

Your Personal Money Manager Pearson INVESTMENT LETTER

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FEATURED STOCKS - FEBRUARY/MARCH 2021

VALUE STOCKS:

AbbVie Inc.

Bristol-Myers Squibb Co.

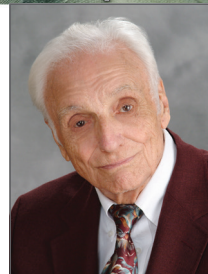
AT&T Inc.

Walgreens Boots Alliance Inc.

ETFs:

iShares Core Dividend Growth ETF

First Trust Value Line®
Dividend Index Fund



Walter D. Pearson
Chairman



Donald E. Pearson
President



Ann Hathaway
Account Manager

Growth and Value

We have gone through periods when one sector outperforms the other and growth has been leading for several years. Today maintaining our accounts for growth is challenging. Through a long period of time growth stocks were leading the market, and the FANG stock had a large part to play with this. Our holdings with AAPL, AMZN, MSFT, GOOG, held individually and through ETFs, played a large part in our superior upside performance. Because of the uncertain times, it is my opinion Value stocks will either begin to take the lead from growth stocks, or at least increase their performance in the days, weeks, and months ahead. President Biden has said he will begin to work with both parties to get both sides working together and get his plans put in place to change and improve our economy. President Biden wrote over 40 executive orders to push his agenda forward which has created a great deal of uncertainty within the market and we can only wait and watch to see the impact this is going to have. This has created a great deal of uncertainty within the market, and we can only wait and watch to see the impact this is going to have. As I've written before, I have no opinion favorable or unfavorable about this president's decision making. I'm simply trying to monitor his decisions and make changes and/or choices that will help our portfolios to perform well.

Although what I am writing today is predicated on current decisions, all could be changed tomorrow. Even with this ongoing uncertainty I believe we can still have a good year in 2021. If the politicians will work together to get our unemployment under control, and agree on the right stimulus for those needing the help everyone knows they need, we could work

our way through this problem. The virus shots needed to get us all across the finish line, although coming slowly, are coming now.

Many of the analysts that follow the economy as a group have agreed earnings in 2021 may see a 28% increase. This is after a poor 2020 drop of 20%. The Federal Reserve has also said it plans to keep its benchmark short-term rate near 0% through 2023. With yields on bonds and cash offerings so low, I will go out on a limb and say, unless something occurs that I cannot and others have not seen, stocks by comparison become much more attractive. I believe high single digits can be achieved by year-end. As I have written often, we will own the same selections too. The next article explains Value choices.

Value Choices and Dividends

There are many companies that are considered value rather than growth, and many increase their dividend every year. If you read pages 3 and 4 of this letter, you'll see both outstanding value selections of individual companies and exchange traded funds. If you see any of these added to your portfolio, know we are simply better diversifying yours. We do not use any mutual funds because of their hidden costs which average 4-6%, and we believe for a very small fee of 1% we can build a better portfolio, thus a better year-end performance

This has been an ongoing process for the past 50 years and it continues to work. I will give you some examples of companies we have been purchasing through this 50-year period, and many of us will find some of these are still in your account today. This is because of the superior yield as well as the performance and safety offered by these selections.

Johnson & Johnson (JNJ), pays a dividend of \$4.04 (2.4%), and it has increased in value 30% in the past three years. We also purchase a great deal of XLV, which is a quality healthcare ETF, and JNJ is their top holding. This company should be the next with a COVID-19 vaccine too.

McDonald's (MCD) is another quality value holding that has raised its payout every year since 1976, the last being in October by 3.2%. Their dividend today is \$5.16 (2.4%) and its three-year performance has been just a bit higher than 40%, thus another good choice for a portfolio.

Proctor & Gamble (PG) has been paying out a dividend for 130 years. It has also raised their dividend for 64 consecutive years. Growth should win every time. Today's dividend is \$3.16 or 2.5%. Their performance increase over the past three years has been over 60%, another quality choice.

Verizon (VZ), although not growing as it usually does, still has a yield of \$2.51 or 4.6%. Its three-year performance return has been just above 20%, and that, coupled with the dividend, still makes it very OK as a part of a well-diversified portfolio.

In this month's letter, you'll find the following two ETFs featured, DGRO and FVD. These are both quality value investments. iShares Dividend (DGRO) is a high-quality Value ETF. Many of the stocks that make this up are Apple, Microsoft, Johnson & Johnson, Proctor and Gamble, Home Depot, and Verizon. While yielding over 2% and returning 10% each year for the prior three, this is certainly a welcome addition to anyone's portfolio. First Trust Dividend (FVD) is very similar, blending quality and value with superior growth which should win every time.

DP

MAKING MONEY WORK FOR YOU

I am now later on in life and the thing that is rather annoying to me is that my folks never alerted me to the stock market even though they were well versed in same. I discovered the market in my middle thirties which means that I had lost a number of years when my money was not working for me. It is my opinion that the same thing should not happen to any of your progeny. This is not taught in schools. It is a necessary thing that parents should explain about inflation and the only way to counteract it. I believe that it should be thoroughly explained about the way the value of the dollar decreases each year and the way the stock market increases constantly, but it does have its ups and downs. In my early years the dollar was backed by gold, and there was no inflation, but things are different today, and in my thinking everybody should be invested and should be going for growth in one's younger years. Teach your children about growth and if possible, open up an account for each of them no matter how small. By having an account, your children will find it easier to understand the whole thing.

My job is to make money, and by that I mean investment-wise. Have you ever given a thought to how much time and effort is put into this avenue? The first thing to consider is in which avenue the client is most interested. Some people want growth and some want income and some want both. Once in a while, or should I say once in a great while, we find a company that pays no dividend, but we are almost sure that there is money to be made. On that rare occasion we tend to buy it for anybody who has the capital to spare.

Let's take a look at one or two of these that might have been bought for one or more of you. Ten years ago we might have bought you Apple Computer, and we might have gone to extremes and bought you 60 shares for \$1200. Today because of the splits you would have 1,680 shares with a value of about \$225,000. This is an example of time. For the first few years you might be wondering just why you were in this one, but after enough time has gone by everything becomes readily apparent. Sometimes it is necessary to wait and Apple is a good example. I can recall one time that I was on a speaking engagement with some other men in my field and I asked one of them what he thought of Apple. He replied, "Sell it. Poor management. The stock is no good." One man's opinion! He might be right or he might be wrong but it behooves the intelligent investor to invest in companies that seem to have the outlook and then stay the course.

Another one of these that has always excited me is Cognizant Technology. The reason that this company has been such a standout with me is that a very strange thing happened here. I had bought this bone for just about everybody because I was convinced that it was a winner. After some time had gone by I thought I would check my price to see how much I had paid for it. Everyone else's had doubled and horror of horrors I had forgotten to buy mine. That did it. I bought it at double the price everyone else had paid for it. I only bought \$900 worth, or 20 shares, back in October of 1999, but I now have 2,160 shares worth about \$161,000 today. If I hadn't been so forgetful it would be worth double that amount. Oh well, so goes the battle.

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 FEBRUARY/MARCH 2021

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ABBVIE INC. (ABBV) NYSE PRICE \$103.70

AbbVie Inc. (AbbVie) is a research-based biopharmaceutical company. The Company is engaged in the discovery, development, manufacture and sale of a range of pharmaceutical products. Its products are focused on treating conditions, such as chronic autoimmune diseases in rheumatology, gastroenterology and dermatology; oncology, including blood cancers; virology, including hepatitis C virus (HCV) and human immunodeficiency virus (HIV); neurological disorders, such as Parkinson's disease and multiple sclerosis; metabolic diseases, including thyroid disease and complications associated with cystic fibrosis, and other serious health conditions. It offers products in various categories, including HUMIRA (adalimumab), Oncology products, Virology Products, Additional Virology products, Metabolites/Hormones products, Endocrinology products and other products, which include Duopa and Duodopa (carbidopa and levodopa), Anesthesia products and ZINBRYTA (daclizumab).

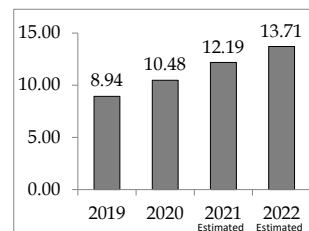
Type: Value
Sector: Health Care

Institutional Holdings: 68%
Industry: Biotechnology

Ratings & Recommendations

Current P/E Ratio: **23.1**
Annual Yield: **5**
Annual Dividend: **5.20**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A-**

Earnings per share



BRISTOL-MYERS SQUIBB CO (BMY) NYSE PRICE \$59.99

Bristol-Myers Squibb Company is engaged in the discovery, development, licensing, manufacturing, marketing, distribution and sale of biopharmaceutical products. The Company's pharmaceutical products include chemically synthesized drugs, or small molecules, and products produced from biological processes called biologics. Small molecule drugs are administered orally in the form of a pill or tablet. Biologics are administered to patients through injections or by infusion. Its products include Empliciti, Opdivo, Sprycel, Yervoy, Eliquis, Orencia, Baraclude, Hepatitis C Franchise, Reyataz Franchise and Sustiva Franchise. It offers products for a range of therapeutic classes, which include virology, including human immunodeficiency virus (HIV) infection; oncology; immunoscience, and cardiovascular. Its products are sold to wholesalers, retail pharmacies, hospitals, government entities and the medical profession across the world. Its subsidiaries are Celgene Corp and MyoKardia, Inc.

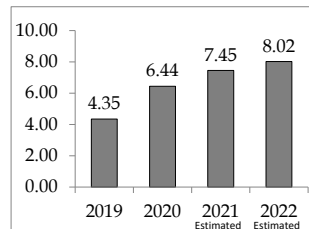
Type: Value
Sector: Health Care

Institutional Holdings: 74%
Industry: Pharmaceuticals

Ratings & Recommendations

Current P/E Ratio: **17.3**
Annual Yield: **2**
Annual Dividend: **3.16**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**

Earnings per share



AT&T INC. (T) NYSE PRICE \$28.69

AT&T Inc. is a holding company. The Company is a provider of telecommunications, media and technology services globally. The Company operates through four segments: Communication segment, WarnerMedia segment, Latin America segment and Xandr segment. The Communications segment provides wireless and wireline telecom, video and broadband services to consumers. The business units of the Communication segment includes Mobility, Entertainment Group and Business Wireline. The WarnerMedia segment develops, produces and distributes feature films, television, gaming and other content over various physical and digital formats. The business units of the WarnerMedia segment includes Turner, Home Box Office and Warner Bros. Latin America segment provides entertainment services in Latin America and wireless services in Mexico. Viro and Mexico are the business units of the Latin America segment. The Xandr segment provides advertising services.

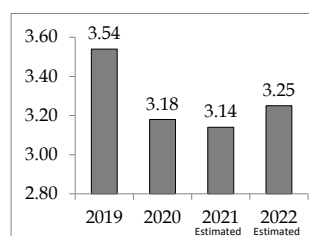
Type: Value
Sector: Communication Services

Institutional Holdings: 51%
Industry: Diversified
Telecommunication Services

Ratings & Recommendations

Current P/E Ratio: **11.1**
Annual Yield: **2.1**
Annual Dividend: **7.19**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **C**
The Street (analyst avg.): **C**

Earnings per share



WALGREENS BOOTS ALLIANCE INC. (WBA) NASDAQ PRICE \$50.12

Walgreens Boots Alliance, Inc., is a holding company. The Company is a pharmacy-led health and wellbeing company. The Company operates through three segments: Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale. The Retail Pharmacy USA segment consists of the Walgreen Co. (Walgreens) business, which includes the operation of retail drugstores, care clinics and providing specialty pharmacy services. The Retail Pharmacy International segment consists primarily of the Alliance Boots pharmacy-led health and beauty stores, optical practices and related contract manufacturing operations. The Pharmaceutical Wholesale segment consists of the Alliance Boots pharmaceutical wholesaling and distribution businesses. The Company's portfolio of retail and business brands includes Walgreens, Duane Reade, Boots and Alliance Healthcare, as well as global health and beauty product brands, including No7, Botanics, Liz Earle and Soap & Glory.

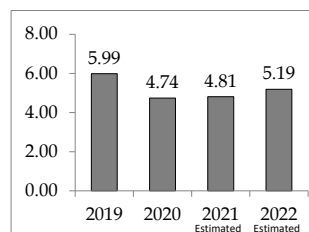
Type: Value
Sector: Consumer Staples

Institutional Holdings: 56%
Industry: Food & Staples
Retailing

Ratings & Recommendations

Current P/E Ratio: **9.6**
Annual Yield: **4.5**
Annual Dividend: **1.87**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **C**
The Street (analyst avg.): **B**

Earnings per share



JUST ASK ANN

On occasion TD Ameritrade is required to send out notifications regarding policy and procedures. Often clients are confused as to whether or not action is needed.

Recently, TD sent an Annual Standing Instructions for Your Account notice.

If you received this, it was merely to remind you that you currently have a Move Money authorization (or a standing Letter of Instruction) attached to your account(s). The notice shows you what instructions are valid at this time. (Remember, NO TRANSACTIONS can occur without your direct authorization.)

Please take a moment to review the information and, if all is accurate, nothing needs to be done. However, if you see that any request needs to be updated or revoked, now is the time to update the instruct.

Examples of these transactions: TD to Bank or Bank to TD transfers, internal transfers to TD accounts other than those that are like-titled or wire instructions.

Please let us know if you need assistance to update.

**** TD has issued all available Tax Documents at this time. Please be aware that these 1099s can be subject to correction/revision as late as April 7, 2021. ****

iShares Core Dividend Growth ETF (DGRO) NYSE ARCA PRICE \$46.03

The investment seeks to track the investment results of the Morningstar® US Dividend Growth IndexSM. The fund generally will invest at least 90% of its assets in the component securities of the underlying index. The underlying index is a subset of the Morningstar® US Market IndexSM, which is a diversified broad market index that represents approximately 97% of the market capitalization of publicly-traded U.S. stocks.

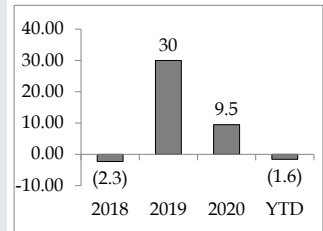
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.3**
Annual Dividend: **1.03**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **B**
Morningstar: **A**

Category: Value
Industry: Diversified

Performance by%



First Trust Value Line® Dividend Index Fund (FVD) NYSE ARCA PRICE \$35.83

The investment seeks investment results that correspond generally to the price and yield (before the fund's fees and expenses) of an equity index called the Value Line® Dividend Index. The fund will normally invest at least 90% of its net assets (including investment borrowings) in the common stocks and depositary receipts that comprise the index. The index seeks to measure the performance of the securities ranked #1 or #2 according to the index provider's proprietary Value Line® Safety™ Ranking System (the "Safety Ranking System") that are also still expected to provide above-average dividend yield.

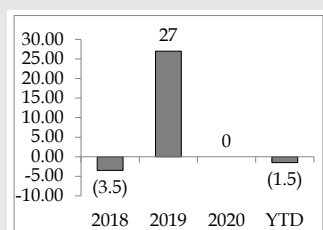
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.3**
Annual Dividend: **0.81**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **C**
Morningstar: **A**

Category: Value
Industry: Diversified

Performance by%



employment. It confirmed that it would continue to buy \$80 billion per month in Treasury securities and \$40 billion in agency-backed securities, including mortgage-backed securities. That has not changed so far.

The Bank of England recently has told its banks to be ready for the possibility of negative interest rates within six months. The most recent minutes from their meeting show rate setters instructed the Prudential Regulation Authority (PRA) to tell banks to prepare. "While the Committee was clear that it did not wish to send any signal that it intended to set a negative Bank Rate at some point in the future, on balance, it concluded overall that it would be appropriate to start the preparations to provide the capability to do so if necessary in the future," the minutes said.

New trends we see:

- 1) China has dealt with the pandemic more effectively than any other nation, thereby reinforcing its reputation as a global manufacturer that has significantly expanded global trade.
- 2) The Biden Administration is getting ready for its transportation bill.
- 3) The Green New Deal is still in the works for legislation this year.
- 4) Europe is still facing the effects of the COVID-19 virus.
- 5) Once again, the savings rate for households is reaching new highs.

Key Point: The market is waiting for the upcoming stimulus.

Earnings Flows:

As we are entering the middle of February, equity markets have remained at all-time highs despite being vulnerable to setback issues due to COVID-19 vaccinations, closures, and the next round of stimulus. The market right now is mostly being influenced by the latest quarterly earnings and sales announcements. With about half of the S&P 500 stocks announcing their fourth-quarter results, the average sales surprises and the average earnings surprises have been noticeably higher, so analysts continue to revise their consensus earnings

estimates higher for this half of the year, despite the current economic conditions. Currently, the equity market needs to go through a readjustment of expectations and valuations, so when the stock market consolidates, defensive companies and dividend growth stocks should naturally benefit as well, lifting all the stocks higher for this upcoming year. However any large forecasts for a company during earnings season can always occur, so we are checking to see if any negative or positive surprises happen.

New trends we see:

- 1) Stock prices, as expressed by the S&P 500, remain above fair value.
- 2) Analysts are poised to raise guidance for overall earnings in the stock market.

Key Point: It looks like earnings are doing better than expected.

Cash Flows:

Earlier this month, Apple (APPL) priced a new bond offering of \$14 billion, one of its largest debt offerings in years. Apple used fixed rate bonds in order to lock in the low borrowing costs for bonds that end several decades from now. Apple says that it intends to use the proceeds for general corporate purposes, which could include capital returns like funding its share repurchase program.

New trends we see:

- 1) Tesla just bought 1.5 billion in Bitcoin as it continues to rise.
- 2) Commodities are off to their best year-to-date start in 30 years.
- 3) This administration will continue to roll out more plans for action.
- 4) The housing market continues to grow and we do not see any changes.

Key Point: Buybacks are back with Apple leading the way.

WALL STREET INDEXES

Indexes	2015	2016	2017	2018	2019	2020	2021
S&P 500	(0.8%)	5.8%	19.6%	(7.1%)	28.9%	16.4%	6.5%
Dow Jones	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	7.2%	2.7%
Nasdaq	5.7%	4.1%	28.2%	(4.7%)	35.2%	43.7%	8.8%
Market Average	0.9%	5.9%	24.3%	(6.0%)	28.8%	22.4%	6.0%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



After House Democrats adopted a budget resolution that would enable a bill to pass with a simple majority in the Senate, the current Biden administration and Congress are about to go ahead on a nearly \$2 trillion coronavirus economic relief plan. Biden's American Rescue plan calls for an injection of direct payments, unemployment enhancements, aid to state and local governments, schools, and the vaccine rollout. Despite a public debt load of \$27 trillion, the consensus is that since interest rates are at essentially zero percent, any growth seen from these measures will pay back the borrowing, while on the other hand, the administration feels that it would cost the economy more if the government does not go through with the spending. Economic policymakers such as Treasury Secretary Janet Yellen and Federal Reserve Chairman Jay Powell have both urged the administration to act now with a large amount of stimulus, believing in the long run that the benefits will far outweigh the costs. According to Standard and Poor, stocks have been buoyed by the stimulus efforts with the major averages continuing to set record highs.

Recently, the Biden Administration placed a hold on all new oil and natural gas leasing on federal land, pending a review of the entire program and reversing the last administration's recent changes. According to Standard and Poor, federal land currently accounts for approximately 9% of onshore crude oil and natural gas production. The goal of this current administration is to push the United States into a slow transition away from the oil industry and to fully promote its green agenda. Higher energy prices are boosting the value of U.S. exports, however, that may cause increased inflation in the longer term.

At the Fed's most recent Federal Open Market Committee (FOMC) meeting they announced that key interest rates and quantitative easing will remain unchanged. Fed Chairman Jerome Powell said at his press conference that the economic outlook remained "highly uncertain" and would depend on the path of the coronavirus. As we stated before, the Fed has a 2% inflation target and keeps its goal to achieve maximum

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