

Your Personal Money Manager Pearson INVESTMENT LETTER

Published Monthly Since 1982
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FEATURED STOCKS - OCTOBER/NOVEMBER 2022

VALUE ETFs:

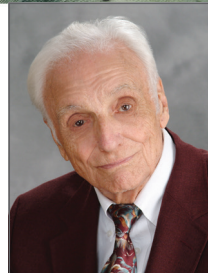
iShares Core Dividend
Growth ETF

iShares U.S. Dividend
and Buyback ETF

GROWTH ETFs:

iShares Russell 1000
Growth ETF

Technology Select Sector
SPDR® Fund



Walter D. Pearson
Chairman 1998-2021



Donald E. Pearson
President



Ann Hathaway
Account Manager

Thru Three Quarters

It is certainly sad to say our leaders still do not have it right. It would be great if we could have two of our leaders from each side of the aisle along with two from the Federal Reserve lock themselves in a room and not come out until they agree upon a plan of action that will fix our economy. With our inflation rate hovering around 8%, the only plan of action right now is to continue to raise interest rates until inflation has been taken down. We have had three straight .75% rate increases that have brought the Fed's short term rate to 3.25%, and, with additional rate hikes planned, we will end the year around 4.4%. So, when the banks borrow money and have to pay more, this will increase the rate that we will have to pay to borrow also. House and car loan rates will increase and once reaching as much as 6% will slow down home building loans and sales along with car sales. This will lead to companies laying off employees too. So our unemployment rate that's now at 3.7% will increase to an anticipated year ending rate of 4.4%. The only good news with this program is it will lower inflation over time, but we'll all continue to pay more as we are doing right now.

I know I write this often, but I will again, as I believe to be successful one need only not look every day and see the decline of our portfolio, but know that pullbacks occasionally are a part of investing successfully. I believe by year end or first quarter of 2023 we will again be back on track to see both growth and quality value investments climbing again and our portfolios reaching new highs.

Is BitCoin For Me?

You can ask this question of many and the answer will differ considerably. Warren Buffet has written he wouldn't take all of BitCoin for \$25. When this began, we tried following it and investing with reasonable amounts within portfolios. As we always do, my account was included so it's easy to track. When this began everyone was talking about it believing it was the way of the future and dabbled in small or larger amounts. We did this also and it did well for a while, but with this new entity there was really no history and no way of tracking success or failure. New startups are coming on board regularly and many are going out of business too, and their owners are losing their investments. BitCoin is the largest and the one tracked as the bellwether of the category and year to date it has lost 70% of its value. Once we began losing with this, we switched investments to Greyscale that was similar to an ETF (symbol GBTC) as this appeared to be with less risk. This didn't do much better so we made the decision to only add to clients' portfolios upon their request. With no way to trace future potential growth, we thought we would defer this type of investment. Current statistics show more than 60% of the investors have continued to hold their investments and believe recovery is relevant. The supposed experts encourage slow investing with dollar cost averaging as they can't predict future performance either.

For this reason, I'll say thru this same period as an example our investment in Walt Disney is down 27%, and I know this will recover soon and again hit new highs where I can't feel comfortable about BitCoin.

Making a Change

From time to time, I like to remind our clients that if you have changes in your life and would like us to make changes to your risk levels, we can easily do this for you. When you opened an account with us you filled out a risk disclosure, and we used this to build a portfolio that closely replicates your decision. We can all own pretty much the same things; it's just the percentages that change. A good example of this would be with Amazon (AMZN). If you don't have this as a standalone, it will be within ETFs within your portfolio. Using a \$100,000 account as an example I would purchase about 3% for someone with low risk and 5% for one with medium risk and about 7-8% for someone with higher risk. The same is done with ETFs because they all have different offerings. We continuously research these to find the very best of those available so we can put these in your account as well as mine.

Hurricane IAN

Thank you to so many that said prayers and sent in messages or phone calls wishing us well. All of us are right in the Apollo Beach - Tampa area, and the direct hit from this category 4 storm with 150 mph winds was just 75 miles south of here. In our area over 500,000 lost power on Wednesday and now the storm has passed and power is being restored. If you look on the news and see the damage done to homes, roads, businesses, it's unbelievable. None of our team sustained any bodily injury, so I will close by thanking God for keeping us all safe.

DP

PEARSON CAPITAL'S RECOMMENDED STOCKS OCTOBER/NOVEMBER 2022

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ISHARES CORE DIVIDEND GROWTH ETF (DGRO) NYSE ARCA PRICE \$44.69

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 broad market index that represents approximately 97% of the market capitalization of publicly-traded U.S. stocks.

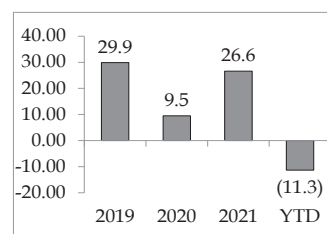
Location: USA
Type: 100% Stock

Category: Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.5**
Annual Dividend: **1.14**
Morningstar: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**

Earnings per share



ISHARES U.S. DIVIDEND AND BUYBACK ETF (DIVB)

The investment seeks to track the investment results of the Morningstar® US Dividend and Buyback 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 designed to provide exposure to U.S.-based companies that return capital to shareholders through either dividend payments or share buybacks.

CBOE CONSOLIDATED LISTINGS PRICE \$33.92

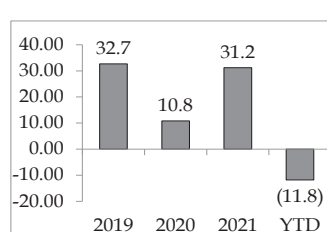
Location: USA
Type: 100% Stock

Category: Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.2**
Annual Dividend: **0.75**
Morningstar: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**

Earnings per share



ISHARES RUSSELL 1000 GROWTH ETF (IWF) NYSE ARCA PRICE \$211.76

The investment seeks to track the investment results of the Russell 1000® Growth Index, which measures the performance of large- and mid-capitalization growth sectors of the U.S. equity market. The fund generally invests 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 and may invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents.

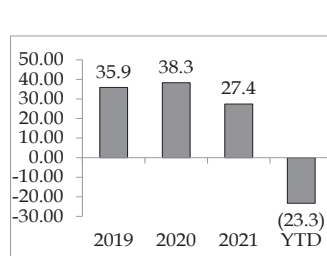
Location: USA
Type: 100% Stock

Category: Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **0.8**
Annual Dividend: **1.78**
Morningstar: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**

Performance by %



TECHNOLOGY SELECT SECTOR SPDR® FUND (XLK) NYSE ARCA PRICE \$119.61

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 Technology Select Sector Index. In seeking to track the performance of the index, the fund employs a replication strategy, which means that the fund typically invests in substantially all of the securities represented in the index in approximately the same proportions as the index. It generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index.

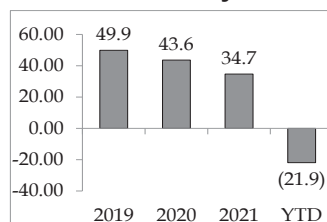
Location: USA
Type: 100% Stock

Category: Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.3**
Annual Dividend: **1.51**
Morningstar: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**

Performance by %



JUST ASK ANN

We are often asked how accounts can be funded once they are open if there won't be a transfer in from another firm.

The simplest way is by check, made payable to **TD Ameritrade** and mailed in to TD offices. You simply have to write your account number on the front of the check and send it in. If you're in our area, ask Don or me for a prepaid envelope and you won't even need postage. If you're not close by, let us know and we can put some envelopes in the mail to you for deposit.

TD's address is **PO Box 650567, Dallas TX 75265-9910**

If you wish for us to make electronic payments, you can complete a Move Money form that will stay on file in your account that will verify your banking information and allow us to transfer in or out, any amount of funds that you request. This form is especially helpful when dealing with withdrawals from IRA accounts that always require written notice. You can access this form online or contact me, and I will send one to you.

If you want to have funds sent directly from your paycheck, contact your HR department for their instructions. They will require your TD account number and TD's routing #021912915.

Finally, some clients prefer to handle deposits on their own, electronically. You can link your bank account directly to your Investment Account through your online access. However, this is a special feature that we need to turn on for you, so a written request to us is required. Once we have your request, access is enabled and I will send you instructions for set-up.

Keep in mind some IRA accounts have annual limits on the amount of your contribution so check to make sure you won't exceed that limit on auto-deposits.

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.

Fourth Quarter October-November-December-see your October statement.

MARKET VIEW *Continued from page 4*

In the most recent quarter:

1) U.S. Real Estate refinancing has recently moved to a 22-year low.

Key Point: The stock market may have a rebound if expectations are better than expected.

Cash Flows:

Emerging markets that borrow U.S. dollars to pay off debt or trade with other countries are finding it more expensive as the U.S. dollar is moving to all-time highs this year compared to other currencies such as the Japanese Yen, Eurodollar, and Chinese Yuan. This creates instability, hampers worldwide growth, and is primarily due to the massive rate increases from the Federal Reserve in a short period of time.

Back in 2020, the Fed wanted to keep liquidity in the market to maintain full employment thinking that it may take years for full employment to come back to normal. Now we believe that they

have reversed directions. Fed chair Jerome Powell basically said people may lose their job in order to slow inflation, stating "We're never going to say that there are too many people working, but the real point is this, inflation, what we hear from people when we meet with them is that they really are suffering from inflation. And if we want to set ourselves up to really light the way to another period of a very strong labor market, we have got to get inflation behind us. I wish there were a painless way to do that, there isn't."

New trends we see:

1) Many dividend-paying stocks have held their payouts or have raised them so far this year.

Key Point: The Federal Reserve has changed its mind of keeping its mandate of full employment.

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%	(23.6)%
Dow Jones	7.9%	25.1%	(6.7%)	22.3%	7.2%	18.7%	(20.6)%
Nasdaq	4.1%	28.2%	(4.7%)	35.2%	43.7%	21.4%	(32.1)%
Market Average	5.9%	24.3%	(6.0%)	28.8%	22.4%	22.3%	(27.8)%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

During its meeting in September, the Federal Reserve ordered another interest hike of 0.75%, matching its previous increase in July by the same amount. They also stated that they would continue to raise rates to 4.25% by the end of the year. Many economists estimate that they will increase interest rates by another 0.75% in November and 0.50% in December. At September's meeting, Powell stated, "With today's action, we have raised interest rates by 3 percentage points this year. At some point, as the stance of monetary policy tightens further, it will become appropriate to slow the pace of increases, while we assess how our cumulative policy adjustments are affecting the economy and inflation."



We had previously thought that The Bank of England and its government policymakers were prepared to act forcefully, if necessary, to rein in inflation by joining 70 other institutions around the world in delivering a half-point increase in borrowing costs. Instead, Finance Minister Kwasi Kwarteng unveiled the country's biggest tax cut package in half a century, as well as coming up with a separate plan to help people with their utility bills this winter. This in turn caused a sharp decrease in the Pound relative to the U.S. dollar, and the Bank of England had to step in to purchase pounds on the market to prevent any margin calls for pension funds in that country. This puts the Bank of England and the conservative government in two different camps in their thinking on how to help combat inflation. Britain's currency is in trouble, and things could still get a lot worse for sterling, experts warn.

As part of President Joe Biden's historic student loan forgiveness plan, millions of people could get automatic debt relief. Many people with federal student debt will be eligible from \$10,000 to \$20,000 depending on the type of loan they received. The aid is limited to those who make less than \$125,000 per year, or married couples or heads of households earning less than \$250,000.

New trends we see:

1) We are waiting for other countries' actions around the globe to see if they mimic the same that England has just done.

Key Point: The Federal Reserve has changed course and has made a decision to raise interest rates until inflation is under control.

Earnings Flows:

The month of October brings us into the beginning of this next quarter's earnings season. With the current dollar at multi-year highs, we expect multinational companies will face multiple headwinds as earnings may be impacted. Large multinational companies dominate the S&P 500, so the higher dollar affects both revenues and earnings and may dampen the overall outlook for the remainder of this year. Approximately half of any pre-announcements will be done in the first two weeks. However, if we see any improvement in companies' expectations, we should see a near term rally.

Instead of stocks for this month, I am recommending an ETF called The PowerShares Dynamic Food & Beverage Portfolio (PBJ). It is based on the Dynamic Food & Beverage Intellidex Index. The Fund will normally invest at least 90% of its total assets in common stocks that comprise the top 30 U.S. food and beverage companies. During times of inflation, the top food and beverage companies normally have the power to keep their profit margins higher than other companies by raising prices and cutting costs as well as keeping their market share of demand the same.

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