

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
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FEATURED STOCKS - FEBRUARY 2009

Alcon, Inc	Lions Gate	ETFs:
Berkshire Hathaway	Supervalu, Inc	Brazil
Celgene Corp	Vulcan Materials	Gold
Delta Air	Weingarten	



Walter D. Pearson
Chairman



Donald E. Pearson
President



Sandra Alberti
Publishing President

FOLLOW THE LEADER *By Donald Pearson*

I believe we can make decisions today based upon where our new leader is charting the course. If we stay focused and take a proactive approach, we'll be able to select stocks with superior upside potential. An example of this would be in the vehicles we drive if we were buying stock based upon his leadership. Our new President is proposing a \$7,000 tax credit for everyone purchasing advanced vehicles. Toyota recently went over one million sales for their hybrids. Investing in SUVs wouldn't seem prudent at this time, would it?

Our new President has promised us many things, but the most important is stopping our falling economy and improving our savings and investments. This will be a very difficult task, and hopefully not one that is too big for him and his team to manage. Today you'll find the S&P stock index trading at an inexpensive ten times expected 2009 earnings. Chances are high that reported earnings for this period will be disappointing, and a stock looking good today can quickly become very expensive when it falls short of its estimated earnings. In November and December of 2008 the ratio of earnings revisions were more than six to one as companies continued to lower

their forecasts. This trend has continued into 2009, and it appears that it will continue through this quarter and into the next. At current levels, 2009 earnings estimates are still an unrealistic 26.6% higher than expected 2008 profits.

Does this mean there are no bargains, or stock that'll beat this trend? I can assure you many will, and it's up to us to be able to identify them. As an example, our economy will need fewer investment bankers and mortgage brokers, and thus, this sector will have a harder time generating growth. At the same time McDonalds (MCD) has announced the expansion of 1000 new locations to be added in the very near future. With more than 30,000 locations in more than 100 countries, the fast food chain's low prices are drawing in customers and creating higher revenue despite the global recession. The recession actually helps their business as people look for bargains. With a 3.3% yield, this is a tremendous long term investment.

Another factor to consider is the state of our economy today and how it'll change over the next 24 months. In 2008 we had over two million people losing their jobs, and, as we head into 2009, there are more to come.

Of the two million lost last year, one million of them occurred in the last three months. Our unemployment is currently at 7% and should rise to around 9% in the foreseeable future. President Obama has a plan to create three million new jobs through new energy programs and a massive US public works program, the largest construction endeavor in the last half century. Armed with this information we have an opportunity to align ourselves with companies participating in the endeavor. Now, more than ever, it's very important that we analyze these companies very closely. Plans are being made to generate a \$350 billion public works program to repair and build roads, bridges, sewer systems, mass transit lines, and electrical grids.

Many infrastructure stocks are deeply undervalued today because of the economy. Many states put projects on hold last year simply because of the lack of funds. Today we can select companies like Caterpillar (CAT) with their diversified line of construction machinery. This stock is off more than 40% for 2008. Because of the recession affecting their bottom line, they have responded aggressively to maintain their profitability by announcing layoffs and

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INVESTING IN OUR STOCK MARKET TODAY

Where do we stand today as investors? This is a different market from what we have seen before. Prior drops came for reasons that became visible as time wore on. Sometimes they were understandable, and sometimes the reason would become apparent at a later date. Let's see if we can analyze the reason for this one and the ultimate expected ending.

In my opinion there is no doubt whatsoever as to the cause of the present drop. Our industries have been exported to country after country, and each time we lost another industry we became that much poorer as a nation. Think of it this way: As a worker, our standard of living depends upon the earnings which we are able to bring home. As a country the same thing holds true. If we move a company to Europe, the income is going to Europe and not to this country. Though the problems came on gradually, the market drop was faster. More layoffs, more plant closings, more bankruptcies, and fewer jobs all make for a poorer stock market. As time goes on, some people will have to sell stock simply because they need the money. Others will sell because they get scared. When sellers outnumber buyers, the market goes down.

The question is, when will it stop? The

strange thing is that the turnaround has started already. Most people think in terms of the market, but realistically the only things that affect them are the stocks which they own and not stock prices in general. In the stock market there is an osmosis that occurs when the general markets start to fall. Companies which are doing very well will usually go down in price. In other words they tend to follow the crowd. Consequently, almost ALL stocks are cheaper today. If you did your research last year and found a company that was a good buy at \$50 a share, and you looked at the same company today and found it selling at \$25, what should you be thinking? Some people sell simply because fear has set in. Others who are doing their thinking will recheck the company and, if nothing has changed except the price, will latch onto that bargain.

If you worry about the market drop, think of it this way. Stocks are simply pieces of paper which denote partial ownership of a company. Let's take McDonalds for an example. They are doing business all over the world. They are operating at a profit. They pay out a portion of those profits each year to the stockholders who are the actual owners of the business.

The company is worth some number of

millions of dollars, AND, here is the big difference. The stock may be selling for one price today and a totally different price tomorrow. Why the change? The stock price is generated by stock market demand. With many buyers in the offing, the stock price will go up. If there are more sellers, the price in the marketplace will head down. On occasion you will find that another company will step in and offer to buy the company for 50% more than the market price. What this should mean to you is that the market price of your stock may not denote the true value.

Sooner or later the stock market gets to the point where almost every stock has gone beyond any reasonable price on the downside. It is at this point that a stock market recovery begins. Surprisingly enough there is still money to be made by investors. Although I do not believe that the market has bottomed out, I do believe that one sector has. The bank stocks were the first to get hit, and they got hit so hard and so fast that they beat everything else on their downward path. Now it seems that this is being discovered in the marketplace. Numerous bank stocks have turned upwards.

RF (Regions Financial)

WP

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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 FEBRUARY 2009

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ALCON, INC (ACL) NYSE PRICE: \$85.64

ACL is a research and development driven, global medical specialty company focused on eye care. The Company develops, manufactures and markets pharmaceuticals, surgical equipment and devices and consumer eye care products to treat diseases and disorders of the eye. Alcon manages its business through two segments: Alcon United States and Alcon International. Its portfolio spans three key ophthalmic categories: pharmaceutical, surgical and consumer eye care products. In its pharmaceutical category Alcon develops, manufactures and markets a range of prescription ophthalmic pharmaceutical products. Alcon offers a range of surgical equipment, single-use and disposable products. The Company markets contact lens care products, artificial tears and ocular vitamins, in its consumer eye care products category. In 07/08, Novartis AG acquired a 25% stake in Alcon from Nestle SA.

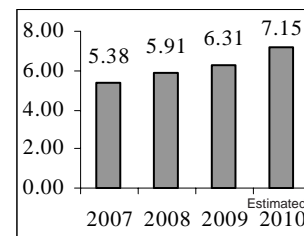
Type: Growth
Sector: Healthcare

Institutional Holdings: 237
Industry: Major Drugs

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **12.9**
Annual Yield: **2.90%**
Annual Dividend: **\$2.51**
Investor's Business Daily: **B+**
Pearson Growth & Value: **A-**
Morningstar Rating: **A**
Standard&Poor Rating: **B+**
Value Line Rating: **B**



BERKSHIRE HATHAWAY, INC. (BRK.B) NYSE PRICE: \$2989.00

BRK.B is a holding company owning subsidiaries engaged in a number of diverse business activities. The most important of these are insurance businesses conducted on both a primary basis and a reinsurance basis. Berkshire also owns and operates a large number of other businesses engaged in a variety of activities, as identified herein. Berkshire's operating businesses are managed on an unusually decentralized basis. During the year ended 12/31/07, the Company acquired Boat America Corp., which owns Seaworthy Insur. Co. and controls the Boat Owners Assoc. of the U.S.. In Nov. 08, White Mountains Insur. Gr., Ltd. completed its exchange with Berkshire of runoff businesses. BRK exchanged about 95% of its interest in White Mountains for 100% of a White Mountains subsidiary, whose holdings consist of Commercial Casualty Insur. Co. and Intl.I American Gr. Inc.

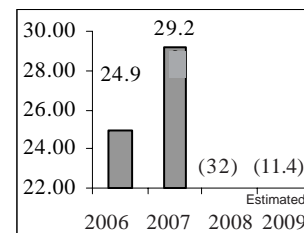
Type: Growth
Sector: Financial

Institutional Holdings: 196
Industry: Insurance

Ratings & Recommendations

Earnings per share

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



CELGENE CORPORATION (CELG) NASDAQ PRICE: \$52.95

CELG is primarily engaged in the discovery, development and commercialization of therapies designed to treat cancer and immune-inflammatory-related diseases. The Company's lead product is REVLIMID (lenalidomide) and THALOMID. REVLIMID was approved by the U.S Food and Drug Administration (FDA), the European Commission, Swiss Agency for Therapeutic Products and Australian Therapeutic Goods Administration, for treatment in combination with dexamethasone for multiple myeloma patients who have received at least one prior therapy. THALOMID was approved by the FDA for treatment in combination with dexamethasone of patients with diagnosed multiple myeloma and is also approved for the treatment and suppression of cutaneous manifestations of erythema nodosum leprosum, an inflammatory complication of leprosy.

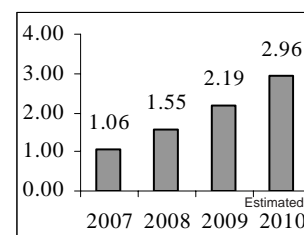
Type: Growth
Sector: Healthcare

Institutional Holdings: 627
Industry: Biotechnology

Ratings & Recommendations

Earnings per share

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



DELTA AIR LINES, INC (DAL) NYSE PRICE: \$6.90

DAL is an air carrier that provides scheduled air transportation for passengers and cargo throughout the U.S. and around the world. It offered customers service to destinations with Delta and Delta Connection carrier service to 321 destinations in 58 countries in Jan. 08. To Latin America and the Caribbean, Delta offered more than 500 weekly flights to 63 destinations in Jan.08. It is a founding member of SkyTeam, a global airline alliance that provides customers with worldwide destinations, flights and services. Including its SkyTeam and worldwide codeshare partners, the Company offered flights to 485 worldwide destinations in 106 countries in Jan.08. During the year ended 12/31/07, passenger revenue accounted for 88% of its consolidated operating revenue. On 10/29/08, DAL merged with Northwest Airlines, Inc. The new airline will be called Delta.

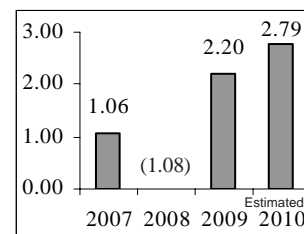
Type: Growth
Sector: Transportation

Institutional Holdings: 241
Industry: Airline

Ratings & Recommendations

Earnings per share

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



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR FEBRUARY 2009

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LIONS GATE ENTERTAINMENT CORP., (LIONSGATE) (LGF) NYSE PRICE: \$5.61

LGF is a filmed entertainment studio with a presence in motion pictures, television programming, home entertainment, family entertainment, video-on-demand and digitally delivered content. The Company releases approximately 18 to 20 motion pictures theatrically per year, which include films it develops and produces in-house, as well as films that it acquires from third parties. It also has produced approximately 76 hours of television programming, primarily prime time television series for the cable and broadcast networks. As of 03/31/08, Lionsgate distributes its library of approximately 8,000 motion picture titles and approximately 4,000 television episodes and programs directly to retailers, video rental stores, and pay and free television channels in the U.S., Canada, the U.K. and Ireland. Its segments include Motion Pictures and Television Productions.

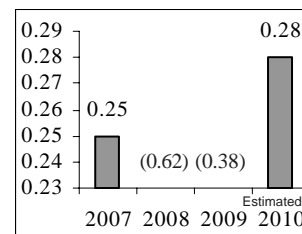
Type: Growth
Sector: Services

Institutional Holdings: 38
Industry: Motion Pictures

Ratings & Recommendations

Earnings per share

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



SUPERVALU, INC (SVU) NYSE PRICE: \$17.54

SVU is a U.S. grocery channel that conducts its retail operations under three retail food store formats: combination stores (defined as food and drug), food stores and limited assortment food stores. The Retail food operations include results of food stores owned and results of sales to limited assortment food stores licensed by the Company. Supply chain services operations include results of wholesale distribution to affiliated food stores, mass merchants and other customers and logistics support services. SVU operates its stores under various banners, such as Acme Markets, Albertsons, Bristol Farms, bigg's, Cub Foods, Farm Fresh, Hornbacher's, Jewel-Osco, Lucky, Save-A-Lot, Shaw's Supermarkets, Shop 'n Save, Shoppers Food & Pharmacy and Star Markets.

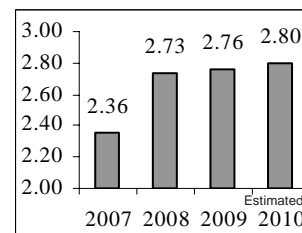
Type: Growth
Sector: Services

Institutional Holdings: 406
Industry: Retail Grocery

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **N/R**
Annual Yield: **3.60%**
Annual Dividend: **\$0.69**
Investor's Business Daily: **A-**
Pearson Growth & Value: **B+**
Morningstar Rating: **A**
Standard&Poor Rating: **C**
Value Line Rating: **C**



VULCAN MATERIALS COMPANY (VMC) NYSE PRICE: \$49.46

VMC through its subsidiaries, produces construction aggregates and other construction materials in the U.S and Mexico. The company operates in three segments: Aggregates, Asphalt mix and Concrete, and Cement. The Aggregates segment produces and sells aggregates and related products, such as crushed stone, sand and gravel, rock asphalt, and recycled concrete. The Asphalt mix and Concrete segment produces and sells asphalt mix and ready-mixed concrete. The Cement segment produces Portland and masonry cement. Vulcan Materials customers include asphalt mix and ready-mixed concrete producers, concrete products producers, construction contractors, road and highway contractors, nonresidential building contractors, nonresidential parking lot and driveway contractors, residential contractors, and precast and prestressed concrete producers.

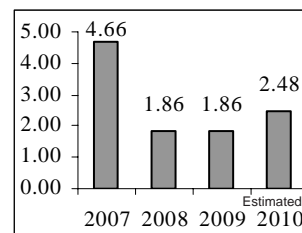
Type: Growth
Sector: Capital Goods

Institutional Holdings: 251
Industry: Construct Serv.

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **18.1**
Annual Yield: **3.9%**
Annual Dividend: **\$1.96**
Investor's Business Daily: **B**
Pearson Growth & Value: **A-**
Morningstar Rating: **A**
Standard&Poor Rating: **B**
Value Line Rating: **B**



WEINGARTEN REALTY INVESTORS (WRI) NYSE PRICE: \$16.19

WRI is a real estate investment trust (REIT). The Company's primary business is leasing space to tenants in the shopping and industrial centers it owns or leases. The Company also manages centers for joint ventures, in which it is partners or for other outside owners, for which it charges fees. During the year ended 12/31/07, the Company owned or operated under long-term leases, either directly or through its interest in real estate joint ventures or partnerships, a total of 383 developed income-producing properties and 32 properties under various stages of construction and development. The total number of centers includes 335 neighborhood and community shopping centers located in 22 states spanning the country from coast to coast. It also owned 77 industrial projects located in CA, FL, GA, TN, TX and VA and three other operating properties located in Arizona and Texas.

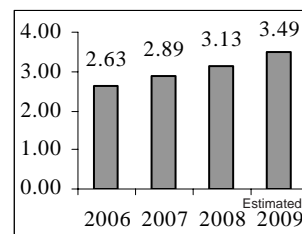
Type: Growth
Sector: Services

Institutional Holdings: 157
Industry: Real-Estate

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **7.5**
Annual Yield: **12.10%**
Annual Dividend: **\$2.10**
Investor's Business Daily: **C**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Standard&Poor Rating: **C**
Value Line Rating: **B**



PEARSON CAPITAL'S RECOMMENDED ETF'S FOR FEBRUARY 2009

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ISHARE MSIC BRAZIL INDEX FUND (EWZ) NYSE PRICE: \$35.45

About this ETF

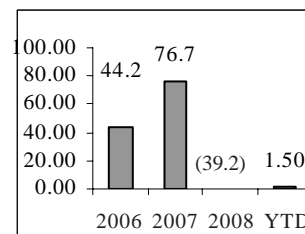
The investment seeks to provide investment results that correspond generally to the price and yield performance of publicly traded securities in the Brazilian market, as measured by the MSCI Brazil index. The fund normally invests at least 95% of assets in the securities of its underlying index and in ADRs based on the securities in its underlying index. It uses a representative sampling strategy to try to track the index. The index consists of stocks traded primarily on the Bolsa de Valores de So Paulo.

Location: Brazil
Category: Large Value

Type: 100% stocks
Industry: Diversified

Ratings & Recommendations Performance by %

Current P/E Ratio: **N/R**
Annual Yield: **6.1%**
Annual Dividend: **\$2.16**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **B**
Morningstar Rating: **C**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



SPDR GOLD TRUST (GLD) NYSE PRICE: \$87.75

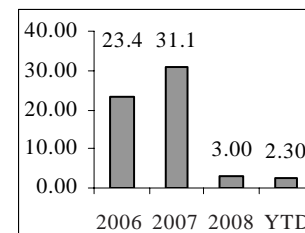
About this ETFThe investment seeks to strive to reflect the performance of the price of gold bullion, less the Trust's expenses. The Trust holds gold, and is expected to issue baskets in exchange for deposits of gold, and to distribute gold in connection with redemption of baskets. The gold held by the trust will only be sold on an as-needed basis to pay trust expenses, in the event the Trust terminates and liquidates its assets, or as otherwise required by law or regulation. The Trust is not managed like an active investment vehicle, and it's not registered as an investment company under the Investment Company Act of 1940.

Location: Global
Category: Precious Metals

Type: Gold
Industry: Non Diversified

Ratings & Recommendations Performance by %

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



RMDs & IRA Contributions

Facts you should know for 2009 that affect your withdrawals and deposits.

Required Minimum Distributions:

(RMDs) have been suspended for 2009. Because of the plunging stock market, Congress has passed a new law under which anyone 70½ (and beneficiaries) will not have to take their RMD. The exception is if you reached 70½ in 2008 and it's your first distribution.

IRA contribution limits:

\$5,000 plus an additional \$1,000 if you are 50 years of age or older.

Roth IRA income eligibility limits:

Full contribution: Single: earn less than \$105,000 — Married: earn less than \$166,000

Partial contribution: Single: \$105,000 - \$120,000 — Married: \$166,000 - \$176,000

Conversion from Traditional to Roth IRA:

Single or Married: \$100,000 (limit disappears in 2010)

Follow The Leader--Continued from page 5

executive pay cuts. They remain a cash cow with revenues of \$4 billion a year. Many companies specializing in steel, cement, and engineering can be purchased with strong balance sheets and 30-50% off their prior year highs. An ETF that favors this is Global Infrastructure (IGF) Index. This is also down 40% from their prior year's high. The makeup of this ETF is composed of 77 stocks from 22 countries with a yield of 4%.

WALL STREET INDEXES

Indexes	2003	2004	2005	2006	2007	2008	YTD
S&P 500	26.4%	9.0%	3.0%	13.6%	3.6%	(40.0%)	(8.6%)
Dow Jones	25.3%	3.2%	(0.6%)	16.3%	6.4%	(33.4%)	(8.8%)
Nasdaq	50.0%	8.6%	1.4%	9.5%	9.8%	(42.1%)	(6.4%)
Russell 2000	45.4%	17.0%	3.3%	17.0%	(2.8%)	(38.2%)	(11.2%)
Market Average	36.8%	9.4%	1.8%	14.1%	5.6%	(38.4%)	(8.8%)



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows: For the rest of the year, the Federal Reserve is coordinating with most of the other central banks to prevent worldwide deflation. Massive government stimuli from China, Europe, and the United States will be flooding the economy. The recession is in full swing, with unemployment soon to rise above 10 percent. Banks will have to go back to what they used to do; instead of securing loans and servicing them, they will have to keep them on the balance sheet. By doing this, however, they will have to take a more conservative stance on whom and what they can lend to, since risk will be shifted back to the loan provider. In larger terms, the whole society itself must change as credit creation goes back to more traditional means. For the investor, this global crisis is creating volatility not only in the stock market, but in bonds, currencies, commodities, and other financial instruments. A holistic approach is needed to evaluate and deal with today's problems and to move toward a "total return" approach. Instead of considering diversification among asset classes, the global cooperation among central banks is linking world markets together even more than in the past and in many cases is creating dislocations or "smaller bubbles." A current example is US treasuries in which yields were driven down to all time lows.



Key Point: *The Fed is working in unison globally to prevent any more deflation.*

Earnings Flows: The first quarter earnings have looked very weak, but are meeting analysts' expectations. However, the next quarter's outlook is very uncertain, as companies are preparing for a weakening economy. Dividends however, have been holding on very well, as non-financial stocks are showing great yields in this current downturn. As more companies are declaring a slowdown in earnings creation, many investors are moving toward different ways of evaluation, including looking for increasing cash flow and a growing asset base.

Key Point: *Companies are still preparing for a continued slowdown.*

Cash Flows: Cash flows are weakening for many companies, and they are cutting back by laying off workers, or cutting back on expansion. However, some companies are still producing healthy cash flows and will use the recession to rebuild or refocus on their core business and continue to move forward. Business will continue to go on, as the economy goes through this change.

Key point: *Look for companies that still have strong healthy cash flows.*

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