

# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

Published Monthly Since 1982  
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### FEATURED STOCKS - NOVEMBER/DECEMBER 2021

#### VALUE STOCKS:

Guess? Inc

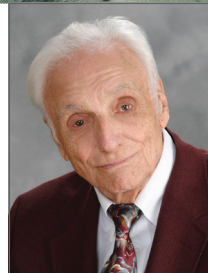
#### ETFs:

iShares Core  
Dividend Growth ETF

#### GROWTH STOCKS:

Netflix Inc

SPDR® S&P  
Dividend ETF



**Walter D. Pearson**  
*Chairman 1998-2021*



**Donald E. Pearson**  
*President*



**Ann Hathaway**  
*Account Manager*

### Today's Market

Not much has changed since our last letter. Prices continue to climb and many things remain in short supply. We are being encouraged to buy Christmas gifts early as we are continuously told how ships carrying materials from other parts of the world are backing up at the docks at both coasts. Unfortunately, the problems we have do not seem to be finding resolution. Prices continue to increase and our leaders cannot seem to sit and work together to find solutions. Sometimes when I listen to different officials giving their opinion I wish I could sit with the decision makers and preach compromise as there may be a solution if they would begin working together and listening.

Fortunately, the route we have taken is working well, and it's the route we will continue on. Value selecting is the way to be right now and finding companies with their stock prices 40-50% below their true value is a solid way of investing. We have also found many ETFs that are doing exactly the same. Many ETFs specialize in Value only while others pursue growth and some are categorized as blended. It is our job to continuously do the research necessary to find the leaders in these categories and then purchase the very best ones for both you and me. I enjoy telling people we own the same things because both of us want the very best investments. We are a bit different than many others in this business who receive bonuses and commissions for selling a selection from their company. So as we continue through year end what we have been doing will continue as is. We will buy what we believe are best and focus on value. Also, we purchase what we believe will be with us for years.

### Monthly Distributions

Many people today look for fixed investments, or bonds, or Reits, and believe if you can get a return of 4-5% with little or minimal risk they have chosen what they believe is best for them. As an example, if you have a real estate Reit and every year it is returning 5% with little to no chance of losing, a \$100,000 investment will return \$5,000 annually. You can request this be returned to you. A check can be sent to you or your bank totaling \$425 per month, while your Reit continuously retains its \$100,000 value. I'm a huge proponent of asking you to consider an alternative, as this would be my recommendation to do the same while improving the results.

If you look on page two, you'll find a recommendation for an alternative, symbol (SDY). This ETF began in 2005 and has averaged a return of 9.5% for the past 17 years. SDY only purchases for their portfolio companies that have increased their dividends for 20 consecutive years or more, thus maintaining a near 3% yield. For the past 10 years this investment has returned an average of 12%. If the same \$100,000 had been placed into this investment, the results would show as comparison: You would receive the same distribution of \$425 per month that Ann would set up for your arrival, but your \$100,000 would now be double in value with a worth of \$200,000. I cannot guarantee this, but I believe with the return I've referenced, if not with all of your dollars pursuing an income return, you can utilize some, and a portion could, and should, be allocated.

### Proper Planning

I am still working through my father's estate as his executor, and because it was done properly, everything is being done exactly as he wished. Even though it is a lot of work, you realize the value and the benefits of proper planning, and you can only imagine how terrible it would be if it wasn't. If you create a detailed Estate Plan, you can minimize the likelihood of probate, which is the long legal process for distributing your property after your death.

If you think this isn't for you because you do not have children or a great deal of wealth, you are mistaken. To hand down your assets correctly you can create a simple will. At the same time you can create a general power of attorney to designate whomever you'd want to handle your financial decisions if you are incapacitated. You can also create a health care directive, which we are often asked about by health care individuals, in the event you are incapacitated.

When I did this for myself I began by sitting alone and asking myself questions such as: What if I'm in the hospital for a long time, or what if I have to undergo surgery, or am involved in a serious accident and unable to handle my affairs myself? Who would I want to execute my plans after my death? Once you've begun writing down the answers, you have actually begun your estate planning. When you have completed this exercise, the next step is to contact an estate attorney. He or she will then ask important personal questions and answer any questions that you might have. When this is done and your paperwork is prepared and signed, you can now sleep better knowing your instructions and wishes will be carried out.

**DP**

# PEARSON CAPITAL'S RECOMMENDED STOCKS NOVEMBER/DECEMBER 2021

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## GUESS? INC (GES) NYSE PRICE \$22.66

Guess?, Inc. designs, markets, distributes and licenses a lifestyle collections of apparel and accessories for men, women and children. The Company operates through five segments: Americas Retail, Americas Wholesale, Europe, Asia and Licensing. The lines include full collections of clothing, including jeans, pants, skirts, dresses, activewear, shorts, blouses, shirts, jackets, knitwear and intimate apparel. In addition, it selectively grants licenses to design, manufacture and distribute a range of products in its apparel lines, including eyewear, watches, handbags, footwear, kids' and infants' apparel, outerwear, fragrance, jewelry and other fashion accessories. Its apparel is marketed under various names, including GUESS, GUESS?, GUESS U.S.A., GUESS Jeans, GUESS? and Triangle Design, MARCIANO, Question Mark and Triangle Design, GUESS Kids, Baby GUESS, YES, G by GUESS (GbG), GUESS by MARCIANO and Gc.

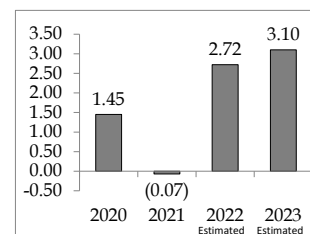
Type: Value  
Sector: Consumer Discretionary

Institutional Holdings: 63%  
Industry: Specialty Retail

### Ratings & Recommendations

Current P/E Ratio: **8.8**  
Annual Yield: **2**  
Annual Dividend: **0.45**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **B**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **C+**

### Earnings per share



## NETFLIX INC (NFLX) NASDAQ PRICE \$657.58

Netflix, Inc. (Netflix) is a provider of subscription streaming entertainment service. The Company has paid streaming memberships in over 190 countries and it allows members to watch a variety of television (TV) series, documentaries and feature films across a variety of genres and languages. Members can watch as much as they want, anytime, anywhere, on any Internet-connected screen. Members can play, pause and resume watching, without commercials. Additionally, Netflix offers its digital versatile disc (DVD)-by-mail service in the United States. It offers a variety of streaming membership plans, the price of which varies by country and the features of the plan. Pricing of its plans ranges from \$2 to \$24 per month. Members can watch content from Netflix through a range Internet-connected device, including televisions (TVs), digital video players, TV set-top boxes and mobile devices. The Company acquires, licenses and produces content, including original programming.

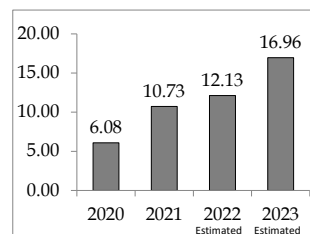
Type: Growth  
Sector: Communication Services

Institutional Holdings: 80%  
Industry: Entertainment

### Ratings & Recommendations

Current P/E Ratio: **60.2**  
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



## ISHARES CORE DIVIDEND GROWTH ETF (DGRO) NYSE ARCA PRICE \$53.88

The investment seeks to track the investment results of the Morningstar® US Dividend Growth IndexSM. The fund generally will invest at least 80% of its assets in the component securities of its underlying index and in investments that have economic characteristics that are substantially identical to the component securities of its 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.

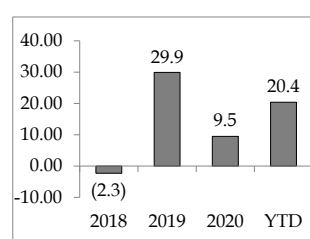
Location: USA  
Type: 100% Stock

Category: Value  
Industry: Diversified

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **1.9**  
Annual Dividend: **1.05**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **C**  
Morningstar: **A**

### Performance by %



## SPDR® S&P DIVIDEND ETF (SDY) NYSE ARCA PRICE \$126.31

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.

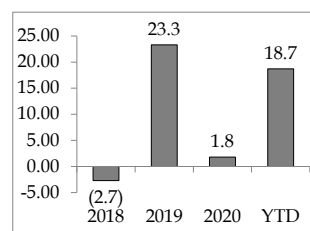
Location: USA  
Type: 100% Stock

Category: Value  
Industry: Diversified

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **2.7**  
Annual Dividend: **3.41**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **C**  
Morningstar: **A**

### Performance by %



# JUST ASK ANN

## 2021 RMD.... LAST CALL!

I am currently contacting clients in order to make sure that those who need to take their 2021 RMD are compliant by the end of the year. If this applies to you and you have not heard from me by email or phone call by 11/30/21, please contact the office so that we may assist you and help you meet your obligation. TD Ameritrade will not guarantee that requests received after 12/15/21 will be processed on time due to their current backlog.

Who does this apply to? All (non ROTH) IRA account clients who have reached the age of 72 in 2021, clients who have already started their RMD in prior years (they started at 70 ½) and all current Beneficiary IRA accounts.\*\*

If you have more than one account, you don't have to take the RMD from each account. You can opt to use any one or more accounts to cover this as long as the total amount is taken. You may also do this if accounts are held at different brokers.

If you do not fulfill this requirement, the IRS may penalize you 50% of the amount due.

Please keep in mind the client is solely responsible for this distribution. We make every effort to remind and assist our clients in making these transactions, but the liability rests on the client.

\*\*Beneficiary accounts opened for clients whose benefactor passes after January 1, 2020 no longer have the option to use lifetime distributions. Current rules state that funds may be withdrawn, without penalty, at any time, in any amount so long as the entire balance is removed within 10 years.

### MARKET VIEW *Continued from page 4*

One of our company choices this month is Netflix (NFLX). Netflix is one of the premier streaming companies, and is the world's largest Internet subscription service for accessing TV shows and movies. While the other Hollywood studios have now launched their own streaming services, they all, with the exception of Disney, remain far behind Netflix. Most of the large streaming services are driven by American centric content, however, Netflix has moved on to the next level to the international stage, producing local content for many different countries. Some of this content in turn develops a worldwide audience. An example is the new show Squid Game. It is a South Korean survival television by Hwang Dong-Hyuk, who wrote and directed all nine episodes. Netflix is sticking to its strategy of getting new subscribers and keeping them for long periods of time, by ramping up premium original scripted content that appeals to people worldwide. It is also working to improve its viewing selection process, making the subscriber viewing experience better. We expect these initiatives will give Netflix a dominant position in its current category and help propel growth even higher in the next few years.

#### In the most recent quarter:

1) Gold, silver, and other commodities have recently started to reflect the pricing of z.

**Key Point:** This quarter's earnings look promising despite the concerns of inflation and supply chain issues.

#### Cash Flows:

Stock buybacks are popular among a large range of stocks in the last quarter. Various companies among different industries, like Dollar Tree (DLTR), Lockheed Martin (NYSE: LMT), Microsoft (MSFT), and Campbell Soup (NYSE: CPB) have announced

buybacks. During the time of COVID, many companies held off on buying back stock. Now they have started back up again with new buyback programs to enhance shareholder returns. We are also seeing new stock buybacks from unexpected companies, such as Freeport McMoran (FCX), which specialize in copper.

This month's Value stock is Guess? (GES). Guess? Inc. designs, markets, distributes, and licenses contemporary apparel and accessories for men, women, and children under brands including Guess, Marciano, and G by Guess. Its goal is to create lifestyle collections of contemporary apparel and accessories for men, women, and children that reflect the American and European fashion of the time. GES sells its products through direct-to consumer, wholesale, and licensing distribution channels, in about 100 countries. It has in the last few years moved from being a traditional brand that sold through stores to having a greater online presence and selling directly to the consumer. According to the most recent report from Standard and Poor, as of March 30, 2021, GES had repurchased 25% of total shares at an average price of \$15.76 and plans to continue repurchases at opportunistic times. As of May 10, 2021, founder Maurice Marciano and his brother Paul Marciano, together held approximately 38% of GES common stock. So we believe that their goals are aligned to help increase shareholder value.

#### New trends we see:

1) Inflation may impact decisions on dividend increases next year.

**Key Point:** Companies we did not expect to have excess capital to use for stock buybacks are back on track to enhance shareholder value.



# 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%	23.8%
Dow Jones	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	7.2%	17.4%
Nasdaq	5.7%	4.1%	28.2%	(4.7%)	35.2%	43.7%	21.8%
Market Average	0.9%	5.9%	24.3%	(6.0%)	28.8%	22.4%	21%



## MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

### Economic Flows:

Finally, after months of debate, Congress has passed the first part of the Build Back Better agenda with the infrastructure bill, but postponed the second part of the program, due to the infighting within the Democratic Party. This may delay that part further toward the end of the year, even though Democrats do not need Republicans' input due to the reconciliation process.



During the Federal Reserve's most recent meeting of the Federal Open Market Committee, Fed Chair Jerome Powell, along with the Committee, decided to begin reducing the monthly pace of its net asset purchases by \$10 billion for Treasury securities and \$5 billion for agency mortgage-backed securities. Inflation had been running below 2% for years, however, the economy is set to grow this year at its fastest pace in decades. Inflation is riding well above the Fed's comfort zone, and the labor market is much healed from the devastation of the coronavirus pandemic. Fed Chair Jerome Powell and his colleagues wanted to start cutting back on the bond-buying program the central bank put in place to spur the economic recovery from the coronavirus pandemic.

The most recent FOMC statement also kept the Fed's previous statements and stance that inflation is transitory, and not permanent, stating that supply and demand imbalances related to the pandemic and the reopening of the economy have contributed to sizable price increases in some sectors but not others. However, a growing number of the Fed's policy makers are still worried that high inflation could persist longer than previously thought. The Fed, as well as treasury secretary Janet Yellen, are presenting their positions in not needing to worry about the current situation, but now, pent-up consumer demand is having inflationary effects in a reopening economy, and businesses, hobbled by supply bottlenecks, struggle to keep up. When it comes to interest rates, the Fed was targeting to make one interest rate hike in 2022 and up to three rate hikes in 2023. However, they have not mentioned when that will happen, so it looks like that time table has been moved further out.

### New trends we see:

1) Roughly 70 million people who rely on Social Security will receive a 5.9% cost-of-living adjustment next year the Social Security Administration said Wednesday. That's the biggest bump since 1982.

2) Many people feel that, with thousands of structures in need of repair, passing the infrastructure deal is decades overdue.

**Key Point: The first part of the Infrastructure bill is now finally approved.**

### Earnings Flows:

We are now heading toward the middle of the third quarter's earnings season, and at this time the market is continuing to rebound from the COVID crisis. Many companies are reporting issues with supply chains in their respective businesses, while at the same time dealing with inflation. However, we also expect guidance for next year to remain conservative, so any upside surprises will benefit the market.

*Continued on page 3*

## Pearson Capital, Inc.

P.O. Box 3739  
6431 Rubia Circle  
Apollo Beach, Florida 33572  
Tel: (813) 641-7575  
Fax: (813) 641-7755

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

Chairman Of The Board  
Head Of Investment Research  
**Walter D. Pearson (deceased)**

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

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

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

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Editor  
**Roberta Wilde**

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### Table of Contents

Featured Stocks: .....	2
Ask Ann .....	3
Market Outlook .....	3-4