

Your Personal Money Manager

Pearson

INVESTMENT LETTER

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FEATURED STOCKS - MAY 2009

American Oriental
Baxter Intl
China Medical
CVS Caremark

Genzyme Corp
Gilead Sciences
ICON, Plc
Stryker Corp

Abbot Lab
Catepillar, Inc



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TODAY'S CHANGING MARKET

By Donald Pearson

For all of us who believe we know where the market is headed, I can assure you we do not. The analysts, whose job it is to forecast company earnings results, are missing them by a larger margin than ever before. Earnings are being reported now for the second quarter, and positive surprises are running two to one over negatives. These missed reports are many times 10-50% off their mark by professional people who follow these companies and report their findings prior. To showcase even more market uncertainty, those watching CNBC Squackbox every morning, as I do, will hear all the negative news, yet occasionally they have a guest and positive data free-flows. The only information I give you at this time that makes sense is, we have had 16 recessions since their startup and every one has ended, and the market then begins to climb once again. This one will not be any different from all the others. Many predict we have begun the climb back already with the 25%+ gain we've experienced since the indexes bottomed six weeks ago. Others believe we will return and test the lows again before we are out of the woods. Whether we retreat again or not, I believe one should focus more on the opportunities offered today rather than trying

to guess today's market. The government placed \$2 trillion into our economy and banking system to stimulate our way back to prosperity. Will this work? I do not know and neither does anyone else. China and all other world countries are facing the same problems. They are in the same recession as the US, and by working together the problem can and will correct. As we are all working together, the strategy is beginning to show unilateral progress. Here in the US if we haven't bottomed, we have slowed our descent and almost everyone will admit the bottom isn't far off. Because of this decline today, we can purchase companies at prices we will probably never see again in our lifetimes. Remember all the quality companies that could be bought today for less than \$10, \$3, and \$1.00, because in a year or two many will be two, five or ten times their selling price today. We will be asking ourselves why we didn't respond to this. This would be a great time to add money to one's account, simply because of the values available.

In many ways housing faces the same dilemma, but buying a house, and holding it for however long you feel is opportunistic, isn't as simple as the stock investment. Stock can be sold with a keying application on your

computer. Houses today seem to take forever if they sell at all. When you receive your Sunday newspaper, all the flyers and circulars are included. Clothing, food, sporting goods, everyone wants to know what's on sale and where are the best values. Today's stock market, although not advertised in the Sunday paper, is a similar situation and has far too many to list. Many companies who realize this will begin buying back their shares. As an example, Proctor and Gamble has 24 brands selling \$1 billion or more annually, and the company will generate over \$80 billion in sales this year. After their stock has retreated more than 35%, like so many others, the company will buy back \$10 billion worth of their own shares this year. Company buybacks, along with insider buying, are two of the best indicators. For one willing to do the work and the research, one will really be able to prosper when the bull market begins. So whether it's today, or tomorrow, or six months from today, we simply need to be ready. This is our objective today, getting everyone into those companies where the opportunity appears imminent. Selling all or part of an issue may be necessary to do this, but the reward is simply too great versus the risk not to.

DP

Investment Letters are complimentary to our clients with managed accounts!

GOOD TIMES OR BAD TIMES?

We are in a period of time which has been bad for just about everybody, and especially bad for those who are invested in the stock market. Just about everyone is down in the dumps. Believe it or not there is a bright side. It is important as we go through this life to concentrate on the bright side. By thinking of gloom and doom all day, one becomes more and more depressed, whereas those who are concentrating on the brighter side live a more fruitful and happier life. They also tend to be much easier to get along with.

Believe it or not there is a bright side, and in the final analysis those who change their thinking and concentrate on the positive will generally come out much happier and richer too. The point here is that the stock market has come down to a point which I have never seen before, and I think every investor should do his utmost to take advantage of it. In the past I would almost never look at penny stocks because they were usually junk, and in most cases it was a waste of time to even bother looking at them. However, things have changed RADICALLY! Stocks which sold at \$50 or \$60 a share have come down to less than \$10 in many cases.

Think of it this way: If you have an ordinary account (not an IRA), in which you have one hundred shares of stock that you bought at \$40 a share, you would have invested \$4000 in a company which you thought was well worth it. Now, two years later this same stock has dropped in price to \$2 a share. By investing another \$2000 you can purchase one thousand shares, and 31 days later you can sell the original one hundred shares and take a loss which can be deducted from your income tax. Think of it. The IRS has credited you with a loss which you really do not have. In actuality you have enhanced your position. By investing half as much money, you have one thousand shares working for you instead of one hundred. What an improvement!

What this means to you, the investor, is that it is necessary to come up with more cash in order to take advantage of this opportunity. This may be a hard thing to do, but I have a similar problem, and I have managed to make some of these adjustments. The problem I have is that I own so many different ones, it is difficult to cover all of them, and it hurts to see some of them getting away from me. I just could not believe one situation. In 1987 I bought one hundred shares of Corus Bank for just under \$2000. By 2006 they had split four times and I had twelve hundred shares. I had large profits, but by late 2008 they had disintegrated, and by March 5, 2009, it was selling for 14 cents a share. I couldn't scrape up too much money, but I bought another one thousand shares for \$150. This stock is up another 25% today at 35 cents. What this means is that I have made 150% profit in only one month. This is one I do not intend to sell for a tax loss; otherwise, I would have bought more shares.

If you have an account with us, you have probably been noticing this going on. However, in some cases we would like to be doing the same for some of our accounts, but it is necessary to have a bit of cash to work with, and in some cases it just isn't there. The reason I stress this is that it is quite important to do this if you possibly can. The odd thing is that in years past I was always so envious of those who had IRA's and could sell and take profits and pay no tax. Strangely enough, the worm has turned, and it is we who do not have IRA's who can take full advantage of this situation.

I should point out that it doesn't always work as well as with Corus Bank. Sometimes we may get in a bit early and that means that it will take longer. I have others like Corus, and others on which I must wait a little longer. Normally, you do not chase stocks that have acted in this manner, but these are not normal times. The Fed has pulled out the money, and everything and everybody is suffering. As an investor, if you are perceptive, you can profit.

Another thing that we have decided to do is to offer you a copy of my book, "Investing for the Millions," if you care to arrange a get-together for a few of your friends. We will supply the dinner and give a talk on the reasons to consider investing at this time. Give us a call at 813-641-7575 if you are interested.

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 MAY 2009
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AMERICAN ORIENTAL BIOENGINEERING, INC (AOB) NYSE PRICE: \$4.24

American Oriental Bioengineering, Inc. along with its subsidiaries, engages in the development, manufacture, and commercialization of a range of pharmaceutical and healthcare products. It offers prescription and over-the-counter pharmaceutical products, and nutraceutical products. The company's prescription pharmaceutical products include Shuanghuanlian Lyophilized (SHL) injection powder, an anti-viral injection for the treatment of flu symptoms, upper respiratory infections, mild pneumonia, and tonsillitis. The company's nutraceutical products include soybean peptide based drinks, tablets, powder, and instant coffee for health and well-being. American Oriental Bioengineering sells its products primarily to hospitals, clinics, pharmacies, and retail outlets in China. The company is based in Shenzhen, the People's Republic of China.

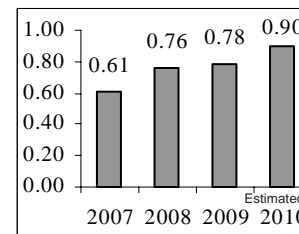
Type: Growth
Sector: Healthcare

Institutional Holdings: 81
Industry: Biotechnology

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **7.0**
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: **C**



BAXTER INTERNATIONAL, INC (BAX) NYSE PRICE: \$48.50

BAX develops, manufactures, and markets products for people with hemophilia, immune disorders, infectious diseases, kidney disease, trauma, and other chronic and acute medical conditions. The company operates through three segments: BioScience, Medication Delivery, and Renal. The BioScience segment manufactures recombinant and plasma-based proteins to treat hemophilia and other bleeding disorders. The Medication Delivery segment manufactures intravenous solutions. The Renal segment provides products to treat end-stage renal disease and irreversible kidney failure. BAX. has collaborations with HHD LLC, DEKA Products Ltd., and DEKA Research and Development Corp. for the development of a home hemodialysis machine.

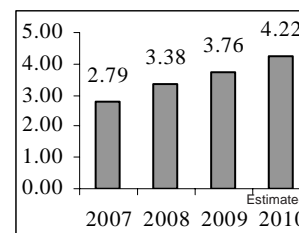
Type: Growth
Sector: Healthcare

Institutional Holdings: 737
Industry: Med. Instruments

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **14.6**
Annual Yield: **2.10%**
Annual Dividend: **\$1.04**
Investor's Business Daily: **B**
Pearson Growth & Value: **A-**
Morningstar Rating: **A**
Standard&Poor Rating: **A**
Value Line Rating: **B**



CHINA MEDICAL TECHNOLOGIES, INC (CMED) NASDAQ PRICE: \$19.54

CMED a medical device company, engages in the development, manufacture, commercialization, and sale of medical devices and supplies in the People's Republic of China. It offers in-vitro diagnostics products, which utilize enhanced chemiluminescence immunoassay technology (ECLIA), MAIA technology, and FISH technology to detect and monitor various diseases and disorders through laboratory evaluation and analysis of blood, urine, or other body fluids and system. The company offers ECLIA system, which includes ECLIA analyzer for detecting minute levels of light triggered by combining reagents with body fluid samples to produce diagnostic results; reagent kits for detecting and monitoring various types of diseases and disorders, including thyroid disorders, diabetes, hepatitis, SARS, and Down syndrome.

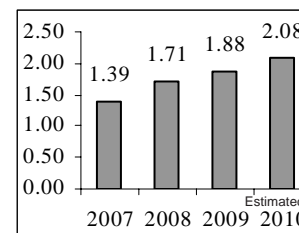
Type: Growth
Sector: Healthcare

Institutional Holdings: 56
Industry: Med. Instruments

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **9.2**
Annual Yield: **2.56%**
Annual Dividend: **\$0.50**
Investor's Business Daily: **C**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



CVS CAREMARK CORPORATION (CVS) NYSE PRICE: \$31.78

CVS, a pharmacy services company, provides prescriptions and related healthcare services in the U.S.. The company operates through two segments, Pharmacy Services and Retail Pharmacy. The Pharmacy Service segment provides a range of prescription benefit management services, including mail order pharmacy services, specialty pharmacy services, plan design and administration, formulary management, and claims processing. This segment serves primarily employers, insurance companies, unions and government employee groups. As of December 31, 2008, the Pharmacy Services segment operated 58 retail specialty pharmacy stores, 19 specialty mail order pharmacies, and 7 mail service pharmacies located in 26 states of the United States, Puerto Rico, and the District of Columbia. The Retail Pharmacy Segment sells prescription and over-the-counter drugs.

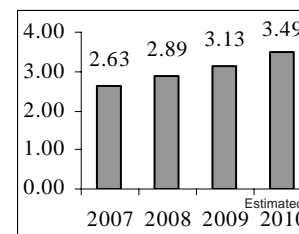
Type: Growth
Sector: Services

Institutional Holdings: 828
Industry: Drug Stores

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **14.0**
Annual Yield: **0.99%**
Annual Dividend: **\$0.31**
Investor's Business Daily: **A+**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Standard&Poor Rating: **A**
Value Line Rating: **B**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR MAY 2009
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GENZYME CORPORATION (GENZ) NASDAQ PRICE: \$53.33

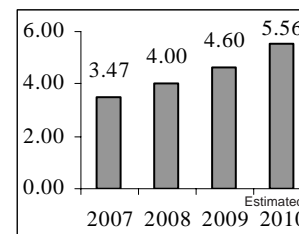
GENZ operates as a biotechnology company worldwide. The company's Genetic Diseases segment manufactures and distributes therapeutic products, including Cerezyme as an enzyme replacement therapy for the treatment of Type 1 and Type 3 Gaucher diseases. This segment markets and sells its products directly to physicians, hospitals, treatment centers, pharmacies, and government agencies through distributors. Its Hematologic Oncology segment develops products for the treatment of cancer; which include Clolar for the treatment of pediatric patients 1 to 21 years old with relapsed or refractory acute lymphoblastic leukemia; and Mozobil for collection and subsequent autologous transplantation in patients with non-Hodgkin's lymphoma.

Type: Growth
Sector: Healthcare

Institutional Holdings: 586
Industry: Biotechnology

Ratings & Recommendations Earnings per share

Current P/E Ratio: **31.6**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **B**
Pearson Growth & Value: **B**
Morningstar Rating: **A**
Standard&Poor Rating: **A**
Value Line Rating: **B**



GILEAD SCIENCES, INC (GILD) NASDAQ PRICE: \$45.80

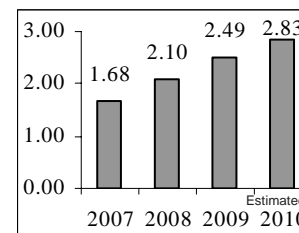
GILD, a biopharm. company, engages in the discovery, development, and commercialization of therapeutics for the treatment of life-threatening infectious diseases. Its products include Truvada, Viread, Atripla, and Emtriva for the treatment of human immunodeficiency virus infection in adults; Hepsera, an oral formulation for the treatment of chronic hepatitis B; AmBisome, amphotericin B liposome injection to treat serious invasive fungal infections; Flolan, an injected medication for the long-term intravenous treatment of primary pulmonary hypertension and pulmonary hypertension; and Vistide, an antiviral medication for the treatment of cytomegalovirus retinitis in patients with acquired immunodeficiency syndrome (AIDS). The company was founded in 1987 and is headquartered in Foster City, California.

Type: Growth
Sector: Healthcare

Institutional Holdings: 874
Industry: Biotechnology

Ratings & Recommendations Earnings per share

Current P/E Ratio: **20.1**
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: **A**



ICON, PLC (ICLR) NASDAQ PRICE: \$15.84

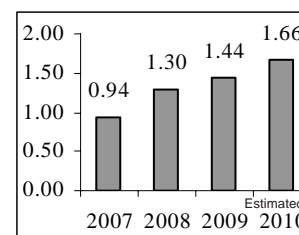
ICON plc, a contract research organization, provides outsourced development services to the pharmaceutical, biotechnology, and medical device industries in the United States, Ireland, and rest of Europe. It specializes in strategic development, management, and analysis of programs that support clinical development from compound selection to Phase I to IV clinical studies. The company's clinical research services include investigator recruitment, study monitoring and data collection, case report form preparation, patient safety monitoring, clinical data management, interactive voice response, medical reporting, patient registries, outcomes research, and health economics. In addition, the company provides various laboratory services and electronic transmission of test results. ICON plc was founded in 1990 and is headquartered in Dublin, Ireland.

Type: Growth
Sector: Services

Institutional Holdings: 163
Industry: Research Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **12.1**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **C**
Pearson Growth & Value: **B**
Morningstar Rating: **B**
Standard&Poor Rating: **A**
Value Line Rating: **N/R**



STRYKER CORPORATION (syk) NYSE PRICE: \$38.71

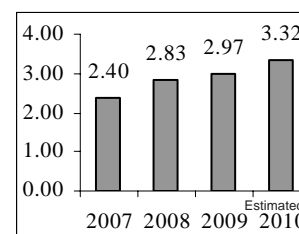
Stryker Corporation, together with its subsidiaries, operates as a medical technology company worldwide. It operates in two segments, Orthopaedic Implants and MedSurg Equipment. The Orthopaedic Implants segment provides orthopaedic reconstructive, trauma, craniomaxillofacial, and spinal implant systems; bone cement; and the bone growth factor OP-1. The MedSurg Equipment segment offers surgical equipment; surgical navigation systems; endoscopic, communications, and digital imaging systems; and patient handling and emergency medical equipment. Stryker Corporation sells its products through local dealers and direct sales force to doctors, hospitals, and other healthcare facilities. The company was founded in 1941 and is headquartered in Kalamazoo, Michigan.

Type: Growth
Sector: Healthcare

Institutional Holdings: 395
Industry: Med. Instruments

Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.9**
Annual Yield: **1.03%**
Annual Dividend: **\$0.40**
Investor's Business Daily: **C**
Pearson Growth & Value: **B**
Morningstar Rating: **A**
Standard&Poor Rating: **B**
Value Line Rating: **B**



PEARSON CAPITAL'S RECOMMENDED INCOME STOCKS FOR MAY 2009

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ABBOT LABORATORIES (ABT) NYSE PRICE: \$41.85

ABT manufactures and sells health care products worldwide. The company's Pharm. Products segment offers adult and pediatric pharmaceuticals for rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis, psoriasis, Crohn's disease, dyslipidemia, HIV infection, hypothyroidism, advanced prostate cancer, endometriosis and central precocious puberty, anemia caused by uterine fibroids, obesity, epilepsy and bipolar disorder, migraines, and secondary hyperparathyroidism; and provides anesthesia products and anti-infectives. Its Diagnostic Products segment offers immunoassay systems; chemistry systems; assays used for screening and/or diagnosis for drugs of abuse, cancer, therapeutic drug monitoring, fertility, physiological diseases, and infectious diseases; instruments that automate the extraction, purification, and preparation of DNA.

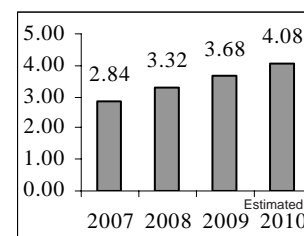
Type: Growth
Sector: Healthcare

Institutional Holdings: 907
Industry: Drug Manufact.

Ratings & Recommendations

Current P/E Ratio: **12.5**
Annual Yield: **3.75%**
Annual Dividend: **\$1.60**
Investor's Business Daily: **D**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Standard&Poor Rating: **B**
Value Line Rating: **B**

Earnings per share



CATEPILLAR, INC (CAT) NYSE PRICE: \$35.58

CAT manufactures and sells construction and mining equipment, diesel and natural gas engines, and industrial gas turbines worldwide. Its Machinery business engages in the design, manufacture, marketing, and sale of construction, mining, and forestry machinery, such as track and wheel tractors, track and wheel loaders, pipelayers, track and wheel excavators, backhoe loaders, off-highway trucks, articulated trucks, paving products, skid steer loaders, and related parts. The company's Engines business designs, manufactures, markets, and sells engines for its machinery; electric power generation systems. on-highway vehicles and locomotives; marine, petroleum, and other applications. CAT was formerly known as Caterpillar Tractor Co. and changed its name to Caterpillar, Inc. in 1986. Caterpillar was founded in 1925 and is headquartered in Peoria, IL.

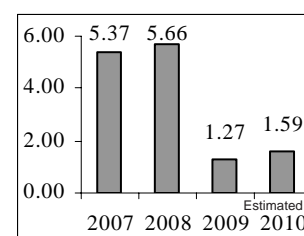
Type: Growth
Sector: Industrial Goods

Institutional Holdings: 485
Industry: Constr. Machinery

Ratings & Recommendations

Current P/E Ratio: **8.8**
Annual Yield: **5.0%**
Annual Dividend: **\$1.68**
Investor's Business Daily: **D**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Standard&Poor Rating: **C**
Value Line Rating: **D**

Earnings per share



Why Gold

Although gold is very volatile, we believe every portfolio should have some. It's common to see swings of 10-50% at any time, as we saw from October, 2008, to February, 2009. When our economy is in trouble and the stock market seems risky, gold becomes the perfect diversification. As our government pumps in trillions to our economy and lowers interest rates, inflation possibilities increase, and the value of gold increases also. If one traces gold value back to the late seventies (\$664 an ounce) and computes today's value of \$900, it has only kept up with inflation. Many predict a market value in the foreseeable future of \$2000-\$5000. Personally, I find this to be overly aggressive, but I do believe we should have it as a part of everyone's portfolio.

If it does climb significantly, profit taking should be had in part. One could buy gold bullion which is pure gold cast as coins. These are South Africa Krugerrands, Canadian Maple Leafs, or American Eagles in one ounce denominations. This requires a third party, a route we'd prefer not to take. Other ways of purchasing are through mining stocks, and this takes on a higher risk than we feel necessary in most cases. We believe purchasing GLD, an ETF exchange traded fund, may be a better option. Each share represents one-tenth of one ounce of real gold. With a total market value exceeding \$31 billion, the fund is now the second largest ETF on the market. The gold backing the shares is kept in Europe and audited regularly.

By Donald Pearson

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%)	(3.4)%
Dow Jones	25.3%	3.2%	(0.6%)	16.3%	6.4%	(33.4%)	(6.9)%
Nasdaq	50.0%	8.6%	1.4%	9.5%	9.8%	(42.1%)	8.9%
Russell 2000	45.4%	17.0%	3.3%	17.0%	(2.8%)	(38.2%)	(2.4)%
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 Fed is doing its part to prevent deflation from happening and creating a major depression. It previously announced that it is putting back into the economy 300 billion dollars in its goal to stabilize the current banking system. Many people believe that the goal is going to be about 2 trillion dollars once this is done, or until the Fed sufficiently believes that the banks are able to lend again. Either way, the end result will definitely be inflation, since it is very rare to see extra stimuli applied directly without unintended consequences. The problem though is whether or not the Fed will inadvertently create a whole new bubble somewhere else. They already contributed to the housing bubble and the credit market bubble by keeping interest rates too low for too long.



Key Point: *Inflation is the Fed's inevitable goal, whether they want it or not.*

Earnings Flows:

The second earnings quarter has arrived, and the rally has continued for six straight weeks, making it one of the best in many years. Earnings, however, continue to decline, bringing the market's P/E under pressure. At a quick glance I prefer to follow Value Line's investment survey weekly summary. It shows the P/E ratio and dividend yields for the entire group that they measure.

Right now its P/E is a market low of 12, not seen for more than 10 years. I expect earnings to flatten out and the market to rise to its P/E ratio of 14.

Key Point: *Earnings under pressure will meet a rising market causing eventual flatness.*

Cash Flows:

Cash flows for companies are under pressure from two major factors, the declining economy and the increasing value of the dollar. Many of the steady cash flow generators of the S&P 500 get the majority of their earnings from overseas. Since the advance of the dollar, these stalwarts, such as Coca Cola, will see continued pressure on their operations. Quality dividend payers, such as Home Depot, may also be forced to lower their dividends in order to provide sufficient liquidity to meet day-to-day operations. Stocks will have to be reviewed constantly to see if they are able to meet their obligations.

Key Point: *Constant checking is the way to keep the right stocks that continue to grow their cash.*

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