

Your Personal Money Manager Pearson INVESTMENT LETTER

Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - NOVEMBER 2009

Anworth Mortgage	Corinthian Colleges	EFT's:
BP PLC	Research in Motion	
China Information	Verizon	Brazil
China Natural Gas	Walgreens	Canada



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

NEARING THE END

By Donald Pearson

With ten months behind us for 2009, it would appear we are going to end the year on a better note than originally expected. A great deal of the more favorable results can be attributed to programs put into place by our government, but the larger part should be credited to our decision to increase our holdings in foreign markets.

Most economists believe we will have a favorable fourth quarter and modest increases with the gross domestic product. This should sustain momentum and continue through 2010. We are far from out of the woods, but slow growth should continue as we work our way through the ongoing unemployment and housing problems that we face today. As third quarter earnings have continued to show, many of our home-based companies are beginning to turn the corner due to cost-cutting. Sales are down, yet many companies continue to surprise analysts with above-expected earnings numbers, achieved by reducing pork spending, overhead, and inventories. Our portfolios continue to stock companies such as Johnson & Johnson and IBM, along with a host of others doing business internationally while providing a quality yield. Many tech companies are beginning to increase advertising dollars, believing 2010 will become an opportunist year as we recover. Microsoft has been on our recommended list several times this year

along with many others for the same reason.

Last year, when the markets around the world were falling, many of the foreign markets fell further than the US. As the recovery begins to take shape and gains momentum, we believe they will lead the way back. A key indicator in making investment choices is a country's growing economy, caused by robust population growth and steadily improving standards of living. Countries such as Brazil and China that once were handicapped by debt, weak currencies, and government, have begun turning this around and are becoming a real investment opportunity. Many analysts also predict ongoing growth and expansion for many years and see many of these countries as a place to invest successfully. We have several countries we prefer, and doing this through ETFs has continued to keep our performance far ahead of the Dow Jones. We also believe this to be a safer way of allocating.

In this month's letter we feature Brazil and Canada. Last month we featured China and India. Throughout 2009 we have followed the same format. Australia, Latin America, and other emerging markets have been featured and all are producing huge growth year to date. Brazil was featured in our February letter at \$35.45, and today it is about doubled in price. The ETF selection is very similar to stock or mutual fund selecting. There are thousands to pick from, and one must continue to do the

necessary homework.

This emerging market strategy, coupled with gold and silver as a safety stabilizer, has worked well. Our recommendation of gold (GLD), also in our February letter at \$87.75 that today closed at \$102.53, has increased 16.8% in eight months. Our silver (SLV) recommendation, in our April letter at \$12.85, closed today at \$16.07, increasing 25.1% in six months. Both of these as well as the ETFs listed above should continue to be "core" holdings within a well-diversified portfolio going into 2010.

It is now the beginning of November, and Christmas shopping may be on your list of things to do. I might offer a thought to consider what many of our clients have been doing for years. Consider opening an account for a grandchild rather than buying more toys or games. You can be the custodian, and other family members or friends can also add to the account at any time. The recipient also receives our newsletter, and you can begin teaching them the value of money, investing, and compounding growth. For most we do not take any fees from the account, we do this for you as a client courtesy. In other cases we take only a small maintenance fee of approximately \$25.00 annually. These accounts are given the same careful management we give to all our accounts. After all, who can be more special than your grandchild?

DP

Investment Letters are complimentary to our clients with managed accounts!

AM I TOO LATE?

The time has come the walrus said to talk of many things
Of stocks that bottomed out you know
And walruses and kings

That is not the way our famous poet wrote his poem, but it is somewhat close. Many investors have been sitting on the sidelines licking their wounds rather than seeing that the buys were a once in a lifetime thing. If you own a stock that you bought for \$50 a share and the price has retreated to \$1, the fact of the matter is that there are only two explanations. You either paid too much for the stock, or someone is an utter fool to let you buy more at that giveaway price. Think of value. You were either right or wrong in the first place, and it behooves the intelligent investor to see the values abounding and to take advantage thereof.

Perhaps you know what happened to the British people many years ago before radio and television. Word was sent by boat that the British army had been decimated and that the French were going to come in and take over. Stocks that had sold for normal prices plummeted to the point where those responsible for the reprehensible false information were able to take control of most of Britain's industries for pennies on the dollar.

Today's investor should take a backward step and survey the market as it stands at the present time. Probably 90 percent of those stocks which had plummeted have come back to the previous price, or nearly so. That leaves about 10 percent that have not recovered as yet. Some of these have recovered part way and some are still hesitating. What you have just seen happen is along the same lines as if gasoline had been marked down to twenty-five cents a gallon. I would then expect to see lines of cars filling up not only their vehicles but many auxiliary cans as well. Try to realize that you have exactly the same thing happening in the stock market. News comes out and the market plummets. Become a buyer.

These are strange times. Things are happening that never happened before. As an investor you should try to remain on the qui vive. Be aware. Though many stocks have returned to their previous prices, seek out those laggards. In normal times you might seek out a growth company and hope that within three or four years you might double your capital. Today it is not yet too late to take advantage of that cataclysmic drop in the stock market. Perhaps you might find one of those which used to sell for \$30 and sank to \$1. Perhaps it is now \$3. You may have missed the early part of the recovery but there is still time. If this company's price is going to recover, you will have made 100 percent just when it gets to \$6.

This is not the way we usually recommend stocks, but, as I previously stated, these are not normal times, and I strongly suggest each investor take advantage of the situation. No matter what you do in the stock market, nothing is assured, but I would like to show what some of these have done:

HGSI was \$25 in December 1993, \$1.99 in May 2009, and it is now \$19.

PRSC was \$30 in September 2007, \$1.44 in November 2008, and is now \$11.

GFIG was \$14 in November 2005, \$3.50 in November 2008, and is now \$8.

These are just a few taken at random, but you can see that these profit potentials are something you have never seen before and may never see again. HGSI could have given the investor 1000 percent profit in five months. PRSC gave 660 percent in eleven months. Then we come to GFIG, a smaller producer, but still it meant 130 percent in one year.

And here we are on the sidelines. Every investor should be digging into those deep pockets and grab what's left. Some are still under \$1 a share and may or may not recover. For the investor willing to take the risk, big profits are possibly there. However there are numerous other companies that have started back and are only part way. Take those three stocks mentioned above. If they return to their former highs, you might pick up 25 percent on HGSI, or 75 percent on GFIG, or 160 percent on PRSC. And, these are just three of many, and most of the others have more potential in my opinion.

Be a buyer! BE A BUYER! BBBE AAA BBBUYER!!!

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 NOVEMBER 2009

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ANWORTH MORTGAGE ASSET CORP (ANH) NYSE PRICE: \$7.13

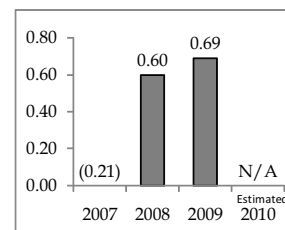
Anworth Mortgage Asset Corporation (Anworth) is engaged in the business of investing in United States agency mortgage-backed securities (Agency MBS). The Company seeks long-term investment returns by investing its equity capital and borrowed funds in such securities and other mortgage-related assets. As of December 31, 2008, the Company's portfolio consisted of Agency MBS and Non-Agency mortgage-backed securities (Non-Agency MBS). As of December 31, 2008, approximately 99.9% of its total portfolio was Agency MBS. As of December 31, 2008, the Company had total assets of \$5.48 billion. Its Agency MBS portfolio, consisting of \$5.3 billion, was distributed as 15% agency adjustable-rate MBS, 65% agency hybrid adjustable-rate MBS, 20% agency fixed-rate MBS and less than 1% agency floating-rate collateralized mortgage obligations (CMOs). Its Non-Agency MBS portfolio consisted of approximately \$7.3 million of floating-rate CMOs.

Type: Value & Income
Sector: Services

Institutional Holdings: 178
Industry: Real Estate
Operations

Ratings & Recommendations Earnings per share

Current P/E Ratio: **8.6**
Annual Yield: **14.6%**
Annual Dividend: **\$1.12**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
Value Line Rating: **N/A**



BP PLC (BP) NYSE PRICE: \$56.62

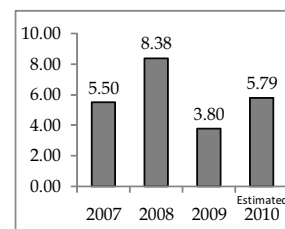
BP p.l.c. (BP) is an oil company, operating through its subsidiaries. With effect from January 1, 2008, it operated in two business segments: Exploration and Production, and Refining and Marketing. A separate business, Alternative Energy, reported in other businesses and corporate, handles its low-carbon businesses. Exploration and Production's activities include oil and natural gas exploration, development and production (upstream activities), together with related pipeline, transportation and processing activities (midstream activities), as well as the marketing and trading of natural gas (including liquefied natural gas), power and natural gas liquids. The activities of Refining and Marketing include the refining, manufacturing, supply and trading, marketing and transportation of crude oil, petroleum and petrochemicals products and related services. In April 2008, BP registered in Russia its subsidiary, BP Exploration Services.

Type: Value & Income
Sector: BP Energy

Institutional Holdings: 1028
Industry: Oil & Gas -
Integrated

Ratings & Recommendations Earnings per share

Current P/E Ratio: **20**
Annual Yield: **6.3%**
Annual Dividend: **\$3.36**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B-**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
Value Line Rating: **C**



CHINA INFORMATION SECURITY TECHNOLOGY INC (CPBY) NASDAQ PRICE: \$6.40

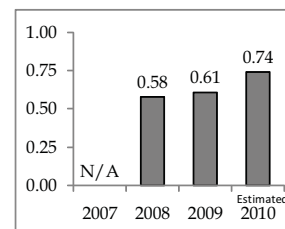
China Information Security Technology Inc., formerly China Public Security Technology, Inc., is a provider of integrated solutions for the public security sector in the People's Republic of China, specializing in providing public security information communication applications and Geographic Information Systems (GIS) software services. The Company is a holding company that owns 100% of China Public Security Holdings (CPSH). CPSH is also a holding company. The Company has three segments: Information Security Segment, GIS Segment and Product Sales Segment. Information Security Segment includes revenues from information security related projects. GIS Segment includes the PGIS and civil-use GIS sales. Product Sales Segment includes Bocom's and ISS's product sales. It operates through CPSH's wholly owned operating Chinese subsidiary Information Security Technology (China) Co., Ltd. (IST), and through IST's commercial arrangement with iASPEC.

Type: Emerging Growth
Sector: CPBY Technology

Institutional Holdings: 51
Industry: Software &
Programing

Ratings & Recommendations Earnings per share

Current P/E Ratio: **12.3**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
Value Line Rating: **N/A**



CHINA NATURAL GAS INC (CHNG) NASDAQ PRICE: \$11.75

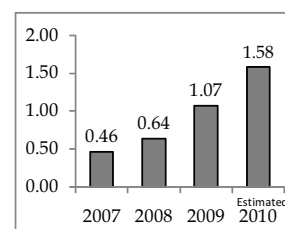
China Natural Gas, Inc. (CHNG) is principally engaged in the distribution and sale of natural gas to commercial, industrial and residential customers in the Xian area, including Lantian County and the Lintong and Baqiao Districts of Shaanxi province of The Peoples' Republic of China through a network 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: Emerging Growth
Sector: Utilities

Institutional Holdings: 10
Industry: Natural Gas Utilities

Ratings & Recommendations Earnings per share

Current P/E Ratio: **10.1**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A+**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
Value Line Rating: **N/A**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR NOVEMBER 2009

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CORINTHIAN COLLEGES INC (COCO) NASDAQ PRICE: \$15.86

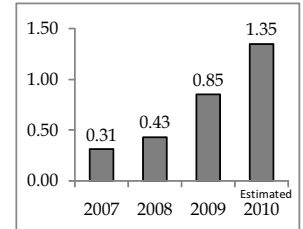
Corinthian Colleges, Inc. (Corinthian) is a post-secondary education company in the United States and Canada. As of June 30, 2009, the Company had a student enrolment of 86,088, and operated 89 schools in 24 states and 17 schools in the province of Ontario, Canada. The Company offers a variety of diploma programs and associate's, bachelors and master's degrees. The Company's training programs include healthcare, criminal justice, mechanical, trades, business and information technology. The Company offers online learning in two categories of students, including those attending online classes exclusively, and those attending a blend of traditional classroom and online courses. The Company's campus provides the students with lecture halls, instructional labs, libraries, Internet access and other facilities.

Type: Growth
Sector: Services

Institutional Holdings: 200
Industry: Schools

Ratings & Recommendations Earnings per share

Current P/E Ratio: **20.2**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **C-**
Pearson Growth & Value: **B+**
Morningstar Rating: **B**
Stand & Poor Rating: **C**
Value Line Rating: **B**



RESEARCH IN MOTION LTD (RIMM) NASDAQ PRICE: \$58.73

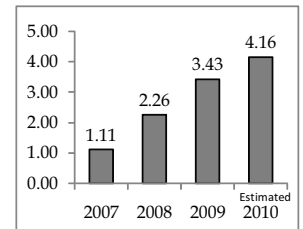
Research In Motion Limited (RIM) is a designer, manufacturer and marketer of wireless solutions for the worldwide mobile communications market. Through the development of integrated hardware, software and services that support multiple wireless network standards, RIM provides platforms and solutions for access to information, including e-mail, phone, short message service (SMS), Internet and intranet-based applications. RIM's portfolio of products, services and embedded technologies are used by organizations worldwide and include the BlackBerry wireless solution, the RIM Wireless Handheld product line, software development tools and software. RIM operates offices in North America, Europe and Asia Pacific. In January 2009, the Company completed the acquisition of Chalk Media Corp. In March 2009, RIM completed the acquisition of Certicom Corp.

Type: Emerging Growth
Sector: Technology

Institutional Holdings: 596
Industry: Communications

Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.5**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
Value Line Rating: **A**



VERIZON COMMUNICATIONS (VZ) NYSE PRICE: \$29.59

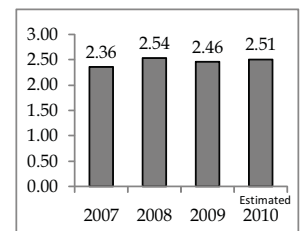
Verizon Communications Inc. (Verizon) is a provider of communications services. The Company has two primary reportable segments: Domestic Wireless and Wireline. Domestic Wireless's products and services include wireless voice, data services and other value-added services and equipment sales across the United States. Wireline's communications services include voice, Internet access, broadband video and data, next generation Internet protocol (IP) network services, network access, long distance and other services. It provides these services to consumers, carriers, businesses and government customers both in the United States and internationally in 150 countries. In August 2008, Verizon announced that Verizon Wireless, a joint venture of the Company and Vodafone Group Plc, had completed its purchase of Rural Cellular Corporation, doing business as Unicef. In January 2009, Verizon Wireless completed its acquisition of Alltel Corporation from Atlantis Holdings LLC.

Type: Value & Income
Sector: Services

Institutional Holdings: 1221
Industry: Communications Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.2**
Annual Yield: **6.6%**
Annual Dividend: **\$1.90**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B**
Morningstar Rating: **B**
Stand & Poor Rating: **B**
Value Line Rating: **C**



WALGREENS (WAG) NYSE PRICE: \$37.83

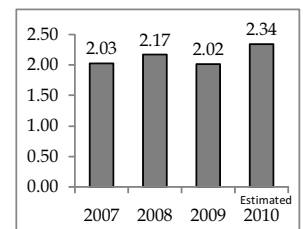
Walgreen Co. (Walgreens) is engaged in retail drugstore business. As of August 31, 2009, the Company operated 7,496 locations in 50 states, the District of Columbia, Puerto Rico and Guam. During the fiscal year ended August 30, 2009 (fiscal 2009), the Company opened or acquired 691 locations. Total locations do not include 337 convenient care clinics operated by Take Care Health Systems, Inc. within the Company's drugstores. The Company's drugstores are engaged in the retail sale of prescription and non-prescription drugs and general merchandise. General merchandise includes, among other things, household items, personal care, convenience foods, beauty care, photofinishing, candy, and seasonal items. Walgreens offers customers the choice to have prescriptions filled at the drugstore counter, as well as through the mail, by telephone and through the Internet.

Type: Growth
Sector: Services

Institutional Holdings: 979
Industry: Retail (Drugs)

Ratings & Recommendations Earnings per share

Current P/E Ratio: **18.7**
Annual Yield: **1.4%**
Annual Dividend: **\$0.55**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
Value Line Rating: **B**



PEARSON CAPITAL'S RECOMMENDED EFT'S FOR NOVEMBER 2009

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iSHARES MSCI BRAZIL INDEX FUND (EWZ) NYSE ARCA PRICE: \$68.83

About this ETF

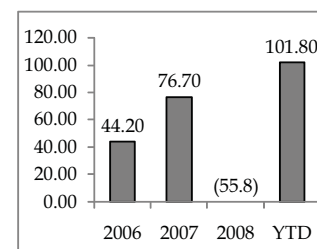
The investment seeks to provide investment results that correspond generally to the price and yield performance of publicly traded securities in the Brazilian market, as measured by the MSCI Brazil index. The fund normally invests at least 95% of assets in the securities of its underlying index and in 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 95%
Type: 95% Stocks

Category: Large Blend
Industry: Diversified

Ratings & Recommendations Performance by %

Current P/E Ratio: **N/A**
Annual Yield: **3.0%**
Annual Dividend: **\$2.06**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Stand & Poor Rating: **N/A**
Value Line Rating: **N/A**



iSHARES MSCI CANADA INDEX FUND (EWC) NYSE ARCA PRICE: \$23.85

About this ETF

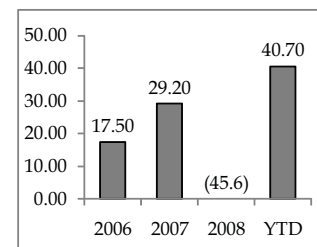
The investment seeks to provide investment results that correspond generally to the price and yield performance of publicly traded securities in the Canadian market, as measured by the MSCI Canada index. The fund normally invests at least 95% of assets in the securities of its underlying index and in 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. It is nondiversified.

Location: Canada 100%
Type: 100% Stocks

Category: Large Blend
Industry: Diversified

Ratings & Recommendations Performance by %

Current P/E Ratio: **N/A**
Annual Yield: **1.7%**
Annual Dividend: **\$0.26**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Stand & Poor Rating: **N/A**
Value Line Rating: **N/A**



The U. S. Marine Corps Reserve Toys for Tots Program was created to collect new, unwrapped toys during October, November and December each year, and distribute those toys as Christmas gifts to needy children in the community in which the campaign is conducted.

Again this year, Pearson Capital is sponsoring this program in our local area. In the past we have had up to 55 collection boxes placed with local businesses, service clubs and other organizations in the pursuit of spreading much happiness to less fortunate children in our area on Christmas morning. This year we have set a goal of 100 boxes to be filled and we are well on our way!

Our collection drive ends on December 6th with a huge party at the VFW Post 6287, here in Ruskin. Festivities begin at 3pm and we'll have food, fun & entertainment as well as a visit from Santa & Mrs. Claus and the US Marines, all for the admission price of one new unwrapped toy!

If you live in the Apollo Beach, FL area, please join us for this wonderful event. If you're out of the area and wish to participate, please contact us and we'll let you know how you can help!

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%)	14.7%
Dow Jones	25.3%	3.2%	(0.6%)	16.3%	6.4%	(33.4%)	10.7%
Nasdaq	50.0%	8.6%	1.4%	9.5%	9.8%	(42.1%)	29.7%
Russell 2000	45.4%	17.0%	3.3%	17.0%	(2.8%)	(38.2%)	12.7%
Market Average	36.8%	9.4%	1.8%	14.1%	5.6%	(38.4%)	16.9%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Interest rates are still at record lows, with the expectation that the Federal Reserve will not raise interest rates until at least the middle of next year. Other economists believe that the Fed cannot raise interest rates, as the economy will continue to slow down in the wake of rising unemployment. However, this is not like that in other parts of the world. Some economies, such as Australia, are already moving out of the recession and have raised interest rates in an attempt to slow any inflation. Germany and France are already starting to show some signs of growth again. Luckily, our stimulus package has not yet been halfway spent. This will allow the government to slowly implement new money throughout next year to attempt to keep this economy going.



Key Point: *Still no key moves by the Fed.*

Earnings Flows:

November is the middle of third quarter earnings season. Most companies have beaten their low expectations for the quarter and are continuing to be cautious for the next one. The market is still expecting that the next quarter will also beat expectations, but many people are getting skeptical that companies can continue the good news into next year. Most of the earnings increases have been attributed to company cutbacks rather than revenue growth. If lackluster growth continues, the market will continue to move sideways or possibly decrease over time. P/E's may contract in key sectors as companies keep their future guidance on the conservative side.

Key Point: *The market will focus on the next quarter's earnings.*

Cash Flows:

Companies that come up with new innovations and ideas will be the clear winners in this market. Apple's I-phone and Microsoft's new Windows 7 will be very profitable for both companies, increasing their bottom line. Both companies have already cut budgets and staff, so any new products will cause their stock prices to soar. In a deflationary environment, new ideas can be very profitable, even when the overall economy is sour.

Key Point:

Companies with new innovations will surely do well in this market.

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Table of Contents

Walter's Wisdom:	2
Featured Stocks:	3
Featured Stocks:	4
Featured Stocks:	5
Market Outlook	6