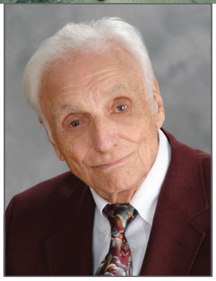
Your Personal Money Manager

Pearson INVESTMENT LETTER

FEATURED STOCKS - MAY/JUNE 2022

VALUE STOCKS:	ETFs:
Crocs Inc	iShares Select Dividend ETF
Visa Inc	SPDR® S&P Dividend ETF



Walter D. Pearson
Chairman 1998-2021

Donald E. Pearson
President

Ann Hathaway
Account Manager

Inflation

We are facing an inflation concern as it has grown to approximately 8% and doesn't appear it'll get back in the 2-3% neighborhood any time soon. Economists believe raising interest rates this year will help to reduce this problem. Last year our economy grew at a 5.7% increase, but this year with the double shock of COVID-19 and the Russian invasion of Ukraine our economy is currently climbing at a 1.4% rate.

It's believed that cutting off Russian oil and gas will tighten the supply around the world and drive prices considerably higher. Coupled with higher prices for food, energy, and cars, both new and used, inflation is only worse. Most of the experts that follow the inflation number believe it will stay at about 6% or more through the end of this year. Retailers are sitting on unusually high inventory, car lots are full again, and shipping costs are falling. The bad news here, unfortunately, is this will not get us back to the level of inflation we are used to.

Back in the 1970's we faced the same problem and it wasn't managed very well. We have since learned inflation and unemployment naturally rise or fall together. The lesson learned then is interest rates must continue to rise, so we will continue to see rising rates at the Fed meetings throughout the year. I would say we should finish the year in the neighborhood of 5% with interest rates continuing to increase. Even with this occurring, the economy remains basically healthy.

We will continue monitoring as the market pulls back, but we may end up at year end on the positive side. These times are always difficult, but as I always tell everyone, if we haven't sold some of our portfolio, we haven't lost anything.

A Turbulent Market

The markets have been disappointing for several months now. We have been in this situation before, and it is my opinion we should stick to solid investing principles. It can be difficult to do, but it's the right course to take. If you are contributing to a retirement plan on a monthly basis, continue doing this even if the market is going down. If you pull out or stop, you may miss the recovery when the markets rebound.

Staying diversified is the tried and true strategy. If you're managing your own account, you should examine it once a year and rebalance, predicated on your age and your risk. If you are a client of ours, we do this for you.

I believe the medical field is a strong sector right now. We have continued to purchase an ETF named Healthcare Select (XLV) featured in our newsletter last month.

We own quite a bit of Apple (AAPL) and Amazon (AMZN) and both are being hit hard as the technology sector is being punished, but, like all quality companies, these will return and eventually hit new highs. I write often that being well-diversified means having a proper mix between growth and value companies and ETFs. I have been favoring value choices for several months now and will continue for the immediate future.

With all the world problems we are facing, such as the war between Russia and Ukraine, interest rates rising, inflation being out of control, and gas and diesel hitting new highs, solutions haven't been found. Maintaining our discipline becomes even more important. As I tell everyone in tough market times, as long as we do not sell, the loss is on paper only.

Tax Refunds

People expecting a significant tax return tend to file early. So many await their checks, believing this will help with many bills, vacations, or other things. Last year the average tax return was $2,800, and this year it has increased 15%, now averaging almost $3,500.

I've been doing something differently for the past 20 years. I have an excellent CPA who manages my account to near perfection. I pay in only what is required and am happy to do this. My numbers as yours don't change. How much is taken from your account as well as mine is consistent with what we owe. Simply said we all do our filing each year and settle up with the IRS. When you receive your return, many of you put it in savings or pay down debt.

When we show up for settlement, I pay in considerably more and you get a significant return. Simply said we are correcting everything to where it should be. They are returning $$$ to you that they have used all year, while I am returning to them the money owed that I have been using all year.

If you changed your deductions and received another $300 per month instead of a year-end return and opened a Roth IRA or personal account contributing $300 each month, at the end of the year your $3,600 with at 10% increase would add another $360 to your portfolio. If this is done continuously, within a few years, your portfolio could begin climbing to a significant amount. This could be done with us or you could do this yourself but, most importantly, the government now works for you.

DP

PEARSON CAPITAL'S RECOMMENDED STOCKS MAY/JUNE 2022

www.pearsoncapitalinc.com

CROCS INC (CROX) NASDAQ PRICE $57.94

Crocs, Inc. is engaged in the design, development, marketing, distribution, and sale of casual lifestyle footwear and accessories for women, men and children. The Company operates through three segments: the Americas, operating in North and South America; the Asia Pacific, operating throughout Asia, Australia, and New Zealand; and Europe, Middle East, and Africa (EMEA), operating throughout Europe, Russia, the Middle East, and Africa. Its collection contains Croslite material, which is the Company's closed-cell resin brand that uses molded footwear technology. The Company markets its products in approximately 85 countries through two distribution channels: wholesale and direct-to-consumer. Its wholesale channel includes domestic and international multi-brand retailers, mono-branded partner stores, e-tailers, and distributors. The Company's direct-to-consumer channel includes retail stores, e-commerce sites, and third-party marketplaces. Its products include Crocs, LiteRide and Jibbitz.

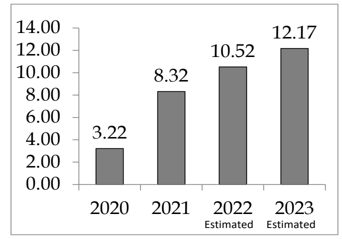
Type: Value
Sector: Consumer Discretionary

Institutional Holdings: 82%
Industry: Textiles, Apparel & Luxury Goods

Ratings & Recommendations

Current P/E Ratio: **4.9**
Annual Yield: **N/A**
Annual Dividend: **N/A**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **A**
The Street (analyst avg.): **C+**

Earnings per share



VISA INC (V) NYSE PRICE $197.21

Visa Inc. (Visa) is a payments technology company that provides digital payments across more than 200 countries and territories. The Company connects consumers, merchants, financial institutions, businesses, strategic partners and government entities to electronic payments. The Company operates through payment services segment. The Company's transaction processing network, VisaNet, facilitates authorization, clearing and settlement of payment transactions and enables to provide its financial institution and merchant clients a range of products, platforms and value-added services. Its products/services include transaction processing services and Visa-branded payment products. The Company also offers Tink, an open banking platform that enables financial institutions, fintech and merchants to build financial products and services and move money. Tink enables its customers to move money, access aggregated financial data, and use smart financial services such as risk insights, and others.

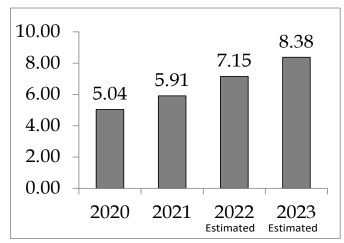
Type: Value
Sector: Information Technology

Institutional Holdings: 93%
Industry: IT Services

Ratings & Recommendations

Current P/E Ratio: **36.5**
Annual Yield: **0.8**
Annual Dividend: **1.50**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B**

Earnings per share



ISHARES SELECT DIVIDEND ETF (DVY) NASDAQ PRICE $124.31

The investment seeks to track the investment results of the Dow Jones U.S. Select Dividend Index composed of relatively high dividend paying U.S. equities. 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 measures the performance of the U.S.'s leading stocks by dividend yield.

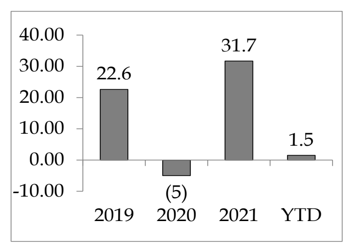
Location: USA
Type: 100% Stock

Category: Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3**
Annual Dividend: **3.75**
Morningstar: **B**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A**

Performance by %



SPDR® S&P DIVIDEND ETF (SDY) NYSE ARCA PRICE $123.99

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.

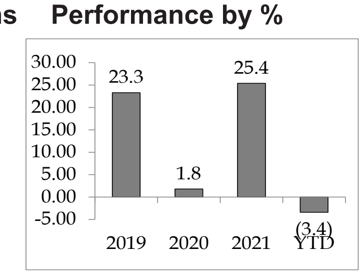
Location: USA
Type: 100% Stock

Category: Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.7**
Annual Dividend: **3.36**
Morningstar: **B**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A**

Performance by %



JUST ASK ANN

Throughout the years technology has evolved and, along with it, the computer programs we use to keep our client files up to date. Since my employment with Pearson Capital began in 2005, there have been many changes along the way. T.D. Waterhouse became TD Ameritrade back in 2009 through a merger. Account numbers were amended, and the website was updated, making research, documents, and data retrieval supposedly more efficient. (Yeah, right!) Many months went by learning how to navigate all of it and, with persistence, we managed.

Just when I thought I had mastered things, along comes a new and improved version of the Ameritrade website, obviously with the Schwab merger that was looming on the horizon. Needless to say, there were no happy campers here at Pearson as, once more, it was first grade all over again!

So now here we are in 2022, fairly adept at finding what we need and also learning new hidden gems to help us do our job easier to serve you. Even the TD Client site underwent a makeover and most of you adapted to that as well. We continue to hear rumors of upgrades and while I'd prefer to keep things comfortable, change happens.

All of this background is to let you know that there are things we can no longer do directly for you with regard to upgrading your TD account files. Security is number one in protecting your information. Even though we hold an LPOA (limited power of attorney) we cannot change any personal information for you. If you need to make changes to your address, phone number, or email, you must do this using your online access or call TD at 800-431-3500 for assistance. Beneficiary and banking information must ALWAYS be changed in writing.

Over the next couple of months, we will be updating our Pearson files as well, particularly our Management Agreements. This document, most specifically, allows us to assess your risk tolerance toward today's market. Your age, family situation, and retirement goals all factor into your comfort in the stock market. We need to know if any adjustments should be made to your portfolio. If you see a Pearson Capital envelope arrive in your mailbox, please be sure to open and read it. A few minutes of your time will help us serve you better!

MARKET VIEW *Continued from page 4*

Our first stock choice for this month is Visa (V). Visa is the largest payment processor in the world. According to Standard and Poor, in fiscal 2021 it processed over $10 trillion in purchase transactions. Visa operates in over 200 countries and processes transactions in over 160 currencies. Its core products include credit, debit, prepaid cards, and related business services. Besides the year of the pandemic of 2020, this credit card company has reported year over year of double digit credit card growth, and they are projecting a great year for 2022 due to increased spending on travel, despite the ongoing issues with inflation and the crises worldwide. This is our choice for future growth potential.

In the most recent quarter:

1) Travel related stocks such as hotels, and airlines, should do well over the summer.

Key Point: Some companies can pass on inflation, while others cannot.

Cash Flows:

Right now, despite a possible slowdown in global growth and the challenging current economic climate, very few companies have announced dividend cuts, postponements, or pauses in their annual increases. The good news is that many of these same stocks have great balance sheets and have the ability to control costs if inflation does get out of hand this year. Those companies have cited cautiousness as reasons for capital preservation amid their respective restructuring efforts to achieve higher growth.

Our other current stock for this month is Crocs (CROX). Crocs Inc. is in the design, development, marketing, distribution, and sale of footwear accessories for men, women, and children. It sells products through its website, company owned stores, as well as through wholesale partners. According to Standard and Poor, Crocs, Inc. focuses on three main segments: Clogs, Sandals, and Jibbitz charms. Crocs introduced the single-style clog in six colors back in 2002, and we believe that its current brand has stood the test of time. Recently, (CROX) has declined from a recent price of $100 per share, so we see potential opportunity as this company has also come out with better than expected earnings this quarter and are positive about the rest of the year.

New trends we see:

1) Oil producing stocks are now able to provide higher dividends due to the current price of oil.

Key Point: Very few dividend paying companies have postponed increasing or cutting their respective dividends.

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%	(16)%
Dow Jones	7.9%	25.1%	(6.7%)	22.3%	7.2%	18.7%	(11.7)%
Nasdaq	4.1%	28.2%	(4.7%)	35.2%	43.7%	21.4%	(25.2)%
Market Average	5.9%	24.3%	(6.0%)	28.8%	22.4%	22.3%	(17.7)%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

In March, after the Federal Reserve started to raise rates, we believed that Federal Chairman Jerome Powell had reassured investors that they would raise rates gradually with six key 0.25% interest rate hikes. Instead, the Federal Reserve during the May meeting ordered the largest interest hike in more than two decades, with the central bank raising its benchmark rate by a half percentage point. Believing that this bout of inflation is mainly transitional due to supply chain issues, they allowed inflation to increase during and after the pandemic to meet their second mandate of full employment. This may be still true, as expectations of future inflation may remain the same at about 3%. However, we believe that a sharp increase of higher interest rates may be too much of the Fed's medicine all at once, instead of a gradual progression. This higher rate of changes at once may cause not only a halt in long-term decision-making by businesses, but as the economy slowly declines, consumers may also hold off on making key purchasing decisions.

The current Russia-Ukraine conflict is continuing longer than many people had hoped, and we expect even tighter sanctions against Russia. These impacts have benefited our energy sector so far; however, we still do not know what the total effect is for the rest of the companies in the stock market. The U.S. dollar also remains very strong, which means that domestic companies have a big advantage compared with multinational companies suffering from lackluster international economic activity and getting paid in weak currencies.

The Bank of England has raised UK interest rates to 1%, the highest level in 13 years, as it battles to keep a lid on soaring inflation. As we stated before, the UK's inflation was already running at a 30-year high before Russia's invasion of Ukraine, so that exerted 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, so now they are expecting inflation to reach well over 10%.

Japan has decided not to change its interest rate policy due to inflation, and the European Central Bank (ECB) recently rejected increasing interest rates despite soaring inflation rates. The European Union (EU) proposed another package of penalties against Russia and is thinking about a ban on all Russian oil that will be phased in over the next six months.

As we stated before, China is currently struggling with its own debt problems from real estate issues, slowing economic growth. The current COVID-19 lockdowns now are in effect in more than 40 cities, with some being well over a month in progress.

After Canada raised its interest rates, mortgage rates have caused a downturn in their housing market. In some areas, such as Vancouver and Toronto, house prices have slightly declined.

New trends we see:

1) China's energy demand has fallen by about 20% due to its lockdowns in major cities such as Shanghai. However, this is scheduled to be temporary in nature as some reports are showing that the lockdowns may end in late May or early June.

2) We have yet to see what the current interest rates will do to the housing industry as the 30-year fixed mortgage goes past 5%.

Key Point: We had previously thought that the Federal Reserve would increase interest rates gradually by .025% over time. Instead, they have taken a more aggressive stance and increased rates this past session by .050%

Earnings Flows:

May takes us toward the end of this quarter's earnings season with small-cap and mid-cap stocks beginning to report at the middle of the month. As we discussed previously, the beginning of inflation has affected individual securities, either directly in a company's earnings or in their future guidance. Companies such as Proctor and Gamble (PG) and Hershey (HSY) have passed along costs, while others such as Clorox (CLX) and Wendy's (WEN) have had problems doing so.

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