

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - NOVEMBER/DECEMBER 2022

VALUE ETFs:

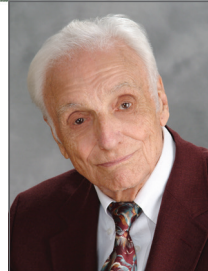
iShares Select
Dividend ETF

Financial Select Sector
SPDR® Fund

GROWTH ETFs:

iShares MSCI USA Momentum
Factor ETF

Vanguard Growth Index
Fund ETF Shares



Walter D. Pearson
Chairman 1998-2021



Donald E. Pearson
President



Ann Hathaway
Account Manager

Where Are We?

We are still in a difficult position. Inflation continues to hold fairly steady in the 8% area, and we have had six rate increases by the Fed year-to-date with another scheduled for December. Looking ahead to 2023 it's a year that should be better than where we are now, as the inflation rate today is the highest it has been in forty years. Anyone borrowing money for homes or automobiles today has to do so at or around 7%. This has slowed these purchases considerably. This is also the highest rate in two decades. Last year the rate hovered around 3%.

With the elections almost completed throughout the country, we will see a lot of new people coming into leadership roles, and, hopefully, they will work with each other to get these issues under control. It appears the Senate will remain with a majority favoring Democrats and the House will change to a Republican majority.

Another pleasant change going forward is for those of us receiving Social Security. The cost-of-living adjustment (COLA) is going up to 8.7% next year. This will be the largest increase in 40 years. This year for 2022 the COLA was 5.9%. This means today the average Social Security payment is \$1,681 and will increase to \$1,827. This is an increase of \$146.

I realize as does everyone that food prices at the supermarkets are still highly elevated, but we are expecting to see these begin to decrease. Gasoline prices also remain higher. I believe if the two parties will work together in the House and Senate these issues can be corrected. It will take a bit of time, so we must give them the opportunity to fix these issues. We hope 2023 will become a winning year for everyone.

Working Together

Occasionally I am asked how we know our clients so well and how we manage their accounts as well as we do. It is all done with your help. When we met for the first time, either in person or over the phone, we talked for quite some time, and we shared information that was most helpful. You gave us your age, the risk level you'd be willing to assume, and a bit of personal history. With all of this information we code the account with the level of risk one would like to take, and then I can go to work and begin building your portfolio.

I prefer using ETFs as they are, in my opinion, so much better than mutual funds. We can also use individual stocks to better diversify a portfolio. The ETFs we use after extensive research are in categories such as growth—these being somewhat aggressive, value—these being less aggressive, and blended—using both categories. We have one other category - this being preferred. These are considerably safer with fewer risks and smaller returns but good yields.

Then we go to work according to the size of the portfolio. For example, if someone has \$50,000 with moderate risk (C3) we would build with \$30,000 in value choices and \$20,000 in growth. I always encourage everyone to call and converse with Ann or me anytime, because this can be adjusted higher or lower as things may change in one's personal life. Many people have more than one account. These can be assigned different risk levels, and often are. A good example is a Roth versus a regular account.

Moving Forward

Most people do not know that Schwab purchased TD Ameritrade a year or so ago and plans to incorporate the two companies under the Schwab name and business. We have been told as a TD Ameritrade business account owner for clients the actual transfer would take place in September of next year. Clients need do nothing with this, but we as company owners will need to begin assisting the transfer that will begin in January of 2023. It appears this should be seamless, but at the same time we are looking over other opportunities. Perhaps we'll find a company that'll provide a better service. Obviously, we want what is best for everyone and will continue to watch and monitor this so we can make the best decisions.

I ask everyone to read Ann's column in our every six-week newsletter so she can best keep you updated on any and all changes. We do not expect any changes, but she will do a good job sharing information with you. Her direct line is 813-645-6392. If you have questions regarding administrative issues with your accounts, this is the number to get your question answered.

If you need information about your account holdings or performance, you can call me at 813-641-7575. Please leave a message if the phone is not answered. We get so many junk calls we often do not answer, but we do check our messages many times during the day and return calls immediately if possible or, if not, within 24 hours.

I can honestly say to everyone my pledge to you, as it has always been, is to provide you with the best service and the best account performance possible.

DP

PEARSON CAPITAL'S RECOMMENDED STOCKS NOVEMBER/DECEMBER 2022

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ISHARES MSCI USA MOMENTUM FACTOR ETF (MTUM) CBOE CONSOLIDATED LISTINGS PRICE \$147.89

The investment seeks to track the investment results of the MSCI USA Momentum SR Variant Index. 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 index consists of stocks exhibiting relatively higher momentum characteristics than the traditional market capitalization-weighted parent index, the MSCI USA Index.

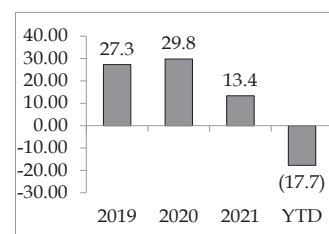
Location: USA
Type: 100% Stock

Category: Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **1.5**
Annual Dividend: **2.20**
Morningstar: **A**
Pearson Growth & Value: **A**
Stand & Poor Rating: **C**
The Street (analyst avg.): **N/A**

Earnings per share



VANGUARD GROWTH INDEX FUND ETF SHARES (VUG) NYSE ARCA PRICE \$227.95

The investment seeks to track the performance of the CRSP US Large Cap Growth Index that measures the investment return of large-capitalization growth stocks. The fund employs an indexing investment approach designed to track the performance of the index, a broadly diversified index predominantly made up of growth 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.

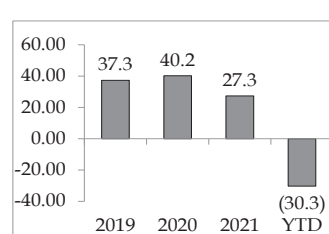
Location: USA
Type: 100% Stock

Category: Growth
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **0.7**
Annual Dividend: **1.52**
Morningstar: **B**
Pearson Growth & Value: **A**
Stand & Poor Rating: **A**
The Street (analyst avg.): **N/A**

Earnings per share



ISHARES SELECT DIVIDEND ETF (DVY) NASDAQ PRICE \$121.46

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.

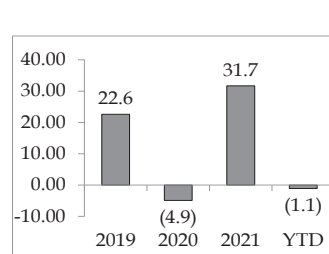
Location: USA
Type: 100% Stock

Category: Value
Industry: Diversified

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **3.2**
Annual Dividend: **3.94**
Morningstar: **B**
Pearson Growth & Value: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

Performance by %



FINANCIAL SELECT SECTOR SPDR® FUND (XLF) NYSE ARCA PRICE \$35.27

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 Financial Select Sector Index. The fund generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index. The index includes securities of companies from the following industries: diversified financial services; insurance; banks; capital markets; mortgage real estate investment trusts ("REITs"); consumer finance; and thrifts and mortgage finance.

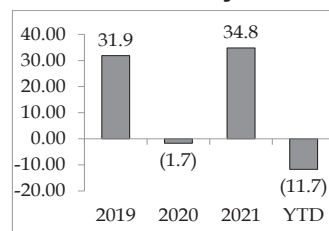
Location: USA
Type: 100% Stock

Category: Value
Industry: Financial

Ratings & Recommendations

Current P/E Ratio: **N/A**
Annual Yield: **2.7**
Annual Dividend: **0.83**
Morningstar: **B**
Pearson Growth & Value: **A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **N/A**

Performance by %



JUST ASK ANN

2022 RMD.... LAST CALL!

I am currently contacting clients in order to make sure that those who need to take their 2022 RMD are compliant by the end of the year. If this applies to you and you have not heard from me by email or phone, call me before 12/02/22 so that I may assist you and help you meet your obligation.

TD Ameritrade will not guarantee that requests received after 12/15/22 will be processed on time.

This applies to all taxable IRA accounts for clients who have reached the age of 72 in 2022, clients who have already started their RMD in prior years (they started at 70½) and all current Beneficiary IRA accounts. **

If you have more than one account, you don't have to take the RMD from each account. You can opt to use any one or more accounts to cover this as long as the total amount is taken. You may also do this if accounts are held at different brokers.

If you do not fulfill this requirement, the IRS may penalize you 50% of the amount due.

Please keep in mind the client is solely responsible for this distribution. We make every effort to remind and assist our clients in making these transactions, but the liability rests on the client

**Beneficiary accounts opened for clients whose benefactor passed after January 1, 2020 no longer have the option of using lifetime distributions. Current rules state that funds may be withdrawn, without penalty, at any time, in any amount so long as the entire balance is removed within 10 years.

*****PLEASE NOTE: I will be on vacation from December 7th until December 20th*****

Christmas is just around the corner! For those of you who live in our local area, you may have begun noticing the big Toys for Tots boxes popping up in local businesses and it's happening across the country as well.

This is a small reminder to all of us that many families are struggling to give their children a happy Christmas morning. If you can help, please place a NEW, UNWRAPPED TOY into a box near you or make a cash donation to the organization.

Here in Southshore, Pearson Capital, along with Century 21 Beggins in Apollo Beach (NEW LOCATION- 6542 N US Hwy 41) will host the 2022 Toys for Tots collection party on December 3rd from 9am-2pm. Santa will be here and the Marines will be in attendance to accept your donations. Several classic cars will also be on display. Join us if you can!

MARKET VIEW *Continued from page 4*

Instead of stocks for this month, I am recommending an ETF that we own called The Health Care Select SPDR Fund (XLV). It is based on publicly traded equity securities of companies in the Health Care Select Sector Index. The index includes companies from the following industries: pharmaceuticals; health care equipment and supplies; health care providers and services; biotechnology; life sciences tools and services; and health care technology. During times of inflation, health care companies also have the power to keep their profit margins in line, and remain steady when there is pending disinflation ahead. This ETF has done well in this volatile market.

In the most recent quarter:

- 1) The U.S. energy sector is one of the few sectors of the market that has positive earnings.
- 2) Credit card balances increased \$38 billion in the third quarter to \$925 billion, moving closer to pre-pandemic levels of \$930 billion in the fourth quarter of 2019.

Key Point: The higher dollar is affecting earnings this current quarter.

Cash Flows:

Corporations that buy back stock are facing a buyback tax next year, so we are expecting many companies to accelerate their current buyback toward the end of this year. The expected tax is about 1%, so it is not much of a difference overall. However, we may see a positive year-end rally in spite of negative headwinds. The time after midterm elections is also very positive for stocks, so that combination is a big help to an end of the year rally.

New trends we see:

- 1) China is expected to wind down its COVID lockdown policies, so this will help supply chains worldwide.

Key Point: The stock buybacks may be larger than normal this quarter due to the expected buyback tax that starts 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%	(16.9)%
Dow Jones	7.9%	25.1%	(6.7%)	22.3%	7.2%	18.7%	(7.7)%
Nasdaq	4.1%	28.2%	(4.7%)	35.2%	43.7%	21.4%	(28.5)%
Market Average	5.9%	24.3%	(6.0%)	28.8%	22.4%	22.3%	(22.7)%



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

The Federal Reserve during its meeting in November ordered another interest hike of 0.75%, matching its previous two increases by the same amount. After the increase, the

market started to rally, expecting that the Fed was going to stop or even reverse the beginning of next year with a "Powell Pivot" as inflation would eventually taper off at the same time. Instead, the Chairman stated in the accompanying press conference that they instead will continue to raise interest rates "higher for longer." Many economists estimated that they will increase interest rates by another 0.75% in November and 0.50% in December. Now interest rate increases are expected well into next year. Instead of rallying, the markets reversed, with the famous Powell Pivot expectation swiftly turning to a new "Powell Presser." The Fed is now stating that they will continue forward until data shows otherwise. At the time of this writing inflation data has gone down slightly. The Consumer Price Index (CPI) rose just 0.4% in October, substantially below economists' consensus expectation of a 0.6% increase. This sparked a large rally in both the S&P and NASDAQ indexes. The overall news looks like both the supply and the demand side of inflation are starting to lower, bringing a huge wave of optimism into the remainder of this year. Now it is up to the Fed to determine how hard of an economic landing it wants to achieve in its battle against inflation.



In Great Britain, Finance Minister Kwasi Kwarteng unveiled the country's biggest tax cut package in half a century, as well as coming up with a plan to help people with their utility bills this winter. Both the bond market and other politicians swiftly condemned these plans and attacked the credibility of the conservative Tory Party, causing both the finance minister and later the prime minister to resign. Rishi Sunak, the new prime minister, was appointed in their place to help fight inflation. Sunak was the only leadership hopeful to secure the support of 100 conservative members of Parliament, the necessary threshold set by Party officials for potential candidates. At the age of 42, he is also the youngest person to take the office in more than 200 years. Until electricity costs decline, inflation will be a top priority for this administration.

New trends we see:

- 1) Almost all central banks have followed the Federal Reserve's lead and continue to raise interest rates to battle inflation.
- 2) Companies that need short term financing such as car dealerships are facing higher overall costs that are affecting their respective bottom lines.

Key Point: The Federal Reserve has changed course and has made a decision to raise interest rates until inflation is under control, and it is up to them to figure out when to stop.

Earnings Flows:

The month of November takes us into the middle of this next quarter's earnings season. With the current dollar at multi year highs, we anticipated that multinational companies such as Pepsi (PEP) and Coca Cola (KO) would face multiple headwinds as their earnings might be impacted. The higher dollar has affected both revenues and earnings and did dampen future expectations, but these same companies were able to raise prices and cut costs to preserve their current margins. We expect the future earnings reports to continue until the dollar's strength begins to decline. Once that happens, these same companies will benefit as well.

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