

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
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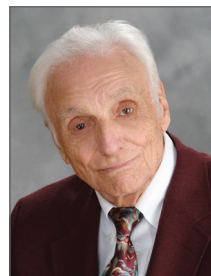
FEATURED STOCKS - JULY/AUGUST 2019

VALUE STOCKS:

Credit Acceptance Corp
Gentex Corp
Great Western Bancorp Inc.
Old Dominion Freight Line Inc.

ETFs:

Schwab U.S. Large-Cap Value
Vanguard High Dividend
Yield Index Fund



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

Retirement Planning

Retirement planning is something we all have to do to reach retirement age successfully. Many people postpone this, and many younger people today are guilty of not even planning. Today so many people use their charge cards without consideration of the future, and have little or nothing saved. Saving for retirement is on the back burner, or not even in the planning stages. Imagine having a few thousand dollars in a bank account and living life day to day. I'm hoping by sharing the following statistics I will help many of you to get started immediately. A person wanting to retire around 65-70 years old and having a nest egg saved of substantial wealth to provide security and independence must begin now. Today the average household aged 56 to 61 has an average saved of \$163,577 for the future. If retirement was now, the withdrawal rate would be at \$6,500 per year and would obviously run out in no time.

Today a good retirement target would be \$1,000,000 and this is doable with proper planning. Anyone saving \$420 per month over a 40-year period and maintaining a return rate of 7% can reach this level. For 35 years it increases to \$605 a month, and for 25 years it's \$1,320 a month. For those starting later in life, 20 years monthly savings should be \$2,035, and for 15 years it's \$3,320. The return rate of 7% over time starts with a heavy amount in stocks, which is reasonable for anyone with ten or more years before retirement. For those who are exceptionally conservative and returning only 3%, this means mostly bonds and a few stocks. The ending balance then drops to \$380,000. The take away to this is you don't have to be a super-high earner to accumulate an impressive retirement nest egg, but you do need to start as early as possible and be reasonably aggressive with your investments.

This is where a good fiduciary can help with the planning. It doesn't matter if you're at the beginning developing a plan, half way through needing to maintain, or near your retirement goal. My license as a Registered Investment Advisor is different from most licenses. It requires that I must make decisions that are in your best interest, every time. This is easy for me to do, both personally and for our company, as we only purchase for you the same things being purchased for us, as we are on the same team wanting only the best for both of us.

If you would like to speak with me personally, know whatever we discuss is held in the strictest of confidence. Just give me a call so we can get together at 813-641-7575 or 800-510-0329.

Investment Education

As brokerage houses compete for your money, many lost leaders are offered to you as a way of getting your business. Charles Schwab doubled the number of ETFs that can be traded for free on its online platform. Their rival, Fidelity Investments, responded with a similar offer and now thousands of ETF's can be bought without paying normal commissions. Merrill Lynch offers to clients with over \$50,000 in their account 30 free stock and ETF trades per month. The goal here is to get you to spend money on their other products and services. I also encourage everyone to read the company prospectus and understand any and all hidden fees.

Once your cash is at one of these brokerage houses, a broker or advisor will help you, but you'll be purchasing their product. "I guess the question one has to ask is, if they all offer balanced funds, be it ETFs or mutual funds, will they all be the same? One may be better than the other, but because of the restrictions you have with the purchasing fee waived you may

not be able to get a particular one where your account is.

If you're a client of ours, your account is held at TD Ameritrade. We chose them as they offer our clients some different services without a fee. Transferring money from your bank, or having it sent from TD Ameritrade to your bank, along with having money mailed overnight, can all be done without any fee.

Also, the system we use I believe is far superior. We are not obligated to anyone or any place. Our system of building a portfolio begins with many hours of ongoing research. We try to find the very best that is offered as performance is the key. A onetime fee of \$6.95 for something we believe will be held in your account and mine for many years becomes a small price to pay. A good example of this is our largest held ETF:

SPDR® S&P Dividend ETF NYSE - (SDY). You will find this featured on page 4 of this month's newsletter. Things to note with this holding are their performance, their yield, and their consistency. Currently selling around \$100 it's up almost 8% YTD and the consistent performance average for the past 5 years is 9.5% and 10 years is 14%. This began in 2005 and has averaged 8.6% since inception. To be a chosen holding within this ETF, each company has had to raise their dividend for 20 consecutive years or longer. This is currently yielding 2.5% and in my opinion is a much better holding than a 1, 2, or 5 year certificate of deposit. If you'd like to learn more about this, just give me a call. 813-641-7575 or 800-510-0329.

DP

WALTER'S WISDOM
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Good morning. It is a good day, and as good a day as any to get started with a project you may have been putting off. What about investing? Have you started yet? In past Letters I have often mentioned my investment experiences with Wendy's. The story is that Wendy's began in 1969 or thereabouts, and it has done an excellent job through the years. Looking back a few years it did not paint the same picture that it looked like during the beginning. From 2016 to 2019 everything was going downhill except for earnings. It seemed that earnings were going uphill in spite of other things. But it has weathered its ups and downs from having a very nice start when it seemed to be a comer, to now where it continues to be a comer today. Here is a description of Wendy's and its subsidiaries.

Wendy's Co. NASDAQ:WEN Consumer Discretionary: Hotels, Restaurants & Leisure \$19.16

The Wendy's Company is the parent company of subsidiary holding company Wendy's Restaurants, LLC (Wendy's Restaurants). Wendy's Restaurants is the parent company of Wendy's International, LLC (Wendy's), which is the owner and franchisor of the Wendy's restaurant system in the United States. Wendy's is a restaurant company specializing in the hamburger sandwich segment. Wendy's is engaged in the business of operating, developing, and franchising a system of restaurants serving food. The Company operated approximately 6,080 Wendy's restaurants in operation in North America, as of January 1, 2017. Of these restaurants, 330 were operated by the Company and 5,768 by a total of 376 franchisees. In addition, as of January 1, 2017, there were 439 franchised Wendy's restaurants in operation in 29 countries and territories other than North America. Wendy's is also a partner in a restaurant real estate joint venture with a subsidiary of Restaurant Brands International Inc.

And now for this month's increases in dividends:

Perhaps you own some of these? CAH, PAG, TSCO, UCB, CNQ, DHT, OMAB, PAAS, FOXA, PTR, SIG, UNHm, FAMG, EXPD, MCHP, PSX, FMS, PBR, TKC, CNO, IEX, MAR, NTR, CCEP, HCSG, IBM, PEP, UGI, BP, ECA, ARCC, ARLP, COP, COST, AMP, EVR, XOM, GWW, INFY, TECK, MET, ETN, GWB, JNJ, MMP, PH, GS, SBS, SCCO, VET, CE, EWBC, TRV, AWK, CLB, NBL, WBS, UN, CHA, GIL, CLF, LOW, LYB, SU, SIG, PTR, SU, MPLX, CNI, LFC, QSR, NVT, NOC, TOT, LUV, VET, FDS, FCAU, CLX, PRSP, AMT, NTAP, SYBT, VFC, FAST, DXC, FLO, LCI, MOS, BBD, HDB, RY, TD, BNS, BMO, CBRL, UNH, BMO, CNI, RCI, CSWC, VET, BBD, FITB, BBD, SHI.

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.

PEARSON CAPITAL'S RECOMMENDED STOCKS JULY 2019

www.pearsoncapitalinc.com

CREDIT ACCEPTANCE CORP (CACC) NYSE PRICE \$483.83

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.

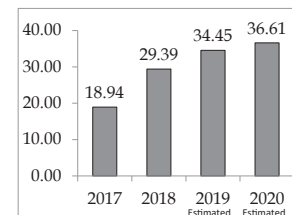
Type: Value
Sector: Financials

Institutional Holdings: 63%
Industry: Consumer Finance

Ratings & Recommendations

Current P/E Ratio: **14.9**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **B+**

Earnings per share



LANDSTAR (LSTR) NYSE PRICE \$107.68

Landstar System, Inc. (Landstar) is an asset-light provider of integrated transportation management solutions. The Company offers services to its customers across multiple transportation modes, with the ability to arrange for individual shipments of freight to enterprise solutions to manage customer's transportation needs. It operates in two segments: the Transportation Logistics segment and the Insurance segment. The Transportation Logistics segment provides a range of integrated transportation management solutions. Transportation services offered by it include truckload and less-than-truckload transportation, rail intermodal, air cargo, ocean cargo, expedited ground and air delivery of time-critical freight, heavy-haul or specialized, the United States-Canada and the United States-Mexico cross-border, project cargo and customs brokerage. The insurance segment consists of Signature Insurance Company, which is an offshore insurance subsidiary, and Risk Management Claim Services, Inc.

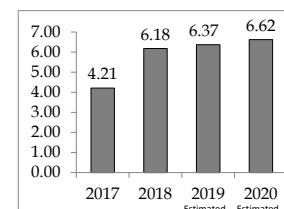
Type: Value
Sector: Industrials

Institutional Holdings: 90%
Industry: Road & Rail

Ratings & Recommendations

Current P/E Ratio: **18.5**
Annual Yield: **0.6%**
Annual Dividend: **0.66**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A-**

Earnings per share



LKQ CORP (LKQ) NYSE PRICE \$26.61

LKQ Corporation (LKQ) is a distributor of vehicle products, including replacement parts, components and systems used in the repair and maintenance of vehicles, as well as specialty vehicle products and accessories, and automotive glass products. The Company's segments include Wholesale-North America; Europe; Specialty, and Self Service. It offers its customers a range of replacement systems, components, equipment and parts to repair and accessorize automobiles, trucks, and recreational and performance vehicles. It distributes a range of products to collision and mechanical repair shops, including aftermarket collision and mechanical products, recycled collision and mechanical products, refurbished collision products, such as wheels, bumper covers and lights, and re-manufactured engines. It also has operations in North America, Europe and Taiwan. It is a provider of alternative vehicle collision replacement products and alternative vehicle mechanical replacement products.

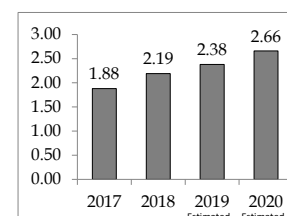
Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 94%
Industry: Distributors

Ratings & Recommendations

Current P/E Ratio: **19.3**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **B-**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **B**
The Street (analyst avg.): **C**

Earnings per share



SVB FINANCIAL GROUP (SIVB) NYSE PRICE \$224.59

SVB Financial Group is a financial services company, as well as a bank holding and a financial holding company. The Company's segments include Global Commercial Bank, SVB Private Bank and SVB Capital. The Global Commercial Bank segment consists of the operations of its Commercial Bank, and of SVB Wine, SVB Analytics and its Debt Fund Investments. SVB Private Bank is the private banking division of the Bank, which provides a range of personal financial solutions for consumers. SVB Capital is the venture capital investment arm of SVB Financial Group, which focuses primarily on funds management. The Company, through its subsidiaries and divisions, offers a range of banking and financial products and services to clients across the United States. It offers services in the technology, life science/healthcare, private equity/venture capital and wine industries. The Bank and its subsidiaries, also offer asset management, private wealth management, brokerage and other investment services.

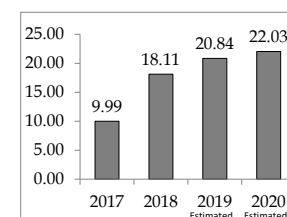
Type: Value
Sector: Financials

Institutional Holdings: 93%
Industry: Banks

Ratings & Recommendations

Current P/E Ratio: **10.8**
Annual Yield: **0%**
Annual Dividend: **0**
Investor's Bus. Daily: **C-**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**

Earnings per share



JUST ASK ANN

Online access.

We are beginning the second half of the year, and it's a good time to check in on the RMD accounts. This applies to all our IRA clients who will have reached the age of 70½ by the end of 2019 as well as those holding Beneficiary Accounts. Failure to take this can result in a 50% penalty of the RMD.

If you take a monthly distribution, check to see if you are taking enough to cover the required amount so that by year end, you will have fulfilled your obligation. If you have doubts or questions about this, call me or email me for information. Be aware that the amount does change every year.

If you have not taken any funds from your account as yet, take a moment and decide when the best time would be to withdraw the funds. Remember this is a yearly requirement and must be completed by December 31st. If you have a target date, let me know and I will put it on the calendar and follow your instructions automatically. This will also help me make sure that the proper paperwork is in place ahead of time.

Taxes are levied on this distribution. You may choose to take them at the time of your withdrawal or defer paying them until you file your annual tax return. Note that these funds will be taxed as regular income, so be sure to calculate enough to be withheld or you will need to adjust at tax time.

Some clients prefer to keep their money invested so they simply move the funds to a non-IRA account for reinvestment. If you wish to do this and don't have a non-IRA account, we can certainly help set one up for you!

iShares Core Dividend Growth ETF (DGRO) NYSE ARCA PRICE \$38.20

The investment seeks to track the investment results of the Morningstar® US Dividend Growth IndexSM. The fund generally will invest at least 90% of its assets in the component securities of the underlying index. The underlying index is a subset of the Morningstar® US Market IndexSM, which is a diversified broad market index that represents approximately 97% of the market capitalization of publicly-traded U.S. stocks.

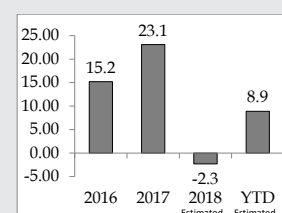
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.3%**
Annual Dividend: **0.87**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar: **A**
The Street (analyst avg.): **N/A**

Category: LGE Value
Industry: Diversified

Performance by%



SPDR® S&P Dividend ETF (SDY) NYSE PRICE \$100.88

The investment seeks to track the investment results of the Morningstar® US Dividend Growth IndexSM. The fund generally will invest at least 90% of its assets in the component securities of the underlying index. The underlying index is a subset of the Morningstar® US Market IndexSM, which is a diversified broad market index that represents approximately 97% of the market capitalization of publicly-traded U.S. stocks.

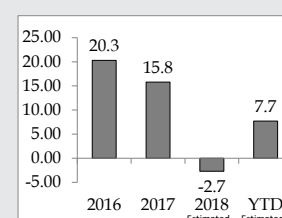
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.4%**
Annual Dividend: **2.42**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A+**
Morningstar: **A**
The Street (analyst avg.): **N/A**

Category: LGE Value
Industry: Diversified

Performance by%



Key Point: The Federal Reserve is ready to lower interest rates.

Earnings Flows:

July is the beginning of earnings season and companies will give their guidance for the remainder of the year. Earnings have done well for this past quarter, reporting better numbers than most people have expected due to the tariffs with China. However, in this quarter, we should start seeing any recurring effects that are starting throughout the economy. Just recently, a few home builders in the United States have increased their prices by over \$500 per home due to the most recent tariffs that were implemented.

Global tensions in the Middle East and a devaluation of the euro will also be a factor this quarter. In times like these, the U.S. dollar gains in value due to other currencies. This pushes down profits for companies based in the United States, because it makes our exports more expensive to buy abroad. It also has a negative impact as any currency from overseas operations must be converted into a stronger dollar.

New trends we see:

- 4) If there is a truce with China, the stock market will then continue to make new highs in the market.
- 5) Emerging markets are doing well this year, leading with Vietnam.
- 6) Brazil is starting to turn around with growth in many industries.

Key Point: Earnings may come in worse than expected for this quarter.

Cash Flows:

Once again the good news is that the corporate tax cuts are still continuing with raised dividends and increased share buybacks. Expected stock buybacks were completed in this past quarter. Apple confirmed recently that it is boosting its stock buyback program by \$75 billion. With the current stocks in the indexes pointing higher, many other companies are making the decision to purchase and merge with another company. For example, Bristol Myers Squibb (BMY) recently made the decision to merge with one of our long term holdings, Celgene (CELG), as both companies are creating new drugs to come to market.

As we stated before, IPO's are now coming to market with a possible record of 240 companies. So far, this flood of new stock has not put a hold on any increase of the overall market and in fact has done well this year, with many new stocks the darlings of the market. Critics still believe that a new supply of stocks, especially those with no current earnings or cash flow, may have negative implications for the future. We will take a wait and see approach when all the new IPO's are launched this year.

New trends we see:

- 1) We continue to see more mergers in the near future.
- 2) Dividend growth continues forward.

Key Point: Even with a large supply of IPO's, the market has reached new highs.

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.
Third Quarter July-August-September-see your July statement.*

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%)	17.4%
Dow Jones	26.5%	7.5%	(2.2%)	7.9%	25.1%	(6.7%)	14.0%
Nasdaq	38.3%	13.4%	5.7%	4.1%	28.2%	(4.7%)	20.7%
Market Average	31.5%	10.8%	0.9%	5.9%	24.3%	(6.0%)	17.4%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

"An ounce of prevention is worth a pound of cure." As both the Standard and Poor (S&P) and the NASDAQ indexes reached all-time highs, the Federal Reserve decided that they will take a decisive stand to lower interest rates as the possibility grows of a broad global slowdown in the economy. Expectations are that there may be a 25 to 50% basis point cut in either or both the July and September meetings..



Here are some more reasons why they decided to take a more dramatic approach:

As we stated before, President Donald Trump intended to raise the rate of tariffs on \$200 billion worth of Chinese imports to 25%, and impose that same rate of taxes on an additional \$325 billion worth of goods. This threat of escalation has generated a lot of volatility in markets, and the current tariffs are causing a decrease in the projected earnings of many companies. Fed Chair Jerome Powell said the central bank is assessing whether current economic uncertainties call for lower rates. He also said the Fed remains independent of political interests. However, keeping vigilant on economic issues allows more leeway to make a quick decision when needed. The central bank will take a wait-and-see approach given how rapid recent economic changes have been, and reminded that monetary policy should not overreact to any individual data point or short-term swings in sentiment, as economic conditions recently turned negative.

After the recent conflict with Iran, oil prices have continued to grow steadily higher, as the country has remained defiant. The sanctions on Iran have now tightened even further, leading to continuing tensions in the Middle East.

The current Brexit situation in Great Britain is now past three years, and the nation's public is still as divided as ever. Europe now has a deflationary problem that the delayed Brexit has intensified. The European Central Bank (ECB) President Mario Draghi in a recent speech signaled that an interest rate cut and more quantitative easing would be coming soon. In that environment, we expect further gains in the dollar and further lows in the euro. Recently, the 10-year Treasury bond fell below 2 percent in overseas trading for the first time since 2016.

New trends we see:

- 1) Gold has formed a new 52-week high due to rising tensions.
- 2) In June 2019, the present economic expansion has become the longest in U.S. history.
- 3) Due to China tariffs, Vietnam will have a great year for trade.

Continued on 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

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Roberta Wilde

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