Your Personal Money Manager

Pearson INVESTMENT LETTER

Published Monthly Since 1982

www.pearsoncapitalinc.com

FEATURED STOCKS - MAY/JUNE 2020

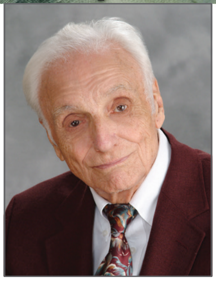
GROWTH STOCKS:

Amazon.com Inc.
Apple Inc.
Alphabet Inc.
Microsoft Corp

ETFs:

Health Care Select Sector SPDR® Fund

Technology Select Sector SPDR® Fund



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

The Market Today

Today we are in a position we have not been in before, and everyone you talk to has a different opinion as to where we are and where we are headed. The Covid-19 pandemic has unleashed economic effects the world has never seen before. Listening to the experts I believe it is safe to say we will get through this but it will take time.

The money being used by our government has been staggering, but most believe it is needed to help our country get through this recession. Another relief package is being discussed now, and, hopefully, our decision makers will get it right if needed. We have over 20 million on unemployment and many will be at home for quite some time. Our recovery will begin slowly, and, as it begins to pick up steam, so will the stock market. I believe it may have already started as many states have begun slowly and carefully opening their economies. We might have another wave of people contracting the virus, but I believe, as most do, we must get our businesses open and working again. Some have predicted a V shaped recovery. Unfortunately, I do not agree, although I hope they are right. I believe we will have a U shaped recovery that simply says we will return to the record prosperity where we were before, but it will just take a bit longer to get there.

People want to be very cautious and getting them back on airplanes, dining out, or attending sporting events without social distancing, will take time, and may not occur until a vaccine has been discovered and we have all been vaccinated. Our market may work in the same manner. Some companies such as Google, Amazon, Microsoft, Apple, and Technology ETF (XLK) as featured in this newsletter will find very favorable results as their services are increasing. In last month's letter we featured Bloomin Restaurants, Carnival Cruise, Bank of America, and Boeing as excellent opportunities for longer range growth. These quality companies, down as much as 80% from their highs, show us outstanding potential. Even a recovery of 50% would give our purchases excellent returns. We foresee this within 8-12 months.

Our most important rule or suggestion for now is just wait. Most believe we will be volatile with large swings up and down until July when we should see upside continuous improvement. All of us who have been following our suggested guidance, even though the market is still down 15-20%, have lost nothing.

For those wanting to get into many of these issues with upside opportunity, simply add money to your accounts and we will do the rest.

Changing the Rules

The rule of taking 4% annually of your investment savings in retirement may be changing. What is making this formula somewhat difficult as a barometer with your retirement planning are the following two issues: Interest rates are exceptionally low and will not increase significantly for quite some time, and people are living much longer today. Many surveys have shown that about 70% of respondents haven't heard about this rule, and only one in five has a quality plan to make their nest egg work and perform as needed in good times as well as bad. With the average yield for money markets at 0.18%, for savings at 0.16%, and five-year CDs at 1.38%, alternatives can and should be utilized.

We all know the stock market has averaged a bit above 10% for the past 50+ years. This in no way guarantees anyone that every year is going to be positive, but it does show us we must place a part of our investment portfolio in it to get a higher return. The most important decision is how and where to make these investments. In my opinion ETFs are the best way to do this. As an example, when I build a portfolio I include Vanguard High Dividend Yield Index Fund (VYM). This ETF tracks large US companies that have continuously raised their dividend. Its one year performance is +9.6%, three year +11.6%, five year +13.1%, with a five star Morningstar rating and yielding 3.1%.

Often I write about mutual funds and why I prefer not to use them when building portfolios. The fees built in that you don't see average about 6% and could be more if they have front or back end loads. Fund managers change without you knowing, and on average over 60% of the managers do not own the fund themselves. With the growth of ETFs and the low fees they charge, along with the tax difference they have, I prefer these without question. Mutual funds have been around for a long time while the number of ETFs, starting in the early nineties with only a handful, continues to grow and now number in the thousands.

This is where I can be of help for you. If you'd like a review of your portfolio or to learn more about ETFs, give me a call. As I often write, every investment we recommend we also own within our personal accounts. Being independent has other advantages too. Ann will take care of all administrative responsibilities, while I'll build and manage your portfolio. To learn more about us you can visit our website.

DP

WAIT

Well, the time has come to write another newsletter. The problem I have is that I am not privy to any new news so what am I to do? Should I write about the man I saw walking down the street yesterday, or should I concentrate upon the beautiful woman who was following him? Either way I shall leave you with severe wonderment as to what this is all about. Perhaps it would make more sense to take into account your portfolios. Okay! Here goes.

One of the things you should take into account is that if you have just started, you're new here, and you probably don't understand the happenings that might take place. Now what I mean by new is less than two years because by the time your account is eight or ten years old you will understand these things much better. As a newcomer, let me explain that some of these things take a period of time before they will work out, some things happen right away. A case in point is that one day I bought a stock and it didn't move for six months. I bought it for a woman at that time and she made 50% in six months whereas it took me one year.

Time is of the essence. Looking at stocks is one thing, but finding something that makes them special is the thing that stands out. Very much like looking over people: there may be a man wearing a flashy suit or the woman that is wearing a hat that almost takes your breath away. These are things that are changing the venue. Have you experienced the same thing when looking at a stock? Have you come across that one that is different? Have you found that one that is different? Have you found the one that is increasing earnings every 15 minutes? If so, get this one bought before everybody else finds it whereas the cost will have risen. On the other hand, perhaps you should have taken the time to make me aware of what is happening. Perhaps you have found a standout and you should make me aware.

I am thinking here that most of the time you sit back and let me find those stand-outs, and then you participate in whatever is made regardless of whether the profits are good or just mediocre. Do you think it will be different this time inasmuch as you are doing the selecting? Should I congratulate you on your selection, or maybe it just wasn't up to snuff? I hate to disparage you even though your selection just did not tow the line. Come to think of it, the time may have come for you to take your vacation. Have you decided where you want to go? I can come up with a suggestion here. I vote for Italy. Perhaps you would say that I am prejudiced simply because I spent my war years there, but that is not the only reason. Italy is a thing of beauty. Many years ago many things were done. Do you have a better choice? Where would you rather go? Have you thought about it, and have you come up with the reasoning that it was I who thought you needed a vacation? Vacations may come and vacations may go but your presence will remain. Remember, it was I who decided you needed time off. SO BE IT! ARRIVEDERCI!

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.*
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.

 Investment letters are complimentary to our clients with managed accounts!

AMAZON.COM INC. (AMZN) NASDAQ PRICE $2401

Amazon.com, Inc. offers a range of products and services through its Websites. The Company's products include merchandise and content that it purchases for resale from vendors and those offered by third-party sellers. It also manufactures and sells electronic devices. It operates through three segments: North America, International and Amazon Web Services (AWS). Its AWS products include analytics, Amazon Athena, Amazon CloudSearch, Amazon EMR, Amazon Elasticsearch Service, Amazon Kinesis, Amazon Managed Streaming for Apache Kafka, Amazon Redshift, Amazon QuickSight, AWS Data Pipeline, AWS Glue and AWS Lake Formation. AWS solutions include machine learning, analytics and data lakes, Internet of Things, serverless computing, containers, enterprise applications, and storage. In addition, the Company provides services, such as advertising. It also offers Amazon Prime, a membership program that includes free shipping, access to streaming of various movies and television (TV) episodes.

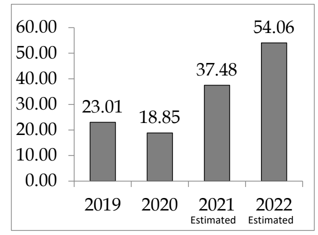
Type: Growth
Sector: Consumer Discretionary

Institutional Holdings: 56%
Industry: Internet & Direct Marketing Retail

Ratings & Recommendations

Current P/E Ratio: **114**
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.): **B+**

Earnings per share



APPLE INC. (AAPL) NASDAQ PRICE $306.52

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.

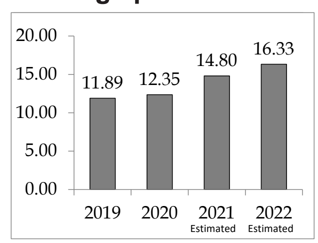
Type: Growth
Sector: Information Technology

Institutional Holdings: 60%
Industry: Technology Hardware, Storage & Peripherals

Ratings & Recommendations

Current P/E Ratio: **24.3**
Annual Yield: **1.1**
Annual Dividend: **3.28**
Investor's Bus. Daily: **A-**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A-**
The Street (analyst avg.): **A**

Earnings per share



ALPHABET INC. (GOOGL) NASDAQ PRICE $1354

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.

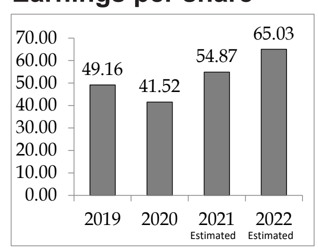
Type: Growth
Sector: Communication Services

Institutional Holdings: 80%
Industry: Interactive Media & Services

Ratings & Recommendations

Current P/E Ratio: **27.7**
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



MICROSOFT CORP (MSFT) NASDAQ PRICE $182.47

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.

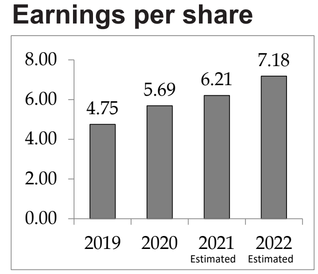
Type: Growth
Sector: Information Technology

Institutional Holdings: 72%
Industry: Software

Ratings & Recommendations

Current P/E Ratio: **31.8**
Annual Yield: **1.1**
Annual Dividend: **2.1**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**

Earnings per share



JUST ASK ANN

The following RMD notice has been sent to all Account Managers from TD:

Subject: RMDs have been waived for 2020

Dear Valued Advisor,

We're writing you because one or more of your clients has a Required Minimum Distribution (RMD) due in 2020 from their Individual Retirement Account (IRA).

*The CARES Act that was signed into law on March 27, 2020, makes significant changes to retirement plan rules. One of the more substantial changes is that **all RMDs have been waived for tax year 2020, meaning your clients will not need to take an RMD from their retirement account for this year.***

Because of this, we are updating our internal systems to show your clients' RMD for tax year 2020 to be zero.

Important Details

*<u>*If your clients have already taken all or part of their RMD within the past 60 days,</u> they can re-contribute **that amount** back into their retirement account, assuming the distribution qualifies for a rollover.*

*<u>*Inherited (Beneficiary) IRA distributions are not generally eligible for a rollover.</u> Unless the IRS offers new guidance, distributions that have already been taken can't be re-contributed for Inherited IRAs.*

At this point, our interpretation of the rule is that clients will still receive only one rollover allowance per year.

****From Ann-----If you have monthly distributions set up to satisfy your 2020 RMD and wish to discontinue these for the remaining months, contact us and we will cancel the distributions.**

Health Care Select Sector SPDR® Fund (XLV) NYSE ARCA PRICE $100.42

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

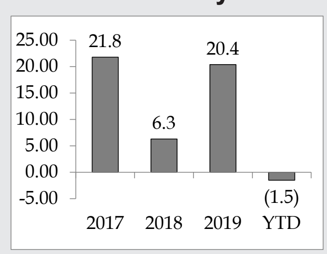
Location: USA
Type: 100% Stock

Category: Healthcare
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.6**
Annual Dividend: **1.58**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **B+**
Morningstar: **B+**
The Street (analyst avg.): **N/A**

Performance by%



Technology Select Sector SPDR® Fund (XLK) NYSE ARCA PRICE $93.47

The investment seeks investment results that, before expenses, correspond generally to the price and yield performance of publicly traded equity securities of companies in the 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.

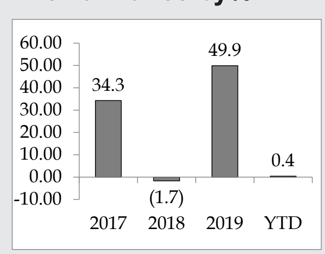
Location: USA
Type: 100% Stock

Category: Technology
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.3**
Annual Dividend: **1.20**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar: **A**
The Street (analyst avg.): **N/A**

Performance by%



Since most of the credit market problems have been addressed, both by Congress and the Federal Reserve, another stimulus plan may be in the works. At this moment, the House of Representatives has created an aid package worth about $3 trillion. That package is now being reviewed by the Senate.

New trends we see:

1) The worldwide quarantine is disrupting supply lines and causing shortages, especially for fresh meat.

2) The Trump administration is reportedly filing an antitrust lawsuit against Google.

3) Europe, especially Germany, is quickly taking steps to open their respective economies.

Key Point: The administration in cooperation with the states is taking steps to reopen the economy.

Earnings Flows:

The month of May is the middle of this current quarter's earnings season, and so far this has been the worst quarter earnings we have had since the great recession in 2009. Many of the companies hit the hardest, such as restaurants, casinos, and service industries, have postponed giving any guidance for the rest of 2020. Many of the other companies not hit as hard have also postponed guidance as well.

The good news is there are a few sectors that are doing well for this market such as grocery stores, technology stocks, and other stocks that benefit from everyone staying at home. So we expect in the next few months, as the economy goes back to normal, that the S&P 500 and Nasdaq will lead first, with the largest stocks, Apple, Microsoft, and Amazon getting bigger in size. Then the mid-cap and small cap stocks will bounce back as soon as the economy gains more steam. Since setting an all-time high on February 19, the market has dropped over 30%, causing the S&P 500, Dow Jones Industrial Average, and NASDAQ indices all entering bear markets. So far the market has made a great rebound, with the S&P 500, and the NASDAQ indices going back close to what they were in January.

New trends we see:

1) The top five stocks of the S&P 500 are now almost 25% of the entire index.

2) The airline industry received a bailout from Congress.

3) We may see a strengthening in the market in the middle of July.

Key Point: The lack of earnings projections for the rest of the year will cause future volatility in the market.

Cash Flows:

As we expected, the scheduled stock buybacks by major corporations over the next few months have either been postponed or canceled. Companies that were the worst hit, such as restaurants and casinos, have also canceled their dividends while they work through their difficult situations. Companies like Intel Corp (INTC), Chevron Corp (CVX) and the big banks have stopped their buyback programs.

However, other companies like Apple, (AAPL) have decided to take a different approach. Apple's board of directors have declared a cash dividend of $0.82 per share of the company's common stock, an increase of 6%. The dividend is payable on May 14, 2020, to shareholders of record as of the close of business on May 11, 2020. The board of directors has also authorized an increase of $50 billion to the existing share repurchase program. This is good news for the stock and a positive outlook for its future. I believe that we may see more instances such as mergers and buybacks when the economy fully improves.

New trends we see:

1) The options for increasing stock buybacks may start next year.

2) We may see troubles in the area of junk bonds.

Key Point: We see positive signs so far for certain stocks.

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%	(11.4%)
Dow Jones	7.5%	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	(17.1%)
Nasdaq	13.4%	5.7%	4.1%	28.2%	(4.7%)	35.2%	0.5%
Market Average	10.8%	0.9%	5.9%	24.3%	(6.0%)	28.8%	(9.3%)

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

As we stated before, President Trump's original goal was to reopen the economy on April 12, but he was too optimistic in his viewpoint. However, his administration has been working to reopen the economy in steps, and delegating the states to make the final decisions. Many states at this time have reopened restaurants, beaches, and doctors' offices, and are laying plans to continue to reopen slowly in different phases. Some areas of the country will fully open earlier than others. The unemployment rate soared to over 15% in April. The vast majority of those jobs are in the restaurant and service industries. So far the unemployment claims have gone up to 33 million nationwide.

Federal Reserve Chair Jerome Powell recently gave his outlook for the U.S. economy, and he was not upbeat about the future. He stated that the economy may take longer than thought to go back to the same level that we had last year. Powell reiterated that the Fed would resort to tools it used in the last recession to help provide liquidity to the economy.

With us now dealing with the COVID-19 situation, since it started in Hubei Province in China, the president recently stated that he may look into additional tariffs if China deliberately held back vital information to the rest of the world. They are also thinking about denying supplies such as semiconductor chips to Chinese companies.

The Trump administration also recently had a diplomatic intervention in the Saudi-Russia oil price war to get the Saudis to cut oil production in an effort to stabilize markets. On April 12th, Saudi Arabia, Russia, and other OPEC countries reached an agreement to cut oil production as much of the worldwide economy ground to a halt. However, due to the late timing of the projected cuts, many people believe that there is currently so much crude oil available we may not see those cuts impacting the price of oil until next year.

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

www.pearsoncapitalinc.com

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

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

Stock Analyst
Chris Carothers
PearsonCapital2@yahoo.com

Account Manager
Ann Hathaway
PearsonCapital7@gmail.com

The Pearson Investment Letter
published monthly since 1982

Editor
Roberta Wilde

Services Provided

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

Free consultation
No hidden fees

Privacy Policy
Available online or mailed upon request.

Table of Contents