

# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

Published Monthly Since 1982  
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### FEATURED STOCKS & ETF'S - JUNE 2008

AU Optronics	Mindray Med	Bank Of Greece
CTC Media	Microsoft Corp	
EZCORP Inc	Visa Inc	ETF:
Johnson Controls	Yingli Green	Australia



Walter D. Pearson  
Chairman



Donald E. Pearson  
President



Sandra Alberti  
Publishing President

### QUALITY BUILDERS *By Donald Pearson*

As world markets become more and more dependent upon each other for growth and wealth, all countries will expand their investments where opportunity presents itself. Because of this international explosion, how we build our portfolios today may become as important as the countries in which we decide to invest, as well as the individual company selected. As an example, we recently recommended IBM, and it has moved up about eight percent. What part is this going to play in our internationally diverse portfolio? Is this important? I think it is. In a portfolio we've built, one would receive about 2 percent, and with this company exposed to the world market, and most of its profits coming from outside the US, it deserves more than becoming one of 200 in a mutual fund, at a cost basis I don't know. It could become one in a thousand if I have five or six funds.

I have this debate from time to time: Should one purchase only mutual funds because of their management groups' abilities for more in-depth research and expectance that their approach should outperform over time? If so, the average person owning five or six funds would now own a piece of 1,000 companies, paying

fees of 1 – 2 percent within each fund, with added loads if applicable, and surprise tax consequences at year end. Many times it takes a year, or longer, for a fund to complete a buy or sell simply because of its size. In years past owning mutual funds was the better way if you didn't have the time or the tools to select for yourself. With the internet today, the information is available if you know where to look. You simply need the time and the skill to sift through the information overload that comes with the pertinent facts. You'll also be required to remove much of what the company's well-wishers are projecting. It's difficult, but it can be done. In my opinion, one can achieve a better result by simply adopting the Greyhound Bus method. "Leave the driving to us."

Many have learned that a recent significant change in today's market, Exchange Traded Funds, is another way to build a portfolio. Fees will be considerably lower, tax consequences are more easily managed, and they can be bought or sold instantly. As you can see by the dollars pouring into these funds, they are continuing to grow, while the mutual fund market continues to shrink. In 2000, their worth was just over \$60 billion, and last year this soared to over \$600 billion.

With this buying frenzy a new problem has emerged, and we've got to be careful of it. Wall Street has discovered the investor's approval of ETFs, so they have begun turning new ones out faster than one can research them. Last year the total number doubled, and we're currently around seven hundred and increasing. Their original objective was to replicate indexes, sectors, or countries. Today many are complicated, more expensive, and carry a great deal more risk. It's extremely important that you very carefully research any that you're considering owning. I spend most of my time doing exactly this for all of us. Hopefully, it gives you comfort knowing that I, personally, as well as every member of our family, own the same selections. I call this commitment.

Along with our commitment to ETFs, are individual stocks, and this would be where our clients' portfolios change significantly. In this letter we've recommended Mindray (MR). This is one with tremendous upside potential while at the same time one becomes exposed to a significant higher risk than a company like Microsoft, also featured in this month's letter. MSFT began as an emerging growth company many years ago and today is another blue chip

*Continued on page 5*

Investment Letters are complimentary to our clients with managed accounts!

# Bargains Bargains Bargains

One of the things I have noticed during my lifetime is, when it comes to bargain hunting, women are the superior beings. Men will take advantage of bargains, but women will search them out, no matter how well hidden. I will always remember the newspaper carrying pictures one day of a near riot in a department store in New York. The store was having a sale of women's dresses, which were piled on a large table in the basement. The women were fighting each other to get at the bargains on the table. The pictures even

showed some of the women, half dressed, trying on the dresses.

What puzzles me is when the bargains are displayed in the stock market there are very few takers. Most people, men and women alike, shun stocks when they are moving down in price. After all, the cheaper a stock is bought, the better the bargain. Investors should be looking long term. It really is not too important how a stock is doing in price in the market each day; what is important is how the company is faring in its business. When the stock market goes down, it is much the same as Macy's advertising a big sale. Come in and get the bargains. Nothing has changed in actuality, just moods.

Something to consider in this day and time is the way that the stock market has been changed from a marketplace of stocks to a gambling Mecca. When the New York Stock Market first came into being, it was a simple matter of buyer and seller agreeing on a price and then making a transaction. Prices did not change much because it was the same then as nowadays in one respect, and that was that the actual value of a company did not change materially from day to day. These days we have the gamblers keeping an eye on a company's announcements of actual earnings and also on expected earnings. They make it a point to be in on the early announcements, and if they find a company that is going to miss its expected earnings by even one penny, they will sell the stock short. This means that they will sell numerous shares of a stock which they do not own, in the expectation that numerous gamblers like themselves will drive the price down, at which time they can buy the stock, which is delivered to the broker where they had previously sold. The profit is theirs if they have guessed right.

Remember, many of these lower prices are simply the result of these short sellers, and this simply means that a stock may very well have been driven down to a bargain level. Think of the females at Macys. They went for bargains and they got bargains. When the bargains appear in the stock market, try taking the female approach and investigate. When dresses are on sale they don't just rush in and buy any old dress. They thoroughly investigate each dress and try them on for size; then they check the price and buy if it is a true value. On second thought, it might just be the thing to do; let the woman of the house make the investment decisions.

By *Walter Pearson*

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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 JUNE 2008**

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**AU OPTRONICS CORP. (AUO)**

**NYSE PRICE: \$19.04**

AUO develops, manufactures, assembles and markets flat panel displays. The Company's principal products are thin-film transistor liquid crystal display (TFT-LCD) panels. Its panels are used in computer products, such as notebook computers and desktop monitors; consumer electronics products, such as digital cameras, digital camcorder, car television, car navigation systems and portable digital versatile disc (DVD) players, and liquid crystal display (LCD) televisions. AUO sells its panels primarily to original equipment manufacturing service providers. In Jan. 07, the Company reorganized and regrouped its business into three marketing channels: Information Technology Displays, Television Displays and Consumer Products Displays. On Oct.1, 2006, the Company merged with Quanta Display Inc. (QDI), which manufactures and assembles TFT-LCD panels.

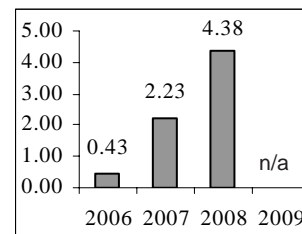
Type: Growth  
Sector: Technology

Institutional Holdings: 53  
Industry: Comp. Peripherals

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **5.2**  
Annual Yield: **0.10%**  
Annual Dividend: **\$0.02**  
Investor's Business Daily: **B**  
Pearson Growth & Value: **A+**  
Morningstar Rating: **N/R**  
Standard&Poor Rating: **C**  
Value Line Rating: **N/R**



**CTC MEDIA, INC (CTCM) NASDAQ PRICE: \$27.68**

CTCM a Russian television network offering entertainment programming targeted at 6-54 year-old viewers, and the Domashny (Home) Network, a Russian television network principally targeted at 25-60 year-old female viewers. As of 03/01/07, the CTC Network's signal was carried by more than 350 television stations and local cable operators, which include 19 of its owned-and-operated stations and 23 unmanned repeater transmitters. Domashny's signal is carried by over 230 television stations and local cable operators, including 13 of the Company's owned-and-operated stations and nine unmanned repeater stations. CTCM operates in four segments: CTC Network, Domashny Network, CTC Television Station Group and Domashny Television Station Group. On April 16, 2008, CTCM completed the acquisition of the DTV Group, from Modern Times Group MTG AB (MTG).

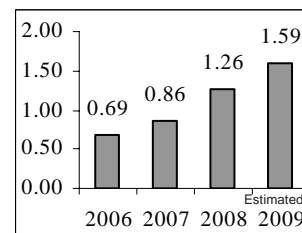
Type: Growth  
Sector: Services

Institutional Holdings: 93  
Industry: Broadcasting-TV

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **29.4**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Business Daily: **B**  
Pearson Growth & Value: **A**  
Morningstar Rating: **C**  
Standard&Poor Rating: **N/R**  
Value Line Rating: **B**



**EZCORP, INC (EZPW) NASDAQ PRICE: \$12.63**

EZPW is primarily a lender or provider of credit services to individuals who do not have cash resources or access to credit to meet their short-term cash needs. The Company offers pawn loans in 294 domestic pawn stores. At these stores, the Company also sells merchandise, primarily collateral forfeited from its pawn lending operations. At September 30, 2007, the Company offered short-term, non-collateralized loans, payday loans, or fee-based credit services to customers seeking loans (collectively, signature loans) in 433 EZMONEY stores and 75 of its domestic pawn stores. During the fiscal year ended September 30, 2007, the Company opened 100 EZMONEY stores, acquired one and closed one. Of the 433 total EZMONEY stores, 170 adjoin existing EZPAWN locations but have a different entrance, signage, decor and staffing.

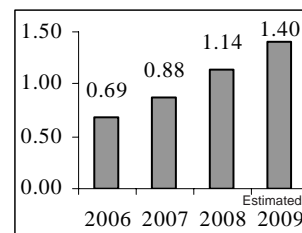
Type: Growth  
Sector: Financial

Institutional Holdings: 115  
Industry: Credit Services

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **12.5**  
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: **B**



**JOHNSON CONTROLS, INC (JCI) NYSE PRICE: \$34.06**

JCI provides automotive interiors, products and services that optimize energy usage in buildings and batteries for automobiles and hybrid electric vehicles, along with related systems engineering, marketing and service expertise. The Company operates in three businesses: building efficiency, automotive experience and power solutions. The building efficiency business is engaged in designing, producing, marketing and installing integrated heating, ventilating and air conditioning (HVAC) systems, building management systems, controls, security and mechanical equipment. The automotive experience business provides interior systems to more than 30 million vehicles annually. The power solutions business is a producer of lead-acid automotive batteries, serving both automotive original equipment manufacturers (OEMs) and the general vehicle battery aftermarket.

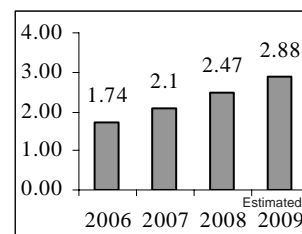
Type: Growth  
Sector: Consumer Goods

Institutional Holdings: 509  
Industry: Auto Parts

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **14.8**  
Annual Yield: **1.50%**  
Annual Dividend: **\$0.52**  
Investor's Business Daily: **B**  
Pearson Growth & Value: **B**  
Morningstar Rating: **B**  
Standard&Poor Rating: **B**  
Value Line Rating: **B**



**PEARSON CAPITAL'S RECOMMENDED STOCKS FOR JUNE 2008**  
**www.pearsoncapitalinc.com**

**MINDRAY MEDICAL INTERNATIONAL LIMITED (MR) NYSE PRICE: \$41.90**

Mindray Medical is developer, manufacturer and marketer of medical devices in China. The Company offers a range of products across its three primary business segments: patient monitoring devices, diagnostic laboratory instruments and ultrasound imaging systems. It has three business segments: patient monitoring devices, diagnostic laboratory instruments and ultrasound imaging systems. In June 2007, the Company received 510(k) clearance from the United States Food and Drug Administration (FDA) for its BC-3200, an automatic three-part differential hematology analyzer, and Hypervisor VI, a central monitoring system. In May 2008, the Company announced the completion of its acquisition of Datascope Corporation's patient monitoring device business.

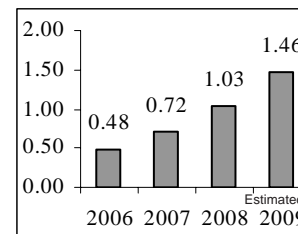
Type: Growth  
Sector: Healthcare

Institutional Holdings: 71  
Industry: Med. Instruments

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **50.9**  
Annual Yield: **0.40%**  
Annual Dividend: **\$0.18**  
Investor's Business Daily: **A**  
Pearson Growth & Value: **B**  
Morningstar Rating: **C**  
Standard&Poor Rating: **B**  
Value Line Rating: **N/R**



**MICROSOFT CORPORATION (MSFT) NASDAQ PRICE: \$28.32**

MSFT develops, manufactures, licenses and supports a range of software products for computing devices. Its software products include operating systems for servers, personal computers (PCs) and intelligent devices, server applications for distributed computing environments, information worker productivity applications, business solution applications, high-performance computing applications and software development tools. It sells the Xbox 360 video game console and games, the Zune digital music and entertainment device, PC games, and peripherals. It enables the delivery of online advertising through its adCenter platform. It has five segments: Client, Server and Tools, the Online Services Business, the Microsoft Business Division, and the Entertainment and Devices Division. In April 2008, it acquired Danger, Inc. and Fast Search & Transfer ASA.

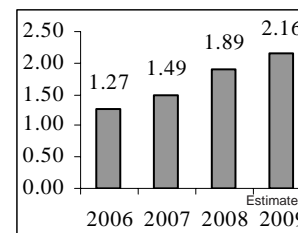
Type: Growth  
Sector: Technology

Institutional Holdings: 1347  
Industry: Applic. Software

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **16.5**  
Annual Yield: **1.60%**  
Annual Dividend: **\$0.44**  
Investor's Business Daily: **C+**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **B**  
Standard&Poor Rating: **A**  
Value Line Rating: **B**



**VISA, INC (V) NYSE PRICE: \$86.36**

V, through its subsidiaries, operates retail electronic payments network worldwide. It facilitates commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses, and government entities in approximately 170 countries and territories. The company owns and operates VisaNet, a global processing platform that provides transaction processing services, primarily authorization, clearing, and settlement. It offers a range of branded payments product platforms, which customers use to develop and offer credit, charge, deferred debit, debit, prepaid, and cash access programs for cardholders. Visa owns a range of payment brands, including Visa, Visa Electron, PLUS, and Interlink, which are licensed to customers for use in their payment programs. The company was founded in 1958 and is headquartered in San Francisco, California.

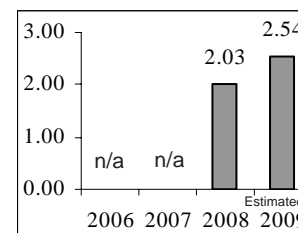
Type: Emerging Growth  
Sector: Services

Institutional Holdings: 0  
Industry: Business Services

**Ratings & Recommendations**

**Earnings per share**

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



**YINGLI GREEN HOLDING COMPANY LIMITED (YGE) NYSE PRICE: \$20.58**

Yingli Green Energy Holding Company Limited and its subsidiaries engage in the design, development, marketing, manufacturing, installation, and sale of photovoltaic (PV) products. Its products include PV modules, integrated PV systems, multicrystalline polysilicon ingots and wafers, and PV cells. The company sells its PV modules under Yingli brand name primarily to installers, PV system integrators, property developers, distributors, and other value-added resellers principally in China, as well as in Germany, Spain, Italy, and the United States. It also sells PV systems to mobile communications service providers in China. The company was founded in 1998 and is headquartered in Baoding, the People's Republic of China.

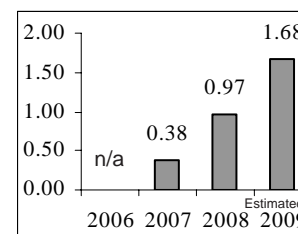
Type: Emerging Growth  
Sector: Technology

Institutional Holdings: 17  
Industry: Semiconductors

**Ratings & Recommendations**

**Earnings per share**

Current P/E Ratio: **31.4**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Business Daily: **C**  
Pearson Growth & Value: **A**  
Morningstar Rating: **C**  
Standard&Poor Rating: **N/R**  
Value Line Rating: **N/R**



## PEARSON CAPITAL'S RECOMMENDED STOCKS AND ETF'S FOR JUNE 2008

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### THE NATIONAL BANK OF GREECE S.A. (NBG) NYSE PRICE: \$11.29

The National Bank of Greece S.A. (the Bank) is a financial institution. The Company's core focus outside Greece is in Turkey and South Eastern Europe (SEE), where it operates in Bulgaria, Serbia, Romania, Albania, Cyprus and the Former Yugoslav Republic of Macedonia (FYROM). It has presence in 12 countries outside Greece. The Bank offers its customers a range of integrated financial services, including commercial and retail banking services (including mortgage lending); investment banking, capital markets, venture capital and advisory services; asset management, and insurance. In addition, the Bank is involved in various other businesses, including the hotel business, property management and real estate business and information technology (IT) consulting. The Bank is its principal operating company, representing 69.7% of its total assets as at December 31, 2007.

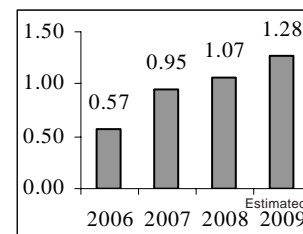
Type: Emerging Growth  
Sector: Financial

Institutional Holdings: 32  
Industry: Foreign Banks

#### Ratings & Recommendations

Current P/E Ratio: **11.3**  
Annual Yield: **6.30%**  
Annual Dividend: **\$0.67**  
Investor's Business Daily: **C+**  
Pearson Growth & Value: **A**  
Morningstar Rating: **B**  
Standard&Poor Rating: **B**  
Value Line Rating: **N/R**

#### Earnings per share



### ISHARES MSCI AUSTRALIA INVESTMENT FUND (EWA) NYSE PRICE: \$29.27

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 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 Australian Stock Exchange.

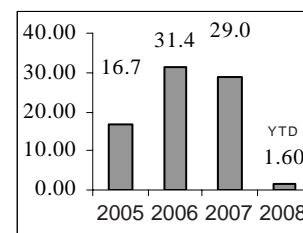
Location: Australia 99%  
Category: Large Blend

Type: ETF-100% Stocks  
Industry: Diversified

#### Ratings & Recommendations

Current P/E Ratio: **N/R**  
Annual Yield: **4.46**  
Annual Dividend: **\$1.31**  
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 %



*Continued from page 1*

#### QUALITY BUILDERS

company with minimal fluctuation.

Our approach to building a "perfectly balanced portfolio" would be a combination of both individual stocks and Exchange Traded Funds. Smaller accounts are built with all ETFs simply to reduce risk exposure, with the intent of preserving principle while still striving to grow the account's value. For those with larger portfolios, owning 10-12 ETFs and 25-30 individual stocks has the best of both worlds. Each ETF would be purchased with 4 - 5 percent of the portfolio's value and the individual stocks at 1.5 - 2 percent each. The ETFs have some latitude based upon location and sector, but most are added to everyone's portfolio so that immediate growth, value, and diversification can be maximized. After extensive research by our staff, we can administer a value-sensitive portfolio with international exposure and an objective of double digit growth. If one had purchased the S&P 500 in 2000 and sat tight with it, today the value would be about the same as the original investment.

Because of our ability to build as outlined above, I believe we have an advantage over both the index and the mutual fund. We can control expenses, reduce capital gain because we know all cost bases, and buy or sell immediately when an opportunity presents itself. We have someone reviewing earnings announcements every day and this presents us the opportunity to buy in or sell out immediately. Obviously, this doesn't guarantee success, but we believe over time better building can and will produce better results.

#### **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.*

*Third Quarter July-August-September-see your July statement.*

# 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%	(4.6%)
Dow Jones	(16.8%)	25.3%	3.2%	(0.6%)	16.3%	6.4%	(4.7%)
Nasdaq	(31.5%)	50.0%	8.6%	1.4%	9.5%	9.8%	(4.9%)
Russell 2000	(21.6%)	45.4%	17.0%	3.3%	17.0%	(2.8%)	(2.3%)
Market Average	(23.3%)	36.8%	9.4%	1.8%	14.1%	5.6%	(3.6%)



## MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

**Economic Flows:** The Fed has indicated that they will stop lowering interest rates and keep watch over the inflationary trends of the economy. Their intention is to liquefy the money supply and to provide relief to homeowners with adjustable rate mortgages who are having their interest rates reset higher. The future, however, is uncertain. It is not known how long the Fed can keep rates at this level. The market looks like it is starting to change from a consumer driven one to an export driven one with commodities leading the way. While financials are tightening their standards for at least the next two years, we may also see the consumers, in the face of rising prices, tighten their belts as well.



**Key Point:** *Although interest rates are low, banks are tightening their regulations on lending.*

**Earnings Flows:** June is the beginning of second quarter earnings season. This is the time when we will see if companies will report a slowing trend in their businesses. Any pre-warning may bring stocks lower in general; however, areas already hard hit, such as retailers and financials, may rebound. Technology is the sector to worry about, as lower expectations may appear. Real gross domestic product unexpectedly rose in the first quarter, and short term help may last through the next few months. Most still believe this is a recession, but it now seems likely that it will be shallower and longer than previously anticipated. This could be a key indicator of the market changing directions.

**Key Point:** *News may move the market higher or lower depending on what expectations may bring.*

**Cash Flows:** Many companies such as Microsoft are moving forward using their cash hordes to take action. Other companies are facing a classic squeeze: As prices of basic commodities continue to rise, they cannot pass on higher costs quickly enough to their customers. We see added speculation in commodities aggravating this issue beyond basic supply and demand, causing a possible bubble. This bubble will eventually burst, causing prices to go lower in the short run. In the long run, commodity prices will continue to rise as the new economies of Latin America and Asia continue to get larger. Many of the countries from which the US gets its oil are actually seeing their export production fall due to increasing demand from their own people.

**Key Point:** *Companies are seeing a squeeze on profits due to higher priced commodities.*

**Additional Note:** If the market is changing to an export driven model, places in the Midwest, where exports are common, will see a rebound in both growth and population. Texas, Oklahoma, Iowa, and other states may actually gain, where for the last 20 years they have been in decline.

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 for accounts of \$25,000 or more  
 (2% for smaller accounts)

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

**Privacy Policy**

### **Table of Contents**

Walter's Wisdom:	2
Featured Stocks:	3
Featured Stocks:	4
Stock/ETF:	5
Market Outlook / Pub.Notes:	6