Your Personal Money Manager
Pearson INVESTMENT LETTER
Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - JULY/AUGUST 2022

VALUE STOCKS:

Shell PLC

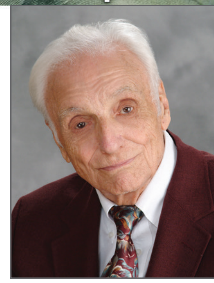
GROWTH STOCKS:

Skyworks Solutions Inc

ETFs:

Schwab U.S. Dividend Equity ETF™

Schwab US Broad Market ETF



Walter D. Pearson
Chairman 1998-2021

Donald E. Pearson
President

Ann Hathaway
Account Manager

The First Half

It is certainly safe to say the first six months of this year have not been pleasant. The term Bear Market is used when an index has retreated 20% or more from the prior high it once achieved, and both the S&P 500 and the NASDAQ have done this. Along with this, inflation has increased significantly. What exactly is inflation, what should it be on average, and what is the number today?

The definition of inflation is: an increase in the amount of money and credit in relation to the supply of goods and services – an excessive or persistent increase in the general price level as a result of this, causing a decline in purchasing power. Many, if not all, of the things we buy on a daily basis have increased in price considerably. For many years inflation has been between 2 and 3.5%, and now we are at 8 or 9%. Thus, prices have risen on homes, cars - both new and used, appliances, food, and so many additional items, mostly 20% or more. A good example of this is the gasoline we all buy to fill our cars. Before this problem began, we were paying $2.38 for a gallon of regular, today it is just under $5.00.

The Federal Reserve has begun raising interest rates, and this will cause inflation to begin decreasing. It was raised 3/4 of 1% in June, will probably be the same in July and more as the year goes on. They believe it will be less than 5% by year-end. This should have the stock market back or close to where it started the year, thus everyone recovering their on-paper losses.

The Second Half

Trying to outline the second half of this year will be somewhat more difficult because of the many variables that may, or may not, come into play. More forms of the virus might come back again, or there could be a significant change with the war between Russia and Ukraine. Issues here at home could influence the possibility of a recession too. The experts in this field of predicting are in many different places and not agreeing with each other. Some say we are in a recession right now, others are saying we may possibly get into one later this year or next, and others say we will not be having one. As investment advisors, we can only say we will continue making decisions and doing the things that appear to be the right thing to do as we continue through the remainder of this year. I will give my opinion, but I am no expert. I believe we will not have one, and, if we do this year or next, it will be very mild.

The definition of a recession is: a temporary falling off of business activity when it has been generally increasing. What we can do here for you and I is continue to monitor the businesses and the sectors and try to choose those that should prosper because of the decisions our leaders are making. A good example of this is stop buying home builder investments, and increase investments with banks. As the price of homes continue to increase and the money needed to get a mortgage to buy them does also, fewer homes will be sold. At the same time financial institutions will be doing better with more cash on hand. Many believe we will work our way out of this by year end and fully recover, as do I.

Our Team

I'm using this column to share two issues that I believe are important for you all to know. My father passed last July, so we are celebrating his one year passing and his opportunity to move on to a bigger and better place with our Lord. He started Pearson Capital back in the 1950's in Southbridge, Massachusetts, choosing this location so he could be assisting in the tri-state area, this being Massachusetts, Connecticut, and Rhode Island. He moved to Florida to retire in the 70's, but many clients pursued him, and he began again down here in the Tampa area in the 80's. I was retiring from the Coca Cola Co. as a southern New England sales manager, and came to Florida in the 90's to help him with the assistance he needed. We worked together as partners for more than 20 years with our team and continued to assist many clients and grow our business to more than seven times the size it was upon my arrival. I am also very proud to add that the employees we had when I arrived and a few others added have helped to make us and keep us exceptionally successful. Thank you to Ann, Chris, Roberta, Lori, Sandra, Karla, and many others like Sam who has been printing our newsletter for 15 or more years. We have a sensational team, and I very much appreciate them.

The second issue I wanted to address is most of you do not know that a couple of years ago Schwab purchased TD Ameritrade and is in the process of converting all clients to their system. This should be done next year and Ann Hathaway will lead our team through the conversion. You need not do anything with this except read her column in each newsletter as she'll keep all of us up to date.

DP

PEARSON CAPITAL'S RECOMMENDED STOCKS JULY/AUGUST 2022
www.pearsoncapitalinc.com

SHELL PLC (SHEL) NYSE PRICE $52.29

Shell plc (Shell), formerly The Royal Dutch Shell plc, is an international energy and petrochemical company. The Company is engaged in the exploration, production, refining and marketing of oil and natural gas, and the manufacturing and marketing of chemicals. Its businesses include Upstream, Integrated Gas, Renewables and Energy Solutions, and Downstream. Its Upstream organization manages the exploration for and extraction of crude oil, natural gas and natural gas liquids. Shell's Integrated Gas organization manages its liquefied natural gas activities and the production of gas-to-liquids fuels and other products. Renewables and Energy Solutions include hydrogen, power from renewable and low-carbon sources such as wind, solar and natural gas. Its Downstream organization manages different chemicals and products activities as part of an integrated value chain that trades and refines crude oil and other feedstocks into a range of products which are moved and marketed around the world.

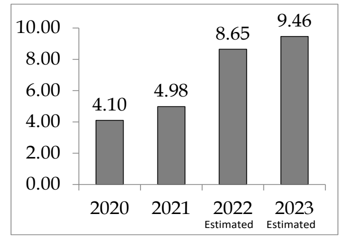
Type: Value
Sector: Energy

Institutional Holdings: 6.6%
Industry: Oil, Gas & Consumable Fuels

Ratings & Recommendations

Current P/E Ratio: **9.5**
Annual Yield: **3.16**
Annual Dividend: **1.94**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **B+**
Stand & Poor Rating: **C**
The Street (analyst avg.): **N/A**

Earnings per share



SKYWORKS SOLUTIONS INC (SWKS) NASDAQ PRICE $92.64

Skyworks Solutions, Inc. is engaged in designing, manufacturing, and marketing, semiconductor products, including intellectual property. The Company's analog semiconductors are connecting people, places, and things, across new applications within the aerospace, automotive, broadband, cellular infrastructure, connected home, entertainment, and gaming, industrial, medical, military, smartphone, tablet, and wearable markets. It operates engineering, manufacturing, sales, and service facilities throughout Asia, Europe, and North America. Its system solutions include Sky5, diversity receive (DRx) and multi-input multi-output (MIMO), SkyOne, antenna management, and integrated infrastructure. It offers a range of products, such as Amplifiers, Antenna Tuners, Attenuators, Automotive Tuners and Digital Radios, Circulators/Isolators, Demodulators, Detectors, Digital Power Isolators, Diodes, Directional Couplers, Diversity Receive Modules, Filters, Mixers, Modulators, Receivers, and Switches.

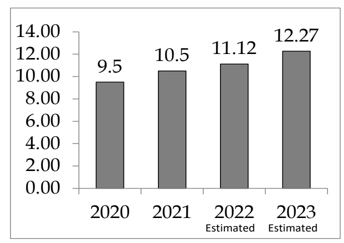
Type: Growth
Sector: Information Technology

Institutional Holdings: 75%
Industry: Semiconductors & Semiconductor Equipment

Ratings & Recommendations

Current P/E Ratio: **11.7**
Annual Yield: **2.4**
Annual Dividend: **2.24**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B**
Stand & Poor Rating: **C**
The Street (analyst avg.): **C+**

Earnings per share



SCHWAB U.S. DIVIDEND EQUITY ETF™ (SCHD) NYSE ARCA PRICE $71.63

The investment seeks to track as closely as possible, before fees and expenses, the total return of the Dow Jones U.S. Dividend 100™ Index. To pursue its goal, the fund generally invests in stocks that are included in the index. The index is designed to measure the performance of high dividend yielding stocks issued by U.S. companies that have a record of consistently paying dividends, selected for fundamental strength relative to their peers, based on financial ratios. The fund invests at least 90% of its net assets in these stocks.

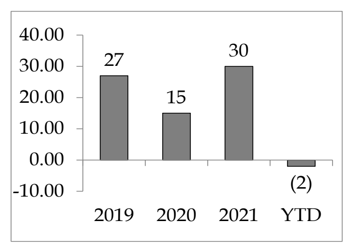
Location: USA
Type: 100% Stock

Category: Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3.4**
Annual Dividend: **2.43**
Morningstar: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

Performance by %



SCHWAB US BROAD MARKET ETF (SCHB) NYSE ARCA PRICE $44.19

The investment seeks to track as closely as possible, before fees and expenses, the total return of the Dow Jones U.S. Broad Stock Market Index. pursue its goal, the fund generally invests in stocks that are included in the index. The index includes the largest 2,500 publicly traded U.S. companies for which pricing information is readily available. The fund will invest at least 90% of its net assets in these stocks. It may invest up to 10% of its net assets in securities not included in the index.

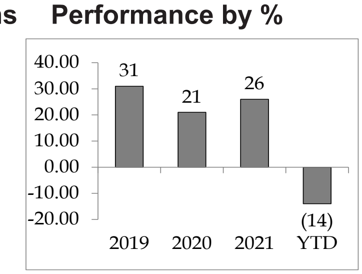
Location: USA
Type: 100% Stock

Category: Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.6**
Annual Dividend: **0.71**
Morningstar: **C**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**

Performance by %



JUST ASK ANN

The pending conversion of the Schwab/TD Ameritrade merger is underway. While the actual end date is still unknown, we are certain that it will happen in early/mid 2023.

A recent presentation gave us some insight to the progression of the process and how we, as Advisors, and you, as Clients, will need to participate.

In the coming months we ask that you pay attention to any mailings or email notifications from either TD Ameritrade or Schwab or even our Pearson Capital newsletters. Please don't disregard as you may miss important updates.

We have been assured that there will be no need for our clients to complete new applications for their accounts with Schwab. Close to the transition, you will receive a notice from Schwab explaining the changes with the instructions that, if you agree, **DO NOTHING**. (Couldn't be any easier!)

However, Schwab is strongly recommending that all clients set up an online account now through our current website; www.advisorclient.com if you haven't already done so and complete the **MY PROFILE** information. This will guarantee that your current preferences and standing instructions stay as is.

What will change? Your account numbers. They will become eight-digit numbers with Schwab. The website will change to Schwab and client access will be through schwaballiance.com, but right now, no need to worry about this.

What WON'T change? Our commitment to you to provide you with the best service possible through all of this. Hopefully, the fact that we're starting this far out, enables TD, Schwab and PCI to ensure a smooth, seamless transition for everyone.

MARKET VIEW *Continued from page 4*

In the most recent quarter:

1) Nike (NKE) recently beat on its revenue and earnings expectations even while citing further issues with its supply chain.

Key Point: So far many companies have met earnings expectations, but we will wait and see for the remainder of the year.

Cash Flows:

Even though interest rates and inflation are putting a damper on some stock prices, some areas such as the banking sector are still showing that they have strong balance sheets and are able to withstand a recession. Morgan Stanley, Goldman Sachs, Bank of America and Wells Fargo recently hiked their dividends after the U.S. banks cleared their annual stress test exercise last week with the government. Goldman Sachs said on Monday it would hike its dividend by 25%, to $2.50 per share, and Morgan Stanley said it plans an increase to 77.5 cents per share and a share buyback program of $20 billion. Bank of America raised its dividend by 5% to 22 cents per share and Wells Fargo said it expects to hike its dividend to 30 cents from 25 cents a share.

Our other current stock for this month is Skyworks Solutions (SWKS). Skyworks Solutions produces semiconductors for wireless handsets and other devices that are used to enable wireless connectivity. According to Standard and Poor, its main products include power amplifiers, filters, switches, and integrated front-end modules that support wireless transmissions. Skyworks' customers are mostly large smart phone manufacturers, but the firm also has a growing presence in non-handset applications such as wireless routers, medical devices, and automobiles. We believe that Skyworks in the future will be able to expand and provide chips to a wide variety of products and supply to the ever expanding universe of the internet of things (IOT).

New trends we see:

1) Many companies still remain on track to buy back their company stock this year.

Key Point: Recent stress tests provided by the government are showing that the American banking system is prepared in case there is a recession in the near term.

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%	(20.6)%
Dow Jones	7.9%	25.1%	(6.7%)	22.3%	7.2%	18.7%	(15.3)%
Nasdaq	4.1%	28.2%	(4.7%)	35.2%	43.7%	21.4%	(29.5)%
Market Average	5.9%	24.3%	(6.0%)	28.8%	22.4%	22.3%	(25)%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

As stated before, we believed that the Federal Reserve would raise rates gradually with six key 0.25% interest rate hikes instead of all at once. During its June meeting, it ordered its largest interest hike since 1994, with the central bank raising its benchmark rate by 0.75%, outpacing its previous increase in May of a half percentage point.

The Fed has allowed inflation to increase in order to meet its mission of full employment. They also previously believed that this bout of inflation was transitional due to supply chain issues. They have now pivoted in their position and fully embrace its primary mission of fighting inflation, thus we see ever increasing interest rate hikes. Many economists believe at this month's meeting there will either be a 0.50% or 0.75% interest rate increase. Federal Reserve Chair Jerome Powell himself has signaled that another move of that size, or a 50 basis-point increase, will be on the table when they meet again in late July.

Powell recently stated again that the US economy is in "strong shape" and the central bank can reduce inflation to 2% while maintaining a solid labor market, even though they themselves admit that the task has become more challenging in recent months.

Whether all or part of this bout of inflation is transitional, we still believe that a sharp increase of interest rates may be too much of the Fed's medicine all at once instead of a gradual progression as they had previously done in past tightening cycles. Powell stated that "we will not allow a transition from a low inflation environment to a high inflation environment and overall the US economy is well positioned to withstand tighter monetary policy."

While the chairman's expectation may prove to be true, this higher rate of change at once may halt long term decision making by businesses and consumers and may inadvertently cause a short term credit crunch as well. Companies that have relied on variable interest rate loans for their business uses now have to pay a higher interest rate, causing an eventual erosion of profit margins. This in turn may cause a slowdown in the economy. Powell stated that the Fed is raising rates "expeditiously" and aims to move "into restrictive territory fairly quickly," referring to having borrowing costs at levels that would restrain rather than spur economic growth.

As the Russia-Ukraine conflict moves forward, many people now hope that the war concludes toward the end of this year. No matter when it ends, global leaders have met together to impose tighter sanctions against Russia with many nations including Germany eventually stopping their decades long dependence on that country's oil and natural gas. However, Russia is still profiting from the higher price of oil and natural gas as they continue to sell oil to countries such as India and China, with natural gas still supplying Europe.

New trends we see:

1) Prices of homes in Canada are now decreasing due to higher interest rates there.

2) Europe will need new partnerships for their future oil and gas needs once the sanctions are in place.

Key Point: The Federal Reserve has taken a more aggressive stance toward raising interest rates and believes that the economy can handle it.

Earnings Flows:

July brings us to the beginning of this quarter's earnings season with stocks reporting after the July Fourth holiday. We may see some stocks pre-announce before their expected dates, especially if they are going to have poor earnings due to last quarter's results. The good news is this current quarter's estimates really have not changed, so most should report on time as normal. The largest increase in earnings expectations once again is with our energy sector. With the U.S. dollar remaining very strong and Europe and Asia having their own problems, we had thought that multinational companies would suffer from lackluster international economic activity and getting paid in weak currencies, but so far, the results have been better than expected.

Our first stock choice for this month is Shell (SHEL). Shell is one of the world's largest integrated oil and gas companies with operations in more than 70 countries. According to Standard and Poor, Shell has five reporting segments – Integrated Gas, Upstream, Oil Products, Chemicals and Corporate. In 2021, it produced 1.7 million barrels of liquids and 8.7 billion cubic feet of natural gas per day. Its reserves stood at 9.2 billion barrels of oil equivalent, 50% of which consisted of liquids. Its production and reserves are in Europe, Asia, Oceania, Africa, and North and South America. The company operates refineries located in the Americas, Asia, Africa, and Europe and sells chemicals. Its largest chemical plants, often integrated with its local refineries, are in Central Europe, China, Singapore, and North America. Due to this diversity, we believe that Shell will continue to prosper even when prices for oil and natural gas go back to their long term trading range.

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