Your Personal Money Manager
Pearson INVESTMENT LETTER
Published Monthly Since 1982
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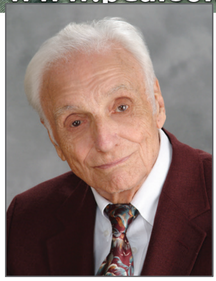
FEATURED STOCKS - FEB/MAR 2020

GROWTH STOCK:
Alphabet Inc.
LKQ Corp.

VALUE STOCKS:
Bank of Nova Scotia
UnitedHealth Group Inc.

ETFs:
First Trust Value Line® Dividend Index Fund

Technology Select Sector SPDR® Fund


Walter D. Pearson
Chairman


Donald E. Pearson
President


Ann Hathaway
Account Manager

2020 Moving Forward

We are six weeks into the New Year and I believe it hasn't produced any start-up surprises, with the exception of the coronavirus. Within our last newsletter I wrote that I thought a high single digit portfolio return was achievable this year, and nothing has occurred yet to change my mind. Add in dividends and our returns could and probably will put us over 10%.

As we say goodbye to 2019 and the superior return we enjoyed, I believe taking a step back and annualizing the prior year will help when planning this one. The S&P returned 29%, and that's a good measuring tool to use when evaluating performance, although certainly not the only tool. Of the 500 choices, 87% had a positive return and 79% had at least 10%. One problem with this is the top ten companies within the 500 accumulated nearly 40% of the growth. Because these are the FANG stocks and other growth stocks, one must realize if or when a serious problem is upon us these are the ones that will be taken down the hardest.

The solution here is better diversification. When my father started this business some 60 years ago, everyone bought the S&P 500, or Berkshire Hathaway, or brokerage house mutual funds, and then added a handful of individual stocks of promising companies. Although the concept is still somewhat the same, we have learned to do our own research. We now believe the way we build and manage portfolios can be improved, while at the same time reducing exposure to unwanted and unneeded risk. Unless specifically requested by a client, we do not use mutual funds. The hidden costs within averaging at or near 6 percent can be improved upon by one who can build the portfolio without them. Morningstar reports that over 60% of the brokers pedaling mutual funds for their commissions and bonuses do not own them themselves. This is where we vary from this group; if you own our choice we do too. We want nothing but the best while reducing risk and believe you want exactly the same.

I read many newsletters, watch TV, and hear many people explaining their way of making choices and building portfolios, and I haven't found anyone doing the extensive research that we do. We are more committed to the belief that we have the better way. Several exchange traded funds with several individual companies added to all portfolios can and will better diversify while reducing risk.

As an example: Our largest ETF is SPDR® S&P Dividend averaging over 13% for ten years while paying a dividend of 2.5%. Our largest individual stock is Apple, and this was up over 80% last year while paying a dividend of $3.00.

Call me if you'd like to learn more.

Helping Yourself

Today the person that can help you the most is yourself. Hopefully, you have someone highly skilled as we are at Pearson Capital, and your advisor is a fiduciary who is required to put your best interest before their own, as we do for every client. After deciding what will be the plan of action, you should be consistent and work your plan ongoing.

When I talk to people about investing, I try to teach everyone to begin early with the money you have, and add to your account at every opportunity. Investing on autopilot is a great way to do this. A fixed amount into your employer's retirement plan will probably receive some matching funds and will help to build your pot of wealth that much faster. We have many clients doing this, and it doesn't matter whether it's a joint account or an IRA. With ongoing uncertainties in today's world, building wealth and planning ahead are very important. While your heath is good and your employment is secure this is the time to build your long term financial security.

In today's world of insecurities, what if you received a notice from your employer that your place of business is closing or you're being laid off. At this time it becomes necessary to build a plan that can get you from this spot until you've reestablished yourself. I have worked with many clients helping them through this process. We can send money to them from their account at time of need, or a set amount monthly to help through this down period. I also suggest immediately applying for unemployment, as this doesn't take long to do and most can do this online.

Once you assess your savings and your investment accounts, it will give you a good idea as to what's available. This can work together with your unemployment compensation to keep you afloat. Then if you'll take the time to analyze your spending, you can make a list of essential and nonessential expenses and make the cuts accordingly. Depending on the situation, it may be a good idea to notify some or all creditors too. Many have options to assist you such as reducing or suspending payment until you're reestablished. You certainly do not want to lose your home or auto especially with a family. Let's hope this never happens to any of us, but being better prepared could and should help at a time of need.

If you have any questions about your portfolio, whether you're a client of ours or not, I'd be happy to meet with you and review what you have, without any obligation or financial payment, and share an opinion or suggestion to help.

DP

CHANGING TIMES

What should we discuss this week? Should we discuss how to make more money, or should we consider the reason for women wearing pants? I have decided. The time has come where I shall cover both questions concurrently. In my opinion women are wearing pants because they are beginning to take over the jobs of men. Look around you and think back. It wasn't like this years ago. And then, how about each dollar? Where should we be putting these? What we are doing when we take our minds off pants is looking for another growth company, something like Apple, or something like Baidu. Once we have found them, you own them. What is it that makes these companies so attractive? It's all a story of earnings. Take a glance at the earnings for the past ten years, which you might find on the S&P report. You will find that their earnings have increased almost every year. Think of a child. Each year the child gets bigger and once it starts to earn money you would like to have one whose earnings would go up each year. I believe that this makes sense to you. The really important thing is to find these companies while they are still growing.

Finding companies like these is the kind of a job you might be quite willing to let someone else do. On the other hand you might like to search it out for yourself and accumulate all of the glory for yourself. Going back to the girls wearing pants - do you think there is a very valid reason for this? I have recently discovered that many of the high officials with a number of companies have been let go and more than 50% of the replacements have been of the female gender. Could it be that women are better at the job, or is this one of the things that is changing? I don't mind the women taking jobs that used to be handled by men, but why pants? Thinking back to the days when I was younger, women were working in the home, not outside of the home. There came the day when the younger ones started jobs as stenographers and they studied typing and Gregg shorthand and thereby became workaholics.

Think of things in this manner: Nobody's perfect, nor does one get even close. The thing to remember is that imperfection may put you on the blind side, and you may be the one who is wrong this time. Now, coming back to women wearing pants - I may disagree, but it is certain that I am wrong by just looking down the street a ways. Think of it in the manner of choosing stocks. Whoever is doing it may be right most of the time but there will be these things that happen once in a while. Consider the importance of compound interest. Many people think that 10% will double one's portfolio in a period of ten years. Not so McGregor! The power of compound interest takes hold here where the rule of 70 comes in. Seven goes into 70 ten times. Ergo – 7% will double your portfolio in ten years because of compound interest.

Good Luck!

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.

PEARSON CAPITAL'S RECOMMENDED STOCKS FEB/MAR 2020

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ALPHABET INC. (GOOGL) NASDAQ PRICE $1516.74

Alphabet Inc. provides online advertising services in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada, and Latin America. It offers performance and brand advertising services. The company operates through Google and Other Bets segments. The Google segment offers products, such as Ads, Android, Chrome, Google Cloud, Google Maps, Google Play, Hardware, Search, and YouTube, as well as technical infrastructure. This segment also offers digital content, cloud services, hardware devices, and other miscellaneous products and services. The Other Bets segment includes businesses, including Access, Calico, CapitalG, GV, Verily, Waymo, and X, as well as Internet and television services. Alphabet Inc. was founded in 1998 and is headquartered in Mountain View, California.

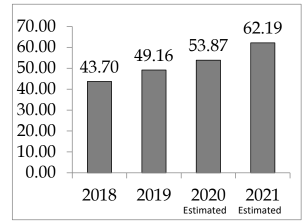
Type: Growth
Sector: Communication Services

Institutional Holdings: 79%
Industry: Interactive Media & Services

Ratings & Recommendations

Current P/E Ratio: **30.1**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **A+**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**

Earnings per share



BANK OF NOVA SCOTIA (BNS) NYSE PRICE $56.27

The Bank of Nova Scotia is an international bank and a financial services provider in North America, Latin America, the Caribbean and Central America, and Asia-Pacific. The Bank offers a range of advice, products and services, including personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets. Its segments include Canadian Banking, which provides a suite of financial advice and banking solutions to retail, small business, commercial and wealth management customers in Canada; International Banking, which provides a range of financial products, solutions and advice to retail and commercial customers in select regions outside of Canada; Global Banking and Markets, which provides corporate banking, investment banking, capital markets and transaction banking solutions, and Other, which represents smaller operating segments, including Group Treasury.

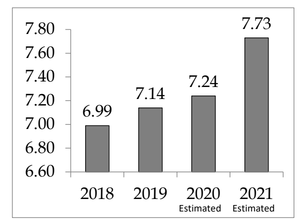
Type: Value
Sector: Financials

Institutional Holdings: 50%
Industry: Banks

Ratings & Recommendations

Current P/E Ratio: **11.2**
Annual Yield: **4.8%**
Annual Dividend: **2.71**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**

Earnings per share



LKQ CORP. (LKQ) NASDAQ PRICE $33.85

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.

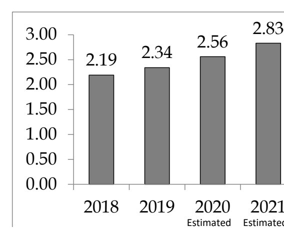
Type: Growth
Sector: Consumer Discretionary

Institutional Holdings: 93%
Industry: Distributors

Ratings & Recommendations

Current P/E Ratio: **24**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**

Earnings per share



UNITEDHEALTH GROUP INC. (UNH) NYSE PRICE $302.50

UnitedHealth Group Incorporated is a health and well-being company. The Company operates through four segments: UnitedHealthcare, OptumHealth, OptumInsight and OptumRx. It conducts its operations through two business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum. UnitedHealthcare provides healthcare benefits to an array of customers and markets, and includes UnitedHealthcare Employer & Individual, UnitedHealthcare Medicare & Retirement, UnitedHealthcare Community & State, and UnitedHealthcare Global businesses. Optum is a health services business serving the healthcare marketplace, including payers, care providers, employers, governments, life sciences companies and consumers, through its OptumHealth, OptumInsight and OptumRx businesses. OptumInsight provides services, technology and healthcare solutions to participants in the healthcare industry. OptumRx provides retail network contracting, purchasing and clinical solutions.

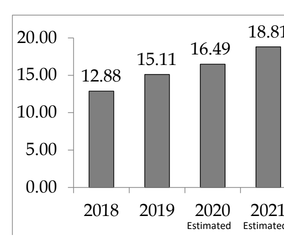
Type: Value
Sector: Health Care

Institutional Holdings: 86%
Industry: Health Care Providers & Services

Ratings & Recommendations

Current P/E Ratio: **21.1**
Annual Yield: **1.5%**
Annual Dividend: **4.32**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A-**

Earnings per share



JUST ASK ANN

It's tax time again and I have received several inquiries about the tax documents from TD. Below is information sent to us:

Update: Your Clients' Consolidated Form 1099s

As a follow-up to our February 5, 2020 release of your clients' 2019 Consolidated 1099 tax forms, we are pleased to inform you that most of the remaining forms (where applicable) are available. These new forms are for clients to whom we did not issue a 1099 tax form on January 17, 2020 or February 5, 2020. In addition, some clients who previously received a 2019 Consolidated 1099 tax form may receive a corrected form due to a reallocated income distribution and/or tax correction.

We will alert your clients who have a valid email address on file once their 2019 Consolidated Form 1099(s) and corrected 2019 Form 1099(s) (if issued) are available for them to view online.

Please encourage your clients to sign up for electronic tax form delivery on the new **www.advisorclient**.com. To access the new AdvisorClient site, they can log in to the regular site and click the "Try the new AdvisorClient now" banner, then click their name at the top right of the page and select My Profile > Communication Preferences.

In addition, we are pleased to share a **1099 Information Guide*** that contains helpful information about the formatting and reporting information in the 2019 Consolidated Form 1099, along with the answers to some Frequently Asked Questions.

*This information guide is found on the **TAX DOCUMENT: OVERVIEW** page of your online access.

If you have any additional questions, please let me know.

First Trust Value Line® Dividend Index Fund (FVD) NYSE ARCA PRICE $36.86

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.

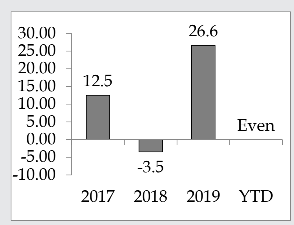
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **0.7%**
Annual Dividend: **1.98**
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%



Technology Select Sector SPDR® Fund (XLK) NYSE ARCA PRICE $101.52

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 Technology Select Sector Index. In seeking to track the performance of the index, the fund employs a replication strategy, which means that the fund typically invests in substantially all of the securities represented in the index in approximately the same proportions as the index. It generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index.

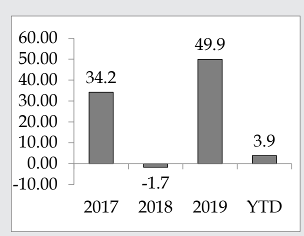
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.0%**
Annual Dividend: **1.06**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar: **B**
The Street (analyst avg.): **N/A**

Category: LGE Growth
Industry: Diversified

Performance by%



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and the labor market strengthened. However, he added that the pace of job gains has “remained above what is needed to provide jobs for new workers entering the labor force.” As a result, “employers are increasingly willing to hire workers with fewer skills and train them,” he said. However, productivity gains “have been subpar throughout this economic expansion,” Powell noted. Overall inflation based on the price index for personal consumption expenditures was 1.6% in 2019, below the Fed’s 2% target. Powell said he expected it to move closer to the target in coming months. The current economy now has helped keep the central bank’s view that its current target range for short-term borrowing costs, between 1.50% and 1.75%. They feel that this range is appropriate to keep the expansion on track. Powell said that the Fed would resort to tools it used in the last recession if it is again forced to lower short-term interest rates to zero.

New trends we see:

1) The U.S. has become energy-independent, to the point that the U.S. has been the largest energy exporter since June.

2) Uncertainty will weigh on the markets as we approach the 2020 election.

3) Volatility in the market has returned.

Key Point: The Federal Reserve remains cautious due to the global slowdown.

Earnings Flows:

The middle of February is toward the end of this current quarter’s earnings season, and so far so good. However due to the effects of the virus, expectations for many companies may be tepid, or declining at best, for the upcoming quarter, so it is best for companies to continue to the trend of under-promising and over-delivering during the next few months. Since we do not know what the total impact would be worldwide until the virus runs its course, most companies will give a reduced outlook. Also valuations in many growth stocks including Apple (APPL) look stretched, so we may see an upcoming sideways trend in the market during the middle of the year, as we wait for the overall current environment to change.

New trends we see:

1) The virus may postpone the rollout for 5G technology.

2) Gold and silver still look historically cheap versus the market.

3) Corporate profits are still doing well, despite the worldwide slowdown.

Key Point: Earnings may be affected by the coronavirus for the upcoming quarter.

Cash Flows:

As we stated before, we should continue to see upcoming merger deals in 2020. Recently, U.S. District Judge Victor Marrero approved the $26B merger between Sprint (S) and T-Mobile (TMUS), saying the deal is unlikely to hamper competition in the U.S. wireless market. The judge threw out the argument from a group of opposing state Attorney Generals that Dish (DISH), a benefactor in the upcoming merger, “would not enter the wireless services market as a viable competitor nor live up to its commitments to build a national wireless network.” A spokesman for the California Public Utilities Commission, the last regulatory body to decide on the merger, said its review of the deal is expected to conclude in July. Many analysts expected to see a lot more of a pushback in this current merger than what has happened so far. So, based on this deal, there may be an opportunity this year for more companies to merge together supported by the administration’s pro-business environment.

New trends we see:

1) The top five companies in the S&P 500 comprise almost 20% of the index.

2) We also still expect buybacks to continue in 2020.

Key Point: We expect more mergers and acquisitions this year.

WALL STREET INDEXES

Indexes	2014	2015	2016	2017	2018	2019	2020
S&P 500	11.4%	(0.8%)	5.8%	19.6%	(7.1%)	28.9%	4.5%
Dow Jones	7.5%	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	3.1%
Nasdaq	13.4%	5.7%	4.1%	28.2%	(4.7%)	35.2%	8.3%
Market Average	10.8%	0.9%	5.9%	24.3%	(6.0%)	28.8%	5.3%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

In the beginning of February, Federal Reserve Chair Jerome Powell gave his outlook for the U.S. economy in the first of his twice-a-year updates to Congress. He was mainly upbeat about its current growth, but he cited a potential threat from the coronavirus in China and concerns about the economy's long-term health.

Investors in 2019 have already reacted and dealt with trade tensions with China, to the presidential impeachment proceedings, with potential middle-eastern issues, and the departure of Great Britain from the European Union. Right now the market is dealing with the emergence and rapid spread of the coronavirus that started in China.

"We are closely monitoring the emergence of the coronavirus, which could lead to disruptions in China that spill over to the rest of the global economy" Powell stated. Worries were exacerbated by increasing reports of worldwide cases as the number of confirmed coronavirus 2019-nCoV cases increased. Some economic estimates are the coronavirus will cost the world economy over $300B in Q1 and dramatically slow down global GDP for the first part of 2020. Delta, United, and American Airlines suspended U.S.-China flights and the U.S. Centers for Disease Control quarantined Americans evacuated from Wuhan, the epicenter of the outbreak.

In response to the virus, the People's Bank of China is busy taking action to prop up the economy, injecting liquidity into the market and instructing banks not to call in loans for companies based in the virus-stricken Hubei province. China also announced that on February 14, it slashed the tariffs in half on $75 billion of U.S. imported goods. Specifically, some tariffs would be cut to 5% from 10%, while other tariffs on goods would be cut to 2.5% from 5%.

Powell went back over the second half of 2019 during his remarks to the U.S. House of Representatives Financial Services Committee. "The economy appeared resilient to the global headwinds that had intensified last summer," he said, as American economic activity increased further

Continued on page 5

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