

Your Personal Money Manager Pearson INVESTMENT LETTER

Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - AUGUST/SEPTEMBER 2021

GROWTH STOCKS:

D R Horton Inc.
Tupperware Brands Corp.

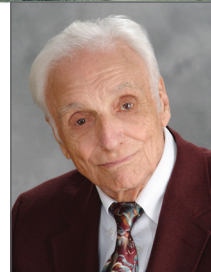
ETFs:

Technology Select Sector SPDR® Fund

VALUE STOCKS:

Bank of New York Mellon Corp.
Ball Corp.

First Trust Water ETF



Walter D. Pearson
Chairman 1998-2021



Donald E. Pearson
President



Ann Hathaway
Account Manager

Pearson Capital, Inc.

I thought in this edition I would write about the history of our business and my father's role in it. PCI was started back in 1998, and my father and I became working partners. As written in his obituary on page 2, he started in the investment business about 70 years ago. As he increased his knowledge and ability, he opened his own company known as 1ST NE Securities, and he continued to learn and get better at it. After retiring in the seventies he missed the business, so he opened it again. In 1998 this became PCI.

Back in those earlier times most people would invest in mutual funds. This was the best way to invest as buying into individual stocks and companies took a great deal of work, research, and skill to be successful. Individual stock evaluation is an area my father excelled in as he developed his system of ongoing research to assist him with decision-making. My father focused on when to buy and when to sell, and he achieved a very high success record. As time went on the business began to change. It was necessary to learn more about the new technology and the many different choices being made available to everyone. I told my father I would try to keep up with the many changes being offered within the industry.

As we grew, we needed additional personnel to be successful. As many of you know, Ann Hathaway was added as our Account Manager to help with the ongoing administrative needs of our many clients. This left me free to continue my ongoing research. Within the last ten years, Exchange Traded Funds began to be offered, and, as I've written before, in the not too distant

future these will replace or put mutual funds out of business. These are considerably less expensive to buy and easier to manage and research. Still, an important part of the business is owning individual stocks as there is always opportunity to make a sizeable profit on the right choices. As this market continued to grow Chris Carothers was added to work with my father and together select winning choices. As we build portfolios, we believe a combination of ETFs and individual stocks should be used to better diversify portfolios. Ann has been with our team almost 20 years and Chris is just a bit more than that. We also have my niece Lori Stockhaus assisting with our research of these choices.

I might also add my father and I loved our jobs, so working with our team was always fun. We all have offices in our homes and work there most often, getting together a couple of times per week for business and pleasure. The virus has slowed down the getting together somewhat, but we still work well together. My father also read a lot, played bridge a lot, and kept his mind focused and working. I might also add I know our system is highly successful, as our client base today is more than five times the size it was after our original startup. I believe what makes us so unique (father's strategy) is the fact we buy the same things for the clients that we buy for ourselves. This is a true ongoing partnership because we know our clients want the best choices available as do we.

PCI GOING FORWARD

As a team we have discussed going forward, and we believe there is very little to change. Both Ann and Chris will be doing the same as always, and I will continue to stay focused on ETF choices. Depending on a portfolio's size, the amount of money, and the risk chosen helps us decide how to build it to be successful. Using my father's methods is important to all of us. He and I discussed this many times, and I assured him his legacy will live on.

One change we've all agreed should be made is reducing the newsletter from six pages to four. Without my father's ongoing stories of the past in "Walter's Wisdom", the number of pages will be reduced a bit. Ann will still write her column helping everyone from an administrative prospectus, and Chris will continue to write about today's economy, detailing both where he believes it is now, as well as his outlook of where it is headed. I will continue to write articles that I believe our clients want and need to know. This letter was started in 1982 but was somewhat outdated. Sandra Alberti gave this a five-star face lift just after the year 2000. It is now thought to be one of the industry's best.

Our Newsletter Editor is Roberta Wilde, our Copy Editor and Proofreader is Karla Chernicky, and our newsletter printer is Sam Manci, owner of Allegra Printing Company. We will continue to feature stocks we are purchasing and ETFs we believe we want to be added to our portfolios. Outside of the newsletter, we see no other changes going forward. As we often say, working with all of you is a real pleasure.

DP

- WALTER DONALD PEARSON -

Walter Donald Pearson, 105, of Valrico, Florida passed away peacefully in his home Monday, July 26, 2021. He was surrounded by his loving and faithful caregivers whose care allowed him to remain in his home.

Walter was born in Pittsfield, MA (Berkshire) to Edgar Crowther Pearson and Edna Scott Pearson on February 5, 1916. Walter met and married Mary Cleary in Scranton, PA. They had three children. Walter later married Elsa V. Swanson Griffin. They had one child.

Walter was a veteran of World War II serving in the Army. He was stationed in Italy from 1943 – 1945. Italy remained in his heart. Naples and Florence were his favorite cities. Up until 20 years ago, Walter returned every year for a reunion with his fellow veterans that fought there during the war. It was a very special time for him.



In 1932, during the Great Depression, it was necessary for Walter to quit school and go to work, securing dishwasher and short-order cook jobs, to then selling magazines and hearing aids. Walter was an avid reader, intent on learning and increasing his vocabulary. Walter answered an ad by the Charles A. Day Company to sell stocks, who then trained him and he excelled. Walter established First New England Securities Company, Inc as President and serving as primary analyst, retiring in 1972. In 1998, Walter established Pearson Capital, Inc and later became Chairman, heading its research and development department with his more than 50 years' experience. Along with his son, Donald, Pearson Capital grew to five times its size. Walter is the author of the book "Investing for the Millions" (1990) and was Publisher Emeritus of the Pearson Investment Letter, published continuously since 1982, and a contributing columnist for various publications. Walter was listed in the "Who's Who in America". One of Walter's and Pearson Capital's proudest achievements was establishing a South Shore Toys for Tots drive in 2003, now the largest ever in the Southeast Division.

In 1972, Walter re-located to St. Vincent in the West Indies, buying a nutmeg plantation. Walter had a love of jokes, owning several joke books, and thoroughly enjoyed telling them. Whatever Walter set his mind to, he accomplished. He had a competitive nature and was an avid bridge player, becoming a bridge Grand Master. Walter bought a plane, his wife Elsa learned to fly, and they flew all around the country attending bridge tournaments. Walter also authored numerous books on the subject of bridge.

Walter was preceded in death by his father Edgar and mother Edna, his brother Wilfred Pearson, sister Mildred (George) Bensinger, sister Gertrude (David) Levine, daughter Florence Aker, and former wives Mary Cleary (mother to his children) and Elsa V. Swanson Griffin (mother to his stepchildren and son Scott).

Walter is survived by his children Donald E. (Nancy J., d. 1969) Pearson, Florida, Sharon (Arthur) Pierce, New Hampshire, Scott (Christy) Pearson, Florida, stepchildren Arthur (Jean, deceased) Griffin, Connecticut, Robert (Debby) Griffin, North Carolina, 9 grandchildren, and many great and great-great grandchildren.

A Celebration of Life will be held at Strawberry Ridge, 3412 Activities Lane, Valrico, FL 33594, main clubhouse, August 21, 2021 from 1:00 to 4:00 PM with a eulogy and prayer provided by Pastor Jeffrey D. Pearson at 1:30 PM.

Memorials may be given to Toys for Tots. Toys for Tots Coordinator, 5121 West Gandy Blvd, Tampa FL 33611.

WORDS OF APPRECIATION

Our hearts have been made to rejoice during this time of the passing of our loved one by the many acts of kindness extended to our family. Your prayers and all expressions of love and sympathy are greatly appreciated.

May God's blessings of peace and love continue with you forever.

The Pearson Family

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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 AUGUST/SEPTEMBER 2021

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BANK OF NEW YORK MELLON CORP. (BK) NYSE PRICE \$54.89

The Bank of New York Mellon Corporation is a global investments company, which is focused on helping its clients manage and service their financial assets throughout the investment lifecycle. It provides financial services for institutions, corporations or individual investors. It allows clients to create, trade, hold, manage, service, distribute or restructure investments. It delivers Investment Management and Investment Services in 35 countries. It also has another segment, which includes the leasing portfolio, corporate treasury activities, derivatives and other trading, corporate and bank-owned life insurance and renewable energy investments, and business exits. As of September 30, 2018, the Company had \$34.5 trillion in assets under custody and/or administration and \$1.8 trillion in assets under management. It offers a range of actively managed equity and fixed income. It offers asset servicing, clearing services, issuer services and treasury services to its clients.

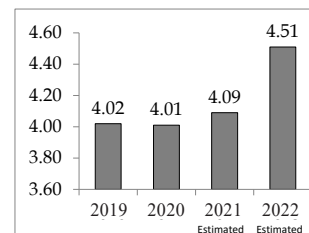
Type: Value
Sector: Financials

Institutional Holdings: 85%
Industry: Capital Markets

Ratings & Recommendations

Current P/E Ratio: **13.9**
Annual Yield: **2.5**
Annual Dividend: **1.36**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **C**
The Street (analyst avg.): **B**

Earnings per share



BALL CORP. (BLL) NYSE PRICE \$89.45

Ball Corporation is a supplier of metal packaging to the beverage, food, personal care and household products industries. The Company's packaging products are produced for a range of end uses and are manufactured in facilities around the world. Its segments include beverage packaging, North and Central America; beverage packaging, South America; beverage packaging, Europe; food and aerosol packaging; aerospace, and other. Its major product line is aluminum and steel beverage containers. It produces steel food, aerosol and extruded aluminum aerosol containers and aluminum slugs. Its aerospace business designs, develops and manufactures aerospace systems for civil, commercial and national cyber security aerospace markets. It produces spacecraft, instruments and sensors, radio frequency systems and components, data exploitation solutions and a range of aerospace technologies and products.

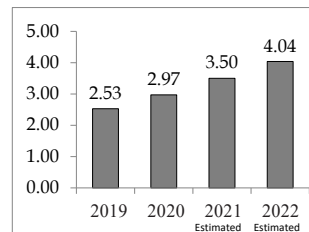
Type: Value
Sector: Materials

Institutional Holdings: 83%
Industry: Containers & Packaging

Ratings & Recommendations

Current P/E Ratio: **35.1**
Annual Yield: **0.9**
Annual Dividend: **.80**
Investor's Bus. Daily: **C-**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**

Earnings per share



D R HORTON INC. (DHI) NYSE PRICE \$97.38

D.R. Horton, Inc. is a homebuilding company. The Company has operations in 96 markets in 30 states across the United States. The Company's segments include its homebuilding, Forestar, financial services and other business activities. The homebuilding divisions are primarily engaged in the acquisition and development of land and the construction and sale of residential homes. The Company's 55 homebuilding divisions are aggregated into six segments: East Region, South Central Region, Midwest Region, West Region, Southwest Region and Southeast Region. The Forestar segment is a residential lot development company with operations in 55 markets across 22 states. The financial services segment provides mortgage financing and title agency services to homebuyers. The Company has subsidiaries that conduct insurance-related operations; construct and own income-producing rental properties; own non-residential real estate, such as ranch land, and own and operate oil and gas-related assets.

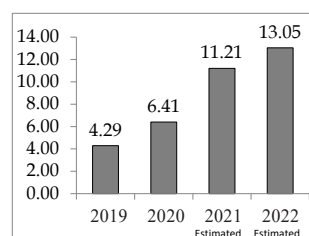
Type: Growth
Sector: Consumer Discretionary

Institutional Holdings: 82%
Industry: Household Durables

Ratings & Recommendations

Current P/E Ratio: **9.6**
Annual Yield: **0.8**
Annual Dividend: **.80**
Investor's Bus. Daily: **A-**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**

Earnings per share



TUPPERWARE BRANDS CORP. (TUP) NYSE PRICE \$23.50

Tupperware Brands Corporation is a consumer products company. The Company's segments include Asia Pacific, Europe, North America and South America. The Company's segments sell design-centric preparation, storage and serving solutions for the kitchen and home through the Tupperware brand. Europe (Europe, Africa and Middle East) includes Avroy Shlain brand in South Africa and Nutrimetics brand in France, which sells beauty and personal care products. The units in Asia Pacific sell beauty and personal care products under the NaturCare, Nutrimetics and Fuller brands. North America includes the Fuller Mexico beauty and personal care products business and sells products under the Fuller Cosmetics brand in that unit and in Central America. South America also sells beauty products under the Fuller, Nutrimetics and Nuvo brands. The Company distributes its products into approximately 80 countries around the world.

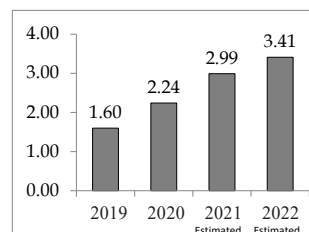
Type: Growth
Sector: Consumer Discretionary

Institutional Holdings: 84%
Industry: Household Durables

Ratings & Recommendations

Current P/E Ratio: **9.7**
Annual Yield: **0**
Annual Dividend: **0**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B**
Stand & Poor Rating: **C**
The Street (analyst avg.): **C**

Earnings per share



JUST ASK ANN

We're into the second half of the year and it's a good time to check in on the RMD accounts. This applies to all our IRA clients who have already begun taking an RMD, clients who will have reached the age of 72 by end of 2021, as well as those holding Beneficiary Accounts. Failure to take this can result in a 50% penalty of the RMD.

If you take a monthly distribution, check to see if you are taking enough to cover the required amount so that by year-end, you will have fulfilled your obligation. If you have doubts or questions about this, call me or email me for information. Be aware that the amount does change every year.

If you have not taken any funds from your account as yet, take a moment and decide when the best time would be to withdraw the funds. Remember this is a yearly requirement and must be completed by December 31st. If you have a target date, let me know and I will put it on the calendar and follow your instructions automatically. This will also help me make sure that the proper paperwork is in place ahead of time.

Taxes are levied on this distribution, but you may choose to defer paying them until your 2021 tax return or take taxes out along with the withdrawal. Note that these funds will be taxed as regular income so be sure to calculate enough to be withheld or you will need to adjust at tax time.

Some clients prefer to keep their money invested so they simply move the funds to a non-IRA account for reinvestment. If you wish to do this and don't have a non-IRA account, we can certainly help set one up for you!

R.I.P. Walter. You will be missed! Ann

Technology Select Sector SPDR® Fund (XLK) NYSE ARCA PRICE \$154.15

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.

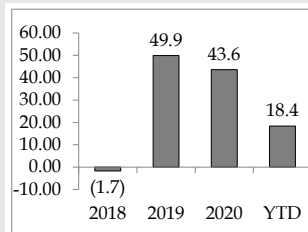
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **0.7**
Annual Dividend: **1.08**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
Morningstar: **B**

Category: Growth
Industry: Technology

Performance by%



First Trust Water ETF (FIW) NYSE ARCA PRICE \$89.09

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 ISE Clean Edge Water 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 is designed to track the performance of small, mid and large capitalization companies that derive a substantial portion of their revenues from the potable water and wastewater industry, according to Clean Edge.

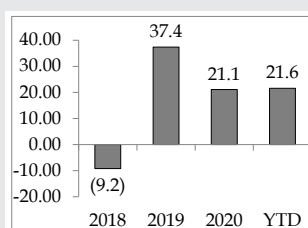
Location: USA
Type: 100% Stock

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **0.4**
Annual Dividend: **.38**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
Morningstar: **A**

Category: Value
Industry: Diversified

Performance by%



Senate Democrats will now proceed on the second part of their bill, a \$3.5 trillion “human infrastructure” plan that focuses on improving the nation’s housing, education, and health care, as well as climate change. Since no members of the Republican Party are expected to support it, Democratic leaders are going to bring up the bill through a legislative maneuver known as budget reconciliation that could pass if all 50 Democratic senators vote for it along with Vice President Kamala Harris’ tie-breaking vote.

New trends we see:

- 1) As the economy continues to reopen, we see continued issues with shortages, especially semiconductor chips.
- 2) Apple and other communication companies also warned of semiconductor chip shortages, further postponing the full roll out of 5G throughout the world.
- 3) Monthly inflation in July was significantly slower than June thanks to commodity prices such as lumber retreating back from their all-time highs.

Key Point: The Infrastructure bills are now brought to vote by Congress.

Earnings Flows:

We are in the middle of this quarter’s earnings season, and at this time much of the market has either met or beat earnings expectations. We previously thought that the market was more vulnerable during this quarter as many stocks have already moved up dramatically this year. The good news is that many stocks have held their own, and if they have not moved higher, they have started a process of consolidation and digesting this quarter’s earnings. That may also happen again next quarter as well. In many cases after a period of consolidation, the market is ready to go higher.

The COVID-19 pandemic and inflation worries may affect certain sectors, as the new COVID variant has spread throughout many states such as Florida and Texas. This may further hamper a robust bounce-back in our economic recovery, and lengthen the consolidation period of the market.

In the most recent quarter:

- 1) Many Chinese stocks are moving lower due to increased regulations from the U.S. and antitrust concerns from the Chinese government.
- 2) The new COVID variant may affect the travel, restaurant, and leisure industries at the end of this year if new cases continue to rise.

Key Point: This quarter’s earnings season is allowing the market to consolidate.

Cash Flows:

As the market continues to rebound, we have seen many companies starting to return to their prior buyback programs. One of our most recent stock choices is the Bank of New York, (BK). After the great recession, the Federal Reserve required large amounts of capital for banks and wanted them to heal and repair their balance sheets. After many years, the banking sector slowly returned to normalcy and the Fed started to allow them to issue dividends and start a buyback program. That continued until the COVID crisis, when they were required to stop. Now with the crisis over, banks are going back to increasing dividends and buybacks. Bank of New York has just recently announced its plan to hike its quarterly dividend, effective Third Quarter 2021, and authorized the buyback of up to \$6 billion worth of shares through the fourth quarter of 2022. We also believe that this is an indication of future promising growth and are recommending banks at this time.

New trends we see:

- 1) On its last quarterly earnings call, Advanced Micro Devices (AMD) CEO Lisa Su said its takeover of Xilinx is still expected to be complete by the end of this year. This move will benefit both companies.

Key Point: As the economy returns to normal, stocks will also return to normal and increase stock buybacks and dividends.

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%	18.8%
Dow Jones	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	7.2%	15.9%
Nasdaq	5.7%	4.1%	28.2%	(4.7%)	35.2%	43.7%	14.9%
Market Average	0.9%	5.9%	24.3%	(6.0%)	28.8%	22.4%	16.5%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:



We had previously thought that we were moving into a post-pandemic economy, as things were racing forward and the stock market moved to all-time highs. Now we see a new variant of the virus affecting the United States and causing a new spike in hospitalizations. While we do not see any lockdowns or drastic measures by the government, many people are already returning to the prior state of mind, continuing to work and stay at home for many of their activities. The hardest hit groups, specifically the leisure, travel, and restaurant industries, may see a pullback over the next quarter.

During the Federal Reserve's most recent Open Market Committee meeting, they stated that progress had been made toward meeting its goal of stability and full employment. The Fed would continue its \$120 billion per month in quantitative easing until they see further progress. The good news is that the FOMC has postponed the tapering decision until a later date. And, with the new COVID variant spreading through the country, that decision may be postponed until the end of the year or the beginning of next year. The European Central Bank (ECB) also boosted their quantitative easing and declared that they would not lift their interest rates above zero until inflation reached a 2% annual rate. We believe that the variant will also postpone any changes for Central Banks throughout the world.

The Senate passed a bipartisan agreement on the first part of a larger infrastructure bill, and this part is a \$1.2 trillion package that still must navigate the House amid negotiations between Democrats. The Senate lined up more than 60 votes on what was needed to pass the bipartisan part of the infrastructure bill that sets up President Biden's \$3.5 trillion economic plan. The bipartisan plan approved by the Senate with a 69-30 vote would spend roughly \$550 billion in new money. Among the major investments in the bipartisan package are \$110 billion for roads and bridges, \$39 billion for public transit, and \$66 billion for railways. It also contains \$55 billion for water and wastewater infrastructure as well as billions for airports, seaports, broadband internet, and electric vehicle charging stations.

Continued on page 5

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Table of Contents

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