

Your Personal Money Manager

Pearson

INVESTMENT LETTER

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FEATURED STOCKS - JULY 2009

American Intl
Apollo Group
Celgene Corp
L-3 Comm

Mylan, Inc
Perfect World
Teco Energy
Zhongpin

ETF's

Australia
Latin America

Parental Wisdom *By Donald Pearson*

Today most Americans save very little, although we were taught differently by our parents. Most households are at or close to zero percent, yet our parents preached 8-10 percent as they had done in years past. For quite some time this near zero saving formula worked okay, until housing prices began to fall, unemployment began to rise, stocks began to fall, and banks began reviewing their lending policies. For many years the US consumer has been our solution with increased spending, but today they will become a part of the problem. Savings will and must grow, and spending will and must be reduced, at least for the short term. This will slow our growth and recovery here at home, but it will not diminish it. Everyone has a different opinion as to where we currently are in the recovery process, but most will agree we are more than halfway through the problems that have gotten us here, and some believe we are a lot further along than that. I believe once we are in full recovery, whether it is later this year or in 2010, the American consumer will return to the spending habits of the past. With that said, what can be done now to prepare us for the days ahead?

A true opportunist doesn't waste a lot of

time dwelling in the past. He or she will focus on today and where this will lead into the tomorrows and beyond. Here are my three steps for short and long range success in today's and tomorrow's stock market that coincide with increasing one's savings. We have done this within our client base already and the results are impressive.

Increase international exposure. As the American dollar continues to weaken, foreign markets continue to gain strength. We have often written that utilizing a core group of quality ETFs is a great way to begin. Many individual stocks can be added if found to be superior, even if they are in a country's ETF already. FXI (China) is one of our largest holdings, and China Mobile is 9.1 percent a part of it. EWC (Canada) is another we covet for most portfolios and (RIMM) is 4.6 percent of this. Should more be bought? This is reviewed account by account. Not every place in the world today provides the same opportunity. Japan continues to have its problems, while Europe is mired in a deeper recession than the one we are experiencing here at home. Many emerging countries display ongoing instability. With missiles being fired in North Korea, it makes South Korea a very high risk. Border troop buildup

in many countries makes many others too risky to purchase. China and other Asian nations are at the top of our list of preferred purchases because of their \$600 billion stimulus program, which, as a share of the Chinese gross domestic product, is larger than the plan currently in place for the US. Brazil and several Latin America countries also display impressive resilience to this global recession.

Include gold and silver in the portfolio. Money market funds today offered by investment firms investing in short term assets such as Treasury bills are offering yields around 0.4 percent or less. Money market deposit accounts offered by banks are paying around 1.4 percent or less. A local bank may offer slightly higher interest for its CDs, but again not nearly enough to mitigate the loss that long term inflation at or around 6 percent is going to create. Gold and silver can be bought as an ETF, and these two metals I believe are the best ways to protect ourselves when inflation fears begin to rise. Portfolios should have a portion of (GLD and SLV) as a protective defense. With the Federal Reserve printing money like crazy, the dollar will continue to depreciate and

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Chairman



Donald E. Pearson
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Sandra Alberti
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The Time Has Come

Probably the strangest thing about the stock market is that investors will shovel money in when the market is high, but they are very reluctant to part with any when prices are cheap. I can understand this reluctance, but after all, if you had wanted a particular blanket which cost \$100, and you saw it on sale for \$10, I am sure you would almost burn bridges to get to it before it was gone. Believe it or not, that is where we are in the stock market today. Perhaps I should say yesterday, because things have been moving up and some prices have adjusted a bit. Some of these values are starting to disappear. On the other hand there are still numerous value stocks waiting to be bought. I know that money is tight, and it is a difficult time to come up with more, but you certainly should do everything in your power to add some money to your account, even if it isn't as much as you would like.

Let me give you a picture of what has been happening. One of our stocks, which you might have purchased, I had bought for \$30 a share. I originally purchased 35 shares for about \$1,000. It came down to \$13.79 a share for no reason except for the cataclysm that hit the market. I sold the original 30 shares for a tax loss and bought another thousand dollars worth, so now I had 70 shares. Lo and behold, by November of last year the stock was down to \$1.44 a share. Looking at the positive side, I bought 600 shares for less than \$1000 and sold the 70 shares for another tax loss. I have now lost \$730 on one transaction and \$845 on the other. However, I no longer have 30 shares and I no longer have 70 shares. I now have 600 shares and the stock is selling for \$10.80 a share today. If you had this one, you probably recognize the happening.

Many times in the past I have tried to get people to understand that the stock market is not a true measure of value. Just because a stock is selling for \$10 a share does not mean that it is marketing for its actual value. Time after time you will see a stock go up 25 or 50 percent in a single day. This will usually happen because another company has decided it is worth that much to them. The market price of a stock is simply the approximate amount that one might buy or sell it for that day. When the market is high, a stock may be overpriced, but the thing to remember is that when the market is low it is an excellent time to buy. However, this market is not just low; this is the craziest thing I have ever seen. Providence Service Co. is the one I referenced above, but I have done the same thing with a number of others, and also for some of the clients who had a few dollars in their account. We might have bought them 50 shares of Am Cap Strategies in 2008 for \$1500 and bought them 500 shares for \$1.40 a share at the more recent price. That stock is now almost \$3 a share, which means a profit of 100 percent in three months - not to forget the tax loss, which is another plus.

Though it is difficult, try to think logically of the present situation in the stock market. In normal periods if you had a stock which you had purchased for \$50 a share, and it had come down to \$2, you would be looking around for reasons and expecting that you would see for yourself why this had happened. In today's market I would estimate approximately 95 percent of the stocks have come down to levels which are absolutely ridiculous, and if you are not afraid to step up to the plate, you will be able to take advantage of some of these situations. The above situations are not alone. Values are all over the place. Satyam Computer we recommended in 2005 at \$27 a share. I bought it then and in January of this year I bought it again for \$1.18 a share. Today it is selling for \$2.86. This represents a profit of more than 100 percent in four months. In addition, I now own 700 shares instead of 36, and I have sold the 36 shares for a tax loss. I really don't have a loss, but with the IRS rules as they stand, I can make a profit in two different directions.

If you are one of our clients who is sitting on the sidelines in order to wait this out, please believe me that you are taking the wrong path. Stocks are cheap! Warren Buffet has said it. The time to buy is when stocks are cheap!

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 JULY 2009

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AMERICAN INTERNATIONAL GROUP, INC (AIG) NYSE PRICE: \$1.16

AIG is a holding company which, through its subsidiaries, is engaged in a range of insurance and insurance-related activities in the U.S. and abroad. AIG's primary activities include both General Insurance and Life Insurance & Retirement Services operations. The Company operates in four segments: General Insurance, Life Insurance & Retirement Services, Financial Services and Asset Management. Through these operating segments, AIG provides insurance, financial and investment products and services to both businesses and individuals in more than 130 countries and jurisdictions. In Dec. 08, AIG's U.S. life insurance companies sold its residential mortgage-backed securities portfolio to Maiden Lane II LLC. On 04/01/09, AIG completed the sale of AIG Life of Canada to BMO Financial Group, and Hartford Steam Boiler to the Munich Re Group.

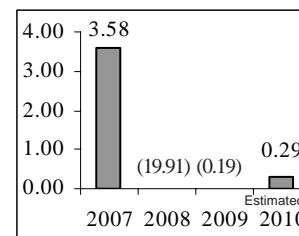
Type: Growth
Sector: Financial

Institutional Holdings: 182
Industry: Insurance

Ratings & Recommendations

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

Earnings per share



APOLLO GROUP, INC (APOL) NASDAQ PRICE: \$71.12

Apollo Group, Inc. (Apollo Group) is a private education provider. The Company offers educational programs and services at the high school, undergraduate and graduate levels online and on-campus through its wholly owned subsidiaries, The University of Phoenix, Inc. (University of Phoenix), Institute for Professional Development (IPD), The College for Financial Planning Institutes Corporation (CFP), Western International University, Inc. (Western International University), and Insight Schools, Inc. (Insight Schools), and through its 80.1% owned subsidiary, Apollo Global, Inc. (Apollo Global). The Company has also established a Canadian institution, Meritus University (Meritus), which began operations in September 2008.

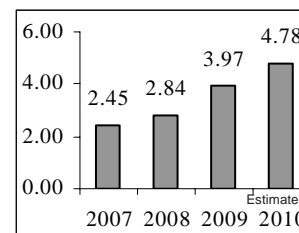
Type: Growth
Sector: Services

Institutional Holdings: 583
Industry: Schools

Ratings & Recommendations

Current P/E Ratio: **17.1**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **B**
Pearson Growth & Value: **D+**
Morningstar Rating: **A**
Standard&Poor Rating: **B**
Value Line Rating: **B**

Earnings per share



CELGENE CORPORATION (CELG) NASDAQ PRICE: \$47.84

CELG is an integrated biopharmaceutical company. The Company is primarily engaged in the discovery, development and commercialization of therapies designed to treat cancer and immune-inflammatory related diseases. It is involved in research in several scientific areas that may deliver therapies, targeting areas, such as intracellular signaling pathways in cancer and immune cells, immunomodulation in cancer and autoimmunity and placental cell, including stem and progenitor cell, research. The Company's commercial stage products include REVLIMID, THALOMID (inclusive of Thalidomide Pharmion), VIDAZA, ALKERAN and FOCALIN. On March 7, 2008, it acquired Pharmion Corporation, a biopharmaceutical company that acquired, developed and commercialized products for the treatment of hematology and oncology patients.

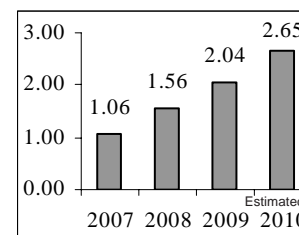
Type: Growth
Sector: Healthcare

Institutional Holdings: 609
Industry: Biotech

Ratings & Recommendations

Current P/E Ratio: **80.8**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A-**
Pearson Growth & Value: **B**
Morningstar Rating: **C**
Standard&Poor Rating: **A**
Value Line Rating: **B**

Earnings per share



L-3 COMMUNICATIONS HOLDINGS, INC (LLL) NYSE PRICE: \$69.38

LLL through its wholly owned subsidiary, L-3 Comm. Corp. (L-3), is a prime system contractor in aircraft modernization and maintenance (AM&M), command, control, communications, intelligence, surveillance and reconnaissance (C3ISR) systems, and government services. L-3 is also a provider of technology products, subsystems and systems. The Company's customers include the U.S. Department of Defense and its prime contractors, U.S. Government intelligence agencies, the U.S. Department of Homeland Security (DHS), U.S. Department of State, U.S. Department of Justice, allied foreign governments, commercial customers and select other U.S. federal, state and local government agencies. LLL operates in four segments: C3ISR, Government Services, AM&M, and Specialized Products. On 01/30/09, the Company completed the acquisition of Chesapeake Sci.Corp.

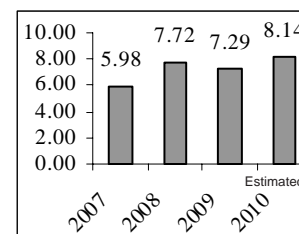
Type: Growth
Sector: Capital Goods

Institutional Holdings: 463
Industry: Aerospace/Defense

Ratings & Recommendations

Current P/E Ratio: **8.8**
Annual Yield: **2.0%**
Annual Dividend: **\$1.40**
Investor's Business Daily: **C-**
Pearson Growth & Value: **B-**
Morningstar Rating: **C**
Standard&Poor Rating: **C**
Value Line Rating: **B**

Earnings per share



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR JULY 2009
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MYLAN, INC (MYL) NYSE PRICE: \$13.05

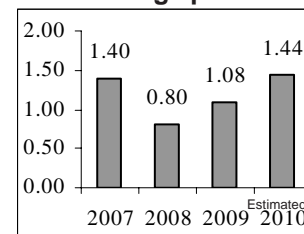
MYL and its subsidiaries comprise a global pharmaceutical company that develops, licenses, manufactures, markets and distributes generic, brand and branded generic pharmaceutical products and active pharmaceutical ingredients (API). As of 05/05/09, the Company held a 71.2% interest in Matrix Lab. Limited (Matrix). Through Matrix, it manufactures and supplies API for its own products and pipeline, as well as for third parties. Mylan has three segments: the Generics Segment, the Matrix Segment and the Specialty Segment. Mylan markets more than 570 products to consumers in more than 140 countries. Mylan's products cover an array of therapeutic categories, and offer a range of dosage forms and delivery systems, including oral solids, controlled-release, steriles, injectables, topicals, liquids, transdermals, semi-solids and high-potency products.

Type: Growth
Sector: Healthcare

Institutional Holdings: 387
Industry: Biotech

Ratings & Recommendations Earnings per share

Current P/E Ratio: **19.3**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Standard&Poor Rating: **A**
Value Line Rating: **B**



PERFECT WORLD CO., LTD (PWRD) NASDAQ PRICE: \$28.60

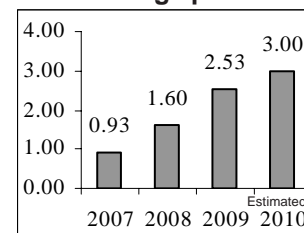
PWRD is an online game developer and operator in the People's Republic of China (PRC). As of 12/31/08, the Company in PRC launched seven self-developed MMORPGs, such as Perfect World, Legend of Martial Arts, Perfect World II, Zhu Xian, Chi Bi, Pocketpet Journey West and Battle of the Immortals, and its first online casual game, Hot Dance Party. The Company also launched localized versions of Perfect World II, Pocketpet Journey West and Zhu Xian, respectively, in North America. The Company's Angelica three-dimensional (3D) game engine creates 3D graphics with visual effects and provides the technical foundation for realizing features in the game environment. In March 2009, the Company incorporated wholly owned subsidiary, Perfect World Interactive Entertainment Co., Ltd.

Type: Growth
Sector: Technology

Institutional Holdings: 0
Industry: Computer Serv.

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.8**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A+**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



TECO ENERGY, INC. NYSE (TE) PRICE: \$11.93

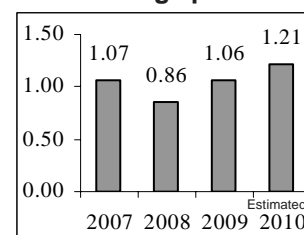
TE is a holding company for regulated utilities and other businesses. TECO Energy owns no operating assets but holds all of the common stock of Tampa Electric Co., and through its subsidiary TECO Diversified, Inc., owns TECO Coal Corporation and through its subsidiary TECO Wholesale Generation, Inc., owns TECO Guatemala, Inc. Tampa Electric Company and TECO Energy's largest subsidiary, has two business segments. Tampa Electric division (Tampa Electric) provides retail electric service to more than 667,000 customers in West Central Florida with a net winter system generating capability of 4,477 megawatts. Peoples Gas System (PGS), the gas division of Tampa Electric Company, is engaged in the purchase, distribution and sale of natural gas. In August 2008, it announced the formation of a new subsidiary, SeaCoast Gas Transmission, LLC.

Type: Growth & Income
Sector: Healthcare

Institutional Holdings: 257
Industry: Biotech

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.2**
Annual Yield: **6.8%**
Annual Dividend: **\$0.80**
Investor's Business Daily: **D-**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Standard&Poor Rating: **B**
Value Line Rating: **C**



ZHONGPIN, INC NASDAQ (HOGS) PRICE: \$10.36

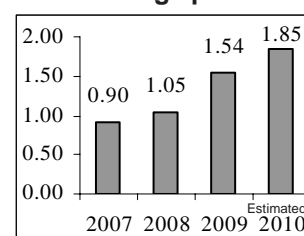
Zhongpin Inc. is engaged in the meat and food processing and distribution business in The People's Republic of China (the PRC). At the year ended December 31, 2008, its product line included over 314 meat products, including chilled pork, frozen pork and prepared meats, and over 20 vegetable and fruit products, that are sold on a wholesale basis and on a retail basis through an exclusive network of showcase stores, network stores and supermarket counters. All of its products are sold under the Zhongpin brand name.

Type: Growth
Sector: Consumer Non-Cycl.

Institutional Holdings: 0
Industry: Food Processing

Ratings & Recommendations Earnings per share

Current P/E Ratio: **9.1**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **B+**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



PEARSON CAPITAL'S RECOMMENDED INCOME STOCKS FOR JULY 2009

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ISHARES MSCI AUSTRALIA INDEX FD (EWA) NYSE PRICE: \$8.92

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 Australian market, as measured by the MSCI Australia index. The fund generally invests at least 90% of assets in the securities of its Underlying index and in depositary receipts representing securities in its Underlying index. It invests at least 80% of assets in the securities of the Underlying index or in DRs representing securities in its Underlying index. The index consists of stocks traded primarily on the Australian Stock Exchange. It is nondiversified.

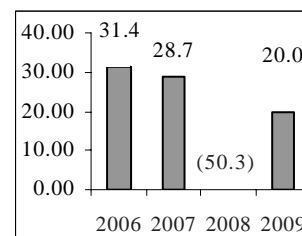
Location: Australia
Category: Large Blend

Type: 100% Stocks
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/R**
Annual Yield: **15.9%**
Annual Dividend: **\$1.42**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**

Performance by %



ISHARES S&P LATIN AMERICA 40 INDEX FUND/ NYSE (ILF) PRICE: \$9.19

About this ETF The investment seeks investment results that correspond closely to the performance, before fees and expenses, of the S&P Latin America 40 index. The fund invests at least 90% of assets in an aggregate sample of securities that reflect the predominant characteristics of its sector index. It invests in American Depositary Receipts, rather than directly holding stocks, from companies in Mexico, Brazil, Argentina and Chile. The fund is nondiversified.

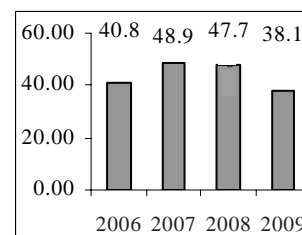
Location: Latin America
Category: Large Blend

Type: 100% Stocks
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/R**
Annual Yield: **4.6%**
Annual Dividend: **\$0.42**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **B-**
Morningstar Rating: **D**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**

Performance by %



Continued from Page 1 / Parental Wisdom / Donald Pearson

the value of gold and silver will continue to rise.

Emphasize dividend paying stocks and ETFs:

Over long periods of time dividend paying stocks tend to outperform the market's average. For 80 years ending in 2006, US stocks had an average return of about 11 percent annually. More than 40 percent of that came from their dividends. With the problems this recession has caused, it is very probable stocks may only produce single digit returns in the years ahead. If this is so, dividends will become an even larger part of their success. Stocks that pay dividends, and those increasing their dividend every year, tend to be more stable. This is because they are financially secure with plenty of cash on hand. When a market has a downturn, those that are financially strong tend to have better resilience as the market is retreating. Quality US companies such as IBM, Coca-Cola, and so many others derive more than 50 percent of their profit and volume outside of the US. This is another way of getting better diversified. Many ETFs today also have superior yields. Aberdeen of Australia, featured in our June 2009 newsletter, has a yield above 15 percent while displaying outstanding growth over the long haul.

These are the moves we are making today, and we can see how they are keeping us well ahead of the market average. As I write this article near the end of June and the market is about even year to date, we continue to pull away from index performance. With that said, we will continue to monitor and make adjustments to this plan as needed.

If you are one of the many who hasn't saved properly through the years, perhaps it is time to try to catch up. Saving 4 percent might be a compromised target or goal to achieve. This can be done over an extended period of time. Like the Dow returning to 14,000+, it will take time, but it can be done.

DP

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%)	1.8%
Dow Jones	25.3%	3.2%	(0.6%)	16.3%	6.4%	(33.4%)	(3.8)%
Nasdaq	50.0%	8.6%	1.4%	9.5%	9.8%	(42.1%)	16.4%
Russell 2000	45.4%	17.0%	3.3%	17.0%	(2.8%)	(38.2%)	1.8%
Market Average	36.8%	9.4%	1.8%	14.1%	5.6%	(38.4%)	4.1%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The Fed continues to repurchase its own treasury bills in order to sterilize

any excess liquidity. Credit card delinquency is rising. Commercial real estate is also having weak demand. Hotels, offices, and warehouses are overexpanded and this debt still has to be accounted for. Junk bonds are next. Although many seem to be optimistic, there are potential problems around the corner.

Key Point: *There are still many smaller bubbles to deal with in the future.*



Earnings Flows:

July is the beginning of second quarter earnings where we take the "wait and see" approach. The market has roared back from a March low where most market prognosticators believe that it was a multi-year bottom. Earnings came back better than expected, and many investors hope that good news is in the guidance for the rest of the year. S&P strategists have stated that the market has moved too far in this short period of time. There are, however, large amounts of money on the sideline waiting to be invested. Therefore, it is only natural that the market may travel sideways during the summer, with a possible dip before October.

Key Point: *Second quarter earnings season will be very busy.*

Cash Flows:

Many economists believe that the dollar is at its temporary bottom, and that this will remain for the rest of the year. Great Britain's currency has been driven lower. It took the hit to improve its bottom line. This is going to be favorable to their exporting industries. However, according to Trim Tabs, "Corporate new offerings since the beginning of May have been nearly five times greater than corporate purchases." And, according to Ned Davis Research, "This high level of [recent] supply is one of the key characteristics of the monster rally in November 1929 – April 1930." This means that healthy cash flows instead are being replaced by continued stock financing, leading further dilution of expected cash flows and future earnings.

Key Point: *Stock financing is taking place in record amounts.*

According to Value Line's Universe of Stocks, since March 9, 2009, the median of estimated P/E ratios of all stocks within their investment survey moved from 10.3 to currently about 15.8. Meanwhile, its dividend yield at the same time has gone from 4% to 2.4%. This is a really big move.

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