NYSE PRICE: \$64.35**

PG is focused on providing branded consumer goods. The Company's products are sold in over 180 countries around the world primarily through mass merchandisers, grocery stores, membership club stores, drug stores and in high-frequency stores. During the fiscal year ended June 30, 2008 (fiscal 2008), one product category accounted for 10% or more of consolidated net sales. The laundry category constituted approximately 16% of net sales during fiscal 2008. In fiscal 2008, the Company was organized into three Global Business Units: Beauty; Health and Well-Being, and Household Care. The Company had six business segments under United States Generally Accepted Accounting Principles (GAAP): Beauty; Grooming; Health Care; Snacks, Coffee and Pet Care; Fabric Care and Home Care, and Baby Care and Family Care.

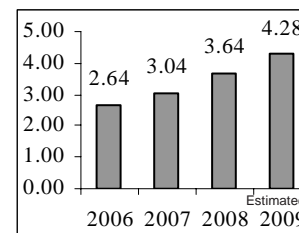
Type: Growth  
Sector: Consumer

Institutional Holdings: 997  
Industry: Personal Products

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **16.9**  
Annual Yield: **2.5%**  
Annual Dividend: **\$1.60**  
Investor's Business Daily: **A**  
Pearson Growth & Value: **A**  
Morningstar Rating: **B**  
Standard&Poor Rating: **A**  
Value Line Rating: **B**



**TECO ENERGY, INC (TE) NYSE PRICE: \$13.00**

TE is a holding company for regulated utilities and other businesses. TECO Energy owns no operating assets but holds all of the common stock of Tampa Electric Co, and through its subsidiary TECO Diversified, Inc., owns TECO Coal Corp. and through its subsidiary TECO Wholesale Generation, Inc., owns TECO Guatemala, Inc. and TWG Merchant, Inc. Tampa Electric Co, TECO Energy's largest subsidiary, has two business segments. Its Tampa Electric division (Tampa Electric) provides retail electric service to more than 668,000 customers in W-Central FL with a net winter system generating capability of 4,602 megawatts. Peoples Gas System (PGS), the gas division of Tampa Electric Company, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida.

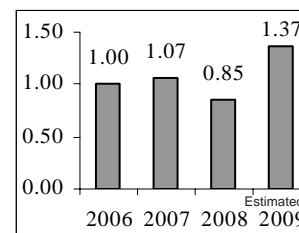
Type: Growth  
Sector: Utilities

Institutional Holdings: 254  
Industry: Electric

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **8.7**  
Annual Yield: **6.2%**  
Annual Dividend: **\$0.80**  
Investor's Business Daily: **C+**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **B+**  
Standard&Poor Rating: **C**  
Value Line Rating: **B+**



**VERIZON COMMUNICATIONS, INC (VZ) NYSE PRICE: \$32.65**

VZ is engaged in providing communication services. The two segments of the Company are Wireline and Domestic Wireless. Wireline comm. services include voice, Internet access, broadband video and data, next generation Internet protocol (IP) network services, network access, long distance and other services. VZ provides these services to consumers, carriers, businesses and government customers both domestically and internationally in 150 countries. Domestic Wireless's products and services include wireless voice and data products. In March 08, Verizon announced the completion of the spin-off of Northern New England Spinco Inc. In July 2008, MTN Group Limited acquired 100% of Verizon South Africa Ltd. In August 2008, Verizon announced that Verizon Wireless, a joint venture of the Company and Vodafone Group Plc, had completed its purchase of Rural Cellular Corporation.

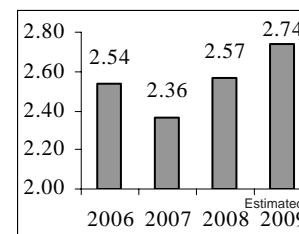
Type: Growth  
Sector: Services

Institutional Holdings: 846  
Industry: Comm. Services

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **14.9**  
Annual Yield: **5.7%**  
Annual Dividend: **\$1.84**  
Investor's Business Daily: **A-**  
Pearson Growth & Value: **B**  
Morningstar Rating: **B**  
Standard&Poor Rating: **B**  
Value Line Rating: **B**



**PEARSON CAPITAL'S RECOMMENDED STOCKS FOR DECEMBER 2008**

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**DEUTSCHE BANK AG (DB) NYSE PRICE: \$35.66**

DB is a global investment bank. The Company offers a range of investment, financial and related products and services to private individuals, corporate entities and institutional clients worldwide. It has three divisions. Corporate and Investment Bank comprises Corporate Banking and Securities (CB&S) and Global Transaction Banking (GTB) that serves large and medium-sized corporations, financial institutions, public sector and multinational organizations. Private Clients and Asset Management (PCAM) comprises Asset and Wealth Management and Private and Business Clients and serves retail and small corporate, as well as wealthy clients and provides asset management services to retail and institutional clients. Corporate Investments manages the majority of Deutsche Bank's alternative assets portfolio and other debt and equity positions.

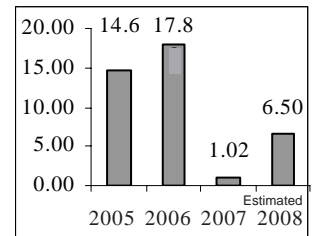
Type: Growth & Income  
Sector: Financial

Institutional Holdings: 212  
Industry: Money Center Banks

**Ratings & Recommendations**

Current P/E Ratio: **5.4**  
Annual Yield: **13.8%**  
Annual Dividend: **\$4.50**  
Investor's Business Daily: **D**  
Pearson Growth & Value: **A**  
Morningstar Rating: **C**  
Standard&Poor Rating: **C**  
Value Line Rating: **N/R**

**Earnings per share**



**GENERAL ELECTRIC COMPANY (GE) NYSE PRICE: \$17.17**

GE is a diversified technology and financial services company. With products and services ranging from aircraft engines, power generation, water processing and security technology to medical imaging, media content and industrial products, it serves customers in more than 100 countries. In July 08, GE announced the organization of its business into four segments: GE Tech. Infrastructure, GE energy infrastructure, GE Capital and Corp.Treasury and NBC Universal. In April 08, GE Healthcare completed the acquisition of Whatman plc. In Aug. 08, GE Capital announced the completion of its acquisition of most of CitiCapital, Citigroup's North American commercial leasing and commercial equipment finance business. In Sept. 08, GE sold its Japanese consumer finance business to Shinsei Bank. In Oct.08, the Company's GE Healthcare unit acquired Vital Signs, Inc.

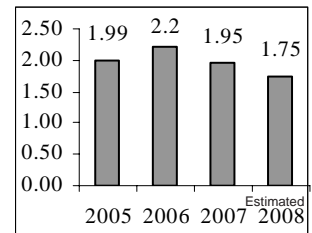
Type: Growth & Income  
Sector: Conglomerates

Institutional Holdings: 1021  
Industry: Conglomerates

**Ratings & Recommendations**

Current P/E Ratio: **8.4**  
Annual Yield: **7.7%**  
Annual Dividend: **\$1.24**  
Investor's Business Daily: **B-**  
Pearson Growth & Value: **A**  
Morningstar Rating: **B**  
Standard&Poor Rating: **C**  
Value Line Rating: **D**

**Earnings per share**



**Merry Christmas**

**Pearson Capital, Inc.  
is hosting the annual**



*We will again be sponsoring our area's Toys for Tots extravaganza. Please join us December 7, from 1:00-5:00 PM at the VFW here in Ruskin, Florida. This is our fourth year, and every year it is bigger and better. Please bring a new unwrapped toy, and be our guest for food, fun and entertainment. Bring the family, and spend time with many war veterans, our area Marine Corps League and Santa.*

**PRICE OF ADMISSION ONE NEW TOY (UNWRAPPED) PER PERSON**

**WHERE: VFW RUSKIN • 5120 US HWY 41 N. • RUSKIN, FL**

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# WALL STREET INDEXES

Indexes	2002	2003	2004	2005	2006	2007	YTD
S&P 500	(23.4%)	26.4%	9.0%	3.0%	13.6%	3.6%	(40.0%)
Dow Jones	(16.8%)	25.3%	3.2%	(0.6%)	16.3%	6.4%	(33.4%)
Nasdaq	(31.5%)	50.0%	8.6%	1.4%	9.5%	9.8%	(42.1%)
Russell 2000	(21.6%)	45.4%	17.0%	3.3%	17.0%	(2.8%)	(38.2%)
Market Average	(23.3%)	36.8%	9.4%	1.8%	14.1%	5.6%	(38.4%)



## MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

**Economic Flows:** The Fed and the Treasury are both attempting to bail out the economy. However, banks are still afraid to lend to each other, much less to businesses and consumers. Any decrease in interest rates and bailout money will help them heal, but not expand into new loans and deals. The credit freeze is continuing, and only time will tell when it will end.



**Key Point:** *The credit freeze has still not thawed.*

**Earnings Flows:** So far both U.S. and International stocks have reported poor earnings. Almost all stock market sectors are slowing down. Sixty-seven percent of the S&P 500 reported a significant drop in earnings, while more than one hundred in the group are now below the \$10 mark. Earnings guidance for the fourth quarter is now virtually nonexistent.

**Key Point:** *Earnings are slowing while the economy heals.*

**Cash Flows:** Buybacks and dividend increases have finally slowed or stopped for many companies, even when these companies have had a good earnings quarter. However, companies with good cash flows are now paying off debt in order to de-leverage and come out stronger when the economy comes back.

**Key Point:** *Buybacks are postponed, while companies pay off extra debt.*

## CHANGE IS COMING *Continued from Page 1*

many others are delaying expansion or closing selected locations. Those making the necessary adjustments will continue to do well. Some call this progress; some call this necessity. I call this change.

As we close out 2008 and move forward into 2009, we will restructure our portfolios and make the changes needed. This will not require a tremendous amount of reallocation. It will simply require modest adjusting. 2009 is already shaping up as a year of challenge, but one with upside opportunity utilizing the policy referenced. If we are as successful as I believe this strategy will make us, we can recover a great deal in a reasonable period.

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Editor  
**Roberta Wilde**

## **Services Provided**

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 401(k) & 403(b) Rollovers - Transfers

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**Free consultation**  
**No hidden fees**

**Privacy Policy**

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