

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
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FEATURED STOCKS - JUNE 2009

China Gas	PMI Group	Canada
China Security		China
Colgate	ETFs:	Australia
Colonial Bank	Brazil	Singapore



Walter D. Pearson
Chairman



Donald E. Pearson
President



Sandra Alberti
Publishing President

2009 - BULL OR BEAR *By Donald Pearson*

I know that trying to time the window of opportunity for buying stocks is like catching a falling knife. One can expect to get hurt doing it. I remember reading often if you miss the five best market days of the year, your portfolio's year-ending performance will be 25% or more below the market indexes. Over 10-20 years the amount becomes staggering. Whether you are doing this, are day trading, or are a buy and hold advocate, the more important question is, "Has the market bottomed and begun to recover, or are we caught in a bear market rally?"

Ask ten different experts and they'll all give you a somewhat different answer. My opinion is the lows of early March will not be tested again. At some point we will retreat from a new high for the year, but I believe it will be more of an 8-12 percent drop. Since the early March lows the market has climbed back 30 percent, and those on the sidelines missed it. Although much of today's news is still very negative, several prognosticators are predicting the S&P at 1200 at year end. Although I hope they're right, I believe this to be a bit aggressive. I do believe breaking the 1000 plateau is very attainable.

Unemployment will continue to grow in

numbers, and housing will drop a bit more before bottoming, but we're getting closer every day to the turnaround. As I have so often written, the market knows when the good days are over and reacts accordingly before we do. In the same manner it also knows when the bad times are at or near end, and begins to move months before we realize it. The smart investors will assess the changes in the economy and the world as we knew it and realign their portfolios to take advantage of investment opportunities of today. We have been and continue to do exactly this for every portfolio where we see this opportunity. This is paramount in the financial sector where, as we knew it a year ago, it will never be the same. One could say this about auto stocks and airlines too, although we've never been huge advocates of either because of their ongoing cyclical performances.

This week the Champaign, Illinois-based Strategic Capital Bank was closed by regulators, marking the 35th bank failure of 2009. Yes, there will be more, but with this other beaten down banks can and will provide us with buying opportunities. We have added several banks to our portfolios, but not without doing our homework first. Colonial Bank (CNB), with branches across

the country and located here in our area also, could have been purchased earlier this year below 50 cents. Today it has climbed to \$1.23, and if their recovery plan is met, it could/should become a \$4.00 plus stock within 12 to 24 months. Obviously, this is not for everyone because it does carry an above-average risk. As financials continue to change we need only look at the I Share ETF of Dow Jones Select (DVY). We purchase this for many because of its yield above 5 percent and quality US companies. Already they have booted out JP Morgan Chase and Wells Fargo because they slashed their dividends earlier this year. In all they have expelled 34 financial stocks and replaced them with others outside of the financial sector.

Foreign markets this year have also offered tremendous opportunity for our portfolios. As we continue to build for diversification and safety, we continue to add countries we believe will enhance our overall performance while giving us superior yields. Here are a handful of our largest held ETFs, along with the countries they represent and their YTD performance combined with their annual yields IAF - Australia - YTD performance + 40% yielding 17%; EWA - Australia + 13% yielding

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Investment Letters are complimentary to our clients with managed accounts!

The Market Today

Are you one of those people who has lost money in today's market? If you have been an investor, the answer most assuredly must be yes. It was just about impossible to be an investor during this past period. Perhaps I should have asked if you are one of those who has taken advantage of the buying opportunities that have come about. Have you realized that the stock you bought for \$50 a share which is now selling for \$20 a share is really a bargain? The thing to realize here is that this is not a normal stock market today.

It is necessary for each of us to step aside and view things as they really are. This means that you have to take the hard road, try to forget your losses and view things as if you were a non-owner of stocks. Now you can look at that \$20 stock and think about why it was \$50 last year and \$20 now. You would then analyze it and find in most cases that there was no reason for the drop in price and take advantage of the bargain which appeared before you.

I imagine that you are unaware of the fact that big, big profits are being made by some people who have seen the opportunities and have been able to bring up a sum which is needful to step in and pick up issue after issue. It is absolutely amazing to see banks which formerly sold for 20, 30 or 50 dollars a share sink to one dollar, or 50 cents, or 25 cents. Think of what this means to the shrewd investor. If the stock which was 20 cents a share went up to 40 cents in three or four weeks, he has doubled his money in less than one month. In normal times it is prudent to shy away from penny stocks but these are not normal times.

I cannot tell you for sure why we have had this situation come about, but the Federal Reserve is in control, and if they pull the plug on the money lenders, we will have this situation. They have now put more currency into circulation, so we can hope that things are not going to get as bad as they appeared originally. What we have to think about is our savings and our investments. Think about it from a new angle. Forget about the past and look only at the bargains before you. Some very solid companies are selling on the bargain counter and yielding well.

I always bring up mentally the picture of the woman who checks her newspaper regularly for bargains and tends to participate in almost every one. I have always thought that women were better than men in looking for bargains. I think back to the time that Macy's ran a big sale years ago. There was so much action that the newspapers carried a picture of numerous women tearing off each others clothes trying to get near the bargain table. Some of the women were only half dressed in the picture. Evidently these were super bargains, but in today's market your clothing will be secure. It is only necessary to step up to the plate, choose your bargains, and pay your money.

There is a saying that I have heard frequently during my lifetime and that is, "put your money where your mouth is." I agree with the saying and I will also say that I have done my utmost to buy, buy and buy. I will also say that in the main I am well satisfied with the results. Some of those absolutely ridiculous bargains have disappeared, but there are still numerous issues that should be bought, and that is why I am again advising all of you to take advantage.

Scrape up more cash!

WP

Continued from Page 1 / 2009 - BULL OR BEAR / Donald Pearson

6%; EWC - Canada + 29% yielding 2.4%; EWZ - Brazil + 55% yielding 4.8%; IIF - India + 60% yielding 8%; EEM - Emerging Markets + 31% yielding 3%; EWS -Singapore + 22% yielding 5.7%; FXI - China + 24% yielding 2.4%; PGJ - China + 34% yielding 1%. Combining these ETFs with US ETFs and quality individual companies has us well positioned and on the road to recovery. Yes, it's going to take time and probably years to get the Dow back over 14,000 but, as these ETFs listed above indicate, our portfolios (averaging above 18% YTD) are outperforming the market 's 3.8% YTD. Many people believe the US will lead the way out of recession, but we here do not. We believe Asia will either lead or play such a significant role in the global recovery that their stock price performance will be the engine. As you can see within our portfolios, we are betting on it too.

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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 2009
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CHINA NATURAL GAS, INC (CANL) OTC BB PRICE: \$8.60

China Natural Gas, Inc. (formerly CHNG) is principally engaged in the distribution and sale of natural gas to commercial, industrial and residential customers in the Xian area, including Lantian County and the Lintong and Baqiao Districts of Shaanxi province of The Peoples' Republic of China through a network of approximately 120 kilometers of high-pressure pipelines. The Company also distributes and sells compressed natural gas (CNG) as a vehicular fuel through a network of CNG fueling stations in Shaanxi and Henan Provinces. As of December 31, 2008, CHNG owned and operated 23 CNG fueling stations in Shaanxi Province and 12 CNG fueling stations in Henan Province. In October 2008, the Company acquired Lingbao Yuxi Natural Gas, Co., Ltd. through Xi'an Xilan Natural Gas Co., Ltd. In December 2008, CHNG acquired Henan Lingbao Yuxi Natural Gas Limited.

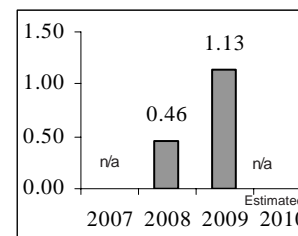
Type: Growth
Sector: Utilities

Institutional Holdings: n/a
Industry: Natural Gas

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **7.6**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



CHINA SECURITY & SURVEILLANCE TECHNOLOGY, INC (CSR) NYSE PRICE: \$7.01

China Security & Surveillance Technology, Inc. (CSST) is engaged, through its indirect Chinese subsidiaries, in the manufacturing, distributing, installing, and servicing of surveillance and safety products and systems and developing surveillance, and safety related software in China. The Company's customers include governmental entities, such as customs agencies, courts, public security bureaus, and prisons; non-profit organizations, including schools, museums, sports arenas, and libraries, and commercial entities, such as airports, hotels, real estate, banks, mines, railways, supermarkets, and entertainment venues. CSST operates primarily in five segments: Installation Segment, Manufacturing Segment, Distribution Segment, Software Segment, and Service Segment.

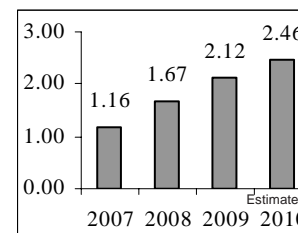
Type: Growth
Sector: Services

Institutional Holdings: n/a
Industry: Security Systems

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **10.6**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **C**
Pearson Growth & Value: **B-**
Morningstar Rating: **C**
Standard&Poor Rating: **C**
Value Line Rating: **D**



COLGATE PALMOLIVE CO (CL) NYSE PRICE: \$65.95

CL is a consumer products company whose products are marketed in over 200 countries and territories globally. The Company operates its business through two product segments: oral, personal and home care, and pet nutrition. Colgate's Oral Care products include Colgate Total and Colgate Max Fresh toothpastes, Colgate 360° manual toothbrushes and Colgate and Colgate Plax oral rinses. Colgate's Oral Care business also includes dental floss and pharmaceutical products for dentists and other oral health professionals. Colgate's personal care products include Palmolive and Softsoap brand shower gels, Palmolive, Irish Spring and Protex bar soaps and Speed Stick and Lady Speed Stick deodorants and antiperspirants. Colgate's personal care businesses outside the United States include the Palmolive shampoo and the conditioners.

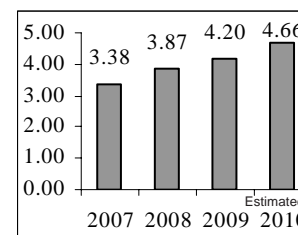
Type: Growth
Sector: Consumer

Institutional Holdings: 602
Industry: Personal/Household

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **16.9**
Annual Yield: **2.67%**
Annual Dividend: **\$0.44**
Investor's Business Daily: **C**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Standard&Poor Rating: **A**
Value Line Rating: **B**



THE COLONIAL BANCGROUP, INC (CNB) NYSE PRICE: \$1.30

The Colonial BancGroup, Inc. (BancGroup) is a financial services company that provides diversified services, including retail and commercial banking, wealth management services, mortgage banking and insurance products. The principal activity of the BancGroup is to supervise and coordinate the business of its subsidiaries. The BancGroup derives substantially all of its income from Colonial Bank, N.A (Colonial Bank) its banking subsidiary. The BancGroup's subsidiary Colonial Brokerage, Inc. provides full service, and discount brokerage services and investment advice. As of December 31, 2008, Colonial Bank had a total of 347 branches, with 197 branches in Florida, 90 branches in Alabama, 19 branches in Georgia, 21 branches in Texas and 20 branches in Nevada.

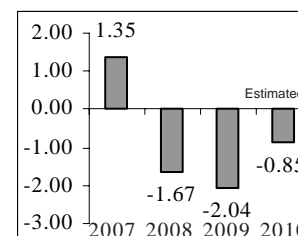
Type: Growth
Sector: Financial

Institutional Holdings: 124
Industry: Regional Banks

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **0.23**
Annual Yield: **5.3%**
Annual Dividend: **\$0.09**
Investor's Business Daily: **D**
Pearson Growth & Value: **C-**
Morningstar Rating: **D**
Standard&Poor Rating: **N/R**
Value Line Rating: **D**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR JUNE 2009
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THE PMI GROUP, INC (PMI) NYSE PRICE: \$1.74

PMI provides residential mortgage insurance products designed to promote homeownership. During the year ended December 31, 2008, the Company operated in four segments: United States Mortgage Insurance Operations, International Operations, Financial Guaranty, and Corporate and Other. The Company's United States customers are primarily mortgage lenders, depository institutions, commercial banks and investors, including Fannie Mae and Freddie Mac (collectively, the GSEs). On October 22, 2008, the Company completed the sale of PMI Mortgage Insurance Ltd. and its holding company, PMI Mortgage Insurance Australia (Holdings) Pty Limited (collectively PMI Australia). On December 17, 2008, the Company completed the sale of PMI Mortgage Insurance Asia Ltd. (PMI Asia).

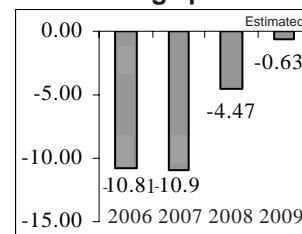
Type: Growth
Sector: Financial

Institutional Holdings: 76
Industry: Insurance

Ratings & Recommendations

Current P/E Ratio: **0.08**
Annual Yield: **0.66%**
Annual Dividend: **\$0.01**
Investor's Business Daily: **D**
Pearson Growth & Value: **B**
Morningstar Rating: **B**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**

Earnings per share



ISHARES MSCI BRAZIL (FREE) INDEX FD (EWZ) NYSE PRICE: \$55.20

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. It is nondiversified.

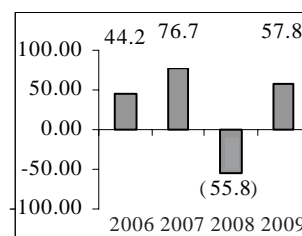
Location: Brazil
Category: Large Value

Type: 87%
Industry: Manufacturing

Ratings & Recommendations

Current P/E Ratio: **N/R**
Annual Yield: **3.93%**
Annual Dividend: **\$2.17**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**

Performance by %



ISHARES MSCI CANADA INDEX FD / NYSE (EWC) PRICE: \$22.81

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 Canadian market, as measured by the MSCI Canada 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 Toronto Stock Exchange.

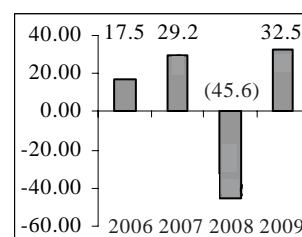
Location: Canada
Category: Large Blend

Type: 99%
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/R**
Annual Yield: **1.94%**
Annual Dividend: **\$0.44**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**

Performance by %



ISHARES TRUST FTSE/XINHUA CHINA FUND / NYSE (FXI) PRICE: \$36.88

About this ETF

The investment seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the FTSE/Xinhua China 25 index. The fund generally invests at least 90% of assets in securities of the Underlying index and in depository receipts representing securities of the Underlying index. The Underlying index consists of 25 of the largest and most liquid Chinese companies. It may invest the remainder of assets in securities not included in its Underlying index but which BGFA believes will help the fund track the Underlying index.

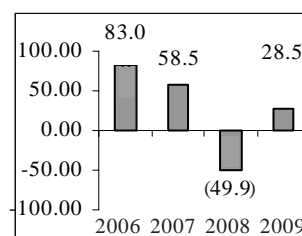
Location: China
Category: Large Blend

Type: 100%
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/R**
Annual Yield: **2.09%**
Annual Dividend: **\$0.77**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**

Performance by %



PEARSON CAPITAL'S RECOMMENDED INCOME STOCKS FOR JUNE 2009

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ABERDEEN AUSTRALIA EQUITY FUND, INC (IAF) AMEX PRICE: \$8.92

IAF is a closed-end, non-diversified management investment company. The Fund's principal investment objective is long-term capital appreciation through investment primarily in equity securities of Australian companies listed on the Australian Stock Exchange Limited. The Fund's secondary investment objective is current income. The Fund invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities, consisting of common stock, preferred stock and convertible stock, of Australian companies listed on the Australian Stock Exchange Limited. Australian companies means companies that are tied economically to Australia. It invests in sectors, such as consumer discretionary, consumer staples, energy, financials, industrials, materials and utilities.

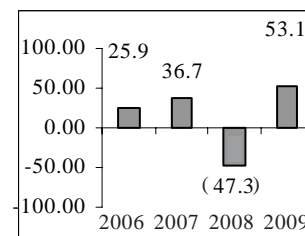
Location: Australia
Category: Large Blend

Type: 100%
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 MSCI SINGAPORE INDEX FD / NYSE (EWS) PRICE: \$9.19

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 Singaporean markets, as measured by the MSCI Singapore 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 Singapore Stock Exchange. It is nondiversified.

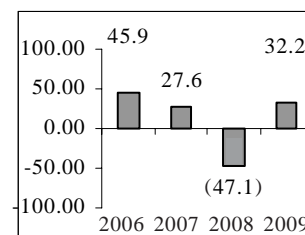
Location: Singapore
Category: Large Value

Type: 100%
Industry: Services

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 %



China Natural Gas Stock Split and Symbol Change Effective Immediately

China Natural Gas, Inc. (\$8.60) (OTC Bulletin Board: CANL), recently announced that its stock began trading under a new stock symbol, "CANL," on the OTC Bulletin Board on May 13, 2009.

Effective May 13, 2009, every two shares of CHNG will exchange for one share of CANL. The reverse stock split will be affected simultaneously for all of the Company's common stock. China Natural Gas, Inc. is the first China-based natural gas retailing company publicly traded in the U.S. The Company owns and operates a network of CNG filling stations as well as a 120-kilometer compressed natural gas pipeline in Xi'an, a fast-growing Chinese city with population of 8.5 million and "gateway" to China's vast Western regions. CANL retails natural gas at company-owned filling stations, delivers natural gas services to residential, commercial, and industrial customers, and converts gasoline-fueled vehicles to hybrid (natural gas/gasoline powered) vehicles. It is estimated that there are already 5,000 buses and 20,000 taxis using CNG in Xi'an.

CNG announced that its project with Xi'an International Business Port ("the Port") has been awarded an exclusive "green card," which qualifies the Port project for various preferential policies. The green card's advantages include favorable pricing on land purchases, discounted bank loans, preferred financing rights, and substantial logistical support from Xi'an's Transportation, Telecommunication and Utility Departments. The Port is intended to become one of the largest logistic and business hubs connecting Western and Eastern China, as well as transiting and distributing inland products. We have added this to almost every portfolio believing their future potential to be superior. We continue to monitor their ongoing sales growth, continuous margin and profit growth, and company expansion. It has been impressive.

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%)	(3.2)%
Nasdaq	50.0%	8.6%	1.4%	9.5%	9.8%	(42.1%)	12.5%
Russell 2000	45.4%	17.0%	3.3%	17.0%	(2.8%)	(38.2%)	0.4%
Market Average	36.8%	9.4%	1.8%	14.1%	5.6%	(38.4%)	3.8%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The new presidential administration is taking the reigns and planning to push through its massive stimulus program at the end of the year. China is part way through its stimulus already, with many European countries next on the list. The Fed has established its role of market participant by continuing to buy assets, including its own treasury bills. The leverage it is creating (in some estimates a ratio of 40 to 1) resembles an investment bank like Goldman Sachs rather than a government institution. The key aspect one has to worry about though is what happens when this intervention is scheduled to end.



Key Point: Government initiatives and direct policy intervention are driving the current economy.

Earnings Flows:

The end of first quarter earnings brought a saga of beating estimates of lowered expectations. Most analysts brought earnings expectations down low enough that many companies were able to beat it. The next quarter is starting with interesting ideas from two opposing camps. One group of professionals (hedge funds, economists, analysts, etc.) believes there is going to be inflation, while the other group believes the exact opposite, in which consistent deflation will still be in effect. News headlines and thesis papers swirl around these two ideas. I believe there will be a middle ground with a combination of both. Some sectors of the economy which are dependent on pent up demand, such as real estate, will still have a slight deflationary lingering effect for quite some time. However, because of the worsening deficits, a declining dollar will only bring higher core prices in commodities and essential needs. Companies' earnings will determine which direction the market will take.

Key Point: The market determines which economic theory will hold its true measure.

Cash Flows:

Multinational companies will benefit from the decline of the dollar. Most of their profits are generated overseas, although I do not expect a repeat of last summer, when commodities took off into the stratosphere. The camp that supports inflation has taken large positions in agriculture, gold, and a little in oil. When the market determines the direction, the companies that have prepared themselves for a rebound will have good free cash flow. If the dollar rebounds sharply, or there is another crisis, these same companies will be cut off from progress.

Key Point: Once the market determines its way, those prepared will prosper.

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