

Your Personal Money Manager Pearson INVESTMENT LETTER

Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - APRIL/MAY 2022

GROWTH STOCKS:

Advanced Micro Devices Inc

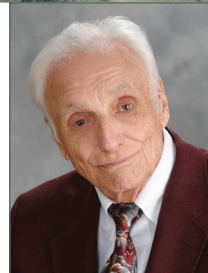
ETFs:

iShares Core S&P
U.S. Growth ETF

VALUE STOCKS:

Bank of New York Mellon Corp

Health Care Select Sector
SPDR® Fund



Walter D. Pearson
Chairman 1998-2021



Donald E. Pearson
President



Ann Hathaway
Account Manager

First Quarter 2022

As this quarter comes to an end, we can all agree it is very difficult to look forward and know where we are headed. I watched January and February continue to knock us backwards and then watched March try to get us back on track.

Nothing has really changed from last month as the war in Europe continues, and we are all experiencing continued price increases on the things we need for our households. I filled my car gas tank yesterday, and it cost me \$65 when previously it was always around \$48. When I shop, many things are out of stock while the ones I can get have prices that have risen a great deal. I would like to tell you where we are headed, but obviously I cannot. I think many will agree when I say the war going on right now could become ugly with NATO countries including the USA becoming involved, and hopefully a resolution will become agreed upon before. The answer is simple; we just do not know for sure where we are headed.

As our first quarter comes to an end and we begin our second quarter, I believe continuing what we've been doing is the right plan of action. Select value choices, add blended selections and chosen growth choices too. Simply said, a well-diversified portfolio in a very difficult time should be a winning strategy. As I said earlier, I still believe we should have a year-ending positive result and a 10% increase is doable with proper selecting and choosing. I do believe we are up for the challenge and able to deliver again.

Going forward in 2022

I wish I could give you a better forecast for the rest of the year, but I believe with the uncertainty we have in our short and long range future the market will be volatile. I believe we'll be up at year end with a positive performance somewhere around 10%, but this will be with volatility. I'm not sure our leaders will manage inflation well. I believe companies can and will be profitable and successful if the right ones are being selected, and we can continue to do our part for both you and me by selecting the right ones.

What we need is for our leaders to bring inflation under control. Some good examples of this are what we are now paying for gas at the pumps. In 2020 gas was \$2.40 a gallon and today is more than \$4.00. Home prices have jumped more than they have been in three decades and used cars have done the same. Food prices in our grocery stores have risen more than they have in a decade. Interest rates are going to increase either 25 or 50 basis points ongoing through this year too.

If our leaders can do what we pay them to do, we should be able to get our costs down and our investment accounts back on track and increasing again. As our first quarter of 2022 was not favorable, the remainder of this year could and should be favorable. The war going on today and the virus issues we have to deal with now seem to be managed, so unless either has a tremendous negative change, I believe we will come to year-end with a portfolio increase of 10% or higher.

Stock Splits and Performance

Anyone choosing a stock in which to invest should be doing their research before they buy. As an example, check the price earnings ratio and look for value. Understand what and how they do their business, their annual performance, and whether they buy back their stock, showing they believe in their company, or do stock splits.

As we build portfolios, I research what is within ETFs because I want everyone to own Apple and Amazon. If your portfolio isn't large enough to own them as stand alones, we can get them through an ETF. As an example VUG, an ETF from Vanguard, holds 12% of their portfolio in Apple and 7% in Amazon. With Amazon costing over \$3,000 per share this becomes difficult, but with stock splits, these can become accessible for everyone. Several years ago Apple reached over \$500 a share and declared a stock split of 7-1, so your shares multiplied by seven while the price reduced, and we were able to add this into portfolios both large and small. Amazon has just announced they'll be doing the same. On June 3, they'll be splitting their stock with a 20 for 1 change. This means if you have one share now, you'll be receiving 19 more and their trading price will change from a bit over \$3,000 to about \$150 a share and smaller accounts can and will become owners. Our goal and objective is to buy about 6-8% in diversified ETFs, and buy, if the account is large enough, 2-3% in individual stocks.

I also tell our clients if you have a specific stock you are interested in and would like to have added to your portfolio because family works there, or you have a personal hunch, please call either Ann or I because we can add it to your portfolio.

Watch for Amazon being added to yours.

DP

PEARSON CAPITAL'S RECOMMENDED STOCKS APRIL/MAY 2022

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ADVANCED MICRO DEVICES INC (AMD) NASDAQ PRICE \$109.98

Advanced Micro Devices, Inc. is a global semiconductor company. Its segments include Computing and Graphics, and Enterprise, Embedded and Semi-Custom. The Computing and Graphics segment primarily includes desktop and notebook microprocessors, accelerated processing units that integrate microprocessors and graphics, chipsets, discrete graphics processing units (GPUs), data center and professional GPUs, and development services. It may also sell or license portions of its intellectual property (IP) portfolio. The Enterprise, Embedded and Semi-Custom segment primarily includes server and embedded processors, semi-custom system-on-chip (SoC) products, development services, and technology for game consoles, and it may also sell or license portions of its IP portfolio. Its microprocessor customers consist primarily of original equipment manufacturers (OEMs), large public cloud service providers, original design manufacturers (ODMs), system integrators, and independent distributors.

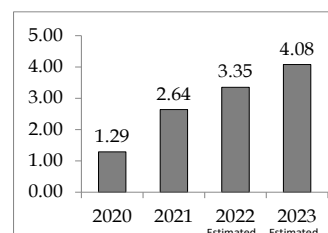
Type: Growth
Sector: Information Technology

Institutional Holdings: 51%
Industry: Semiconductors & Semiconductor Equipment

Ratings & Recommendations

Current P/E Ratio: **47**
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



BANK OF NEW YORK MELLON CORP (BK) NYSE PRICE \$49.63

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. The Company's segments include Securities Services, Market and Wealth Services, and Investment and Wealth Management. Its Securities Services segment includes its asset servicing business, which provides global custody, fund accounting, integrated middle-office solutions, transfer agency and data and analytics solutions. Its Market and Wealth Services segment includes Pershing and clearance and collateral management, and its scaled treasury services business. Its Investment and Wealth Management segment includes its investment management and wealth management business. It has approximately \$46.7 trillion in assets under custody and/or administration and \$2.4 trillion in assets under management.

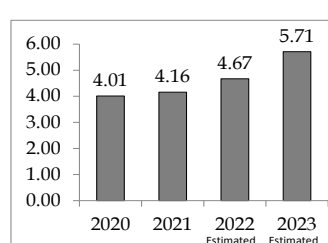
Type: Value
Sector: Financials

Institutional Holdings: 83%
Industry: Capital Markets

Ratings & Recommendations

Current P/E Ratio: **12.7**
Annual Yield: **2.6**
Annual Dividend: **1.36**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A**

Earnings per share



ISHARES CORE S&P U.S. GROWTH ETF (IUSG) NASDAQ PRICE \$105.46

The investment seeks to track the investment results of the S&P 900 Growth Index composed of large- and mid-capitalization U.S. equities that exhibit growth characteristics. The fund generally will invest at least 80% of its assets in the component securities of its index and in investments that have economic characteristics that are substantially identical to the component securities of its index and may invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents.

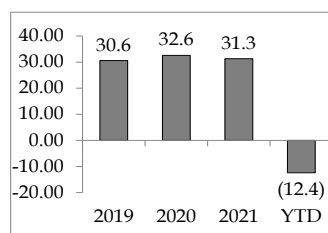
Location: USA
Type: 100% Stock

Category: Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **0.7**
Annual Dividend: **0.80**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
Morningstar: **B**

Performance by %



HEALTH CARE SELECT SECTOR SPDR® FUND (XLV) NYSE ARCA PRICE \$136.99

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 Health Care Select Sector Index. In seeking to track the performance of the index, the fund employs a replication strategy. It generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index. The index includes companies from the following industries: pharmaceuticals; health care equipment & supplies; health care providers & services; biotechnology; life sciences tools & services; and health care technology.

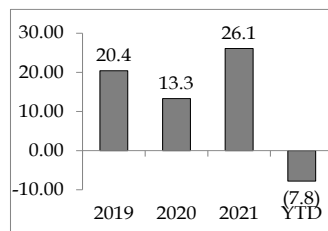
Location: USA
Type: 100% Stock

Category: Value
Industry: Healthcare

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.2**
Annual Dividend: **1.70**
Investor's Bus. Daily: **N/A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
Morningstar: **A**

Performance by %



JUST ASK ANN

Pearson Capital takes great care to try and make sure all of our clients who are obligated to take an RMD from their IRA accounts fulfill this requirement. There are always a few that we can't contact or who don't respond but the majority get this done on time. Ultimately, it is the client's responsibility.

At tax time, if you find that you've forgotten to meet this RMD, consult your CPA or Tax preparer. If you do your own taxes the following article may help you resolve the issue.

The rules around required minimum distributions from retirement accounts are confusing, and it's easy to slip up. Fortunately, if you do make a mistake, there are steps you can take to fix the error and possibly avoid a stiff penalty.

If you have a tax-deferred retirement plan such as a traditional IRA or 401(k), you are required to begin taking distributions once you reach a certain age, with the withdrawn money taxed at your then-current tax rate. If you were age 70 1/2 before the end of 2019, you had to begin taking required minimum distributions (RMDs) in April of the year after you turned 70. But if you were not yet 70 1/2 by the end of 2019, you can wait to take RMDs until age 72. If you miss a withdrawal or take less than you were required to, you must pay a 50% excise tax on the amount that should have been distributed but was not.

It can be easy to miss a distribution or not withdraw the correct amount. If you make a mistake, the first step is to quickly correct the mistake and take the correct distribution. If you missed more than one distribution – either from multiple years or because you withdrew from several different accounts in the same year -- it is better to take each distribution separately and for exactly the amount of the shortfall.

The next step is to file **IRS form 5329**. If you have more than one missed distribution, you can include them on one form as long as they all occurred in the same year. If you missed distributions in multiple years, you need to file a separate form for each year. And married couples who both miss a distribution need to each file their own forms. The form can be tricky, so follow the instructions closely to make sure you correctly fill it out.

In addition to completing form 5329, you should submit a letter, explaining why you missed the distribution and informing the IRS that you have now made the correct distributions. There is no clear definition of what the IRS will consider a reasonable explanation for missing a distribution. If the IRS does not waive the penalty, it will send you a notice.

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. Second Quarter April-May-June-see your April statement.

MARKET VIEW *Continued from page 4*

The company is leading the way with the leadership of their CEO, Lisa Su, in creating a new way of producing semiconductors, and along with Intel strategic mistakes and technological errors, making a large head start with their rival. We think that this advantage should continue for the next few years.

In the most recent quarter:

1) The government is expected to tap up to 180 million barrels of government oil reserves over the next six months to address the rise in energy prices in the aftermath of Russia's invasion of Ukraine.

Key Point: In this current quarter, we should now see what the effects of inflation will have in individual securities.

Cash Flows:

With inflation surging and increasing uncertainty of the future, many stocks are postponing or reducing the amount of buybacks or dividend increases. Right now we are looking at the middle of a possible slowdown in global growth, and the cost of capital is increasing due to higher interest rates. The good news is that many stocks have great balance sheets and have the ability to control costs if inflation does get out of hand.

Our current Value stock for this month is Bank of New York Mellon (BK). With over \$45 trillion in assets, Bank of New York Mellon is the largest custodian in the world. It provides a comprehensive array of services that enable institutions and individuals to move and manage financial assets in more than 100 markets worldwide. And, just like our last newsletter pick, Bank of America, when interest rates rise, and the bond yield curve steepens, Bank of New York Mellon is ready to benefit as it will increase its bottom line; however, it is also balanced by its fee based services. We believe this is a stock that will do well in this market. It is also planning on purchasing about 10% of its overall stock base in the next 18 months.

New trends we see:

1) Stocks that are high in price such as Amazon (AMZN), are splitting their shares so more people can purchase them.

Key Point: Buybacks and dividend increases are slowing due to anticipation of higher inflation for the next year.

WALL STREET INDEXES

Indexes	2016	2017	2018	2019	2020	2021	2022
S&P 500	5.8%	19.6%	(7.1%)	28.9%	16.4%	26.9%	(5.0)%
Dow Jones	7.9%	25.1%	(6.7%)	22.3%	7.2%	18.7%	(4.6)%
Nasdaq	4.1%	28.2%	(4.7%)	35.2%	43.7%	21.4%	(9.1)%
Market Average	5.9%	24.3%	(6.0%)	28.8%	22.4%	22.3%	(6.2)%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The Federal Reserve has finally started to raise rates after allowing inflation to increase during the pandemic. They did this to meet their second mandate of full employment, believing that

this bout of inflation is mainly transitional due to supply chain issues, and that expectations of future inflation will remain the same at about 3%. However, with the current Ukraine war and sanctions against Russia, inflation may last longer than anyone expected. Economists are still implying that the Fed may raise rates as much as seven times in this tightening cycle, as wholesale food prices surged over 2% in February, while wholesale energy prices soared over 8%.



The Federal Open Market Committee's (FOMC) most recent statement also let us know that potentially six more 0.25% key interest rate hikes would occur. However, in Fed Chairman Jerome Powell's press conference he seemed to reassure investors that the Fed would raise rates gradually instead of all at once.

Many countries around the world are now dealing with the aspects of rising inflation. The Bank of England also decided to raise rates this past month in a third consecutive meeting, as the Russia-Ukraine conflict is expected to keep inflation higher for longer. The UK inflation was already running at a 30-year high, before Russia's invasion of Ukraine, so that will exert more upward pressure on the central bank's inflation projections. Natural gas and oil prices have a larger effect than they do here in the United States, as they import much of those resources.

China is currently struggling with its own debt problems from the Evergrande real estate issues, slowing economic growth, and new Covid-19 lockdowns. Food and energy inflation may exacerbate their current problems. Canada has also raised its interest rates. Mortgage rates in that country have already passed 4%, with many analysts believing that this may cause a downturn in their economy if housing market activity begins to slow.

The global bond market has been affected as well, with the sharp increase of rates by many of the central banks worldwide. The Bloomberg Global Aggregate index was down 6.2% this year. That puts it on a course for one of its worst quarterly performances since it was created back in the 1990's. As a result, money that has been in the bond market is currently moving into the stock market, especially to those stocks that benefit from rising interest rates. Other investors have also decided to buy on the dip and go back into areas of the stock market such as prior high flying technology and other growth stocks.

New trends we see:

- 1) According to many sources, worldwide food prices have risen over 20% in the past 12 months.
- 2) The cost of rent per month in many cities such as Austin, Jacksonville, and Tampa has increased from 10 to over 30% in some cases.

Key Point: Interest rates are increasing in many countries worldwide in order to handle inflation. This has caused a decline in the bond market this quarter, with the money making a move back into the stock market.

Earnings Flows:

April brings us into the beginning of this upcoming quarter's earnings season with stocks beginning to report at the middle of the month. With this current quarter, we will see the beginning of inflation affect individual securities, either directly in a company's earnings or in their future guidance. Those that can pass along costs or make structural changes will benefit the most.

Our growth stock choice for this month is Advanced Micro Devices (AMD). Advanced Micro Devices designs microprocessors for the computer and consumer electronics industries. The majority of the firm's sales are in the personal computer and data center markets, and the firm supplies the chips found in prominent game consoles such as the Sony PlayStation and Microsoft Xbox. For many years, AMD competed with Intel Semiconductor for market share while participating in Moore's Law, which is the observation by Intel cofounder Gordon Moore. This term means that the number of transistors on a chip doubles every year while the costs are halved. In 1965, Gordon Moore noticed that the number of transistors per square inch on integrated circuits had doubled every year since their invention. For many years Intel has won that race, until very recently, with AMD moving ahead with their new chips.

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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

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

President
Donald E. Pearson
E-mail: PearsonCapital@aol.com

Stock Analyst
Chris Carothers
PearsonCapital2@yahoo.com

Account Manager
Ann Hathaway
PearsonCapital7@gmail.com

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Editor
Roberta Wilde

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