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

FEATURED STOCKS - AUGUST/SEPTEMBER 2022

ETFs:

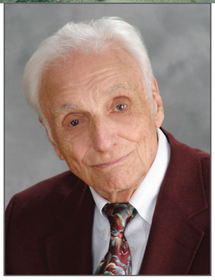
Health Care Select Sector SPDR® Fund

iShares Core S&P 500 ETF

ETFs:

Virtus InfraCap U.S. Preferred Stock ETF

Vanguard Value Index Fund ETF Shares



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Where Are We?

I believe it is safe to say we don't know. There is so much uncertainty in our lives today it is going to take time to see how much of this plays out and to what degree the results may impact us. A good example of this is whether or not we are in a recession. If you ask three different experts their opinion, one will tell you we are, another will say not yet but will be by next year, while the third tells you we are not and will not be.

Many of the issues that will play on the economy and affect each of us individually are:
- The ongoing war between Russia and Ukraine
- The increasing tension between China and Taiwan
- The building of aggression and bombing between Israel and the Palestinians
- The Inflation Reduction Act

The Inflation Reduction Act is a $740 Billion economic package expected to help our economy. Our elected leaders who we expect to work together and make this country and our lives better are very much divided. In the Senate, the votes were all Democrats voting favorably while all Republicans opposing.

Add the impact of abortion rights to all of this, and how states will manage going forward, and it's easy to see more time is needed to see where we are heading.

Inflation has come down some as we were at 8-9% at last writing and today we are in the 5-6% area. Many of our daily needs are still very much overpriced but at least reducing.

Stocks appear to be off their lows and hopefully will continue to climb as we try to make our way back by year end.

Help for Future Retirees

The Department of Labor (DOL) recently passed the Prohibited Transaction Exemption (PTE2020-02). The purpose of the PTE is to safeguard the interests of Plans and IRA owners when it comes to registered investment advisors, broker - dealers, banks, insurance companies, financial institutions, and their employees, agents, and representatives.

Simply said, forms are needed to be filled out and turned in, and all of us must explain to you the multiple options you have before any decisions have been made or agreed upon. As our clients already know, we have been doing this for many years.

When you are leaving your current employer or retiring, all of these institutions should be telling you what your choices are regarding your retirement money. If you're going to a new employer, you may have the ability to transfer this to your new employer, or you may be able to leave it at the company you're leaving. Other choices are you can cash it or a part of it out, and all of the balance can be transferred to a place of your choice. This becomes a rollover IRA, no longer a 401K. You need to do research to determine all options and what's best for you.

I encourage everyone to check carefully for hidden costs and expenses. As I tell those coming to us, I don't like mutual funds, or bonds, and like to build portfolios with ETFs and individual stocks. I think what sets us apart and makes us superior is we only receive a management fee of 1% with no bonuses or commissions which is different from most, and you only own what we do - simply said, nothing but the best for both of us.

Mutual Funds vs. ETFs

For many years I have been a strong believer in ETFs. While not purchasing mutual funds, I'm also very much against buying or owning bonds, as ETFs can give you so much more. I wrote an article more than ten years ago that was also agreed with by Morningstar, and they pointed out even more than I referenced. They wrote that more than 60% of fund managers do not own the stocks and bonds that they tell others to buy because they're chasing bonuses and commissions. Mutual funds also have fees built in between 4-6% that you don't see in their daily reporting. Most ETFs have a fee built in that's considerably less than 1%. Bonds today are offering about 2% annually and in this letter we are featuring Virtrus Preferred Stocks (PFFA), an ETF with an 8.6% yield with a minimal loss year to date. Even if your mutual fund has a decent performance record, they can and often change the manager/decision maker without notifying anyone. Most ETFs only have about 50 choices within and pursue a selective segment or type – for example, growth, value, or income.

When I'm building a portfolio for everyone I simply only need to know the risk parameters one is willing to take. We can discuss our options together, especially if I don't agree, and then build a winning portfolio. It will be with ETFs and with individual stocks to better diversify the portfolio.

In this letter we've also featured I Shares (IVV), Growth and Health Care Select (XLV) - a blend of medical selections, and Vanguard Value (VTV). These are a sampling of the many choices we use to build diversification. Every choice we select we believe will be within the portfolio three to five years or longer. They are continually monitored and only changed when negative news occurs.

DP

PEARSON CAPITAL'S RECOMMENDED STOCKS AUGUST/SEPTEMBER 2022
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HEALTH CARE SELECT SECTOR SPDR® FUND (XLV) NYSE ARCA PRICE $131.93

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.

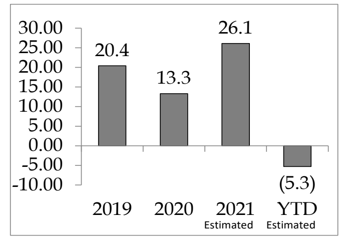
Location: USA
Type: 100% Stock

Category: Healthcare
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.5**
Annual Dividend: **1.92**
Morningstar: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**

Earnings per share



ISHARES CORE S&P 500 ETF (IVV) NYSE ARCA PRICE $422.30

The investment seeks to track the investment results of the S&P 500 composed of large-capitalization U.S. equities. The index measures the performance of the large-capitalization sector of the U.S. equity market, as determined by SPDJI. 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.

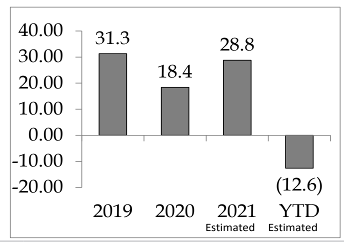
Location: USA
Type: 100% Stock

Category: Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.4**
Annual Dividend: **5.96**
Morningstar: **B**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**

Earnings per share



VANGUARD VALUE INDEX FUND ETF SHARES (VTV) NYSE ARCA PRICE $140.56

The investment seeks to track the performance of the CRSP US Large Cap Value Index that measures the investment return of large-capitalization value stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Large Cap Value Index, a broadly diversified index predominantly made up of value stocks of large U.S. companies. The advisor attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

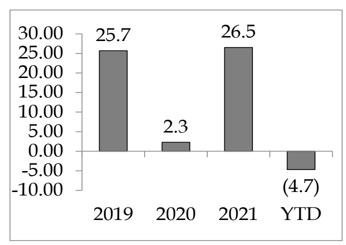
Location: USA
Type: 100% Stock

Category: Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.4**
Annual Dividend: **3.34**
Morningstar: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

Performance by %



VIRTUS INFRACAP U.S. PREFERRED STOCK ETF (PFFA) NYSE ARCA PRICE $22.76

The investment seeks current income and, secondarily, capital appreciation. Under normal market conditions, the fund will invest not less than 80% of its net assets (plus the amount of any borrowings for investment purposes) in U.S. preferred stock, and in derivatives and other instruments that have economic characteristics similar to such investments. The Sub-Adviser actively manages the fund's assets pursuant to a variety of quantitative, qualitative and relative valuation factors.

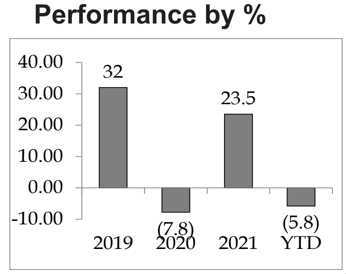
Location: USA
Type: 100% Stock

Category: Income
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **8.5**
Annual Dividend: **1.94**
Morningstar: **N/A**
Pearson Growth & Value: **A-**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **N/A**

Performance by %



JUST ASK ANN

REMINDERS

TD/SCHWAB MERGER

I have had a few calls with regard to the mailings from TD about account information. As I wrote in our last edition of this newsletter, the merge process of TD and Schwab has actively begun. If you receive any mailings from TD or Pearson Capital, it is important that you read these notifications as the information will help make the transition much easier. For now, all TD has requested is to make sure that info on file is correct. If you agree with everything in the notice, YOU DO NOT HAVE TO DO ANYTHING. Should there be any corrections or updates, please let TD or PCI know.

RMD UPDATE

We are well into the second half of the year and it's not too soon to think about your RMD distribution. All clients over the age of 72 with IRA accounts and those clients with Beneficiary IRA accounts are required to take a portion of their year-end balance from the account by December 31, 2022 under the IRS tax rules. Failure to do so can result in a 50% penalty of the RMD amount.

One upside to this year is that the IRS has updated the actuarial table they use to calculate this percentage to reflect the changes in Life Expectancy. This update occurs about every 10 years and since people are living longer these days, the distribution time has increased as well. This means that you will be required to take a bit less from your account each year going forward and keep more invested.

Clients were notified at the beginning of the year about their RMD amount. If you have any questions concerning this, please contact us and we can discuss options for fulfilling your obligation. As usual, we will make every effort to make sure you are in compliance but the responsibility belongs to the account owner.

NEWSLETTERS

Please read. Otherwise, look at all this valuable information you're missing! LOL

MARKET VIEW

Continued from page 4

In the most recent quarter:

1) Credit card balances for people ages 25 and younger rose by 30% in the second quarter from a year earlier, compared with an increase of just 11% among the broader population.

Key Point: The stock market is rebounding based on earnings that were better than expected.

Cash Flows:

At the time of this writing, Congress's Inflation Reduction Act is being voted on, and with it, there may be some big changes to key areas of the U.S. economy. The bill focuses on two parts: spending on climate, and finding ways to pay for it. First, this includes $369 billion for climate and energy provisions and would accelerate the U.S.'s transition from fossil fuels. Industries that may benefit from this bill would be the solar, electric vehicle, and fuel cell companies. Also included in this act is the provision that Medicare would be able to negotiate the cost of some prescription drugs affecting pharmaceutical companies under the deal. The bill's 15% minimum tax for large companies could affect big companies like Amazon (AMZN) and Tesla (TSLA).

Our other current stock for this month is Schlumberger (SLB). Schlumberger is the largest oilfield service firm in the world with expertise in reservoir performance, well construction, production enhancement, and digital solutions. It maintains a reputation as a leading innovator and has earned a dominant share in its industry. The company focuses on four major regions: North America Land, Offshore, the Middle East, and Central Asia. Management recently decided to reimagine the company's long-term strategy. SLB has nearly 100 technologies related to reducing upstream carbon emissions as well as a New Energy business focused on developing clean hydrogen and geothermal power at scale.

New trends we see:

1) The Inflation Reduction Act also contains a 1% tax on stock buybacks. We believe that companies will continue to use buybacks as a way to benefit shareholders despite the tax.

Key Point: The Inflation Reduction Act is bringing big changes to many different companies.

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%	(11.7)%
Dow Jones	7.9%	25.1%	(6.7%)	22.3%	7.2%	18.7%	(8.3)%
Nasdaq	4.1%	28.2%	(4.7%)	35.2%	43.7%	21.4%	(18.3)%
Market Average	5.9%	24.3%	(6.0%)	28.8%	22.4%	22.3%	(15.0)%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The Federal Reserve during its July meeting ordered another interest hike by 0.75%, matching its previous increase in June by the same amount. Fed Chairman Jerome Powell declined to give future rate hike guidance and instead said the central bank would solely focus on incoming data to determine its next moves.

As we stated before, the Fed has allowed inflation to increase in order to meet its mission of full employment. Now that they have achieved that goal and with inflation out of hand, they have pivoted back to their primary mission of fighting inflation. In order to do that, they would allow unemployment to move slightly higher than it is now. The unemployment rate fell to 3.5% in July after more than 500,000 jobs were added to the economy. So, the Fed may use this data as a reason to raise interest rates again at the next meeting in September.

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 "the US economy is well positioned to withstand tighter monetary policy." Most economists believe that it takes 6 to 18 months for a rate increase to fully affect the overall economy, so if there is a slowdown, most of it may not show until next year.

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 and see the return of inflation to 2% as critical to achieving maximum employment on a sustained basis.

The Bank of England recently joined some 70 other institutions around the world in delivering a half-point increase in borrowing costs. It looks to combat runaway inflation, which it predicts will hit 13% later this year for that country. The move marks the UK's biggest increase in interest rates in 27 years, and policy makers are prepared to act forcefully if necessary to rein in inflation.

Currently the nation's 41 million student loan borrowers have been relieved of repaying debt and incurring interest since the COVID pandemic began in March 2020. A payment freeze on these loans has been extended six times. The deadline is approaching again at the end of this month, and many people believe that the president will extend the moratorium until 2023.

New trends we see:

1) For more than a month the Treasury yield curve has remained inverted. Shorter-dated yields are higher than those for longer-dated bonds, which many see as a harbinger of recession.

Key Point: The Federal Reserve is now taking a "wait and see approach" in dealing with the next interest rate decision at its next meeting.

Earnings Flows:

August brings us toward the middle of this quarter's earnings season with most of the largest stocks of the market reporting their results. Many of the companies that reported earnings either beat their expectations or they did better than feared. Our largest holding, Apple (APPL), reported great earnings. Since Apple is the market's largest stock, what it does helps determine the overall trend in the market.

Our first stock choice for this month is American International Group (AIG). American International Group is one of the largest insurance and financial service firms in the world. It operates through a wide range of subsidiaries that provide property, casualty, and life insurance. Its revenue is split roughly evenly between commercial and consumer lines. AIG has undergone a series of transformations in the decade since the firm nearly collapsed amid the credit crisis back in 2008. After years of working through multiple issues, AIG's financial position is stable and its leadership team has taken multiple steps to execute its turnaround. AIG entered a new phase of its turnaround in late 2020 with the announced intention to sell or spin-off a portion of its Life and Retirement unit in 2022. We think that with this step, they can go back to grow again in the future.

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The Pearson Investment Letter
published monthly since 1982

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