

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
www.pearsoncapitalinc.com

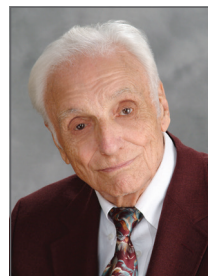
FEATURED STOCKS - FEB/MAR 2019

VALUE STOCKS:

Broadcom Inc.
Credit Acceptance Corp
Gentex Corp
Lockheed Martin Corp

ETFs:

iShares Expanded Tech-Software
Health Care Select



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

Helping Everyone

Whether you are a client of ours today, or might be down the road, I would like to share some information with you. Some of these things you may or may not know. I believe once you do know these things, we can perhaps assist with the management of your portfolio.

When building a portfolio the size really doesn't matter. We try just as hard to be successful with those people starting out with minimal funding as those with a great deal of funding. When someone begins with a small amount of money, we try to purchase only ETF's, as the safety level is higher. With larger portfolios of \$50,000 or higher, we begin adding individual stocks so as to better diversify the portfolio. We almost never buy mutual funds because ETF's are so much better both tax-wise as well as helping to better diversify.

As a registered investment advisor, I have a fiduciary responsibility to make the very best choices I can to enhance the performance of your portfolio. I have a very simple solution to this, and that is whatever is bought for your portfolio is bought for ours also, as I want nothing but the best for safety, diversification, and performance. It kind of puts us on the same team, hopefully winning together. We cannot guarantee that we will win every year, but we do have a track record of outperforming the S&P most years and mutual funds do not. On average they miss over 80 percent of the time on a five-year average according to Morningstar.

Morningstar also reports that more than 60 percent of fund managers are not purchasing the stuff they are peddling, and, as I said earlier, only the best choices go into my account as well as yours.

I also tell our clients that I can help with the selections for your 401(k) at work. Once we talk and I know what choices you have, I will be able to give

you recommendations that should improve it. I have the research tools and the software to better evaluate your selections. If you live in our Southshore area, I like to have people come to my home office, and we can do this together over a cup of coffee or a glass of wine.

Our account manager Ann Hathaway will assist with any and all paperwork needed to get started or transferred. We try to help young people getting started, and many times do not take our 1 percent management fee for the first year. Once you've been with us for some time we also discuss starting accounts for your grandchildren at no charge.

Helping Yourself

Today many people either do not invest, or save properly for their retirement. I'm going to list several ways you can invest. Choose whatever risk level fits you best. I favor the Roth IRA, but read on, and then you can decide.

If you are still working and your employer offers a 401(k) retirement plan, I encourage you to take advantage of this opportunity to receive all the free money being offered by meeting the requirements the plan has outlined. You can then decide how and in what to invest.

CD-Funded IRA - If principal protection is your primary concern this offers a lower yield but a safe way to save.

SEP IRA - These are for small business owners and provide retirement benefits for the owners and their employees. These offer tax breaks for the business, and significantly higher contribution limits than Traditional or Roth IRAs.

Traditional IRA - This is a tax-advantaged savings vehicle designed to help you save more for your retirement. Your contributions may be tax deductible depending on your income and gain additional tax-deferred growth above and beyond your employer-

sponsored plan. Once you've reached the age of 70½ you must begin withdrawing money from your IRA so the government can begin receiving taxes from it. Each year you will receive a notification of the amount required to be withdrawn for the tax year (Required Minimum Distribution - RMD). This will be done every year ongoing until it's either empty or you have passed on. When passed to a beneficiary, he/she can either take the full remaining amount (and pay the required taxes as additional income) or take it according to the rules for continuing as a beneficiary. Another reason to favor the Roth as this does not occur.

Roth IRA - These are funded with after tax dollars. Some of the advantages are: (1) Earnings accumulate tax free, (2) Provides more flexibility on withdrawals prior to age 59½, (3) Doesn't require you to take any RMDs as the others do, (4) Distributions from Roth IRAs are tax free for your beneficiaries.

Here are some other pieces of information that should help with your decision.

-When someone leaves their employer, their 401k can be converted to a rollover IRA similar to that of the Traditional IRA as listed above.

-If choosing the Roth, the annual contribution has been increased in 2019 from 2018. Prior year was \$5,500 and this year is \$6,000. For those fifty and older, prior was \$6,500 and now \$7,000. As the money continues to grow throughout your life, whenever you want it past age 59½ it's all yours tax free.

You might wish to discuss these options with your CPA or bookkeeper as they can help you decide what is best for you and the amount you can contribute annually, as this can change.

Our company can help you with any of this. All you have to do is call and ask.

DP

STOCKS ARE SYMBOLS

A new year has settled in and you guys look just the same as last year. You don't look like financial analysts, nor do you resemble cross country runners. The petal is off the rose and the bloom is starting to show. Do you think you are in for a stock market that is rising or falling? Have you read what these other honchos have said? Do you care what they think? Haven't you learned by now that it doesn't make any difference? A market that tends to rise for a certain period will have a tendency to fall for some period, and a market that goes down for some period will definitely have a rise for some period. The rises will outdo the drops for more than one reason. First of all the company should be earning more money as time goes on, and that makes it worth more. Then there is the shrinking value of the dollar. Think of it this way: stocks are symbols of a confederacy of companies, some of which are rising, some of which are falling. Your job is to find companies that have increases in earnings to see in the near and foreseeable future.

You may have an account that has been started already, or you may be in a position where you are just thinking of starting one. Let's say you're in the former position. It's just a matter of how much you need to take out, or whether or not it is worthwhile to pull any money out. Let's say you are just starting an account and you have various questions. How much to put into each stock, how many stocks all-told, how much diversification you should have, and other things that run through a newcomer's mind. The thing that comes to my mind is that the business of investing is simply a matter of getting rich. That doesn't mean that you will become a millionaire, although you might. What it means is that you will be richer than you used to be. Investing is the way to go.

For example, someone has started a business and he offers you an opportunity to share. He has decided to let others in and he splits the company into many pieces which are called shares. This is where you come in. Study the company. If you can see future promise for the company and it is not too expensive, buy some. There are only two ways you can go - up or down. If you have done your research, you should have come out all right even though it takes a little time. Then on the other hand you may have discovered another Netflix which has gone from \$3 a share to \$357 a share over a fifteen-year period. In other words if you had invested \$1,000 then, it would be worth \$100,000 now.

No matter how good at this you have become, no one is perfect. Going on that premise, the best and safest way to go is to maintain a number of investments. In that manner you will have diversification. The more, the better. In that manner if you have made one mistake and have bought a stock that you have lost money on, it turns out that your other investments have taken care of the loss. Then too, you might have been lucky enough to have included Netflix among your others and these shares alone could take care of many mistakes.

Another time has come where you can look for some of your companies that have raised the income from one of your investments. You may have one or two that have treated you kindly, or maybe more. Look them over and hope for the best: WASH, SIMO, GBCI, WSO, OZK, BBD, PBA, BPT, INFY, VET, CLB, EPD, BLK, FAST, TGE, SAN, CMS, SIG, WIT, JEC, CMCSA, FFBC, JBHT, LVS, NSC, QSR, CMA, ROL, WFC, ALK, AIT, VLO, WTFC, RCI, COP, INTC, MPLX, YUM, AGN, SCCO, ARLP, HCA, NATI, CNI, ANTM, SCHW, CVX, FIBK, MKTX, PAG, SPGI, EBAY, NVS, DEO, RDS.A, AFL, PLL, CINF, NI, AMG, GILD, un, MMM, ADM, CHD, EXC, HCSG, MCHP, ETRN, BP, FSV, SU, CSX, KMPR, PBA, SCCO, ADS, DOX, HUM, ICE, LEA, ODFL, PRI, PRU, UNP, WU, HSBC.A.

WP

Copyright © 2007 Pearson Capital, Inc. - All Rights Reserved - Sources: Pearson Capital, Inc. research, various publications and the Internet

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)

BROADCOM INC. (AVGO) NASDAQ PRICE \$281.50

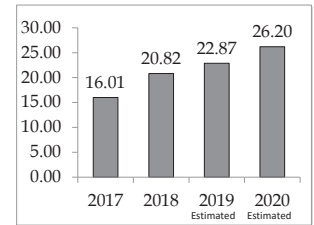
Broadcom Inc., formerly Broadcom Limited, is a designer, developer and global supplier of a range of semiconductor devices with a focus on digital and mixed signal complementary metal oxide semiconductor based devices and analog III-V based products. The Company operates through four segments: Wired 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: Technology

Institutional Holdings: 85%
Industry: Semiconductors & Semiconductor Equipment

Ratings & Recommendations Earnings per share

Current P/E Ratio: **10**
Annual Yield: **3.8%**
Annual Dividend: **10.6**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **B+**



CREDIT ACCEPTANCE CORP (CACC) NASDAQ PRICE \$436.82

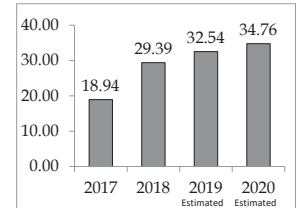
Credit Acceptance Corporation offers financing programs that enable automobile dealers to sell vehicles to consumers. The Company's financing programs are offered through a network of automobile dealers. The Company has two Dealers financing programs: the Portfolio Program and the Purchase Program. Under the Portfolio Program, the Company advances money to dealers (Dealer Loan) in exchange for the right to service the underlying consumer loans. Under the Purchase Program, the Company buys the consumer loans from the dealers (Purchased Loan) and keeps the amounts collected from the consumer. Dealer Loans and Purchased Loans are collectively referred to as Loans. As of December 31, 2016, the Company's target market included approximately 60,000 independent and franchised automobile dealers in the United States. The Company has market area managers located throughout the United States that market its programs to dealers, enroll new dealers and support active dealers.

Type: Value
Sector: Financials

Institutional Holdings: 65%
Industry: Consumer Finance

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **B+**



GENTEX CORP (GNTX) NASDAQ PRICE \$19.77

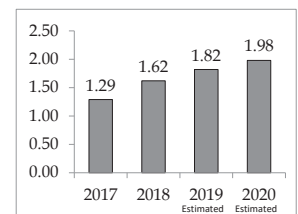
Gentex Corporation designs and manufactures automatic-dimming rearview mirrors and electronics for the automotive industry, dimmable aircraft windows for the aviation industry, and commercial smoke alarms and signaling devices for the fire protection industry. The Company's business segment involves designing, developing, manufacturing and marketing interior and exterior automatic-dimming automotive rearview mirrors that utilize electrochromic technology to dim in proportion to the amount of headlight glare from trailing vehicle headlamps. Within this business segment, the Company also designs, develops and manufactures various electronics that are features to the interior and exterior automotive rearview mirrors, as well as interior visors, overhead consoles, and other locations in the vehicle. The Company ships its products to all of the automotive producing regions across the world, which it supports with various sales, engineering and distribution locations across the world.

Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 84%
Industry: Auto Components

Ratings & Recommendations Earnings per share

Current P/E Ratio: **12.2**
Annual Yield: **2.2%**
Annual Dividend: **0.44**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**



LOCKHEED MARTIN CORP (LMT) NYSE PRICE \$301.00

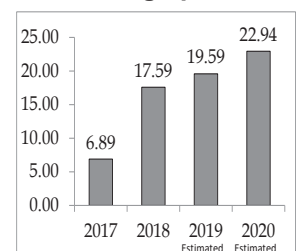
Lockheed Martin Corporation is a security and aerospace company. The Company operates through four segments. Aeronautics segment is engaged in the research, design, development, manufacture, integration, sustainment, support and upgrade of military aircraft, including combat and air mobility aircraft, unmanned air vehicles and related technologies. Missiles and Fire Control segment provides air and missile defense systems; fire control systems; manned and unmanned ground vehicles, and energy management solutions. Rotary and Mission Systems segment provides design, manufacture, service and support for a range of military and civil helicopters; mission systems and sensors for rotary and fixed-wing aircraft; simulation and training services, and unmanned systems and technologies, among others. Space Systems segment is engaged in the research and development, design, engineering and production of satellites, strategic and defensive missile systems and space transportation systems.

Type: Value
Sector: Industrials

Institutional Holdings: 76%
Industry: Aerospace & Defense

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.3**
Annual Yield: **2.9%**
Annual Dividend: **8.80**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**



JUST ASK ANN

Tax Information

All 1099s have been issued with a few exceptions, however corrected 1099s can be issued in a correction cycle every 2 weeks beginning February 22, 2019.

For those of you who use TD's online access, you can print out your document by clicking on MY ACCOUNT- then TAX DOCUMENTS. Scroll down the page to 'Your year-end tax documents' where you will find your Consolidated Form 1099 in pdf format.

Just above this information you can access a link to the **1099 INFORMATION GUIDE**. If you prepare your own taxes, this is a good reference for reading and interpreting your tax document.

Everyone should receive a printed copy directly from TD as well. These were/will have been mailed 5-7 days after posting online.

DON'T FORGET! If you haven't made your 2018 contribution to your ROTH IRA, you have until April 15th to do so. Just be sure that you indicate that your contribution is for 2018! Maximum for those 50 and younger is \$5500, \$6500 if you are over 50 years of age.

The maximums **beginning in 2019** have been raised \$500 for everyone (\$6000-\$7000). Make sure you take full advantage of this increase in the coming year.

FYI- ROTH tax documents (Form 5498) are never issued until May but you don't have to submit this form to claim it on your current tax return.

iShares Expanded Tech-Software ETF (IGV) CBOE PRICE \$203.16

The investment seeks to track the investment results of the S&P North American Technology Software Index composed of North American equities in the software sector. 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 index measures the performance of U.S.-traded stocks of software-related companies in the U.S. and Canada.

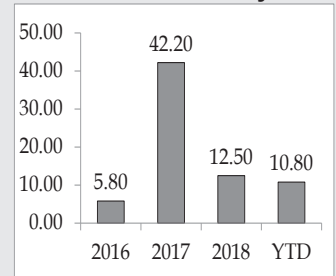
Location: USA
Type: 100% Stock

Category: Technology
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **N/A**
Annual Dividend: **0.27**
Investor's Bus. Daily:
Pearson Growth & Value: **A+**
Stand & Poor Rating: **A**
The Street (analyst avg.):

Performance by%



Health Care Select ETF (XLV) NYSE ARCA PRICE \$91.47

The investment seeks investment results that, before expenses, correspond generally to the price and yield performance of publicly traded equity securities of companies in the Health Care Select Sector Index. In seeking to track the performance of the index, the fund employs a replication strategy. It generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index. The index includes companies from the following industries: pharmaceuticals; health care equipment & supplies; health care providers & services; biotechnology; life sciences tools & services; and health care technology.

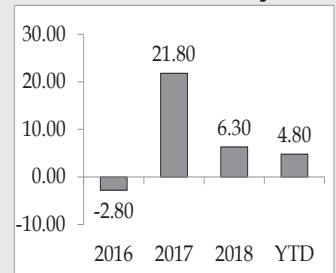
Location: USA
Type: 100% Stock

Category: Healthcare
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.5%**
Annual Dividend: **1.36**
Investor's Bus. Daily:
Pearson Growth & Value: **A-**
Stand & Poor Rating: **B**
The Street (analyst avg.):

Performance by%



see today. As we stated before, 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. Earnings momentum will continue to decelerate due to more difficult year-over-year comparisons. We still see a slowdown in global growth, including China. Since over 50 percent of the S&P 500's sales are generated outside of the U.S., we expect more companies to issue earnings warnings in the upcoming months. Also, higher interest rates here are causing a strong dollar. This will also affect earnings of multinational companies' profits overseas.

New trends we see:

- 1) The U.S. is experiencing stronger GDP growth than other developed nations.
- 2) IPO's have been postponed to the second half of the year due to the government shutdown.
- 3) We still see consolidation and more mergers between companies.

Key Point: Expect a slowdown in earnings.

Cash Flows:

The good news about the stock market is that the S&P 500 is on track for one of its best January performances ever. At least \$800 billion in stock buybacks occurred in 2018. We were hoping that companies would accelerate their stock buyback pace during the most recent pullback, and we should see the results in the upcoming quarter.

However, because of the large amount of buybacks, some lawmakers, including U.S. senators, are now criticizing this option, stating that it is affecting the long-term strength of the U.S. economy. Some have stated that stock buybacks should be banned all together, or that the capital gains from a stock sale should be taxed the same as dividends.

When a company purchases its own stock back, it reduces the number of publicly traded shares, boosting the value of the stock. If done appropriately, we see that as a significant benefit for shareholders, both for capital gains and future dividend growth.

New trends we see:

- 1) We still expect new companies such as Uber and Lyft to go public later this year.
- 2) Dividend increases continue even though we have had a pullback in the market.

Key Point: Some government lawmakers are critical of stock buybacks.

WALL STREET INDEXES

| Indexes | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------|-------|-------|--------|------|-------|--------|-------|
| S&P 500 | 29.6% | 11.4% | (0.8%) | 5.8% | 19.6% | (7.1%) | 9.5% |
| Dow Jones | 26.5% | 7.5% | (2.2%) | 7.9% | 25.1% | (6.7%) | 9.1% |
| Nasdaq | 38.3% | 13.4% | 5.7% | 4.1% | 28.2% | (4.7%) | 11.9% |
| Market Average | 31.5% | 10.8% | 0.9% | 5.9% | 24.3% | (6.0%) | 10.2% |



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



At the last Federal Open Market Committee (FOMC) meeting, the Federal Reserve reverted to a neutral position and talked about holding steady in regard to interest rates and balance sheet adjustments. This was based on uncertainty surrounding the structure of the future U.S.-China trade deal, and of the upcoming Brexit situation in Great Britain, as well as a possible economic slowdown worldwide. Each of these situations, were they to worsen, would be highly disruptive for financial markets. We were wrong about the Fed altering its approach to balance-sheet normalization, as many people were very critical afterwards about the Fed's actions during December. The Fed's current plan to sell \$50 billion in bonds each month is not set in stone, and the Fed can be flexible if need be. The Fed is still debating whether to use its balance sheet as a regular monetary policy tool on par with raising or lowering interest rates. Also, the Fed will be patient as it determines future adjustments to the target range for the federal funds rate.

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 time frame. March 1 is the deadline for their current tariffs truce to run out. Talks are continuing at the time of this letter. China's slower growth rates should compel them to make a deal on trade sooner rather than later.

According to San Francisco Fed President Mary Daly, the good news is that the U.S. economy is naturally slowing to a more sustainable pace, and this is welcome as it will help prevent a recession. In 2018, the economy grew close to a 3 percent annual rate, "and that, by anyone's estimate, is a full percentage point above what we can potentially grow at," Daly said, during a conversation hosted by the Bay Area Council in San Francisco. The consensus forecast for 2019 is for growth at a 2 percent annual rate.

New trends we see:

- 1) Global events are now influencing the Fed.
- 2) Oil is still lower than it was last year.
- 3) Italy is now in the second quarter of a recession.
- 4) Still there is no large infrastructure bill.

Key Point: The Federal Reserve is holding off on raising interest rates.

Earnings Flows:

After December's major pullback, January's increase in the market was the strongest in over 30 years. After the Federal Reserve changed direction in its stance on interest rate increases, this calmed the market and allowed it to adjust to the current levels that we

Continued to page 5

Pearson Capital, Inc.

P.O. Box 3739
6431 Rubia Circle
Apollo Beach, Florida 33572
Tel: (813) 641-7575
Fax: (813) 641-7755
Toll Free: (800) 510-0329

www.pearsoncapitalinc.com

Chairman Of The Board
Head Of Investment Research
Walter D. Pearson
E-mail: PearsonCap@aol.com

President
Donald E. Pearson
E-mail: PearsonCapital@aol.com

Stock Analyst
Chris Carothers
PearsonCapital2@yahoo.com

Account Manager
Ann Hathaway
PearsonCapital7@gmail.com

The Pearson Investment Letter
published monthly since 1982

Editor
Roberta Wilde

Services Provided

Managed Accounts:
Individual - Joint - Custodial
Corporate - Partnership - Trust
IRA's; Roth - Trad - College - SEP
401(k) & 403(b) Rollovers - Transfers

Free consultation
No hidden fees

Privacy Policy
Available online or mailed upon request.

Table of Contents

| | |
|------------------|-----|
| Walter's Wisdom: | 2 |
| Featured Stocks: | 3 |
| Featured Stocks: | 4 |
| Ask Ann | 4 |
| Market Outlook | 5-6 |