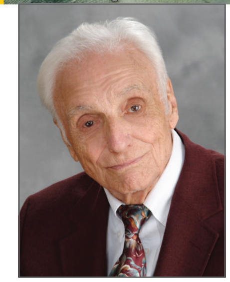
Your Personal Money Manager

Pearson INVESTMENT LETTER

FEATURED STOCKS - JULY/AUGUST 2020

VALUE STOCKS:	ETFs:
Citigroup Inc.	iShares Core S&P U.S. Growth
Hasbro Inc.	
Jabil Inc.	Vanguard Dividend Appreciation Index Fund
Starbucks Corp.	



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

Market Conditions Today

Anyone who is talking about the condition of today's market, I can assure you, is only speculating and offering an opinion. With the conditions being what they are in our country today, we can only speculate. These are troubling times and the uncertainty we are facing makes planning a real problem. As I have written so many times, doing nothing may be the best route to take. Again, time is probably the best solution as time will get us through much of this uncertainty. All the rioting and protesting going on around the country not only affects businesses, neighborhoods, and people, the results can indirectly have a negative effect on the market. Along with this very serious problem, the reported cases of the coronavirus also appear to be growing. This is causing businesses to rethink or delay their open for business plans or change their operating procedures. This also has a negative effect on today's market. Good examples of this are the airlines, cruise ships, and places like Disney parks. We are monitoring these as we own several and are trying to decide whether to hold and ride out the problem or sell to reduce the downside issue

Another problem that has been created by these issues is debt. The federal government will borrow a record $3 trillion in the second quarter to combat the COVID-19 pandemic resulting in the economic downturn. Before the pandemic unemployment was at record lows and the economy was strong. Another issue is the social security cost of living increase for 2021 that may not occur. For those depending on these, for 2020 it was 1.6 percent and because of the mounting debt next year's may not occur.

For those trying to find some good news within these issues, perhaps by staying at home you have saved some money by cutting down on eating out at expensive restaurants, no haircuts, and having to fill your car with gas less often. And, many of us over the age of 72 will not be forced to take this year's IRA distribution.

As we have said so many times we will all get through this, and as I wrote before, I still believe we are on track for a solid recovery that will be shaped like a U rather than the V that many others have predicted. So, we will stay the course we are always on, trying to prioritize growth and keeping safety paramount for all of us.

It's Your Decision

Two issues that are often debated are how to handle your taxes and your mortgage. I'm going to describe current conditions that many of us have with both the tax return credit and how you pay your home mortgage. As we are all different, the choices will not be the same. In trying to give a good explanation I have also referenced my own.

When it comes to your tax return I am a strong proponent of having a professional do this for you. I say this because it's important that you maximize all opportunities to increase the amount of money you'll be receiving with your return.

Today the average tax return is between $2,400 and $2,800, without a thank-you note from the government, as this is your money they are returning to you after they have used it all year. If you spoke to your tax professional and had your withholding adjusted, you could instead take the amount that you are not paying to the government, approximately $200 per month, and put it to work for you in a Roth IRA. We can do this for you or you could get it done yourself. The reason I say this is because if your IRA grew annually at 10 percent you can see how positive this would be for you. After three years or a bit longer the funds you would have deposited would be close to $10,000 and continuously growing in size and value.

Every year at tax time I know I am going to have to pay between $5,000 and $10,000, and I do this without hesitation. I know I'll owe this every year, but I believe I've done the opposite of most. I have used the government's money while they were using yours.

The other issue most have a hard time with is home mortgage payments. Many want to pay their mortgage off as soon as possible, as they will sleep better once this bill has been paid in full and they will no longer worry about it. When asked my thoughts on this, I say to people if your investments are averaging more than the interest on your mortgage payment, why try to do this. If your investments are averaging 8% or more and your mortgage interest is 3 to 5%, your money is outperforming within your investments. My mortgage rate is 3.5% and I've lived here for 20 years and pay on this only what I have to. It's not getting close to being paid off, but my investments are far outperforming the 3.5% I could save on the mortgage.

I hope this helps with your decisions and I certainly wish you the best in managing your money.

DP

OPPORTUNITY KNOCKS

Necessary or not, I again repeat myself to get across to nonbelievers one important fact: YOUR DOLLAR GOES DOWN IN VALUE DAILY. YOU CAN DO SOMETHING TO CORRECT THIS. Buy stocks. They may go down on a temporary basis but long term their growth will show up. Look for companies that are growing and you will find that they may go down just to follow the market, but they will go back up again.

Just to clarify my expertise, I will show you one. Remember, a stock is not a bond and it may have some growth in it. Look at Apple. We are recommending it as a buy right now, and we have been recommending it for a long time. I bought it back in August of 1997, 60 shares for $1,200. We have had many splits since then, and I now have 1,680 shares which are in the neighborhood of a half a million dollars. And, we are still recommending it. I think everyone here has it at the present time. It is a company that has grown, and it is a company that is still growing.

What every one of you should be doing at this time is going over your individual holdings and making a note of extra cash that you may have which you could put to work. By this time you should be understanding that idle cash should go to work. I am also thinking along the possibility that you may have one or more of your friends you could help get started. Have you ever thought how much it would mean to them? It could make a huge difference if you explained to them a little of what you have learned here.

Again, I will repeat myself. I believe it is the duty of parents to teach their children the value of investing. Things have really changed. At one time we had Fort Knox where we kept enough gold to back up the amount of new money we issued. Today we not only cannot back up our currency, but we are so far in debt that everyone agrees it will never be repaid. What that means to you, and to me, is that we only have one way out! Buy stocks! When you are holding dollars, you have invested in a non-growing entity.

One more thing that we should take into consideration is what are you looking for? Is it income with growth, or income primarily, or could it be growth as much as possible, with no interest in the amount of income paid? Here is what you may expect: Your recent stock purchases may have gone up 7% for the year. If your stock is paying 3% dividends, that figures out to 10% for the year.

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.

PEARSON CAPITAL'S RECOMMENDED STOCKS JULY/AUGUST 2020

www.pearsoncapitalinc.com

CITIGROUP INC. (C) NYSE PRICE $51.06

Citigroup Inc. is a diversified financial services holding company. The Company provides a range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, trade and securities services and wealth management. Its business segments include Global Consumer Banking (GCB), Institutional Clients Group (ICG) and Corporate/Other. GCB segment provides traditional banking services to retail customers through retail banking, Citi-branded cards and Citi retail services. ICG segment provides corporate, institutional, public sector and high-net-worth clients with a range of wholesale banking products and services, including fixed income and equity sales and trading, foreign exchange, prime brokerage, derivative services, corporate lending, investment banking and advisory services, private banking, and securities services. Corporate/Other segment includes corporate treasury, operations and technology, and consumer loans.

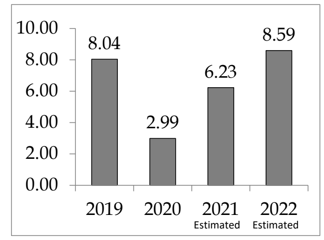
Type: Value
Sector: Financials

Institutional Holdings: 78%
Industry: Banks

Ratings & Recommendations

Current P/E Ratio: **6.9**
Annual Yield: **4.1**
Annual Dividend: **2.04**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A**

Earnings per share



HASBRO INC. (HAS) NASDAQ PRICE $74.95

Hasbro, Inc. (Hasbro) is a play and entertainment company. The Company's operating segments include the U.S. and Canada, International, and Entertainment and Licensing. From toys and games to content development, including television programming, motion pictures, digital gaming and a consumer products licensing program, Hasbro fulfills the fundamental need for play and connection for children and families around the world. The Company's U.S. and Canada segment is engaged in the marketing and sale of its products in the United States and Canada. The International segment is engaged in the marketing and sale of the Company's product categories to retailers and wholesalers in most countries in Europe, Latin and South America, and the Asia Pacific region and through distributors in those countries where it has no direct presence. The Entertainment and Licensing segment includes the Company's consumer products licensing, digital gaming, television and movie entertainment operations.

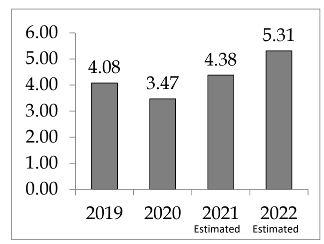
Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 81%
Industry: Leisure Products

Ratings & Recommendations

Current P/E Ratio: **22.3**
Annual Yield: **3.7**
Annual Dividend: **2.72**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A**

Earnings per share



JABIL INC. (JBL) NYSE PRICE $32.08

Jabil Inc., formerly Jabil Circuit, Inc., provides electronic manufacturing services and solutions throughout the world. The Company operates in two segments, which include Electronics Manufacturing Services (EMS) and Diversified Manufacturing Services (DMS). The Company's EMS segment is focused on leveraging information technology (IT), supply chain design and engineering, technologies centered on core electronics, sharing of its large scale manufacturing infrastructure and the ability to serve a range of markets. Its DMS segment is focused on providing engineering solutions and a focus on material sciences and technologies. It provides electronic design, production and product management services to companies in the automotive, capital equipment, consumer lifestyles and wearable technologies, computing and storage, defense and aerospace, digital home, emerging growth, healthcare, industrial and energy, mobility, packaging, point of sale and printing industries.

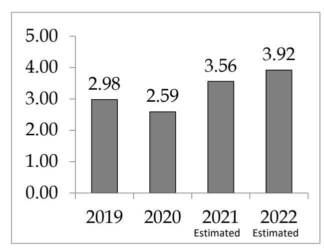
Type: Value
Sector: Information Technology

Institutional Holdings: 92%
Industry: Electronic Equipment, Instruments & Components

Ratings & Recommendations

Current P/E Ratio: **12.4**
Annual Yield: **1**
Annual Dividend: **0.32**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A**

Earnings per share



STARBUCKS CORP. (SBUX) NASDAQ PRICE $73.59

Starbucks Corporation (Starbucks) is a roaster, marketer and retailer of coffee. As of October 2, 2016, the Company operated in 75 countries. The Company operates through four segments: Americas, which is inclusive of the United States, Canada, and Latin America; China/Asia Pacific (CAP); Europe, Middle East, and Africa (EMEA), and Channel Development. The Company's Americas, CAP, and EMEA segments include both company-operated and licensed stores. Its Channel Development segment includes roasted whole bean and ground coffees, Tazo teas, Starbucks- and Tazo-branded single-serve products, a range of ready-to-drink beverages, such as Frappuccino, Starbucks Doubleshot and Starbucks Refreshers beverages and other branded products sold across the world through channels, such as grocery stores, warehouse clubs, specialty retailers, convenience stores and the United States foodservice accounts.

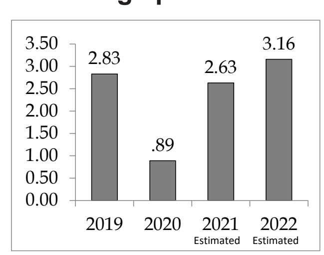
Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 68%
Industry: Hotels, Restaurants & Leisure

Ratings & Recommendations

Current P/E Ratio: **26.2**
Annual Yield: **2.2**
Annual Dividend: **1.64**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A**

Earnings per share



JUST ASK ANN

The March edition of **Kiplinger's Personal Finance** addressed some interesting questions about the coronavirus rescue package, aka, the CARES Act, with regard to the Required Minimum Distribution or RMD.

I took a required distribution from my IRA before the CARES Act was enacted. Can I put the money back into my account to avoid the tax bill?

Ordinarily, you have 60 days to roll money withdrawn from an IRA back into the account. The IRS has extended the rollover deadline until July 15 for account holders who took an RMD between February 1 and May 15.

The option isn't available if you rolled over money from one IRA to another in the past 365 days, because the IRS only permits one rollover per year. The IRS guidance also excludes account owners who took an RMD in January. However, the IRS is expected to come out with additional guidance, and it may allow people who took distributions in January to put that money back, too, says Ed Slott, founder of IRAHelp.com.

I turned 70½ in 2019 and delayed my first RMD until April 1. Does the waiver apply to that distribution?

Yes. The SECURE Act, signed into law at the end of 2019, increased the age at which retirees are required to take RMDs from 70½ to 72 starting in 2020. People who turned 70½ in 2019 were originally required to take their first distribution by April 1, but because of the waiver, you can put it off until 2021.

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NOTE: Unfortunately, we are all still following the social distancing guidelines so billing notices will not be mailed this quarter as before. If you require a copy, please let me know and I will see to it that you receive one. You may refer to your July TD statement for this quarter's billing information.

iShares Core S&P U.S. Growth ETF (IUSG) NASDAQ PRICE $71.88

The investment seeks to track the investment results of the S&P 900 Growth Index (the "underlying index").The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. The underlying index measures the performance of the large- and mid- capitalization growth sector of the U.S. equity market.

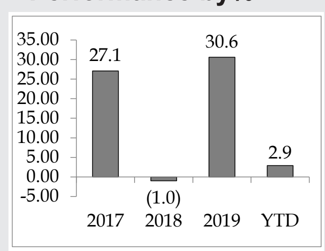
Location: USA
Type: 100% Stock

Category: Technology
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.4**
Annual Dividend: **1.02**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar: **A**
The Street (analyst avg.): **B**

Performance by%



Vanguard Dividend Appreciation Index Fund ETF Shares (VIG) NYSE ARCA PRICE $117.18

The investment seeks to track the performance of a benchmark index that measures the investment return of common stocks of companies that have a record of increasing dividends over time. The fund employs an indexing investment approach designed to track the performance of the Nasdaq US Dividend Achievers Select Index, which consists of common stocks of companies that have a record of increasing dividends over time. The adviser attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

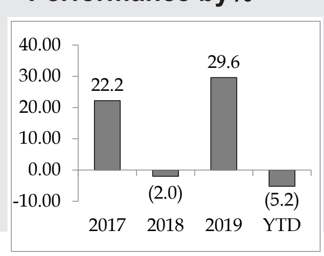
Location: USA
Type: 100% Stock

Category: Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.9**
Annual Dividend: **2.23**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Morningstar: **A**
The Street (analyst avg.): **A**

Performance by%



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infrastructure program as well. The Senate goes on recess at the beginning of August. Also previously discussed, the president stated that he may look into additional tariffs if China deliberately held back vital information to the rest of the world. President Trump later confirmed the trade deal between the U.S. and China was "fully intact," adding he hoped Beijing would continue to live up to the terms of the agreement.

New trends we see:

1) Deflationary pressure is spreading in China as sluggish demand from Europe and the U.S. continues to negatively impact demand.

2) The Fed loosened its Main Street Lending Program to allow more small and medium-sized businesses to be able to receive support.

3) Europe is thinking about stopping travel from America due to the COVID-19 virus.

Key Point: The Fed is helping out as the states are taking steps to reopen the economy.

Earnings Flows:

The month of July is the beginning of this current quarter's earnings season, right before July 4th some companies may report earnings early, but the market will likely focus on the earnings announcements toward the middle of the month. For this quarter we do not expect too much guidance, as companies are still recovering from the total shutdown of the economy. We expect in the next few months, when 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. After a more than 40% climb in stocks from the trough of the coronavirus-driven slump in March, global equity valuations have already surged to new highs with the Nasdaq index leading the way. After seeing dismal results from the last quarter, this next quarter will hopefully be better. The good news is that many companies will see easy next quarter expectations once this quarter is over.

New trends we see:

1) The Nasdaq index is already reaching new highs.

2) We expect volatility for the market to increase during the month of July.

Key Point: Expect volatility in the market when earnings come out this month.

Cash Flows:

As we discussed before, the scheduled stock buybacks by major corporations over the next few months have either been postponed or canceled. The Federal Reserve has just told the banks that they must keep dividend levels the same and forbids them from buying back shares in the next quarter in order to preserve capital. However, we are seeing more instances such as mergers and buybacks as the economy improves. For example, a company called Johnson Controls, (JCI) was in the middle of purchasing stock back before the coronavirus incident and decided to start back up again at the end of the year. We expect many stocks will go back to increasing dividend and/or buyback stocks in the beginning of next year.

New trends we see:

1) We expect by Christmas for stocks to return to increasing their dividends.

2) We hope there are no continued setbacks for this crisis.

Key Point: We see the stock market consolidate before returning to normal.

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.
Third Quarter July-August-September-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%	(4.1%)
Dow Jones	7.5%	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	(9.6%)
Nasdaq	13.4%	5.7%	4.1%	28.2%	(4.7%)	35.2%	12.1%
Market Average	10.8%	0.9%	5.9%	24.3%	(6.0%)	28.8%	(1.6%)

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The economy has started to recover, as states at this time have continued to reopen slowly in different phases. In many places, theme park attractions have or will open soon, and toward the end of July, many sports will start back up again as well. However, there are many COVID-19 hot spots around the United States, so it will take a few more months to see any meaningful results.

This past month, the Federal Open Market Committee (FOMC) issued a statement that it is predicting that U.S. GDP will contract between 4 to 10% in 2020 and then improve in 2021. The Fed will keep key interest rates low through 2022. Fed Chairman Jerome Powell stated that they are not even thinking about raising interest rates. Powell had in the past reiterated that the Fed would resort to tools it used in the last recession to help provide liquidity to the economy. Many people believe that the fiscal and monetary response to this crisis is three to four times more, and much faster than anything we saw in the 2008 crisis.

We have so far added over $3 trillion to the Federal Reserve balance sheet since the recession began. The Fed's balance sheet at last count stands at $7.169 trillion. The Fed will be buying $80 billion in Treasury securities and $40 billion in mortgage-backed securities each month, which helped to suppress Treasury yields last week. Fed Chairman Powell also said that, "It could be some years before we get back to those people finding jobs." In the last three months, over 45 million workers and independent contractors have filed for jobless claims, so the weekly jobless claims will be a big indicator of whether the U.S. economy is recovering.

As we discussed before, a stimulus plan of about $3 trillion may be in the works. At this moment, the House of Representatives and the Senate are still discussing that option, as well as a possible $1 trillion

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The Pearson Investment Letter
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