Your Personal Money Manager

Pearson INVESTMENT LETTER

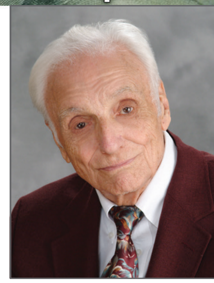
FEATURED STOCKS - JULY/AUGUST 2021

GROWTH STOCKS:
Advanced Micro Devices Inc.
Jazz Pharmaceuticals PLC

VALUE STOCKS:
Brinker International Inc.
Taylor Morrison Home Corp

ETFs:
iShares U.S. Dividend and Buyback ETF

SPDR® S&P Dividend ETF



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

Yesterday

We spend almost all of our time focusing on looking ahead, but I thought it might be interesting to look back today. I like to do this occasionally because it's a way for me to reinforce my belief in not being one to sell when we're having a difficult period. While we are investing and looking for long range growth and opportunity, the only time we will show a guaranteed loss is when bad news pulls the market and our holdings slide back 20-30% and we've decided to sell.

We have been through this before and we'll go through this again from time to time. Last year's pandemic pulled the market back about 35% and, while many were telling you to sell out everything, I was sending out the message that I thought we should sit tight and ride out this unfortunate problem. I also told our clients in the April Newsletter we had what we thought to be four quality companies that we would buy if they added money to their accounts. We thought these were all lower by more than 50% and believed they would soon recover and continue to climb higher. Our team believed we could all double our investment if not even better than that.

Here are the four stocks from our April 2020 letter, their listed price then, and where they are today:

Boeing (BA) @ $123.27 and today around $240;
Bank of America (BAC) @ $20.57 and today around $41;
Bloomin Brands (BLMN) @ $6.01 and today around $27;
Carnival Cruise (CCL) @ $7.97 and today around $26.

Many of you will find one or more of these in your accounts today. By year end 2020 the market finished up close to 20% and us a bit more.

Tomorrow

Finally our leaders have passed a bill that has been agreed upon through compromise. This will not be the save all and correct all the problems we are currently facing, but it is a step in the right direction. This will do a great deal to improve many areas but, as many agree, still much more is needed. With this once again comes an increase with our debt, and as this continues to increase we must not lose sight of the fact we will have to pay for this at some time in some way. As the debt continues to grow larger, we Americans continue to grow older. The number of people 65 and older has grown by nearly 35% in the past decade, and by 2040 about one in five Americans will be 65 or older, up from one in eight in 2020. I point this out because, as we try to build for retirement, or perhaps are there already, the right decisions with our investments become so very important.

It is for this reason I continue to maintain my belief that focusing on value investments is the way to maximize our portfolios right now. A good definition of value selections is: Selecting a stock to purchase that is selling at a discount of 30% or more to what we believe their value really is. As inflation begins to show itself as it does from time to time, and we believe it will in 2021, this begins to get interest rates rising. This also helps value investments as they are generating their yields and profits now, whereas growth stocks are purchased for future growth.

As our portfolios will always show, properly built and diversified, they could have and should have a good supply of both. Age and risk tolerance help us to decide what percentage of each.

Why ETFs?

You hear us often say quality ETFs are today's best way to build successful portfolios. Mutual funds have long become a thing of the past in my opinion, as the cost of these are considerably more expensive, and you need only read all of their paperwork to see this for yourself. While most ETFs have a working cost of less than1%, mutual funds on average exceed 4%. ETFs also have on average under 100 companies within their portfolio while mutual funds exceed on average 400 or more companies.

In this month's letter we have featured SPDR - S&P Dividend (SDY) ETF. This ETF is made up of mid-size companies and is classified as value. This ETF started in November 2005 and since inception has averaged 9.8% annually. The top five companies within their portfolio are Exxon, AT&T, So. Jersey, Chevron, and IBM. Their ten-year average return has been 12.75% while also yielding 2.5%. You will probably find this in your account already because it's an excellent way for us to get portfolios diversified. The decision makers selecting what should make up the portfolio also want only companies that increase their dividend every year for 20 or more years. This is value at its best.

As we continue to write, a value company is one thought to be 30% or more lower in price and is expected to grow at an impressive rate. In this letter we also featured Brinker (EAT), owner of Chili's bar & grill, and Maggiano's. Both restaurants have suffered pandemic setbacks and are now beginning to prosper again. With a 52-week high of $78 and a 52-week low of $21, while currently selling at $61, we believe this should give us a 30% or more return within a reasonable amount of time. Do not be surprised if you see this added to your account.

DP

WALTER'S WISDOM
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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.

When investing in companies, 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 has 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. You must find out more about it. What is it? Who will use it? How can we invest in it? Your job is to investigate thoroughly and then get in if you are convinced it is right. When TV started you should have done more than buy a TV set. You should have invested in all the TV companies.

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.

A very comical thing has recently happened in the stock market. It may not be apparent to you as you live day to day with your regular goings on, but it is very apparent to me because I am making these decisions daily, and I see things going here and there and I find it quite unbelievable

Here is what has happened which I find to be very, very strange. I have never seen it happen before. Last year the stock market was high. I had come to expect a correction. All stocks were 20 or 25 times earnings, and even though I rarely see them that high, I couldn't visualize any imminent correction. Then it happened. All of a sudden here and there one whole stock moved to the price I would normally expect a stock of that kind to sell. In other words it has happened. Here and there I find stocks selling for about 16 -18 times earnings. What a difference! And there is no calamity as we have had in the past when the whole market went down simultaneously.

Now that you have considered everything, or almost everything, the time has come to think about the whole ball of wax. Do I want more money or am I fluid enough financially? Do I have enough income coming in or am I more interested in cash on hand? Each one of us may have a different idea. It may simply be necessary to corral your thinking. Once it settles down that is the time to put it all together and think about your end results. It may seem to you that you've gone this road before and it is all working for your own good. From your end there is only one thing that you can do to help yourself and that is to ADD MONEY. It can be somewhat surprising the things that can happen just because you sent in a few more dollars. It doesn't hurt.

So, till next time--arrivederci!

WP

Source Rating Key *for **PCI's** featured stocks:* Pearson Investment Growth Rating *measures long-term past and future growth.* Pearson Value Rating *measures current value in terms of potential for the dollar.* Investors Business Daily *measures growth and relative price strength.*
S&P *measures financial quality and growth potential.* Value Line *measures timeliness, value and safety.*

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 2021

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ADVANCED MICRO DEVICES INC. (AMD) NASDAQ PRICE $93.93

Advanced Micro Devices, Inc. is a global semiconductor company. The Company is engaged in offering x86 microprocessors, as standalone devices or as incorporated into an accelerated processing unit (APU), chipsets, discrete graphics processing units (GPUs) and professional graphics, and server and embedded processors and semi-custom System-on-Chip (SoC) products and technology for game consoles. The Company's segments include the Computing and Graphics segment, and the Enterprise, Embedded and Semi-Custom segment. The Computing and Graphics segment primarily includes desktop and notebook processors and chipsets, discrete GPUs and professional graphics. The Enterprise, Embedded and Semi-Custom segment primarily includes server and embedded processors, semi-custom SoC products, development services, technology for game consoles and licensing portions of its intellectual property portfolio.

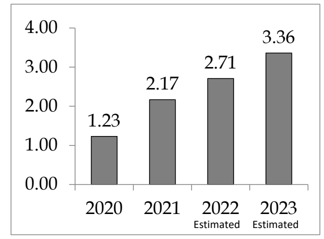
Type: Growth
Sector: Information Technology

Institutional Holdings: 72%
Industry: Semiconductors & Semiconductor Equipment

Ratings & Recommendations

Current P/E Ratio: **38**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**

Earnings per share



BRINKER INTERNATIONAL INC. (EAT) NYSE PRICE $61.85

Brinker International, Inc. is engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar (Chili's) and Maggiano's Little Italy (Maggiano's) restaurant brands. The Company's Chili's operates Bar & Grill category of casual dining. Chili's menu features authentic Fresh Mex and Fresh Tex cuisine, including signature items, such as Baby Back Ribs smoked in-house, Hand-Crafted Burgers served with house-made garlic dill pickles, Mix and Match Fajitas, Tableside Guacamole and house-made Chips and Salsa. Maggiano's is a full-service, casual dining Italian restaurant brand. Its Maggiano's restaurants feature individual and family-style menus, and its restaurants also has banquet facilities designed to host party business or social events. The Company owns, operates or franchises restaurants, which include approximately 1,650 restaurants in the United States, over 30 countries and approximately two territories outside of the United States.

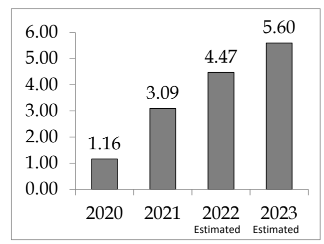
Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 97%
Industry: Restaurants & Leisure

Ratings & Recommendations

Current P/E Ratio: **3.5**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**

Earnings per share



JAZZ PHARMACEUTICALS PLC (JAZZ) NASDAQ PRICE $177.64

Jazz Pharmaceuticals Public Limited Company is a biopharmaceutical company. The Company is focused on developing and commercializing products that address unmet medical needs. The Company has a diverse portfolio of products and product candidates with a focus in the areas of sleep and hematology/oncology. The Company's lead marketed products include Xyrem (sodium oxybate oral solution) for the treatment of both cataplexy and excessive daytime sleepiness in patients with narcolepsy; Erwinaze for the treatment of acute lymphoblastic leukemia (ALL), and Defitelio (defibrotide) for the treatment of severe hepatic veno-occlusive disease (VOD). The Company also commercializes Prialt, an intrathecally administered infusion of ziconotide, approved by the FDA for the management of severe chronic pain in patients for whom intrathecal therapy is warranted, and who are intolerant of or refractory to other treatment, such as systemic analgesics, adjunctive therapies or intrathecal morphine.

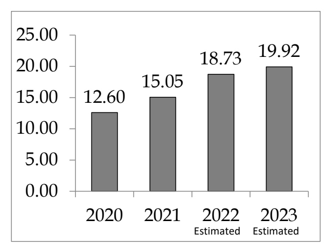
Type: Growth
Sector: Health Care

Institutional Holdings: 90%
Industry: Pharmaceuticals

Ratings & Recommendations

Current P/E Ratio: **20**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**

Earnings per share



TAYLOR MORRISON HOME CORP (TMHC) NYSE PRICE $26.42

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.

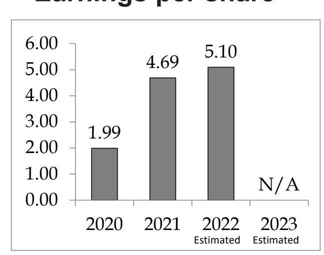
Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 94%
Industry: Household Durables

Ratings & Recommendations

Current P/E Ratio: **9.3**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B**
Stand & Poor Rating: **C**
The Street (analyst avg.): **N/A**

Earnings per share



JUST ASK ANN

A NOTE FROM TD AMERITRADE:

Tax Year 2020 Form 5498 is now available.

TD clients' Form 5498 for tax year 2020 will be mailed **no later than June 30, 2021***. Copies of these forms are now available online. Form 5498 reports all individual contributions and rollover contributions to all IRAs (including SEP and SIMPLE IRAs). It also reports employer contributions and rollovers deposited into SEP and SIMPLE IRAs.

To view them in your online account, go to **Documents**, then select **Tax Documents** on the left hand side of the page.

TD encourages all clients to sign up for electronic tax form delivery on www.advisorclient.com. You can sign up for e-delivery of tax documents by logging into the AdvisorClient site, then click **My Profile > Communication Preferences**.

* Please note that **certain states** have extended the deadline beyond May 17, 2021 to allow retirement account contributions for tax year 2020. Clients that have made or will make a deposit to their IRA between June 15, 2021 and July 16, 2021 for tax year 2020 will receive a Form 5498 in late July, 2021. Please visit the IRS site for more information on the extended contribution deadlines.

iShares U.S. Dividend and Buyback ETF (DIVB) CBOE CONSOLIDATED LISTINGS PRICE $39.27

The investment seeks to track the investment results of the Morningstar® US Dividend and Buyback IndexSM. The fund generally will invest at least 90% of its assets in the component securities of the underlying index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the underlying index. The underlying index is designed to provide exposure to U.S.-based companies that return capital to shareholders through either dividend payments or share buybacks.

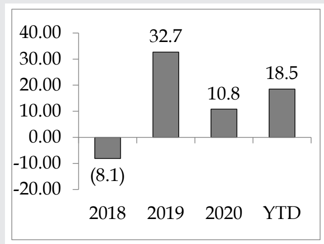
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.2**
Annual Dividend: **.85**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **C**
Morningstar: **A**

Category: Value
Industry: Diversified

Performance by%



SPDR® S&P Dividend ETF (SDY) NYSE ARCA PRICE $122.28

The investment seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the S&P High Yield Dividend Aristocrats Index. The fund generally invests substantially all, but at least 80%, of its total assets in the securities comprising the index. The index is designed to measure the performance of the highest dividend yielding S&P Composite 1500® Index constituents that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 consecutive years.

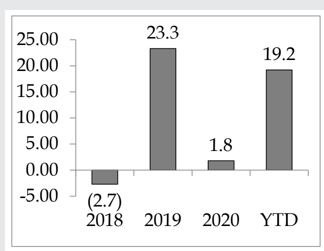
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.5**
Annual Dividend: **.86**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **C**
Morningstar: **A**

Category: Value
Industry: Diversified

Performance by%



Investment letters are complimentary to our clients with managed accounts!

committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. As we stated before in the last newsletter, Eric Rosengren, the leader of the Boston Fed, said, “While rapid economic growth is very good news, it was, and still is, badly needed to offset the sizable shock that occurred with the Covid-19 pandemic.” We now see that the Fed will change when the data shows the path is cleared.

New trends we see:

1) With the economy reopening, inflation readings have already jumped. Earlier this month, the Consumer Price Index (CPI) showed consumer prices increasing at the fastest rates in the last decade.

2) The disruption in the overall supply chain is affecting small businesses the most.

3) Appliances, cars, and furniture are still being affected by supply chain issues.

4) Builders are also still contending with supply chain issues, holding up the current demand for homes and other construction projects.

Key Point: The Fed has pivoted and is now discussing when it may raise interest rates.

Earnings Flows:

This quarter’s earnings season is about to start, and the market’s volatility has been dramatically different from what we had last year. Currently the market has recently made new highs, and this will leave many stocks that have already moved up dramatically this year more vulnerable during this quarter’s earnings and expectations. If a stock misses expectations, you may see it go down lower than it would last year as much of the COVID-19 pandemic trades are still in the middle playing themselves out. For example, the market is now worried about what inflation will do with upcoming stocks. Economists were expecting higher prices for different products such as food and other commodities. However, we now have to wait and see whether or not this basic level of inflation is either temporary or permanent.

Federal Reserve Chair Jerome Powell continued to attribute most of the recent inflation surge to factors closely tied to the economic reopening. Under questioning from a special House panel, he said it is “very, very unlikely” that a repeat of 1970s-style inflation could happen, primarily because of the Fed’s commitment to price stability.

In the most recent quarter:

1) Some of the recent commodity price declines are due to China releasing some of its commodity reserves to combat inflation.

2) The Bank of England is expected to hold interest rates at record lows and maintain its massive asset purchase program as well; however, investors will be looking out for hints at tightening next year just like they did for the Federal Reserve.

Key Point: This quarter’s earnings may show whether or not inflation is rising.

Cash Flows:

Over the past year, mortgage refinances boomed as homeowners capitalized on today’s low refinance rates. Many chose to refinance their mortgage loans in order to save on their monthly mortgage payments after mortgage rates plummeted in 2020 and the Federal Reserve lowered the federal funds rate to stimulate the economy. We expect that some homeowners will be using some of the refinancing money to pay off other bills, start home remodeling projects, or purchase other items. This will help cause a huge boost in the economy over the next year.

New trends we see:

1) Many companies are starting to return to their prior buyback programs before the COVID crisis happened.

2) The major infrastructure bill that is being talked about now in Congress is grand in scope and size

Key Point: Record refinancing may also have a major impact on how the post- pandemic reopening affects the stock market.

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 July statement.

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%	13.9%
Dow Jones	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	7.2%	12.7%
Nasdaq	5.7%	4.1%	28.2%	(4.7%)	35.2%	43.7%	11.4%
Market Average	0.9%	5.9%	24.3%	(6.0%)	28.8%	22.4%	12.6%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

With the post pandemic economy racing forward and the stock market moving to all-time highs, some Federal Reserve officials have pivoted in their thinking, and are ready to start talking about scaling back the central bank's aggressive monetary policy directives. During the latest Federal Market Open Committee (FOMC) meeting, they announced that the Fed would hold the federal funds rate unchanged at the targeted 0% to 0.25% range, and most importantly raised its inflation outlook. More members also projected that there may be interest rate increases in 2023 or perhaps as soon as 2022. This change of thinking is on track of the Fed's original intentions of eventually raising rates, but it looks like the timeline has now been shortened.

The Fed noted that economic activity across the country expanded at a faster rate than it did earlier in the spring with several regions of the country reporting bounce-backs in some of the hardest hit groups, specifically the leisure, travel, and restaurant industries. Fed officials have also made it clear that they do not need to wait for the economy to fully recover to start slowing its asset purchases. The central bank has stated that it would begin pulling back once the economy looks like it is making further progress.

Still, other Fed officials say the economy is not yet back to pre-pandemic form. Besides keeping interest rates at 2% over the longer run, the Fed's other mandate is to seek to achieve maximum employment. The FOMC committee recently stated that its aim is to achieve inflation moderately above 2% for some time so that inflation averages 2% over time and longer term inflation expectations remain well anchored at 2%. In other words, the Fed will let inflation run higher now until it is satisfied with its employment targets. Recently, Philadelphia Fed President Patrick Harker stated "it may be time to at least think about thinking about tapering" the Fed's asset purchase program. Since the depths of the pandemic, the program has been purchasing about $120 billion in Treasury bonds and mortgage-backed securities each month. "Portfolio sales will be gradual and orderly, and will aim to minimize the potential for any adverse impact on market functioning by taking into account daily liquidity and trading conditions for exchange traded funds and corporate bonds," said the Fed in its most recent statement. The Fed's corporate bond market intervention was one of many actions done by the Fed as markets declined in March 2020. Federal Reserve officials are not expecting a scenario where an overheating economy leads to runaway inflation. The

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