

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
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FEATURED STOCKS - NOVEMBER/DECEMBER 2020

GROWTH STOCKS:

Apple Inc.
Taylor Morrison Home Corp.

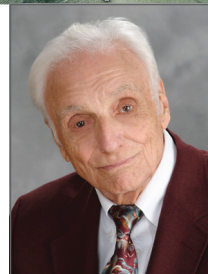
ETFs:

iShares Core S&P U.S. Growth ETF

VALUE STOCKS:

Citigroup Inc.
Pfizer Inc.

Vanguard Growth Index Fund
ETF Shares



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

Market Uncertainty Today

We have received several calls since the election asking our thoughts and opinions on the market. Our answer to these questions is simply this: It is too soon to know, as the final results of the election have not yet been determined and approved. The current president is challenging the reported results, and most importantly, two congressional seats from Georgia will not be determined until the beginning of January. Because neither senator won over 50% as a majority in Georgia, there will be an election on January 5. With the House of Representatives controlled by Democrats, along with a Democratic president, the Senate will be most important. Control requires 50 and the Republicans have that today, while the Democrats have 48 and Georgia will have their two seats determined on January 5, with a state election. If the Democrats won both and tied at 50 each, the vice president gets to vote if needed, thus favoring the Democrats. Most believe if the Republicans maintain Senate control our decision-makers will have to begin working together. This should create compromise and get our country moving again.

Our investment strategy has always been, blend growth and value selections together and find the very best companies and exchange traded funds. Quality portfolios can then be built and maintained to outperform the overall market. With President Trump in office we have favored growth choices over value while still maintaining a good amount of both. Some of this decision-making is also determined by one's risk assessment. If or when former Vice President Biden becomes our new leader, there's a good chance value may be increased within our

choices. In January we will have a better idea of how to make our decisions.

Another issue creating market uncertainty is the coronavirus. With cases continuing to increase in number, we are all looking to stay safe while trying to work and not fall farther behind with our lives. Although too soon to be certain, it appears Pfizer has created the needed vaccine to give us the relief we have been waiting for. It will be done with two shots, one month apart. A common vaccine such as measles has a 92% success ratio while the flu shot has only 50-60%. The test results for the Pfizer corona vaccine has an over 90% success rate. This should be available for us early next year.

This is why I've referenced market uncertainty. The market is the right place to be, and it's just making decisions as to what sectors and individual stocks should be selected. This is what we'll be doing today, tomorrow, and ongoing.

Apple and 5G

I am trying to learn and better understand the new 5G speed headed our way and why we all will, or think we should, upgrade to it. More importantly is Apple's performance going forward because, it is not important whether you or I upgrade; As a shareholder, it is how well they perform, grow profits, and increase their share price.

Today, Apple is our number one holding and every client has it within their portfolio. Even if your account is too small to hold individual stocks, we purchase many ETFs that have it as a primary holding. Good examples of this are two ETFs featured in this month's newsletter. Both IUSG and VUG featured on page 4 have a very large part of their holding in Apple. Another featured last

month is XLK and this ETF has a large portion of their holdings with Apple too.

Apple's upper management is touting the iPhone 12 and the iPhone 12 Pro as the first phone to run on next-generation cellular networks. The three major carriers are telling us we shouldn't expect to see any significant changes until late into 2021. So I will do as so many will, continue to read and listen and try to learn more before reaching any decision as to upgrading my cell phone.

More importantly, as a manager of your account, I will continue to maintain Apple as a very large part of it. For those who have been with us for quite some time we enjoyed a 7 for 1 stock split back in 2014. Recently we had another stock split of 4 for 1. This simply means if you had 100 shares before the stock split you now have 400. As the stock price is adjusted accordingly, it provides an opportunity for many new investors to get in as the price is considerably lower.

Although this year has had many problems and issues for all of us with the virus and other personal issues, their stock performance year to date is up approximately 50%. Most analysts following the stock price are continuing to raise their future price guidance based upon all their products, including their future iPhone sales.

As new clients come on board with us, this will be the first stock added to their new portfolio so we can all continue to prosper together. As we write so often, the purchases we make for clients new and old are the same choices we make for ourselves. We say, "Nothing but the best for both you and I." Featured on page 3.

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HOW CAN WE MAKE THINGS BETTER?

How can we make things better? Well, the best thing to do is to explore things as they stand today and decide if you are satisfied or not. The first thing to take into consideration is how much a company is earning, how much it earned last year, and how much did it earn the year before. If those earnings are constantly increasing, you know you have bought into a constantly increasing company and that should meet with your approval. If your company is not living up to these standards, it may be time to consider getting rid of it. Not too fast though! There may be a reason for it. It may be a temporary glitch in the earnings that have taken place on a temporary basis. That is for you to decide.

One thing that is necessary in this business is to be aware when something new hits the horizon. Your job is to investigate thoroughly and then get in if you are convinced it is right. Many years ago when television became popular, you should have invested in all the TV companies. Then sets became equipped with remotes. That was an upward spur. As time goes on, not only do TVs continue to get bigger and bigger, they also add and upgrade additional features. I can recall our first TV was 12 inches, then we grew up to a 15-inch thinking this was something, too. Our children were impressed in the fifties when we brought home a 27-inch with a remote. Today if yours is twice that size, you are still undersized. This is called progress.

The thing I haven't mentioned yet is price. How much is this stock selling for? How much is it worth? How much is it earning? How much growth is ahead of it? How fast is that coming in? These are the important considerations. When these things have all been taken into consideration and rightfully done, the time has come to make a decision.

Take a minute or two and review what has happened in the stock market over the past 100 years. You will find that the stock market is in a constant upward trend. You may notice a few glitches along the way but you can be assured of ONE thing, if the market is down, it's a good chance to buy more.

Well, that's all for now.

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 NOVEMBER/DECEMBER 2020

www.pearsoncapitalinc.com

APPLE INC. (AAPL) NASDAQ PRICE \$118.97

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.

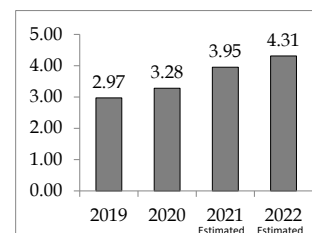
Type: Growth
Sector: Information Technology

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

Ratings & Recommendations

Current P/E Ratio: **36.3**
Annual Yield: **0.8**
Annual Dividend: **0.69**
Investor's Bus. Daily: **B+**
Pearson Growth & Value: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **A**

Earnings per share



CITIGROUP INC. (C) NYSE PRICE \$48.59

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.

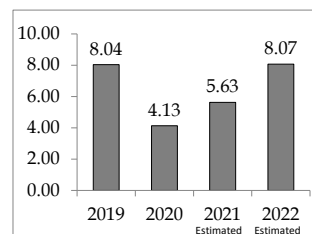
Type: Value
Sector: Financials

Institutional Holdings: 75%
Industry: Banks

Ratings & Recommendations

Current P/E Ratio: **8.3**
Annual Yield: **4.2**
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



PFIZER INC. (PFE) NYSE PRICE \$37.80

Pfizer Inc. (Pfizer) is a research-based global biopharmaceutical company. The Company is engaged in the discovery, development and manufacture of healthcare products. Its global portfolio includes medicines and vaccines. The Company manages its commercial operations through two business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). IH focuses on developing and commercializing medicines and vaccines. IH therapeutic areas include internal medicine, vaccines, oncology, inflammation and immunology, rare diseases and consumer healthcare. EH includes legacy brands, branded generics, generic sterile injectable products, biosimilars and infusion systems. EH also includes a research and development (R&D) organization, as well as its contract manufacturing business. Its brands include Prevnar 13, Xeljanz, Eliquis, Lipitor, Celebrex, Pristiq and Viagra.

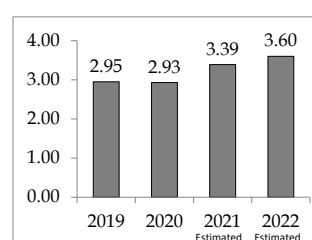
Type: Value
Sector: Health Care

Institutional Holdings: 69%
Industry: Pharmaceuticals

Ratings & Recommendations

Current P/E Ratio: **24.5**
Annual Yield: **4.1**
Annual Dividend: **1.52**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**

Earnings per share



TAYLOR MORRISON HOME CORP. (TMHC) NYSE PRICE \$24.32

Taylor Morrison Home Corporation (Taylor Morrison) is a home building and land developing company. It builds and sells single-family detached and attached homes. It operates under the Taylor Morrison and Darling Homes brand names. It also provides financial services to customers through its mortgage subsidiary, Taylor Morrison Home Funding, LLC (TMHF), and title insurance and closing settlement services through its title company, Inspired Title Services, LLC. Its business is organized into multiple homebuilding operating divisions and a mortgage and title services division, which are managed as multiple reportable segments like: East Central and West Mortgage Operation. Its East Central segment includes Atlanta, Charlotte, Chicago, Orlando, Raleigh, Southwest Florida and Tampa Austin, Dallas, Houston and Denver. Its West Mortgage Operation includes Bay Area, Phoenix, Sacramento and Southern California, Taylor Morrison Home Funding (TMHF) and Inspired Title Services.

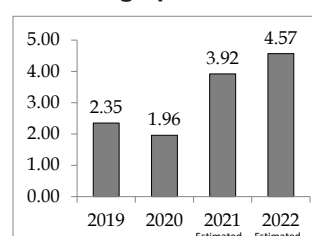
Type: Growth
Sector: Consumer Discretionary

Institutional Holdings: 90%
Industry: Household Durables

Ratings & Recommendations

Current P/E Ratio: **15.1**
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.): **N/A**

Earnings per share



Over 50 Years of Investment Experience

JUST ASK ANN

We're coming up on the end of the year and it won't be long before people will be thinking about gathering information to file their 2020 taxes.

Some clients prefer to not use online access and still like to have paper statements and other documents mailed to them. Tax documents are often slow to arrive when mailed.

However, for those of you using the TD Ameritrade client access, you can quickly pull up your statements and tax documents as soon as they are available. You are always notified by email when they are available to you.

To do so, log in either through our website - www.pearsoncapitalinc.com (click the 'Log in to TD Ameritrade' tab – upper right) or go directly to www.advisorclient.com

On your homepage, you will see tabs across the top for Accounts, Documents, and My Profile. (If you have set up online deposits, you will also see a tab for that.)

Click on DOCUMENTS and the left hand side will direct you to Statements, Trade Confirmations and Tax Documents.

The Tax Document tab will direct you to whatever forms are available for the previous year. You can search specifically for account and year by using the drop down boxes. If no form shows for a certain account, you can pretty much assume that there were no documents generated for that account. For instance, if you have an IRA account and didn't take any withdrawals from it in the tax year, you will not have a 1099 generated.

We are never quite sure when TD issues the Tax information, so be sure to keep a close eye on your emails for dates. Also, after you receive your initial tax forms, be aware that it may be subject to revision so you'll want to watch for any 1099r that is issued as this is the corrected form to be used for filing.

iShares Core S&P U.S. Growth ETF (IUSG) NASDAQ PRICE \$84.21

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 depository 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.

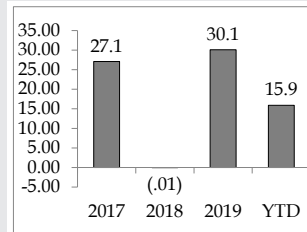
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.5**
Annual Dividend: **1.24**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **B**
Morningstar: **A**

Category: Growth
Industry: Diversified

Performance by%



Vanguard Growth Index Fund ETF Shares (VUG) NYSE ARCA PRICE \$237.56

The investment seeks to track the performance of a benchmark index that measures the investment return of the CRSP US Large Cap Growth Index. The fund employs an indexing investment approach designed to track the performance of index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. The advisor 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.

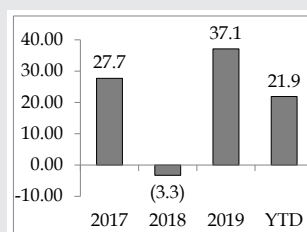
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **01.7**
Annual Dividend: **0.73**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
Morningstar: **B**

Category: Growth
Industry: Diversified

Performance by%



1) Hong Kong's political opposition to the main party that is supported by China has all just resigned. This may pose potential problems as the mainland is imposing their will.

2) In the next few weeks we should see most of the pharmaceutical companies involved in creating the COVID-19 vaccine report their findings to the market.

3) Due to the most recent market moves in oil prices, OPEC has recently changed direction and is now hinting in reducing cuts in output.

Key Point: The market so far is okay with the current election situation.

Earnings Flows:

The final part of the month of November and December is the end of this current quarter's earnings season, and we expect in the next few weeks the number of companies reporting will be slowing down. At the same time, there will be a few sectors such as energy, banking, and transportation, which will be pressured as mutual funds and other institutions will take losses in their respective portfolios. At the same time any good news such as the vaccine for the virus, will help propel the overall market to higher levels.

New trends we see:

1) Starting the second quarter of next year, most companies will have great comparisons from the year before to report. This helps create a sign of the company growing again.

2) In the next 12 months we should see higher volatility in the stock market as we continue to deal with the Coronavirus.

3) Retail stocks may have better earnings in the next quarter as they extend their online sales all the way past Christmas.

Key Point: We should expect great earnings this quarter compared to this past quarter.

Cash Flows:

As stated in the last newsletter, many stock buybacks and dividend raises by major corporations over the past few months have either been postponed or canceled. Also, additional capital was raised through the markets just in case the coronavirus lockdown lasted for months. The good news is that the money saved and raised is now being used by some companies to help drive growth

in the future. One company is the copper company Freeport McMoran (FCX). During the virus shut down, the price of copper and other materials plummeted. The company stopped paying its dividend and raised money to prepare for a long protracted recession. Luckily, that never happened, and the price of copper went higher after China reopened its economy. Now, the company plans to use its resources to pay off debt and to expand its largest mine. That way it can prepare as the economy eventually returns to normal.

A second example is Blooming holdings (BLMN), the owners of Outback Steakhouse and Carraba's. They also stopped the dividend and raised money from the markets when restaurants were forced to shut down. Although the company did over 30% of business through takeout and delivery, the company needed to focus much of its energy to expand that part of its business right away. Luckily, most of its restaurants are now open for dine-in operations. The company now realizes that delivery and take out business is going to be a major part of its future and is continuing to expand, including adding a delivery-only restaurant and new fast-food drive-thru concepts.

New trends we see:

1) Silver and gold may take hold at its current levels as the new administration brings back strength in the dollar

2) We should continue to see better news from companies when they report their dividends for the next 12 months.

3) The next administration may have in place an infrastructure program for the next year.

4) Expect stock buybacks in favorite names like Apple (APPL).

Key Point: Companies are using money they saved during the virus to prepare for expansion when it is over.



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%	10.4%
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%	31.5%
Market Average	10.8%	0.9%	5.9%	24.3%	(6.0%)	28.8%	14.9%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



As of the moment of this writing, Joe Biden is now the President-elect of the United States. Voters did not give Biden a commanding victory. According to the current votes, Biden only won by very small margins in key states - less than 1% in Arizona, Georgia, Pennsylvania, and Wisconsin. Voters in Maine chose Biden for president but sent Republican Senator Susan Collins back for another term, the sort of ticket-splitting that doesn't typically happen when a new party comes into power. According to Standard and Poor's, the stock market apparently was happy to see a divided Congress, so it staged a big relief rally right after the election. In the final full week before the election, the S&P Composite 1500 declined nearly 6%. However, with experts projecting the new political makeup, and a split Congress to result in an injection of fiscal stimulus without an increase in taxes or regulations as a result of a stonewalling Senate, the S&P 500 rose in price.

Once again, in the most recent 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 now on hold regarding how much money the already enacted programs should get, though it may be much lower than expected. The two parties are waiting until the Senate elections are over in Georgia to make any decisions.

Last week, more than 60% of Florida voters approved a measure that would raise the state's minimum wage from \$8.56 to \$15 per hour by 2026. The change doesn't take effect until September 30, 2021, when it rises from \$8.56 per hour to \$10 per hour. The wage then will rise by \$1 per hour every September 30 until September 30, 2026, when it reaches \$15 per hour. As stated before, I think this inflation will likely come as the economy starts to normalize after this second COVID wave is over, but likely not before then. There is currently too much slack in the U.S. and global economy. This may take years for the economy to feel the effects, but wage increases will be part of those changes.

New trends we see:

Continued on page 5

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