

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982

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FEATURED STOCKS - APR/MAY 2020

GROWTH STOCK:

Boeing Co

VALUE STOCKS:

Bank of America Corp

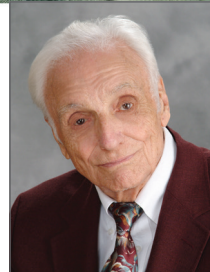
Bloomin' Brands Inc

Carnival Corp

ETFs:

First Trust Value Line®
Dividend Index Fund

Virtus InfraCap U.S.
Preferred Stock ETF



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

Today's Stock Market

We all want to know where the market is headed tomorrow and in the near future. I can only tell you, as we head down a road we have never been before, I do not know. The things that I do know are as follows: Until we sell, we have lost nothing, and this will be painful but not permanent. If we stay the course and sit tight, we will get through this. On the other side of this issue, most experts believe the economy will again get back to where it was, and we should get back the 30% loss we've all encountered, and perhaps a bit more before year end.

As we continue to do social distancing, we can all do our part trying to make this downturn as short as possible. With many millions of people either being furloughed or laid off, we can only hope the government's plan will get us through this, and if another stimulus is needed, they are ready to act.

I'm not advocating today is the day to begin purchasing, but if it's not, that day should be in the not so distant future. For examples of this, I have referenced a few different companies that have been completely clobbered, but with dollars being offered by our government as credit free loans, their stock price really looks attractive. Look at Boeing (BA) that was as high as \$398, and then fell to a low of \$89, and has begun climbing again, today at \$123. Another is Carnival Cruise line (CCL) that was at \$56, fell to \$7.90, and today at \$7.97. Another is Bloomin' Brands (BLMN) that was at \$24, fell to \$4.54, and today at \$6.01. Another is Bank of America (BAC) that was as high as \$35.72, fell to \$17.97, and today is at \$20.57.

BA is in the airline business, and CCL is in the cruise ship industry. BCMN is in the hotel business, and BAC is in the banking business. These are all reliable companies that are not

expected to go out of business, and all are expected to make complete recoveries and reach new highs - thus good profits for those purchasing. You will probably see some of these added to your accounts once we believe the time to begin investing again has begun.

One ETF I like very much that also got decimated is Virtus (PFFA). This went from a high of \$26 down to \$11, currently at \$11.31, and yielding 10%. We may see some of these cutting their dividends, but we can also expect to see most if not all of these at new highs before year end.

Investment Advisor Choices

Almost everyone would receive a better return with their investments today if they had professional help, providing the right person has been chosen to work with you. Choosing is not as easy as one might think because of the many choices being offered.

As an example, Fidelity, Schwab, TD Ameritrade, and a host of other brokerage houses are offering their in-house Separately Managed Accounts or SMAs as they refer to them. This means you choose the type of account you want, and they will make the investment decisions for you. If you have sectors you prefer, or want a percentage in bonds, or any allocation, they will comply. Management fees can range from a small amount up to 1.7%.

Target Funds are another option, with lower fees and not much to be done on your part. Trying to achieve more growth than their competitors is a problem as they compete for your business. American Century Fund is the leader here and Fidelity and Vanguard follow, but the risk is sometimes higher than you believe.

Another option now available, as investment companies compete for your business, is using

what is called a Robo Advisor. This is a hybrid service where decisions are made for you with a computer. With some of these you can phone in to question a financial advisor. This service is offered again to reduce the account's management fee. The problem with this is you do not have a relationship with a single person who is deeply familiar with your situation and has followed your financial life over a long period of time.

Would I personally recommend or consider any of these services to save a buck? The answer is absolutely not. Why? Finding the right advisor to work with you can give you better performance and confidence. A modest fee should not be a deterrent. As a registered investment advisor I have a fiduciary responsibility to all clients to make every decision based upon what is in your best interest. The options listed above are not held to the same high standard. I always suggest when looking for a financial advisor, talk to several. Many do a variety of things, while others specialize. One might consider <http://smartcheck.gov/check> to do a background check to verify registration status and disciplinary history before making that all-important decision.

I'm happy to report to you we have been specializing in portfolio growth and management for more than fifty years. We are family owned and carry a five-star rating with SmartCheckSM without any disciplinary history. We also own every investment our clients do. We only buy for ourselves and our clients what we believe to be the very best choices. Simply said, we have a joined relationship. Good enough for us means good enough for you, too, as a partner within the Pearson Investment Family.

DP

PCI - The 2011 E.G. Simmons Award winner for Outstanding Community Service!

CHANGES

Last month we discussed changes, but actually the changes that have taken place surprise me to the quick. Men no longer wear fedoras, but when I think about it I would never go out without wearing a hat. Men seldom wear ties or suits. I was shocked when I noticed on my financial program that every time they called on someone in another city, or even country, for additional information, it was almost always a girl who would answer and give the information. I can remember some years ago when women wore skirts and silk stockings. There was a seam on each stocking which would turn a bit awry during the day and women could be seen trying to straighten them out. Then, presto! Out came this company that had discovered a machine that would make silk stockings without a seam. They were a hit and women bought them so fast that stockings with seams were no longer purchased. The company couldn't make the machines fast enough to keep up with the demand and it was patented. We recommended that stock for some time. Eventually stockings no longer had seams.

As changes are taking place we must learn to live with them for that is the way things are going to be, and there is nothing you can do about it. Another thing that has taken place and that has affected investors has been the inauguration of the income tax. Some years ago there was no income tax and you could buy and sell stocks at a profit and the profit was yours. No more! Now if you make a profit, you share it with the government. This is why we worked out a system that would benefit investors. The answer is to be invested in constantly growing companies and almost never sell. In this manner the growth is yours until you die with no income tax on the profits. In the old days you might look for a stock that was underpriced, buy it, and then take a profit, and the profit was entirely yours. Not so nowadays. You must share that profit with the IRS. This is why we have changed our way of thinking. Look long range! Buy long range! That is the system to use for what we think will do the best for you. Look backwards! Look at McDonald's. Twenty years ago you might have bought it at \$2 a share adjusting for splits. Today it is selling for \$123 which means that for every \$1000 you invested in MCD twenty years ago your value is \$61,000. That was McDonald's. It was not the only kid on the street. There were Wendy's and numerous others. It was not necessary to pick out the right one. As you can see, time has straightened it out for you. You might have bought four or five fast food companies and you had to get one or more of them in a positive wind up.

The world is changing. Years ago when you ate out you always went to a restaurant, but nowadays you probably will buy FAST FOOD because that is now the usual place to go. Another thing I have noticed that you may not have seen at a restaurant: The amount of your tip HAS BEEN DECIDED FOR YOU. THE 15 PERCENT HAS BEEN WRITTEN UP FOR YOU UNLESS YOU WANT THE 20 PERCENTER. The differences are calculated and there is no need for you to do it yourself. Another first!

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 APR/MAY 2020

www.pearsoncapitalinc.com

BOEING CO (BA) NYSE PRICE \$123.27

The Boeing Company is an aerospace firm. The Company operates in four segments: Commercial Airplanes (BCA); Defense, Space & Security (BDS); Global Services (BGS), and Boeing Capital (BCC). BCA segment develops, produces and markets commercial jet aircraft and provides fleet support services, principally to the commercial airline industry worldwide. BDS segment is engaged in the research, development, production and modification of manned and unmanned military aircraft and weapons systems for strike, surveillance and mobility. BGS segment provides services to commercial and defense customers worldwide. BCC's segment portfolio consists of equipment under operating leases, finance leases, notes and other receivables and assets held for sale.

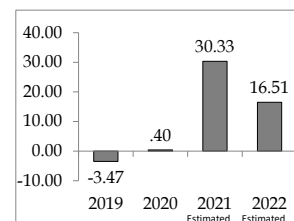
Type: Growth
Sector: Industrials

Ratings & Recommendations

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

Institutional Holdings: 66%
Industry: Aerospace & Defense

Earnings per share



BANK OF AMERICA CORP (BAC) NYSE PRICE \$20.57

Bank of America Corporation is a bank holding company and a financial holding company. The Company is a financial institution, serving individual consumers and others with a range of banking, investing, asset management and other financial and risk management products and services. The Company, through its banking and various non-bank subsidiaries, throughout the United States and in international markets, provides a range of banking and non-bank financial services and products through four business segments: Consumer Banking, which comprises Deposits and Consumer Lending; Global Wealth & Investment Management, which consists of two primary businesses: Merrill Lynch Global Wealth Management and U.S. Trust, Bank of America Private Wealth Management; Global Banking, which provides a range of lending-related products and services; Global Markets, which offers sales and trading services, and All Other, which consists of equity investments, residual expense allocations and other.

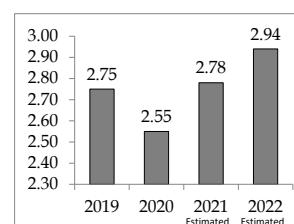
Type: Value
Sector: Financials

Ratings & Recommendations

Current P/E Ratio: **7.5**
Annual Yield: **3.5**
Annual Dividend: **0.72**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B**
Stand & Poor Rating: **B**
The Street (analyst avg.): **C**

Institutional Holdings: 72%
Industry: Banks

Earnings per share



BLOOMIN' BRANDS INC. (BLMN) NASDAQ PRICE \$6.01

Bloomin' Brands, Inc. is a holding company. The Company owns and operates casual, upscale casual and fine dining restaurants. The Company operates through two segments: U.S. and International. The U.S. segment includes all brands operating in the United States. The International segment includes brands operating outside the United States. As of December 25, 2016, the Company had a portfolio of four restaurant concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, and Fleming's Prime Steakhouse & Wine Bar. OSI Restaurant Partners, LLC (OSI) is the Company's primary operating entity. New Private Restaurant Properties, LLC (PRP), an indirect subsidiary of the Company, leases the Company-owned restaurant properties to OSI's subsidiaries. As of December 25, 2016, the Company owned and operated 1,276 restaurants and franchised 240 restaurants across 48 states, Puerto Rico, Guam and 20 countries.

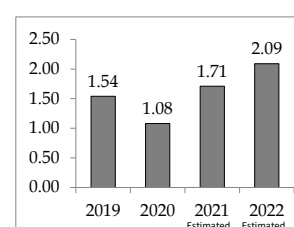
Type: Value
Sector: Consumer Discretionary

Ratings & Recommendations

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

Institutional Holdings: 97%
Industry: Hotels, Restaurants & Leisure

Earnings per share



CARNIVAL CORP (CCL) NYSE PRICE \$7.97

Carnival Corporation is a leisure travel company. The Company is a cruise company of global cruise guests, and a provider of vacations to all cruise destinations throughout the world. The Company operates in four segments: North America, EAA, Cruise Support and, Tour and Other. The Company's North America segment includes Carnival Cruise Line, Holland America Line, Princess Cruises (Princess) and Seabourn. The Company's Cruise Support segment represents certain of its port and related facilities and other services that are provided for the benefit of its cruise brands and Fathom's selling, general and administrative expenses. Its EAA segment includes AIDA Cruises (AIDA), Costa Cruises (Costa), Cunard, P&O Cruises (Australia), P&O Cruises (the United Kingdom) and ship operations of Fathom. Its Tour and Other segment represents the hotel and transportation operations of Holland America Princess Alaska Tours and three ships that the Company bareboat charter to unaffiliated entities.

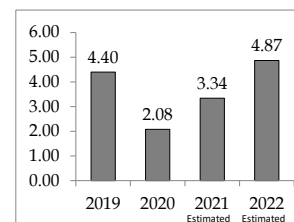
Type: Value
Sector: Consumer Discretionary

Ratings & Recommendations

Current P/E Ratio: **1.8**
Annual Yield: **UNK**
Annual Dividend: **UNK**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B**
Stand & Poor Rating: **D**
The Street (analyst avg.): **C**

Institutional Holdings: 78%
Industry: Hotels, Restaurants & Leisure

Earnings per share



JUST ASK ANN

We are now entering the second quarter of 2020. Usually at this time, I would be visiting our printing partner, Allegra, to oversee the billing notices that get sent to you with your management fee information. Unfortunately, due to the 'social distancing' order in place, I cannot go there to stuff the envelopes. The newsletter, as you can see, will still go out as usual.

In light of this, we will not be sending out a mass mailing of this quarter's notices. However, I will have the file and would be happy to send out individual notices if needed and requested. Please be aware that the same information is always included in the current monthly statement you receive from TD Ameritrade.

I apologize for this but we are all doing our part to keep personal contact to a minimum, wherever possible. Hopefully, this will only impact this current mailing.

Thanks for your understanding.

First Trust Value Line® Dividend Index Fund (FVD) NYSE ARCA PRICE \$26.85

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.

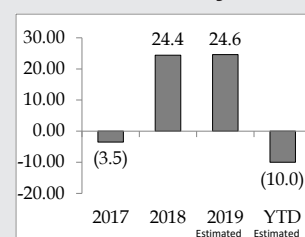
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.9%**
Annual Dividend: **0.77**
Investor's Bus. Daily:
Pearson Growth & Value: **A**
Morningstar: **A**
The Street (analyst avg.): **A**

Category: Value
Industry: Diversified

Performance by%



Virtus InfraCap U.S. Preferred Stock ETF (PFFA) NYSE ARCA PRICE \$11.31

The investment seeks current income and, secondarily, capital appreciation. Under normal market conditions, the fund will invest not less than 80% of its net assets (plus the amount of any borrowings for investment purposes) in U.S. preferred stock, and in derivatives and other instruments that have economic characteristics similar to such investments. The Sub-Adviser actively manages the fund's assets pursuant to a variety of quantitative, qualitative and relative valuation factors.

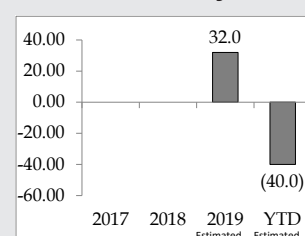
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **16%**
Annual Dividend: **1.80**
Investor's Bus. Daily:
Pearson Growth & Value: **B+**
Morningstar: **N/A**
The Street (analyst avg.): **N/A**

Category: Value
Industry: Diversified

Performance by%



\$787 billion. This one increases jobless benefits for all workers by \$600 per week for the next four months. Another stimulus plan is likely in the works. President Trump's original goal to reopen the economy was April 12, but he was too optimistic in his viewpoint, as health officials postpone giving an official date to reopen parts of the economy again.

New trends we see:

- 1) The worldwide quarantine is causing a global recession and a resulting collapse in commodity prices.
- 2) Talks are open now for a future infrastructure bill.
- 3) For the S&P 500, this was the fastest bear market entry on record, taking just 16 trading sessions to fall 20% from its peak.

Key Point: The Federal Reserve is very active due to the coronavirus downturn in the economy.

Earnings Flows:

The month of April is the beginning of this current quarter's earnings season, and so far this may be the worst quarter earnings we have had since 2009. After we have had the worst few weeks since 2008, and over a 30% market decline, earnings expectations in many sectors of the economy will be negative at best, with many companies postponing guidance for the remaining part of the year.

The Trump administration is considering a diplomatic intervention in the Saudi-Russia oil price war to get the Saudis to cut oil production in an effort to stabilize markets. More discussions are reportedly needed between Saudi Arabia, Russia, and possibly even the U.S. to reach an agreement. News that Saudi Arabia is asking for an emergency OPEC meeting supported the market's hopes. Conversely, some investors were wary that the lack of oil demand would still weigh

on the industry despite attempts to control supply. The new strategy reportedly follows lobbying from U.S. oil companies asking the U.S. to ramp up its diplomatic intervention in the oil markets and possible additional sanctions against Russia.

New trends we see:

- 1) The virus may postpone the rollout for 5G technology.
- 2) The airline industry received a \$50 billion bailout as part of the stimulus package.
- 3) Small businesses are scheduled to get additional help soon.

Key Point: Earnings will definitely be affected by the coronavirus for the rest of the year.

Cash Flows:

As the worldwide markets go into a recession, cash flows for many industries will slow with others going negative for this quarter. Regulation was passed banning buybacks for companies that received government aid. As a result we expect that buybacks for the next few months will be either postponed or canceled. However, as the economy moves forward and returns to normal, companies that have enough resources may make significant moves to take more market share. Private equity firms may also make bids when public firms are now in a distressed situation. Large multinational companies are issuing bonds and additional debt to weather this stressful time.

New trends we see:

- 1) The latest news is that checks will go out to people and businesses in about two weeks.
- 2) We expect more offerings in the bond market for distressed companies.

Key Point: We do not expect any more buybacks for the remainder of the year.

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.

Second Quarter April-May-June-see your April statement.

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%	(21.8%)
Dow Jones	7.5%	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	(25.0%)
Nasdaq	13.4%	5.7%	4.1%	28.2%	(4.7%)	35.2%	(26.6%)
Market Average	10.8%	0.9%	5.9%	24.3%	(6.0%)	28.8%	(24.5%)



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



After Federal Reserve Chair Jerome Powell gave his outlook for the U.S. economy in the first of his twice-a-year updates to Congress last February, he was mainly upbeat about the future. However, COVID-19, after it moved through the virus-stricken Hubei province in China, moved further throughout the rest of the world. Powell said that the Fed would resort to tools it used in the last recession if it's again forced to lower short-term interest rates to zero, and he was true to his word, with emergency interest rate cuts in the beginning of March.

Since setting an all-time high on February 19, the S&P 500 dropped 12% in only six trading days. That is the fastest drop to a correction since WWII. So far, the market has dropped over 30%, causing the largest decrease in a month since the great depression. The S&P 500, Dow Jones Industrial Average, and NASDAQ indices all entered bear markets.

In response, the Federal Reserve's balance sheet moved past \$5 trillion in assets as it purchased bonds and extended loans to banks, in its effort to backstop the economy. It bought \$355 billion of Treasuries and mortgages in an open-ended commitment to stabilize financial markets. Banks lined up for loans directly from the Fed through its discount window, as it has encouraged banks to use the facility more liberally.

Tens of millions of Americans are in some form of isolation, and thousands of businesses across the country have closed temporarily to contain the virus' spread. As a result, the number of Americans seeking unemployment benefits for the first time shot to a record 3.3 million, with many more to follow.

Most of the credit market problems have been addressed, both by Congress and the Federal Reserve. The initial relief package, the largest stimulus package in history, was passed on March 27th. It is nearly three times bigger than the one in 2009, \$2.2 trillion vs.

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