

# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

Published Monthly Since 1982  
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### FEATURED STOCKS - JANUARY/FEBRUARY 2020

#### GROWTH STOCKS:

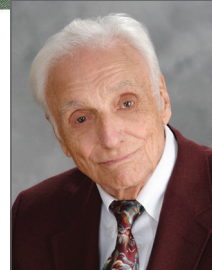
Apple Inc.  
Alphabet Inc.  
Baidu Inc.

#### ETFs:

First Trust Value Line®  
SPDR® S&P

#### VALUE STOCK:

Walt Disney Co.



Walter D. Pearson  
Chairman



Donald E. Pearson  
President



Ann Hathaway  
Account Manager

## Today's Market

Everyone is working overtime trying to predict today's market and, more important, where it is headed. As I wrote about a year ago, I didn't see any recession coming for 2019 or 2020. The many prognosticators predicting a market collapse, or a serious downside correction for the past four, six, or eight years, were all wrong. If listened to, you would have missed out on a great deal of profit. I believed a double-digit increase would be achievable. It has certainly turned out to be correct. I am happy that the 2019 results have outperformed my favorable expectation.

Looking back at many of the market issues that seemed to play a part in moving the needle were earnings reports that were supposed to be very modest and yet were consistently better than anticipated by about 75% of those reporting. Much of this improvement can be credited to the tax cuts that were a part of President Trump's tax plan that was approved early in the year. This has highlighted the strength of the U.S. economy compared with others around the world and can be coupled with our unemployment rate that is currently at an all-time low. With this performance most analysts are now pulling back on their earlier predictions of recession in 2020.

Now going forward into next year I believe this Bull Market will reach its 11th birthday in March. I also believe we will not see another double-digit year for returns, but I do believe a modest to high single digit return should be achieved with good choices. Tech stocks will always be a sector where one should have an above-average portion of their portfolio. I

also believe one will do exceptionally well by prioritizing value choices. Although for most years growth stocks outperform value stocks, as we've seen lately, the value sector has begun to outperform the growth sector.

One fear that I do have is the government debt that no one pays any attention to. It continues to increase as the government continues to increase spending.

With all of this taken into account I'm predicting no recession for 2020 and a high single digit portfolio return for those choosing wisely. For our clients we will own the same ETF's and stocks together with tech choices included while prioritizing value and safety.

## Commission Free Trades

I, like so many others, was so pleased to read Schwab was changing their client strategy and going to become commission free - all trades would be done without their usual \$4.95 trading fee. Once this was announced, TD Ameritrade, E-Trade and Fidelity announced they were doing this also.

If you made your transaction over the phone needing someone to assist, the cost could be anywhere from \$5.00 at up to \$32.95; and if you did your transaction over the phone without a live person to assist, the cost ranges between \$5.00 up to \$75 depending on which brokerage service you use and what you need. This may or may not change and those managing their own accounts should check with your provider.

Most brokerages have what is considered a sweep account. A sweep account is a part of your investment account and holds your non-invested money paying one half of 1% or less. This money can also be loaned out

by the brokerage house and return to them a significant ongoing profit.

Recently Schwab announced they would buy their rival TD Ameritrade in a merger of two of the biggest online brokerage firms. This deal for \$26 billion will create a mega firm with \$5 trillion in assets. There are many who believe this will cause antitrust regulators to review and perhaps not approve of this transaction. Much has been written that once the merger is approved, and has successfully happened, Schwab will be targeting large investment advisors who manage the accounts of the higher wealth clients. We need to watch and monitor this merger for the next year carefully as it may work well for some while not work well for others.

## Cannabis Leaders

As I continue reading and following the ever volatile Cannabis sector, many of these appear poised to make a move forward, and I've chosen the one I thought provides the best opportunity. If you see this in your account, you'll find only a small amount because of the high risk and volatility that comes with it. Isracann Biosciences Inc. (ISCNF) is the selected choice and today's stock price is about 40 cents. You'll find a small amount purchased, around 1% or less, because of the volatility risk. If it's not in your account but you feel the risk is worth taking, please let us know and we will add it to yours for you. It will be added to your Roth whenever possible.

DP

## HEIRS and AIRS

*I presume that we all know that these two words, though pronounced the same, have two different meanings. The first heir has reference to those you have left behind when you pass away. The second air is what they will inherit if you have not planned ahead. Years ago when I was much younger I thought in terms of the Salvation Army and the like instead of allowing my children to participate, but as I grew older I changed my mind. My children are the main participants when I tread the golden path to that higher place. It is now that I am much older that I sometimes wonder why we are all so afraid of dying if we truly believe in the hereafter. Well, be that as it may, I know Christmas gifting is now past, but I intend to give you an idea for a perfect gift at any time to one of those heirs.*

*I also presume that most of you are aware that if you leave a large sum of money to an heir, or heiress, there may be tax considerations of fairly large proportions. However, you are allowed to give each one a gift of \$14,000 or less each year and the gift is totally tax free. I don't know about you but the way I look at it is that I will do almost anything to defeat the tax man that Uncle Sam has working for him.*

*Here is what I suggest: Open an account with us for each of your heirs with money or some of the stocks that you own and do not want to pay the tax on the profits. What a lovely gift! Let's say that you put in \$1000 for a 12-year-old. One of the things you should do is to educate that heir or heiress that this should not be spent but should be added to, and then explain the power of compound interest. If one can garner 7% interest each year, his money will double every 10.2 years, or with 12% it would double every six years. His \$1000 would become a quarter of a million dollars even though nothing was added to that original thousand.*

*As a parent it is your job to teach your children to save. And now that you understand the power of investing it behooves you to impart that knowledge to your progeny. In my opinion, I believe that the schools should be teaching this sort of thing, but as a parent I truly believe you have that obligation. I see so many young people who just do not have it, and I can't believe the way they spend and waste. I watch and almost shake in disbelief. The question is, what do you want for your children? Do you want them to be free of worry as they get older? It truly is simple enough to teach them, and it does not take too much of your time. I think one of the easiest ways to go is to open an account for each child and teach him how to read it.*

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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 JANUARY/FEBRUARY 2020

[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)

### APPLE INC. (AAPL) NASDAQ PRICE \$293.65

Apple Inc. designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players. The Company sells a range of related software, services, accessories, networking solutions, and third-party digital content and applications. The Company's segments include the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. The Americas segment includes both North and South America. The Europe segment includes European countries, India, the Middle East and Africa. The Greater China segment includes China, Hong Kong and Taiwan. The Rest of Asia Pacific segment includes Australia and the Asian countries not included in the Company's other operating segments. Its products and services include iPhone, iPad, Mac, iPod, Apple Watch, Apple TV, a portfolio of consumer and professional software applications, iPhone OS (iOS), OS X and watchOS operating systems, iCloud, Apple Pay and a range of accessory, service and support offerings.

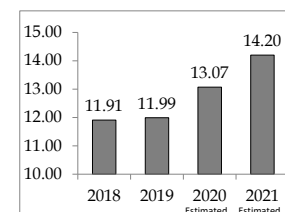
Type: Growth  
Sector: Information Technology

#### Ratings & Recommendations

Current P/E Ratio: **24.6**  
Annual Yield: **1.1**  
Annual Dividend: **3.08**  
Investor's Bus. Daily: **A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **A**

Institutional Holdings: 59.5%  
Industry: Technology Hardware, Storage & Peripherals

#### Earnings per share



### ALPHABET INC. (GOOGL) NASDAQ PRICE \$1,339.39

Alphabet Inc. is a holding company. The Company's businesses include Google Inc. (Google) and its Internet products, such as Access, Calico, CapitalG, GV, Nest, Verily, Waymo and X. The Company's segments include Google and Other Bets. The Google segment includes its Internet products, such as Search, Ads, Commerce, Maps, YouTube, Google Cloud, Android, Chrome and Google Play, as well as its hardware initiatives. The Google segment is engaged in advertising, sales of digital content, applications and cloud offerings, and sales of hardware products. The Other Bets segment is engaged in the sales of Internet and television services through Google Fiber, sales of Nest products and services, and licensing and research and development (R&D) services through Verily. It offers Google Assistant, which allows users to type or talk with Google; Google Maps, which helps users navigate to a store, and Google Photos, which helps users store and organize all of their photos.

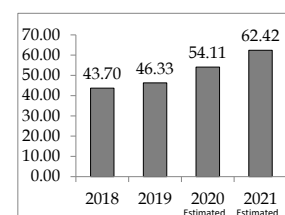
Type: Growth  
Sector: Communication Services

#### Ratings & Recommendations

Current P/E Ratio: **29.2**  
Annual Yield: **N/A**  
Annual Dividend: **N/A**  
Investor's Bus. Daily: **B**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **A**

Institutional Holdings: 78.7%  
Industry: Interactive Media & Services

#### Earnings per share



### BAIDU INC. (BIDU) NASDAQ PRICE \$126.40

Baidu, Inc. is a Chinese language Internet search provider. The Company offers a Chinese language search platform on its Baidu.com Website that enables users to find information online, including Webpages, news, images, documents and multimedia files, through links provided on its Website. In addition to serving individual Internet search users, the Company provides a platform for businesses to reach customers. Its business consists of three segments: search services, transaction services and iQiyi. Search services are keyword-based marketing services targeted at and triggered by Internet users' search queries, which mainly include its pay-for-performance (P4P) services and other online marketing services. Its transaction services include Baidu Nuomi, Baidu Takeout Delivery, Baidu Maps, Baidu Connect, Baidu Wallet and others. iQiyi is an online video platform with a content library that includes licensed movies, television series, cartoons, variety shows and other programs.

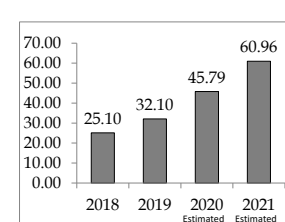
Type: Growth  
Sector: Communication Services

#### Ratings & Recommendations

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

Institutional Holdings: 67.7%  
Industry: Interactive Media & Services

#### Earnings per share



### WALT DISNEY CO. (DIS) NYSE PRICE \$144.63

The Walt Disney Company, formerly TWDC Holdco 613 Corp, is a worldwide entertainment company. The Company operates in four business segments: Media Networks, Parks Experiences and Products, Studio Entertainment, and Direct-To-Consumer and International. The media networks segment includes cable and broadcast television networks, television production and distribution operations, domestic television stations, and radio networks and stations. The Company's Walt Disney Imagineering unit designs and develops new theme park concepts and attractions, as well as resort properties. The studio entertainment segment produces and acquires live-action and animated motion pictures, direct-to-video content, musical recordings and live stage plays. The Company also develops and publishes games, primarily for mobile platforms, books, magazines and comic books.

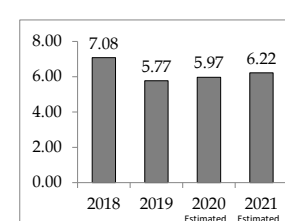
Type: Value  
Sector: Communication Services

#### Ratings & Recommendations

Current P/E Ratio: **21.8**  
Annual Yield: **1.2**  
Annual Dividend: **1.76**  
Investor's Bus. Daily: **B**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **A**

Institutional Holdings: 63.8%  
Industry: Entertainment

#### Earnings per share





## JUST ASK ANN

I'm passing on this notice from TD to those of you who use TD's online access.

### The AdvisorClient experience is about to become easier

More than anything, the experience you give your clients matters. Providing them with easily-accessible account information is paramount, and that's why AdvisorClient® from TD Ameritrade Institutional is getting an upgrade. Starting **November 21, 2019**, all new clients will be automatically set up on the redesigned, user-friendly platform.\*

This streamlined AdvisorClient experience will allow clients to efficiently find:

- Upcoming cash activity
- Retirement contributions, distributions, and RMD information
- Position level gains and losses sourced from Gainskeeper®
- Tax document e-delivery enrollment
- Balance history chart

Plus, they'll continue to enjoy secure access to account values, positions, balances, and more on accounts held in custody by TD Ameritrade Institutional, anytime, anywhere.

Questions? Contact TD Ameritrade Institutional Technology Services at 800-400-6288, option 3.

\*Note that new clients with trading or cash management permissions will see links redirecting them to the previous version of the AdvisorClient platform to accomplish these tasks for now. All clients, including those new to AdvisorClient, will have access to both versions of the platform by clicking on embedded banners throughout the sites, until further notice.

### First Trust Value Line® Dividend Index Fund (FVD) NYSE ARCA PRICE \$36.03

The investment seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Value Line® Dividend Index. The fund will normally invest at least 90% of its net assets (including investment borrowings) in the common stocks and depositary receipts that comprise the index. The index seeks to measure the performance of the securities ranked #1 or #2 according to the index provider's proprietary Value Line® Safety™ Ranking System (the "Safety Ranking System") that are also still expected to provide above-average dividend yield.

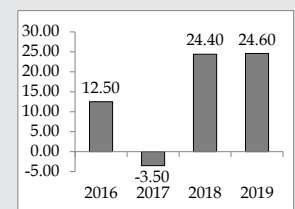
Location: USA  
Type: 100% Stock

#### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **2.1%**  
Annual Dividend: **0.73**  
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 ARCA PRICE \$107.57

The investment seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the S&P High Yield Dividend Aristocrats Index. The fund generally invests substantially all, but at least 80%, of its total assets in the securities comprising the index. The index is designed to measure the performance of the highest dividend yielding S&P Composite 1500® Index constituents that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 consecutive years.

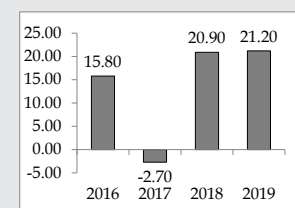
Location: USA  
Type: 100% Stock

#### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **2.5%**  
Annual Dividend: **2.64**  
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%



distributions (RMDs). Also, the new rules no longer bar contributions to traditional IRAs after age 70 1/2. Under the new rules, you will be able to keep contributing after age 70 1/2 for as long as you are still working.

-- The current Brexit situation in Great Britain is now back on track as Prime Minister Boris Johnson recently enjoyed a landslide victory that provided his Tory party with a huge majority of 365 seats in Parliament, allowing Brexit to finally happen in January. The Prime Minister is working with the EU to develop a plan to move forward. Many people expect that Brexit will be a slow process that may take years as new plans and rules are created.

**New trends we see:**

- 1) In the past 12 months, housing starts have risen by an impressive 13.6%.
- 2) Germany may introduce a public stimulus campaign to boost its slowing economy.
- 3) Protests in Hong Kong may go on through next year.

**Key Point: The Fed is expected to not make any additional rate increases for at least the next year.**

**Cash Flows:**

According to analysts at S&P Dow Jones Indices, stock buybacks for the S&P 500 this quarter are expected to stay about \$190 billion, but fall short of the \$223 billion set this quarter for 2018. However, despite S&P 500 buybacks decreasing from record levels toward the end of 2018, several individual stocks are still generating large yields.

The top three buybacks for the third quarter of 2019 were Apple (AAPL), which spent \$17.6 billion; Bank of America (BAC) with \$7.6 billion of buybacks; and Wells Fargo (WFC), with \$7.5 billion. We originally thought last quarter that even though Apple is continuing its stock buyback, we may see a slowdown as its stock reaches new highs at this time. Its stock is one of the main drivers of the S&P 500's most recent performance. So we may soon see a pullback next year in overall buying.

**New trends we see:**

- 1) Gold may continue to rebound as interest rates worldwide strengthen.
- 2) We do not expect any immediate major legislation for the next year.

**Key Point: We believe that stock buybacks will continue despite new highs.**



**Management Fee:**

*Our fee is extracted quarterly from the account at 25% of one% 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.*



The following are photos from our annual Toys for Tots event held on December 14th at The Alley at South Shore in Riverview.

Our community provided the local Marines with over 7500 toys, 30 bicycles and more than \$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 and BCB 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, and boy, do they! They are always so generous!

Thank you to Faith Hanaway, Robert Suess and their staff at The Alley as well as Pam & Jim Vassello and their family for their continuing dedication to our campaign and our event.

We'd also like to thank Big Ed from Huth & Booth Photography for all the pictures you see here, our announcer, Bill McConnell, and Costco for their cake donation. Thanks, also, to Brothers EZ Moving and Image 360 Ybor City for their truck donations, a BIGGG help this year.

And we cannot forget Mr. Claus himself, John O'Connor who has graciously given his time to us for the past 10 years. Lastly, many thanks to all the volunteers that make this an amazing event, specifically to our "Box Captains", Diane, Erik, Lori, Jeff & Tom. You make our job much easier and successful!



Santa & Jeff Boje with Don



Boje Family Alley check presentation



Don & Walter



Pam Vassello & Faith Hanaway of The Alley



Costco dessert donation. YUM!



Tons of toys!



Don & Ann



Eileen Eletto & Century 21 Beggins



SSgt Trisha Nugent & Co.





**Our Announcer, Bill McConnell**



**The Alley Steelers Club**



**Don, Faith & the Pulkowski Family**



**John & Penny Smith**



**Ann & Lois Kindle of the Observer**



**TFT supporters from TCOB**



**Theresa Smith-Sharkey  
of Your Pie**



**Debbie Tichy from  
Beanies Family Sports Grill**



**Ann & Jeff McGowan**



**Truckloads (2) of toys!!!**



**Check-in with Lori Elder**



**Darrell & Pat Green –  
Impact Realty**



**Krewe of Sir Francis Drake**



**Chris & Don Guiley –  
A+ Hearing**





## 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%)	28.9%
Dow Jones	26.5%	7.5%	(2.2%)	7.9%	25.1%	(6.7%)	22.3%
Nasdaq	38.3%	13.4%	5.7%	4.1%	28.2%	(4.7%)	35.2%
Market Average	31.5%	10.8%	0.9%	5.9%	24.3%	(6.0%)	28.8%



### MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

#### Economic Flows:



As we stated before, after the Federal Reserve's decision for a 25% basis point cut in interest rates at its September meeting, there was a good chance they will hold out on any more changes until they see a slowdown in the economy. The Federal Open Market Committee (FOMC) most recent meeting in December left key interest rates unchanged. What is more important, the Fed indicated that there is a good possibility that there will be no key interest rate hikes in 2020 and well into 2021. Their statement said that the current stand on monetary policy is good enough to support sustained expansion of economic activity.

-- China recently announced that it has agreed to "Phase One" of a trade deal with the U.S., causing the stock market to rally into the New Year. The administration in turn has canceled its intended tariff increases for the upcoming New Year. This is good news also for the Chinese economy, as a weak Chinese yuan and swine fever has caused inflation to soar. Just as phase one of the U.S. trade deal with China has avoided an escalation of tariffs, for now, Congress also finally passed the USMCA bill to open trade barriers with our two biggest trading partners, Mexico and Canada. This is a replacement to the current NAFTA treaty that includes recent updates to the original agreement.

-- The minimum wage is increasing in many states and cities for this New Year. The number of cities and counties with at least a \$15 pay floor is set to double next year to 32, as Washington, D.C., Los Angeles, and South San Francisco, along with about a dozen other California cities, adopt the benchmark. More broadly, 24 states and 48 cities and counties will raise their minimum wages in 2020. Most will occur on or about January first of this year. Also, Denver is set to pass legislation that will bring its minimum to \$15.87 by 2022.

-- Recent legislation passed has also affected the nation's retirement plans. One major rule change is that you will no longer have to begin withdrawing money from a traditional IRA or a 401k after you turn age 70 1/2. The new starting age is 72 for required minimum

*Continued on page 5*

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**The Pearson Investment Letter**  
published monthly since 1982

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401(k) & 403(b) Rollovers - Transfers

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