

## FEATURED STOCKS

Bolt Tech  
Bucyrus Intl  
Group 1 Auto  
Infosys Tech  
Micros Syst  
Somanetics Corp  
Suntech Power  
Woodward Gov

## GROWTH & INCOME

ILF(ETF)      EEM (ETF)

## 2008 2nd Quarter and Beyond

By Donald Pearson

Today it's difficult for anyone to tell us where we're headed in the second quarter.

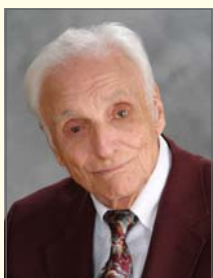
in fourth-quarter profits as its divisions linked to construction were hurt by nationwide housing woes, and the company generated smaller insurance underwriting profits and investment gains. Mr. Buffet's response to this: "Their setbacks are minor and temporary." "Our competitive position in these businesses remains strong, and we have first-class CEOs who run them right, in good times or bad." We saw this as a buying opportunity when the stock price pulled back 15 percent earlier this month.

When you see companies like IBM or CVS taken lower for no apparent reason, consider owning them. I could expound on this list, but it isn't necessary because we'll add them for you every opportunity we get. In the last few months we traded out several stocks that underperformed expectations, and this was done for exactly that reason. We have a few others we are watching carefully, simply to improve our portfolio balance and performance. We would like to see all portfolios holding a presence in Canada, China, and other countries around the world with a small amount of gold and minerals.

Internationally, we expect to have growth this year that'll begin in the second or third quarter and gain momentum as the year continues. As you'll see if you're watching our buying, we continue to grow the ETF base around the world. Gold (GLD) and minerals (XME) are being added as well as many other countries. Although some of the ETFs are down YTD, and down even further from their October highs, this simply replicates the

Gold, real estate, stocks, or any other investments, carry risks and rewards attached to them, and unless you own a crystal ball, you'll not know if today's decisions will work out in the days and weeks ahead. Two or three years ago everyone was buying townhouses and condominiums around our neighborhood, and you had to enter a lottery to even have a chance to participate because of the demand. Now the foreclosure signs are hung on the front lawns of many and you can negotiate your own deal with the bank. Today gold is climbing in value and stocks are moving in different directions. So where is the market headed from here? As we continue sifting through the information available, I can give you an opinion based upon data that formulates direction.

Through early February of this year 64 percent of all companies that reported fourth quarter results had exceeded analysts' estimates; 11 percent matched forecasts. Excluding financial companies, fourth quarter profits climbed an average of 18 percent from the year earlier. Many quality US companies have been taken down simply because of investor perception. The message here is research them carefully, understand their product, their management, and most importantly their balance sheet. For example: BRK.B shares, Berkshire Hathaway, Inc., reported an 18 percent drop



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Chairman



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President



Sandra Alberti  
Publishing President

**Investment Letters are complimentary to our clients with managed accounts!**

# THINK ABOUT IT

Whether or not you are an investor, you should understand money and the ravages of inflation, and, in turn, this information should be transferred to each of your children.

We are no longer living in the Garden of Eden, and the art of finance is not being taught in the public schools. As a parent I believe that one should take the bull by the horns and explain to each child the Federal Reserve System under which we operate and the ravages of the inflation which results from that system.

One of the best and easiest ways of getting the job done in my opinion is to open a management account for each child, and, as his statements come in each month, go over each item until he gets to the point where he understands how to do it by himself. I have done this for each of my children and grandchildren. One of the girls has seen her \$5,000 gift grow to more than \$60,000 today, and I presume she can see the advantage of investing.

At some point in a child's life I believe the parent should explain the difference between our present monetary system as compared to the way it was set up in the Constitution many years ago. He should be told that gold represents real money and that the Constitution says that any paper money that is issued must be backed by gold (which was previously stored at Fort Knox). With real money inflation does not occur. With paper money it becomes a Monopoly game. As more and more paper is issued, it requires more and more paper to get the job done. This is inflation as we know it.

The reason for investing is twofold. One of the factors is that the investor is looking for growth of capital. A second factor is that he is looking to protect his purchasing power. There are two different ways of accomplishing these desires and both work quite well. One can invest in property, or one can invest in businesses by purchasing stock in these companies. Both ways will work but stock purchasing is easier, and I believe it to be the stronger of the two. When purchasing real estate, there is a necessity to be involved to some extent. The amount of involvement depends upon the type of real estate which was purchased. Stocks are easier and can be put into the hands of an advisor, which brings one's work load down to zero.

One of the things to teach your children is that investing should be done with the long term outlook. What happens day to day is relatively unimportant. Down periods will happen in the real estate market as well as in the stock market, but if one is thinking in the long term, he simply accepts the downs and waits for the ups. One of the strangest things is to look at one of those long term charts of the stock market. It is almost a straight line upward with a few zags on the downside. When looking at the chart, these downs seem meaningless, but having lived through them I can recall that they seemed quite severe at the time.



*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

March 2008

### BOLT TECHNOLOGY CORPORATION (BOLT) NASDAQ PRICE: \$17.39

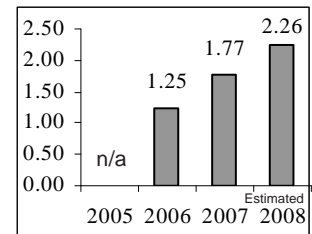
BOLT operates in two segments: geophysical equipment and industrial products. The Company's geophysical equipment segment develops, manufactures and sells marine seismic energy sources and underwater electrical connectors and cables, seismic source monitoring systems, air gun signature hydrophones and pressure transducers used by the marine seismic industry. The industrial products segment develops, manufactures and sells miniature industrial clutches, brakes and sub-fractional horsepower electric motors. The Company consists of four operating units: Bolt Technology Corporation (Bolt), A-G Geophysical Products, Inc. (A-G), Real Time Systems Inc. (RTS) and Custom Products Corporation (Custom Products). Bolt, A-G and RTS are in the geophysical equipment segment.

Type: Emerging Growth  
Sector: Basic Materials

Institutional Holdings: 45  
Industry: Oil/Gas Equipment

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **11.2**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Business Daily: **B**  
Pearson Growth & Value: **B+**  
Morningstar Rating: **N/R**  
Standard&Poor Rating: **N/R**  
Value Line Rating: **N/R**



### BUCYRUS INTERNATIONAL, INC. (BUSY) NASDAQ PRICE: \$99.88

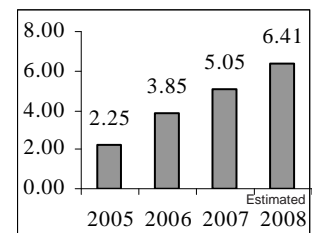
Bucyrus International, Inc. designs, manufactures and markets draglines, electric mining shovels and rotary blasthole drills (collectively, machines) used for surface mining, and provide the aftermarket replacement parts and service for these machines. The Company's equipment is primarily used by companies engaged in surface mining for a range of commodities. The design, engineering and manufacturing of most of its machines and manufactured aftermarket parts is done at its South Milwaukee, Wisconsin complex. In May 2007, the Company completed the acquisition of DBT GmbH, a subsidiary of RAG Coal International AG. DBT GmbH is a designer, manufacturer and marketer of high technology system solutions for underground coal mining.

Type: Growth  
Sector: Industrial Goods

Institutional Holdings: 257  
Industry: Farm Machinery

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **26.0**  
Annual Yield: **0.20%**  
Annual Dividend: **\$0.20**  
Investor's Business Daily: **B+**  
Pearson Growth & Value: **B-**  
Morningstar Rating: **D**  
Standard&Poor Rating: **B**  
Value Line Rating: **A**



### GROUP 1 AUTOMOTIVE, INC. (GPI) NYSE PRICE: \$24.50

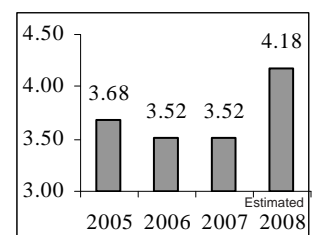
Group 1 Automotive, Inc. (Group 1) operates in the automotive retail industry. As of December 31, 2006, the Company owned and operated 143 franchises at 105 dealership locations and 30 collision centers. Through its operating subsidiaries, the Company markets and sells a range of automotive products and services, including new and used vehicles and related financing, vehicle maintenance and repair services, replacement parts, and warranty, insurance and extended service contracts. Its operations are primarily located in metropolitan areas in Alabama, California, Florida, Georgia, Louisiana, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, New York, Oklahoma and Texas. In March 2007, the Company acquired Chandlers Garage Holdings Ltd., which consists of three BMW/Mini dealerships in the United Kingdom.

Type: Growth  
Sector: Services

Institutional Holdings: 145  
Industry: Auto Dealerships

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **7**  
Annual Yield: **2.20%**  
Annual Dividend: **\$0.56**  
Investor's Business Daily: **D+**  
Pearson Growth & Value: **A**  
Morningstar Rating: **D**  
Standard&Poor Rating: **A**  
Value Line Rating: **A**



### INFOSYS TECHNOLOGIES LIMITED (INFY) NASDAQ PRICE: \$38.92

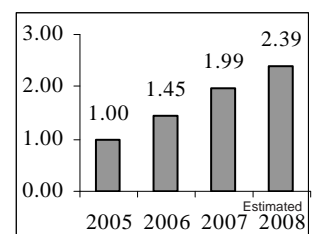
INFY is a global technology services firm that defines, designs and delivers information technology (IT)-enabled business solutions to its clients. The Company provides end-to-end business solutions that leverage technology for its clients, including consulting, design, development, software re-engineering, maintenance, systems integration, package evaluation, and implementation and infrastructure management services. Infosys also provides software products to the banking industry. Infosys BPO (formerly Progeon Limited) is a majority owned subsidiary. Infosys Australia, Infosys China and Infosys Consulting are the Company's wholly owned subsidiaries. In June 2006, Infosys acquired the shares in Infosys BPO held by Citicorp Intl Finance Corporation (CIFC). As a result, INFO effectively holds 99.98% of the equity share capital of Infosys BPO as of 03/31/07.

Type: Growth  
Sector: Technology

Institutional Holdings: 124  
Industry: Tech/System Softw.

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **20.2**  
Annual Yield: **0.70%**  
Annual Dividend: **\$0.28**  
Investor's Business Daily: **C+**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **A**  
Standard&Poor Rating: **B**  
Value Line Rating: **C**



## PEARSON CAPITAL'S RECOMMENDED STOCKS FOR

March 2008

### MICROS SYSTEMS, INC. (MCRS) NASDAQ PRICE: \$32.04

MCRS is a designer, manufacturer, marketer and servicer of enterprise information solutions for the global hospitality and specialty retail industries. Its enterprise solutions comprise three major areas: hotel information systems, restaurant information systems and specialty retail information systems. On July 10, 2007, the Company acquired a majority interest in Check-in-Data, a distributor of MICROS products and services. On 01/29/07, the Company acquired the RedSky IT Hospitality, Travel and Retail subsidiaries of RedSky IT. In February 2006, The Company acquired CommercialWare, Inc. In January 2008, the Company announced the formation of MICROS-Retail, its retail solutions division, which includes its subsidiary companies Datavantage, CommercialWare and eOne Group.

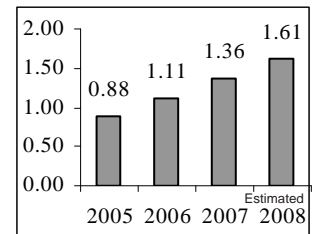
Type: Growth  
Sector: Technology

Institutional Holdings: 279  
Industry: Tech/Syst Softw.

#### Ratings & Recommendations

Current P/E Ratio: **29.1**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Business Daily: **A-**  
Pearson Growth & Value: **A**  
Morningstar Rating: **N/R**  
Standard&Poor Rating: **N/R**  
Value Line Rating: **B**

#### Earnings per share



### SOMANETICS CORPORATION (SMTS) NASDAQ PRICE: \$27.79

SMTS, incorporated in 1982, develops, manufactures and markets the In Vivo Optical Spectroscopy System (INVOS), that continuously measures changes in the blood oxygen levels in the brain and elsewhere in the body in somatic, or skeletal muscle, tissue in patients with or at risk for restricted blood flow. The INVOS System consists of a portable monitoring system, including software, which is used with SomaSensors. During the fiscal year ended 11/30/07, the Company had an installed base of 2,006 INVOS System monitors in the U.S. in 664 hospitals, and during fiscal 2007, the Company sold approximately 371000 SomaSensors. In addition to the INVOS System, Somanetics also develops and markets the CorRestore System, which includes a cardiac implant, which is called the CorRestore Patch, for use in cardiac repair and reconstruction.

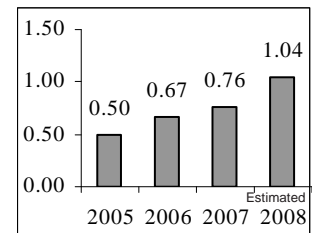
Type: Growth  
Sector: Healthcare

Institutional Holdings: 47  
Industry: Medical Equipm.

#### Ratings & Recommendations

Current P/E Ratio: **41.3**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Business Daily: **A+**  
Pearson Growth & Value: **B**  
Morningstar Rating: **N/R**  
Standard&Poor Rating: **N/R**  
Value Line Rating: **N/R**

#### Earnings per share



### SUNTECH POWER HOLDINGS CO., LTD. (STP) NYSE PRICE: \$37.17

STP is a solar energy company that designs, develops, manufactures and markets a variety of photovoltaic (PV) cells and modules. It also provides PV system integration services in China. The Company's products are used in a variety of applications in various markets for both on-grid electricity generation and off-grid use, such as standalone lighting for street lamps, garden lamps, telecommunications relay stations, and mobile phone networks worldwide, including a number of European countries, such as Germany and Spain, as well as China and the United States. Suntech sells its products outside of China primarily through distributors and in China primarily to module manufacturers and end users directly. On August 11, 2006, Suntech acquired a 66.88% interest in MSK Corporation.

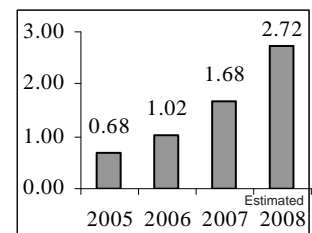
Type: Growth  
Sector: Technology

Institutional Holdings: 159  
Industry: Diversif. Electronics

#### Ratings & Recommendations

Current P/E Ratio: **36.7**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Business Daily: **A**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **C**  
Standard&Poor Rating: **B**  
Value Line Rating: **N/R**

#### Earnings per share



### WOODWARD GOVERNOR COMPANY (WGOV) NASDAQ PRICE: \$28.57

WGOV is a designer, manufacturer and service provider of energy control and optimization solutions for reciprocating engine, aircraft and industrial turbines, and electrical power system equipment. The Company's products and services are used by original equipment manufacturers (OEMs) worldwide in the power generation, aerospace, transportation and process industries markets. Woodward operates in three segments: Turbine Systems, Engine Systems and Electrical Power Systems. Turbine Systems is focused on systems and components that provide energy control and optimization solutions for the aircraft and industrial gas turbine markets. Engine Systems is focused on systems and components that provide energy control. Electrical Power Systems is focused on systems and components that provide power sensing and energy control systems.

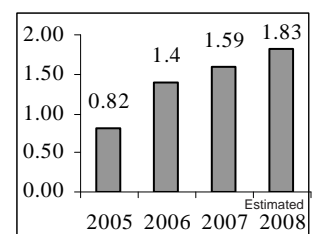
Type: Growth  
Sector: Industrial Goods

Institutional Holdings: 194  
Industry: Ind./Electrical Equip.

#### Ratings & Recommendations

Current P/E Ratio: **19.1**  
Annual Yield: **0.40%**  
Annual Dividend: **\$0.12**  
Investor's Business Daily: **B-**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **N/R**  
Standard&Poor Rating: **N/R**  
Value Line Rating: **A**

#### Earnings per share



## PEARSON CAPITAL'S RECOMMENDED STOCKS FOR

March 2008 - ETFs

### iShares S&P Latin America 40 Index Fund (ILF) NYSE PRICE: \$259.01

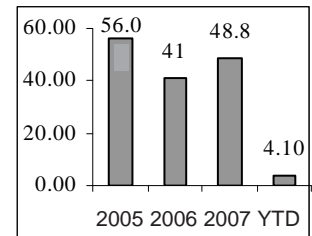
About this ETF The investment seeks investment results that correspond closely to the performance, before fees and expenses, of the S&P Latin America 40 index. The fund invests at least 90% of assets in an aggregate sample of securities that reflect the predominant characteristics of its sector index.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

Type: ETF  
Category: Div. Emerging

Area: Latin America  
Sector: Large Blend

#### Ratings & Recommendations Performance by %

Current P/E Ratio: **N/R**  
Annual Yield: **1.35%**  
Annual Dividend: **\$0.52**  
Investor's Business Daily: **N/R**  
Pearson Growth & Value: **B+**  
Morningstar Rating: **N/R**  
Standard&Poor Rating: **N/R**  
Value Line Rating: **C**



### iShares MSCI Emerging Market Index Fund (EEM) NYSE PRICE: \$139.62

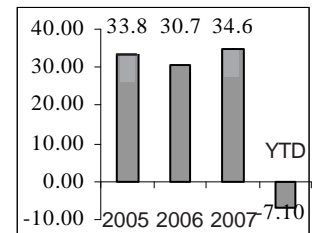
About this ETF The investment seeks investment results that correspond generally to the price and yield performance of the MSCI Emerging Markets index. The fund generally invests at least 90% of assets in the securities of its underlying index or in ADRs and GDRs representing such securities. The index was developed by MSCI as an equity benchmark for international stock performance. The fund may invest up to 10% of assets in shares of other iShares funds that seek to track the performance of equity securities of constituent countries of the MSCI Emerging Markets index. It is nondiversified.

Type: ETF  
Category: Div. Emerging

Area: Global  
Sector: Large Blend

#### Ratings & Recommendations Performance by %

Current P/E Ratio: **N/R**  
Annual Yield: **1.37%**  
Annual Dividend: **\$1.00**  
Investor's Business Daily: **N/R**  
Pearson Growth & Value: **B+**  
Morningstar Rating: **N/R**  
Standard&Poor Rating: **N/R**  
Value Line Rating: **C**



## 1099 Statements



TD Ameritrade sent out a letter to everyone that the 1099 statements would be late arriving this year because of updates and changes. It was their intent to make these accurate and without additional amendments needed after the original arrived. Simply said, get it later, and get it right. Your 1099 should have arrived a few weeks ago, and after reviewing it, if you believe additional information is needed, or if you have any questions with the information you've received, please call us and we will try to resolve any issues you may have. It has been our practice in the past to provide cost basis for anyone and everyone requesting our assistance. This year we thought TD Ameritrade would have it for you included with the 1099, but this was not the case. We have both Bonnie and Ann ready and waiting to assist if you need help in any way.

I apologize for the tardiness, and we will work with them to improve this report for 2008/2009.

## 2008 2nd Quarter and Beyond - Continued from page 1

overall market's performance.

The country or market hit the hardest has been China. We all own some of this through individual holdings and/or ETFs of (FXI) and/or (PGJ). I believe it's important to understand that owning this country has in the past rewarded us with above market expectations and should continue to do so in the future. The recent pullback has been caused by our U.S. economy. The U.S. economic slowdown has meant fewer U.S. orders for goods and a slowing of production. Along with this problem, the Chinese industry came to a near standstill last month after being hit by the most severe snowstorms in 50 years. Factories closed, transportation came to a standstill, and power was cut off for days. Millions of crops were lost, and hundreds of thousands of homes were flattened by ice and snow. These two factors helped push the Shanghai Composite Index down 9.3% on February 1. That's the index's sharpest one-week loss since 1997. Business also halted last week because of the Lunar New Year, when just about everything in Asia shuts down. Despite the recent problems, China still shows growth potential. Its Q4 2007 GDP climbed 11.2 percent from the previous year.

# WALL STREET INDEXES

Indexes	2002	2003	2004	2005	2006	2007	2008
S&P 500	(23.4%)	26.4%	9.0%	3.0%	13.6%	+3.6%	(9.4%)
Dow Jones	(16.8%)	25.3%	3.2%	(0.6%)	16.3%	+6.4%	(7.5%)
Nasdaq	(31.5%)	50.0%	8.6%	1.4%	9.5%	+9.8%	(14.4%)
Russell 2000	(21.6%)	45.4%	17.0%	3.3%	17.0%	(2.8%)	(10.4%)
Market Average	(23.3%)	36.8%	9.4%	1.8%	14.1%	5.6%	(10.4%)

## MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

### Economic Flows:

All eyes are waiting for the Federal Reserve meeting in March. Expectations are that the Fed will lower interest rates at least 25 basis points, but hopes are for 50 basis points. This will give relief to the banking sector, but still not give them confidence in the near future. Retail housing loans are still at a standstill, with some estimates to clear the current glut in housing extending out three to five years. This is having a material effect on the retail and restaurant sectors, as they depend upon growth of new housing to create new neighborhoods and commercial property. Some people are hoping the Federal funds rate will go lower than 3 percent. This would bring home loans to about 5 percent and reignite the economy. I believe if they go to that point, they will not be able to stay there for very long. The government is also sending the rebate checks as fast as they possibly can. The rebates will create temporary spending, but not foster a long term trend in this country, as they did after the dot-com implosion. However, China and other Pacific countries will benefit, as they continue to improve their own economies.



### Key Point:

*The fixes by the government this time will not help create a long term trend in this country but continue to foster the one in China.*

### Earnings Flows:

March is the end of fourth quarter earnings season. The end of the month and the beginning of April will tell us what the mood of the market will be before summer. Banks, retail, and other dependent sectors will soon feel immediate relief from the government. However, no long term American trend has gained traction. It is not known how long this relief will last. The day to day movement from now until April will be less dependent on earnings and more dependent on other economic factors such as the Fed decision in April.

### Key Point:

*Government action will help support the market at least in the short term.*

### Cash Flows:

While some companies are postponing dividends and cutting back, other companies, like Lloyds (LYG), and Banco Santander (STD) are raising their dividends. Foreign companies, and especially Chinese companies, are becoming financially healthier and using their excess cash to pay out more dividends. Many foreign companies also are debt free and are looking to partner with others, especially overseas. Do not be surprised to see some American companies feel the urge to merge.

### Key Point:

*Foreign companies are becoming stronger.*

### Additional Note:

At least for the next six months, a government stimulus will help out the economy. However there is no long term trend yet showing.

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