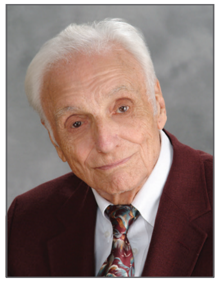
Your Personal Money Manager
Pearson INVESTMENT LETTER

FEATURED STOCKS - JAN/FEB 2019

VALUE STOCKS:
Broadcom Inc.
Celanese Corp.
Signature Bank
Sun Trust Banks Inc.

ETFs:
iShares Select Dividend
Vanguard High Dividend Yield Index Fund



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

Today's Market

It's very difficult to stay positive in today's market, but I'm hoping, after reading a few facts that I'll present now, one will see there appears to be opportunity to grow our investments in 2019. First, going backward, the gains we had for 2018 were wiped out by big tech in the last eight weeks. Issues with Apple, Facebook, Amazon, and others led to the rapid decline. We have always maintained large holdings within the technology sector believing then, and still do now, that they will continue to lead the market. Corrections in individual companies, the S&P 500, Dow, or NASDAQ will always be a part of long term investing.

In the S&P 500 there have been 37 corrections of at least 10% or more since 1950. That's an average of one every 1.8 years. As we have seen in the past several years, we can sustain ongoing growth indefinitely so the average means very little. The average for these corrections also was around three months, and we are not far from that today as our decline began in October. So if you are not in need of this money right now, continue to buy high-quality stocks like Apple and Amazon, stay the course, and reap the fruits of your patience over the long run.

In 2019, despite rising interest rates, companies will continue to benefit from federal tax cuts, robust company earnings, and inflation that is under control today. Next year our gross domestic product should be over 3%. Unemployment at the end of next year should be between 3 - 3.3%. This will be the lowest since the Korean War, compared with 3.7% in October of 2018.

Sectors I prefer investing in next year are in technology, despite high valuations. Areas such as cloud computing and e-commerce will especially benefit from rising consumer and business spending. I also find health care to be favorable. This is the United States economy's fastest growing area in terms of consumer spending and new jobs. An area I foresee an issue with is the housing sector. Thirty-year fixed mortgage rates will probably hit 5.5% by the end of next year if not sooner. These rates were at 3.8% in 2017 and at 5% this year. Sales of new single family housing have been declining, and this will hurt the stocks of home builders and building material companies including home goods manufacturers and retailers.

Although it's difficult to give an end of year assessment, I believe by investing as we do, using ETF's and well-researched individual companies to better diversify a portfolio, an end of year increase of 7 - 10% for 2019 is achievable.

Retirement Account Withdrawls

Many of us have a retirement account of some kind whether it's a 401k, traditional IRA, Sep, or some other type. When you reach 70½ years of age, you are required to take your first Required Minimum Distribution (RMD) from your retirement account. You may take this before year end or postpone your first distribution up to April first of the following year. If you decide to postpone your first distribution, this will require you to take two distributions in the same year. This could place you into a higher tax bracket. For that reason I always recommend getting your first RMD in the year reaching 70½.

You can decide how to manage and withdraw from your account on your own or seek professional direction from your financial advisor or CPA. If you take only your RMD each year, your remaining investments will continue to grow as no taxes are due. On the other hand, if you take distributions before they are required, they may push you into a higher tax bracket. This could increase your taxes on Social Security benefits as well as a surcharge on Medicare.

Your RMD is calculated on the amount in your retirement account at year end. Withdrawals from different types of IRAs cannot be treated the same and must be done separately. If you have several IRAs these can be combined. It's important that these are done correctly because the IRS can find you to be in default if you have not made your RMDs correctly. The fine is 50% of the amount you didn't declare and withdraw properly. If you are notified you're in default, you can remove the amount they reference and then file form #5329 Additional Taxes on Qualified Retirement Plans.

Married couples often assume they can take the required amount due from one or the other's IRA for both because they file tax returns jointly, but there is no such thing as a joint IRA, so this cannot be done. These must be declared separately.

Many question whether additional funds taken above the yearly RMD requirement can be credited to the following year. You can take as much as you'd like, but they are taxed in the year they are taken. Most seniors use a Uniform Lifetime Table (Table III) of IRS Publication 590-B to calculate the amount which must be taken each year from their IRAs. This amount is figured on the balance within their accounts at the end of the previous year using their life expectancy factor. If you are reading this and have any questions, you are welcome to contact our Ann Hathaway as she has the charts and the formula needed to know the right amount to take.

DP

WALTER'S WISDOM
www.pearsoncapitalinc.com

Can we say a few things that you already know? You are here to make money. Nobody's perfect, but in the long run you should see that your account is appreciating more and more. Money is made in the form of dividends, in the growth of your company, and also in the depreciation of the dollar. Back in 1926 the dollar was a constant entity. It was backed by gold which was stored at Fort Knox. This gold was gradually taken away and now the value of the dollar is dwindling. People who have dollars can see their purchasing value diminish a bit each semester. People who have companies that pay dividends will find that in a growing company, the dividend is gradually increasing. The ones that pay no dividends are usually increasing in value. Those of you who were around in 1926 remember what happened. The dollar was devalued then, and it goes down in value each day which makes it another reason to own stocks. Growth is one good reason but now you have two reasons.

We here are doing our bit in trying to find companies that never stop growing. We try to find companies like, but unlike, General Electric. Here is a company that earlier was cheap and it gradually rose to $50 a share, but now it has gradually gone down to $7. We are constantly searching for companies that never do stop growing. Apple is one that almost everybody has and is still showing growth potential. Visa is one that some people have, but it seems rather expensive to be bought at these prices. We are looking for growth, and a reasonable price. Seldom do these two come together, but it does happen on one or two occasions. One thing you can do in your spare time is to look for companies that meet your criteria. It may be that nothing comes to your memory, but the nice thing is you tried.

Are there opportunities waiting to be bought? Am I overlooking one or two? I've said it before but I will now say it again. THINK LONG RANGE. Let's take a look at Netflix which I bought in November, 2003, at $50 a share. I bought 20 shares but because of splits I now have 240, even though I sold 40 along the way. My original 20 shares which cost me $1,000 are now 240 shares with a value of $66,240. This emphasizes the value of long term investing with growth.

Then there is the thing we hardly consider, and that is dividends. Some companies raise their dividends constantly. Though you may not take them seriously at first, they are there and should be considered. Perhaps they are paying the same amount or perhaps it is also being raised, but either way, your life is being made easier with all this cash floating around. Then too, perhaps you have one or two like XOM which has raised its dividend each year for 50 years. And, you may be sitting with some companies that are now yielding 6 percent or more.

Hope you can find one or two of yours in that cataclysm at the bottom of the page. GOOD LUCK!

And here are those fantastic companies that have raised their dividend again. TECK, UVE, BNS, CSWC, MKC, DIS, TD, NXPI, NUE, RJF, GG, FMC, ADC, DE, ECL, MA, SYK, ABEV, BMO, FSV, PBA, TOT, AMT, BMY, CHRW, EMN, HI, OC, PFBC, AVGO, CCU, JCI, AMGN, PWR, CIB, MDT, VTR, BBD, NVT, ABT. T, ENSG, MORN, PFE, BBD, NTR, BCPC, VET, FITB, CP, ALG, LMNR, CB, PBR.

WP

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.*

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)

 Investment letters are complimentary to our clients with managed accounts!

PEARSON CAPITAL'S RECOMMENDED STOCKS JAN/FEB 2019
www.pearsoncapitalinc.com

BROADCOM INC. (AVGO) NASDAQ PRICE $253.59

Broadcom Inc., formerly Broadcom Limited, is a designer, developer and global supplier of a range of semiconductor devices with a focus on digital and mixed signal complementary metal oxide semiconductor based devices and analog III-V based products. The Company operates through four segments: Wired Infrastructure, Wireless Communications, Enterprise Storage, and Industrial & Other. It offers a range of products that are used in end-products, such as enterprise and data center networking, home connectivity, set-top boxes, telecommunication equipment, smartphones, data center servers and storage systems, factory automation, power generation and alternative energy systems, and electronic displays. Its product portfolio ranges from discrete devices to complex sub-systems that include multiple device types, and also includes firmware for interfacing between analog and digital systems. Its products include mechanical hardware that interfaces with optoelectronic or capacitive sensors.

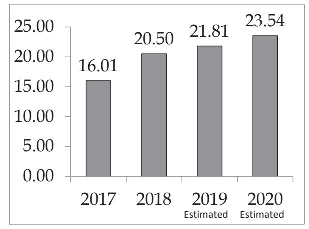
Type: Value
Sector: Information Technology

Institutional Holdings: 86%
Industry: Semiconductors & Semiconductor Equipment

Ratings & Recommendations

Current P/E Ratio: **22**
Annual Yield: **4.2%**
Annual Dividend: **10.6**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **B**

Earnings per share



CELANESE CORP (CE) NYSE PRICE $89.49

Celanese Corporation (Celanese) is a technology and specialty materials company. The Company's segments include Advanced Engineered Materials, Consumer Specialties, Industrial Specialties, Acetyl Intermediates and Other Activities. The Advanced Engineered Materials segment includes the Company's engineered materials business and certain affiliates. The Consumer Specialties segment includes the Company's cellulose derivatives and food ingredients businesses, which serve consumer-driven applications. The Industrial Specialties segment includes the Company's emulsion polymers and ethylene vinyl acetate (EVA) polymers businesses. The Acetyl Intermediates segment includes the Company's intermediate chemistry business, which produces and supplies acetyl products, including acetic acid, vinyl acetate monomer (VAM), acetic anhydride and acetate esters. The Company has operations in North America, Europe and Asia. As of December 31, 2016, the Company had 30 global production facilities.

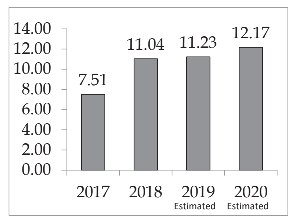
Type: Value
Sector: Materials

Institutional Holdings: 97%
Industry: Chemicals

Ratings & Recommendations

Current P/E Ratio: **8.7**
Annual Yield: **2.4%**
Annual Dividend: **2.16**
Investor's Bus. Daily: **C+**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B+**

Earnings per share



SIGNATURE BANK (SBNY) NASDAQ PRICE $103.09

Signature Bank is a full-service commercial bank. The Bank operates over 30 private client offices throughout the New York metropolitan area. Its segments include Commercial Banking and Specialty Finance. It offers a range of business and personal banking products and services. Its specialty finance subsidiary, Signature Financial LLC (Signature Financial), provides equipment finance and leasing services. Signature Securities Group Corporation, a subsidiary of Bank, is a licensed broker-dealer, investment advisor offering investment, brokerage, asset management and insurance products and services. The Commercial Banking segment consists of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities. The Specialty Finance segment consists of financing and leasing products, including equipment, transportation, taxi medallion, commercial marine, commercial vehicle, municipal and national franchise financing and/or leasing.

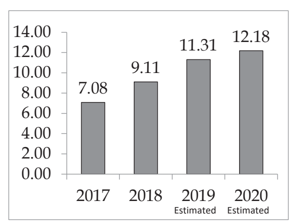
Type: Value
Sector: Financials

Institutional Holdings: 94%
Industry: Banks

Ratings & Recommendations

Current P/E Ratio: **12.2**
Annual Yield: **2.2%**
Annual Dividend: **2.24**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **C**

Earnings per share



SUNTRUST BANKS INC. (STI) NYSE PRICE $49.78

SunTrust Banks, Inc. is a provider of financial services. The Company's principal subsidiary is SunTrust Bank (the Bank). The Company's business segments include Consumer Banking and Private Wealth Management, Wholesale Banking, Mortgage Banking and Corporate Other. As of December 31, 2016, the Consumer Banking and Private Wealth Management segment consisted of three primary businesses: Consumer Banking, Consumer Lending and Private Wealth Management. The Wholesale Banking segment includes the operations of the Corporate and investment banking (CIB), Commercial and Business Banking, Commercial Real Estate, and Treasury and Payment Solutions businesses. The Mortgage Banking segment offers residential mortgage products nationally through its retail and correspondent channels, the Internet (www.suntrust.com) and by telephone. The Bank provides clients with a selection of full-, self- and assisted-service channels, including branch, call center, Teller Connect machines, mobile and tablet.

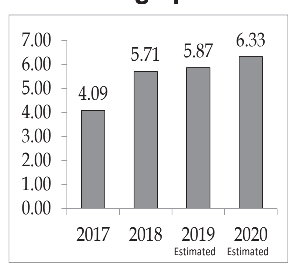
Type: Value
Sector: Financials

Institutional Holdings: 82%
Industry: Banks

Ratings & Recommendations

Current P/E Ratio: **9.8**
Annual Yield: **4.1%**
Annual Dividend: **2.00**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**

Earnings per share



JUST ASK ANN

Don recently had a question from a client that he thought was important enough to share with all:

Client: I was just reading the article about this hedge fund scandal. It scares me to death. Are my funds safe? How can I avoid being scammed like that? He sounds so good, smooth talker, family, etc.

Don's reply: Those are good questions and thoughts. I can assure you there is nothing to worry about with us. We do not purchase any hedge funds or mutual funds, as I feel building your portfolio with exchange traded funds and individual stocks, which we have for you and everyone else, is the way to guarantee safety. We have a research system in place that every stock and ETF goes through before purchasing, and this would alert us to any fraud issue you're asking about.

Remember that everything you own in your portfolio, we own also. We don't purchase anything for a client that we aren't comfortable owning as well!

When approached by someone like this, the reply that guarantees your safety is: "I already have a Registered Investment Adviser who makes these decisions for me, in my best interest, so your services are not required."

Management Fee:

Our fee is extracted quarterly from the account at 25% of one percent by TD Ameritrade. Immediately following any quarterly management fee extraction, it is posted within your account's history information available on line. It is also posted in your TD Ameritrade monthly statement.
First Quarter January-February-March-see your January statement.

iShares Select Dividend ETF (DVY) NASDAQ PRICE $88.70

The investment seeks to track the investment results of the Dow Jones U.S. Select Dividend Index composed of relatively high dividend paying U.S. equities. The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. The underlying index measures the performance of a selected group of equity securities issued by companies that have provided relatively high dividend yields on a consistent basis over time.

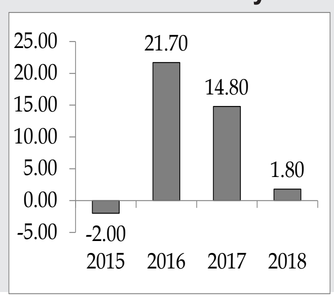
Location: USA
Type: 100% Stock

Category: Value-Yield
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3.6%**
Annual Dividend: **3.20**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

Performance by%



Vanguard High Dividend Yield Index Fund ETF (VYM) NYSE ARCA PRICE $77.32

The investment seeks to track the performance of a benchmark index that measures the investment return of common stocks of companies that are characterized by high dividend yield. The fund employs an indexing investment approach designed to track the performance of the FTSE High Dividend Yield Index, which consists of common stocks of companies that pay dividends that generally are higher than average. The adviser attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

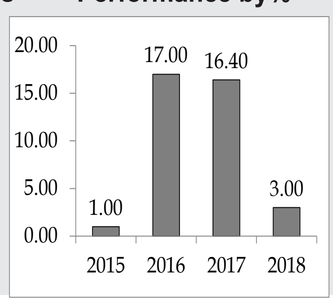
Location: USA
Type: 100% Stock

Category: Value-Yield
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3.4%**
Annual Dividend: **2.65**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

Performance by%



Investment letters are complimentary to our clients with managed accounts!

3) The bank crisis in Italy is now under control by the European Union.

Key Point: Expect volatility in the near future.

Earnings Flows:

December normally is the time the mutual funds' quarter ends, creating a traditional Santa Claus rally and leaving room for the market to reach new highs at the end of the year. Unfortunately, that did not happen this year, as investors instead looked toward possible lower earnings next year. The upcoming earnings for the S&P 500 for 2019 will be nowhere near the growth we saw in 2018 as a large part was attributable to the tax cuts and buybacks. Many analysts fear that year over year comparisons could fall significantly more than the market has been expecting. Higher interest rates, tariffs, and rising wages, could impact corporate profits.

However, due to the recent stock market decline, the forward 12-month price to earnings (P/E) ratio for the S&P 500 is now about 14. We also expect that most of the 11 sectors of the S&P 500 are projected to see higher net profit margins in 2019 relative to 2018. Capital spending may also reach $3 trillion and is growing just as fast for both the private and public sectors of the economy. Job gains have been strong, on average, in recent months, and the unemployment rate has declined. Household spending has also continued to grow strongly.

In the most recent quarter:

1) 5G wireless technology is now being tested worldwide.

2) The lower price of gasoline is beneficial for consumers this Christmas.

Key Point: Many companies are reassessing future earnings growth as the tax cuts subside.

Cash Flows:

Many investors feel that as of today the Fed's rate hikes and its reversal of Quantitative Easing (QE) have already been enough, or too much, for the economy to handle, and stock market timers haven't been this gloomy since late June 2016. Just as we reported last year, the Fed would raise the Federal Funds rate again in December, as current signs of consumer spending and wage growth are rising in a robust fashion. The good news about the stock market is that the S&P 500 is on track for at least $800 billion in stock buybacks in 2018 and will continue to increase dividends as well. We are hoping that companies will accelerate their stock buyback pace for the New Year as the market is experiencing a pullback at this time.

New trends we see:

1) We expect new companies such as Uber and Lyft to go public this year.

2) Dividend increases continue even though we have had a pullback in the market.

Key Point: Companies will still raise dividends and continue buybacks.

The following are photos from our recent Toys for Tots event held on December 15th at The Alley at South Shore in Riverview.
This year we collected over 100 boxes of toys, 83 bicycles and almost $9000.00 in cash donations.
Walter, Don & Ann and the entire Pearson team offer our heartfelt thanks to the Boje Family and The Alley at SouthShore for all their support. Besides providing us with a wonderful venue for our event, they challenge all their bowling leagues to reach deep into their hearts and wallets.
They are truly generous!
Thank you to Faith Hanaway and her staff at The Alley as well as Pam Vassello and her family for their continuing dedication to our campaign and our event.
We'd also like to thank Huth & Booth Photography for all the pictures you see here, Costco, and Bill McConnell, our announcer and Mr. Claus himself, John O'Connor.
Lastly many thanks to all the volunteers that make this an amazing event!

Rachel Mushow
Rachel's Family Hair Salon

Don with the Greeting committee

Volunteers display the toys

Walter & Don Pearson

Logo

Mia Zuzack

Kristi & James Pulkowski

Our Announcer Bill McConnell

Peter Florence & a little red wagon

Eileen & Joe Eletto-Century 21 Beggins

Bikes Galore!

Century 21 Beggins

Wecoming our honored guests

Mr. Bill Boje of The Alley

The Alley check presentation

Marines checking it twice!

Boxes overflowing with toys

GySgt Magofna with the Kirklands

Waiting for Santa to arrive

Volunteer Reagan Pulkowski

Faith Hanaway & Jeremy

Santa Arrives!

Reciting her list

Never too big for Santa!

First Christmas with Mr Claus

Mountain of toys

Let's see, I'd like…

A real Christmas kiss!

Mr. Boje having a visit, too

Holiday Smiles

Dessert-Cake donated by Costco

Looking forward to meeting Santa

Packing up begins


Hedy Sacco


Don & Penny Smith


Peter & Alison Farnan


Vivian & Jerry Rothstein & Darrell Green


Toys for Tots collection day


Bryan & Marijean Reith


Chip Ebert - Stanley Steamer


Nancy Sanney our Costco Rep


Dennis Napoli of Gecko Floor Care


Don & Chris Guiley - A+ Hearing


Loading up the trucks


Ann & Jeff McGowan

WALL STREET INDEXES

Indexes	2012	2013	2014	2015	2016	2017	2018
S&P 500	13.4%	29.6%	11.4%	(0.8%)	5.8%	19.6%	(7.1%)
Dow Jones	7.3%	26.5%	7.5%	(2.2%)	7.9%	25.1%	(6.7%)
Nasdaq	15.9%	38.3%	13.4%	5.7%	4.1%	28.2%	(4.7%)
Market Average	12.2%	31.5%	10.8%	0.9%	5.9%	24.3%	(6.0%)

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

At the last Federal Open Market Committee (FOMC) meeting, the Federal Reserve announced that the labor market has not only raised its key interest rate a quarter point, but also signaled two additional key interest rate hikes in 2019. Many people were shocked by that statement, derailing the overall stock market and resulting in massive selling to set new annual lows on many consecutive days this past month and causing one of the few negative trading days on Christmas Eve. Many people believed that the FOMC statement was going to be very dovish, with the Fed leaning in the direction of holding and waiting for more data. Instead, Fed Chairman Jerome Powell did nothing to calm financial markets. Although the Fed lowered its inflation forecast, we believe that their forecast was still way too high, ignoring all of the recent issues such as the tariff negotiations, the continuous commodity price deflation, such as the price of oil, and issues in Europe. So when the market was moving lower, many Fed governors, the Treasury Secretary, and then the President made additional comments to reverse the hawkish mood of the Fed. In turn the market had one of the best days ever the day after Christmas, as the Dow Jones Index moved over one thousand points higher for that session.

However, during his press conference, Powell said that policy does not need to be accommodative now, and that he doesn't believe the current policy is restrictive. We also do not see the Fed altering its approach to balance-sheet normalization but may limit any changes to the Fed funds rate until the end of next year. Ever since the Fed began its Quantitative Tightening (QT) initiative in October 2017, the Fed has shed around $365 billion of its $4.14 trillion off its balance sheet. This has caused a flood of additional bonds to be sold in the market at the same time it is raising interest rates. While this originally caused great concern, New York Fed President, John Williams suggested that the Fed's current plan to sell $50 billion in bonds each month is not set in stone and that the Fed can be flexible if need be. The last thing that investors want is to have the credit markets appear to be anticipating a growth slowdown due to tighter monetary policy by the Fed's own creation.

There is also a chance that the U.S. and China aren't going to be able to reach a trade agreement on structural issues in their prescribed 90-day timeframe. March 1 is the deadline for their current tariffs truce to run out. Treasury Secretary Mnuchin added that China and the U.S. have had several rounds of talks in the past few weeks. Formal face-to-face meetings are now being scheduled in January, which gave the stock market hope that the Chinese trade spat may finally be resolved in the upcoming months.

New trends we see:

1) Brexit is now becoming a major issue with our economy.

2) Oil and other commodities will be very volatile this year.

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