

# Your Personal Money Manager Pearson INVESTMENT LETTER

Published Monthly Since 1982  
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## FEATURED STOCKS - OCTOBER/NOVEMBER 2020

### GROWTH STOCKS:

Dropbox Inc.  
Switch Inc.

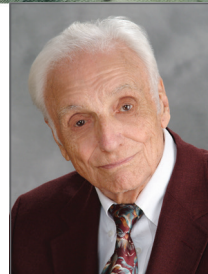
### ETFs:

iShares Russell 1000 Growth ETF

### VALUE STOCKS:

Jabil Inc.  
ViacomCBS Inc.

Technology Select Sector  
SPDR® Fund



Walter D. Pearson  
Chairman



Donald E. Pearson  
President



Ann Hathaway  
Account Manager

## Tomorrow's Market

One of today's challenges for all of us is becoming better prepared for how things are going to look as we enter the next phase of our lives. This means, as we head into next year, exactly how and when do we prepare or change as the pandemic does also. Will a new vaccine help to get our lives back to normal? Have the changes in our lives that took place for most of us created a new normal? This should be more than enough on everyone's plate but it's not.

Another problem we must face is who will be our president and what impact this will have on all of us. The effect on us and the market is anticipated to be significant. The election appears to be too close to call today and many changes are anticipated if there's a change at the top. I, like many others, have been putting a great deal of time and effort into monitoring the activities to help us plan the best route possible as we head into next year. Unfortunately, it seems impossible today to predict the winner. I watched the debate last night, as so many others have, trying to learn more and become better educated, but the spectacle was simply a 90-minute shouting match back and forth throwing insults at each other.

I voted by mail already as many others have and my choices are personal as are yours. As a financial advisor I don't want to discuss politics. I simply want to make the best decisions for all of us and grow our pot of wealth, and this should be done successfully once we know the direction in which we are headed.

With the election as close as it is, it's possible and highly probable, no matter which one wins the White House, the House of Representatives may remain Democrat and the Senate remains Republican. This means the changes going

forward would be minimal, as today they agree on nearly nothing and eventually will work out some form of compromise to get us the help and welfare we need.

So we will stay the course we have outlined until we have additional information suggesting a change in strategy should be made. Large tech companies, healthcare, and financials are sectors that could be highly impacted predicated on the voting results, but as of now they continue to do well, and we continue to stay heavily invested within these sectors. Our largest holding that we purchase for everyone is Apple (AAPL) either through ETFs or as an individual holding that split four-for-one last month and is currently up 55% year-to-date.

## Social Security – 2020

Full retirement age is 66 if you were born between 1943 and 1954 and gradually rises to 67 for those born in 1960 or later. It's important that you investigate your options because you'll have to make decisions that can really impact the rest of your life. As we are working our way through our lives, we continue to pay into Social Security at a rate of 12.4% of our income.

For most of us making a median income, Social Security replaces about 40% of pre-retirement income wages. For high-income earners, it replaces about 27%. The maximum monthly check that can be earned in the year 2020 is \$3,011. One of the decisions you will have to make is when to start. This may depend on the amount you will receive. Once you decide, you do the needed paperwork and your payments will begin.

As you think this through and plan your

strategy, you do have the option of starting at an earlier age. You can begin at age 62 and this will reduce your payment up to 30% less than had you waited. For those that are willing to wait past age 66 you can add an 8% bonus on your payment for every year up to the age of 70. These are choices we all have to make, and the decisions will differ based upon your particular circumstances.

For married couples, if possible, having the higher-earning spouse waiting to age 70 to claim benefits has a positive effect because when one spouse dies the surviving spouse receives 100% of the highest benefit. Other choices you can investigate are making spousal benefit claims even if you are not eligible on your own.

Another option available: If you have started to collect and decide to go back to work before reaching full retirement age, there is a working formula that reduces your payment after you reach earned income of \$18,240.

For those wanting more information and questions answered you can go online to "Your Social Security Questions Answered" and get your questions answered.

As we write often, for all of us to have a long and prosperous retirement and knowing Social Security is only going to provide us with 40% of the funds needed, it's up to us to replace the other 40% with funds from our personal pot of wealth. However much you are making today, it is thought that a realistic target of need is 80% to maintain the same way of life. This is why we must be invested in growth opportunities so we can take care of ourselves through the many years of retirement we all hope to enjoy.

DP

## UPS AND DOWNS

*What should we write about today? The one thing that always upsets me is that individual who is afraid of the stock market. Owning stocks is very much like starting your own business. Choose a business that is growing and then let it grow. Look back 100 years when they first decided to track the stock market. Believe it or not the market has only gone up. There are downsides, but in looking long range you hardly see the downs. In other words now is the time to get in. If your timing is imperfect, wait awhile and you will be straightened out.*

*One of the vitally important things you should have learned already is there is no dollar of real value. The country that is backing your currency is some number of trillions of dollars in debt. What you should have learned by now is that as the value of your dollar depreciates, the cost of everything else rises. Bread is no longer 5 cents per loaf as it was when I was a boy. Shave and a haircut is no longer 25 cents.*

*The name of the game is inflation. You must play as you have already been dealt in. All of your costs will rise as there is no longer a dollar that is backed by gold. One of the best ways to go is in the stock market. As the value of your currency depreciates, the value of your stocks goes up, but there is something else. Your stock is very likely growing which means there are two drivers here. One is the actual growth of your company; the other is inflation. Remember this! The value of the dollar goes down as everything else goes up.*

*Last night I was watching the nightly business report when I heard that a beginner in some industry was going to receive \$11 an hour. My memory came to work and I remembered when we hired new men in the baking industry back in 1931, we paid them by the week and not by the hour. A man was expected to work 12 hours a day and received \$8 a week and that was for six days not five. That was just about the time when the gold backing was removed from your currency. Can you grasp the idea that the value of your currency is moving and it's going downhill not up? One of the reasons you should be a stock investor is that as the value of your dollar goes down, the value of your stockholdings goes up.*

*I really don't know why I spend my time trying to get through to those of you who will not listen. Look back and you will see that everything has gone up in price. Has everything improved or has the purchasing power of your dollar gone down? Even your stocks have to rise in price as the value of the dollar decreases. It used to be different when the dollar had gold backing. Back in those days we used to wait for prices to go down. Today it is different. If you wait too long, the price will go up. My parents used to invest in the market. As companies grew in size they would make money. Today you have two things working for you: the growth of your company plus the depreciating value of the dollar. Good luck to those of you who are listening. Send Money!*

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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 OCTOBER/NOVEMBER 2020

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

## DROPBOX INC. (DBX) NASDAQ PRICE \$19.26

Dropbox Inc. is an online company that provides online file storage and sharing services. The Company provides a Dropbox collaboration platform, which enables users to create, access, organize, share, collaborate and secure the content. Its Dropbox paper allow users to co-author content, tag others, assign tasks with due dates, embed and comment on files, tables, checklists and code snippets in real-time. Its Dropbox Smart Sync enables users to access their content on their computers without taking up storage space on their local hard drives. Its Dropbox Showcase enables users to present their work to clients and business partners through a Webpage.

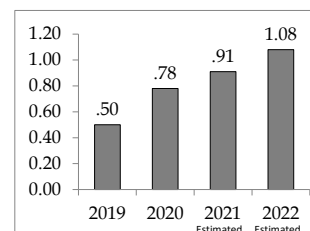
Type: Growth  
Sector: Information Technology

Institutional Holdings: 77%  
Industry: Software

### Ratings & Recommendations

Current P/E Ratio: **24.3**  
Annual Yield: **0**  
Annual Dividend: **0**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A-**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **A-**

### Earnings per share



## SWITCH INC. (SWCH) NYSE PRICE \$15.61

Switch, Inc. is a technology infrastructure company. The Company is developer and operator of the SUPERNAP, data center facilities, and provides colocation, telecommunications, cloud services, and content ecosystems. The Company designs, constructs and operates hyperscale data centers that address the growing challenges facing the data center industry. The Company's patented technologies include 100% hot aisle containment rows, exterior wall penetrating multi-mode HVAC units, hot and cold containment segregation structure, redundant data center roofing system, multi-system power containers, data center infrastructure management system (DCIM).

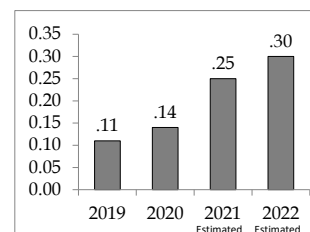
Type: Growth  
Sector: Information Technology

Institutional Holdings: 78%  
Industry: IT Services

### Ratings & Recommendations

Current P/E Ratio: **111**  
Annual Yield: **1.3**  
Annual Dividend: **0.20**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A-**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **A-**

### Earnings per share



## JABIL INC. (JBL) NYSE PRICE \$34.26

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.

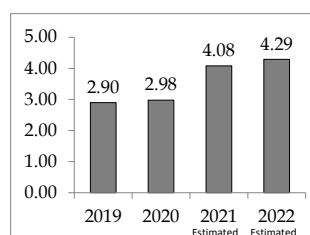
Type: Value  
Sector: Information Technology

Institutional Holdings: 91%  
Industry: Electronic Equipment, Instruments & Components

### Ratings & Recommendations

Current P/E Ratio: **11.8**  
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



## VIACOMCBS INC. (VIAC) NASDAQ PRICE \$28.01

ViacomCBS Inc., formerly CBS Corp, is a global media and entertainment company. The Company is focused on creating premium content and experiences for audiences worldwide. It operates through various brands, including CBS, Showtime Networks, Paramount Pictures, Nickelodeon, MTV, Comedy Central, BET, CBS All Access, Pluto TV and Simon & Schuster, among others. It also offers production, distribution and advertising solutions for partners across five continents. BET is the primary channel of BET Networks that provides entertainment, music, news and public affairs television programming for the African-American audience. CBS Sports brand is a broadcaster of television sports. Its Paramount Pictures brand is a producer and global distributor of filmed entertainment. Its CBS Television Studios is a supplier of programming with more than 70 series in production across broadcast and cable networks, streaming services and other platforms. Its brands also include Bellator MMA and COLORS.

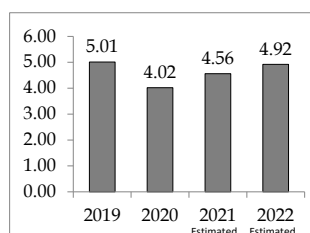
Type: Value  
Sector: Communication Services

Institutional Holdings: 76%  
Industry: Media

### Ratings & Recommendations

Current P/E Ratio: **7.4**  
Annual Yield: **3.3**  
Annual Dividend: **0.96**  
Investor's Bus. Daily: **B**  
Pearson Growth & Value: **A-**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **B+**

### Earnings per share



Over 50 Years of Investment Experience



# JUST ASK ANN

Parents and grandparents often ask how they can invest in a child's future. There are several different types of investment accounts to do this; however, our most common vehicle for investing is a standard Custodial Account.

This is an account opened in the name of the child and a designated adult custodian. Until the 'age of termination', the adult is the overseer of the account. There are no minimums or maximums of what can be managed under this account. Funds can be deposited and withdrawn from the account at any time but must be used for the benefit of the child. At the age of termination, the account becomes the property of the child.

The age of termination varies (18-26) with the home state and can be specifically determined by the custodian at the inception of the account. However, if specified, it cannot be changed once the account is opened.

The management of the account is up to the agent. In our case, Don makes all the decisions based on the custodian's instructions.

There are also ESAs (Educational Savings Accounts), specifically 529 Plans and Coverdell Accounts. Both of these are tax deferred plans that are earmarked toward education. It's important to thoroughly research these plans for one that fits your needs as there are qualifications and end use that is specific to each plan.

If you are interested in any of these types of accounts, please contact us, and we'll be happy to discuss your options.

**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 October TD statement for this quarter's billing information.**

## iShares Russell 1000 Growth ETF (IWF) NYSE ARCA PRICE \$216.89

The investment seeks to track the investment results of the Russell 1000® Growth Index, which measures the performance of large- and mid-capitalization growth sectors of the U.S. equity market. 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. It may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, as well as in securities not included in the underlying index, but which the advisor believes will help the fund track the underlying index.

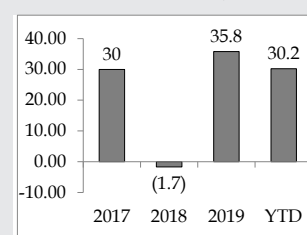
Location: USA  
Type: 100% Stock

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **1**  
Annual Dividend: **2.10**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **A**  
Morningstar: **B**

Category: Growth  
Industry: Diversified

### Performance by%



## Technology Select Sector SPDR® Fund (XLK) NYSE ARCA PRICE \$116.70

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.

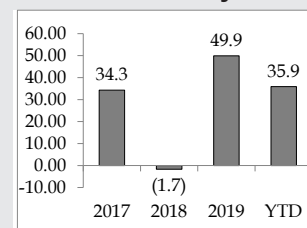
Location: USA  
Type: 100% Stock

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **1.5**  
Annual Dividend: **1.45**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **A**  
Morningstar: **A**

Category: Growth  
Industry: Technology

### Performance by%



has risen against the U.S. dollar in the last six months. As a result, concerns are rising within the ECB about a weak dollar damaging European exports.

**New trends we see:**

1) The administration is tightening restrictions and regulations on Chinese stocks to match the accounting standards in the U.S., forcing them to think about relisting in other exchanges such as Hong Kong.

2) Japan elected a new prime minister, Yoshihide Suga. On September 14, 2020 he was elected to the presidency of the governing Liberal Democratic Party (LDP)

3) OPEC's recent meetings have been tense as each country attempts to keep their agreed cap on oil production during this pandemic.

**Key Point: The Fed has dramatically changed direction and is allowing inflation to rise to support employment.**

**Earnings Flows:**

The month of October is the beginning of this current quarter's earnings season, and we expect multinational companies will lead the way this time with great earnings and revenues. As we said before, the U.S. dollar is now at its weakest level since June 2018. That is good news for the large multinational companies that dominate the S&P 500, since it helps boost their international sales and underlying earnings. Approximately half of the S&P 500's revenues are outside of the U.S., and a weaker U.S. dollar typically boosts the earnings for the multinational companies. This tends to boost our stocks. The primary reason other currencies such as the euro have gained against the U.S. dollar in recent months is the Fed has provided far more monetary stimulus than have other central banks.

The NASDAQ index and the S&P 500 have pulled back from their recent highs. This is also helping broaden the overall rise in the market past the narrow trading of stocks in the technology sector. Positive earnings surprises in beaten down sectors such as restaurants

and retail could lift the market starting in mid-October, when we enter this earnings announcement season. The good news still is that many companies will see easy quarterly expectations for the next year once this quarter is over.

**New trends we see:**

1) A slew of special purpose acquisition companies (SPACs) have been created to bring venture capital companies to market. These are companies with no commercial operations that are formed to raise capital through an initial public offering (IPO).

2) In the past 12 months, median home prices have risen about 11% to over \$300,000 and will likely continue to rise due to tight inventories and low mortgage rates.

3) Retail stocks that benefit home and home goods will also do well into this next year.

**Key Point: Multinational corporations should do well this quarter.**

**Cash Flows:**

Since many stock buybacks and dividend increases by major corporations have either been postponed or canceled the past few months, exchange traded funds (ETFs) that focus on dividends may see some rebalancing or exchanging out companies altogether. ETFs, like (DVY), that count on dividend increases as part of their overall strategy, will reduce or get rid of stocks that do not fit their criteria. Also, stocks like Exxon (XOM) are affected a well. The company has been raising dividends for decades and may have to reconsider if they are still mired with low energy prices.

**New trends we see:**

1) Silver and gold have now plateaued in their rise over the last year and are now off their recent highs.

2) We may see a return to stock buybacks next year.

**Key Point: ETFs that focus on dividends are adjusting their portfolios.**

**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.*

*Fourth Quarter October-November-December-see your October 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%	(2.7%)
Nasdaq	13.4%	5.7%	4.1%	28.2%	(4.7%)	35.2%	24.5%
Market Average	10.8%	0.9%	5.9%	24.3%	(6.0%)	28.8%	8.6%



### MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

#### Economic Flows:

In the previous two newsletters we discussed a stimulus plan of about \$3 trillion that may be in the works. At this moment, the House of Representatives and the Senate are still at a deadlock of how much money the current, already enacted, programs should get. The president recently enacted multiple executive orders to help those in need. Many more job cuts and layoffs may occur in the most affected sectors including the airline industry, tourism, and in the oil industry. Companies such as Royal Dutch Shell (RDS.B) and Disney (DIS) have just announced layoffs in different countries.



The Federal Reserve also recently announced a significant change in how it manages interest rates that could cause inflation to more than double. As we stated before, since the Fed will keep key interest rates low through 2022, their next main goal is to help provide liquidity to the economy and keep full employment. However, consumers may see prices rising faster than they have in a while, especially for key items such as food. At this time, the Fed believes it could be some years before we get back to full employment. It plans on maintaining its key interest rates between 0% and 0.25%.

The Fed is hoping that higher inflation will boost wage growth, which has been anemic for over a decade. It's a dramatic reversal for the central bank, which became an aggressive inflation fighter in the 1980s and continued to do so until the last few years. Powell said in one of his most recent speeches, "We are certainly mindful that higher prices for essential items, such as food, gasoline, and shelter, add to the burdens faced by many families, especially those struggling with lost jobs and incomes. However, inflation that is persistently too low can pose serious risks to the economy." The new goal is for inflation to average 2% over time. And he said the Fed would be aggressive in pushing for higher prices in periods after economic downturns. The Fed's new policy goal would be to more than double the current inflation rate.

When the European Central Bank (ECB) met last, they left their bond-buying program in place and left their key interest rate to member banks at a negative -0.5%. Despite this negative return on bank deposits, the euro

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

Chairman Of The Board  
Head Of Investment Research  
**Walter D. Pearson**  
E-mail: [PearsonCap@aol.com](mailto:PearsonCap@aol.com)

President  
**Donald E. Pearson**  
E-mail: [PearsonCapital@aol.com](mailto:PearsonCapital@aol.com)

Stock Analyst  
**Chris Carothers**  
[PearsonCapital2@yahoo.com](mailto:PearsonCapital2@yahoo.com)

Account Manager  
**Ann Hathaway**  
[PearsonCapital7@gmail.com](mailto:PearsonCapital7@gmail.com)

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

Editor  
**Roberta Wilde**

### **Services Provided**

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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**

Walter's Wisdom:.....	2
Featured Stocks: .....	3
Featured Stocks: .....	4
Ask Ann .....	4
Market Outlook .....	5-6