Berkshire
DIVIDEND STRATEGY

Berkshire Asset Management
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600

"Casual Friday" Commentary

Casual Friday: 2021 Recap + Survey Says... – *January 7th 2022*

Happy new year and welcome to Casual Friday's first edition of 2022!

Quick Reflection on 2021
S&P 500 EPS surprised massively in 2021. Estimates started the year at $190 and ended up at $223. Even in normal times, predicting earnings is hard.

Few called for a huge rally this past year, (especially in the wake of rising rates and endless COVID) yet the S&P 500 gained roughly 28%. Market timing is hard.

If we polled in Jan 2021 -- "which stock will outperform in this year… Zoom (ZM) or Bank of America (BAC)" -- we suspect few would have picked Bank of America (BAC). And even fewer would have predicted Zoom would end 2021 down roughly 60%. Sticking with value stocks when so many sexy growth are stories "working" is REALLY hard!

While we were not perfect, we believe Berkshire Dividend Strategy enjoyed a solid year. Our goal is not to indict others or do any kind of victory lap. A manager's race is NEVER over and value still owes us all a huge rotation! Instead, our goal is to keep investors focused on the activities we believe add the most value over time: quality and valuation vs. market timing and a singular obsession on rate of earnings growth. What adds the most value over time? We believe its the ability to stay invested and let stocks compound OVER TIME. 2021 once again proved *that's* hard given the crazy macro environment. Staying investing is a simple concept -- but certainly not easy.

We will share more commentary and analysis next week...

Survey Says...
Thanks to everyone who participated in our content survey!!! Responses were interesting and we are grateful for the many positive comments. It helps us create the content you seek in the way you want to consume it. Questions and stack ranked responses below:

Question 1: "What investment topics would you like Berkshire to address in 2022? (Please choose the three most important to you?)

Answer:	Percentage:
What strategies pair well with Berkshire	55.8%
Power of dividend investing	39.4%

Client psychology, performance chasing, market timing, staying invested	39.4%
Hedging against inflation	35.6%
How to implement income strategies across your practice	28.8%
Stock stories and sector highlights	27.9%
"Growth" vs "Value"	26.9%
"Macro": Tax changes, rates, China, COVID, supply chains, etc.	24.0%
Active vs. Passive	22.1%
Investing for retirement	18.3%
Lending and overall balance sheet concepts	8.7%

Question 2: "What Practice management topics/initiatives are important for you in 2022? (Please choose the 3 most important to you)"

Answer:	Percentage:
Working with the "next generation"	37.5%
Digital Marketing	29.8%
Reducing the number of strategies you employ	28.8%
Marketing to the ultra high-net-worth clients	27.9%
Creating a niche practice (client type, wealth strata, or planning expertise)	26.9%
Hosting client appreciation events	26.0%
Outsourcing investment management i.e. "stock picker to wealth planner"	23.1%
Reducing the number of clients you serve	22.1%
Dealing with fee compression	19.2%
Acquiring - Buying a book	18.3%
Utilizing new technologies (planning software, UMA's, Tax software)	18.3%
Managing a team	16.3%
Retiring - Selling your book	9.6%

Question 3: "How do you like to digest partner communications and interact with Berkshire (Please choose the 3 most important to you)"

Answer:	Percentage:
Interact simply through email	53.8%
High level slide deck/PowerPoint style	52.9%
White paper type commentaries	50.0%
Easy access to content on Berkshire website	37.5%

Pre-recorded webinar or podcast	25.0%
Live GROUP webinar with Q&A	19.2%
Live ONE on ONE zoom directly with Berkshire	17.3%
In person visits (COVID permitting)	12.5%
Social media i.e. LinkedIn, Twitter, Instagram	3.8%

Top Conclusions?
"Show us how to pair Berkshire and other strategies that help clients beat inflation. Deliver it through a PowerPoint, email it and we will take it from there." Fair enough! Inflation is rightly THE topic of 22. And of course, we love "power of dividend concepts!"

"Help us work with the next generation" = HUGE. I'm not sure we as an industry have figured millennials and Gen Z out yet. It feels like they don't trust or respect the value we bring. The recent success of do-it -your- selfers doesn't help. 70% of kids fire their parents' advisor. So, we are either not delivering enough value, or not articulating it in a way that resonates. And given the wealth transfer going on, we ALL better figure em out - soon.

We'll always welcome personal contact with you and believe we can offer value added support for whatever you are trying to accomplish or what is challenging you. In person branch visit was the least popular way to consume support. We get that! Responses indicate some (not all) are kinda "zoomed out". Our email game has always been strong, and we stand ready for those who want to interact in video formats such as client or advisor zooms. Any topic is fair game.

Interest in digital marketing strategies was surprisingly popular. We will allocate resources to help you achieve that goal. It is somewhat interesting many wanted help developing digital strategies while interest in consuming manager content through digital platforms like LinkedIn, Instagram etc. was quite low. We feel the same!

Feedback indicates Casual Friday is on point and we will strive for constant improvement...and fun!

Contrarian? We are not afraid to go against the grain and prescribe what we think are winning concepts even if we sense some resistance. Here are a few items that we might encourage you to look at from another viewpoint.

Interest in lending and balance sheet concepts appears low. We think we know why, but ignore this one at your own peril - especially if you want or deal with UHN clients. They love hearing about ways to finance businesses, second homes and we know one advisor who is pretty creative at creating tax efficient lending strategies. If you are not talking about lending someone else is, and we've seen a couple situations where advisors lost IM business because the other advisor was more creative. We've also heard stories where advisors lost business because they presented lending and their lender messed up the deal! So, we see both sides of this, and banks are wise to offer, but not jam lending down advisors' throats!

Technology/UMA was also not popular. Maybe you are already leveraging this technology so you didn't pick it, but asset flows and product people say different. Uptick of utilization is growing but has a way to go. The idea of the old tech stack just isn't going to let you scale or spend time on your highest value activities. Utilizing the host of new technologies is the only way to get great.

Reducing the number of strategies you employ (AKA inventory management) was popular but shedding / reducing clients... not so much. We get it... few want to go backwards in revenue, but we believe the only way to create clear distinction is to have a niche and serve a specific client type with a specific need. It lends itself to gaining an edge and you can customize content Shed clients that: waste your time, don't fit your mold or take your advice.

We were surprised acquiring / divesting a book - didn't rank particularly high. Aging advisors, aging clients and few younger advisors to take over spell opportunity. And in such a competitive market, where gaining clients is an oft-cited advisor challenge, growth through acquisition seems like a clear winner to us. More to come on this topic.

Group Zoom/Video/Webinar appears mixed in its popularity. It's great for managers because they can publish one link and send it to a ton of people. But listening takes way longer than reading, and most manager videos we see are way too long, and kinda generic. We have some content plans here but will make sure any videos or webinars we offer are: super concise, relevant and in Berkshire's unique style.

Random: "send links that get through our firewall". This is a challenge we are working on! Temp solution? Forward to a personal email or email us for a pdf.

One last favor for 2022 - please share more of your feedback via Casual Friday -- let us know your thoughts positive or negative!

THANKS for such great responses and here is to an incredible 2022!!!!!

Gerard Mihalick, CFA
Dividend Strategy Portfolio Manager/Partner
Berkshire Asset Management, LLC

Office (570) 825 - 2600
[Remove <<Email Address>> from future emails]

Gerard Mihalick, CFA, Portfolio Manager
gmihalick@berkshiream.com or (570) 825-2600

Jason Reilly, CFP®, VP Distribution
jason@berkshiream.com or (570) 825-2600

Berkshire Dividend Growth SMA is available through various custodians, broker-dealers and UMA providers. This commentary is Intended for Institutional and advisor use only. This commentary may make information of third parties available via website links. The Third-Party Content is not created or endorsed by Berkshire nor any business offering products or services through it. The delivery of Third-Party Content is for general informational purposes only and does not constitute a recommendation or solicitation to purchase or sell any security or make any other type of investment or investment decision. In addition, the Third-Party Content is not intended to provide tax, legal or investment advice. the Third-Party Content provided to is obtained from sources believed to be reliable and that no guarantees are made by Berkshire or the providers of the Third-Party Content as to its accuracy, completeness, timeliness.

Berkshire Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). Berkshire Asset Management is a fee-based, SEC registered advisory firm serving the portfolio management needs of institutional and high-net worth clients. The Dividend Growth Composite contains portfolios invested in Berkshire's Dividend Growth Strategy with an equity allocation target of 90% - 100%. The Dividend Growth Strategy's primary objective is to generate a growing stream of equity income by investing in a diversified portfolio of equities with stable, high, and growing dividends. The benchmark is the S&P 500 Index. The index returns are provided to represent the investment environment existing during the time periods shown. For comparison purposes, the index is fully invested, does not include any trading costs, management fees, or other costs, and the reinvestment of dividends and other distributions is assumed. An investor cannot invest directly in an index. Gross returns are presented before management and other fees but after all trading expenses. Net returns are calculated by deducting actual management fees from gross returns. Returns reflect the reinvestment of dividends and other earnings. Valuations are computed and performance is reported in U.S. dollars. To receive a complete list of composite descriptions and/or a compliant presentation, contact Jason Reilly, CFP® Tel: 570-825-2600 or info@berkshiream.com. Past performance does not guarantee future results.

Definitions: The S & P 500 Index is a market capitalization weighted index of the largest 500 U.S. stocks. It is a market-value weighted index (stock price times # of shares outstanding), with each stock's weight in the index proportionate to its market value. The index is designed to measure changes in the economy and is representative of most major industries. Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. You cannot invest directly in an index. BEst (Bloomberg Estimates) Earnings Per Share (EPS Adjusted) estimate returns Earnings Per Share from Continuing Operations, which may exclude the effects of one-time and extraordinary gains/losses. Beta is a measure of volatility vs. an index. Upside/Downside capture ratios refer to a portfolios performance as a percentage of either positive returns (upside) or negative returns (downside) vs. an index. Standard Deviation is a measure of total risk. Alpha, Beta and capture ratios are represented as calculated by Morningstar.

Risks: Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for an individual's investment portfolio. Dividends are subject to change, are not guaranteed, and may be cut. Investing based on dividends alone may not be favorable as it does not include all material risks. There is no guarantee any stated (or implied) portfolio or performance objective mentioned by Berkshire can be met. Berkshire's equity style may focus its investments in certain sectors or industries, thereby increasing potential volatility relative to other strategies or indices. The dividend strategy may include bundled services also known as a "wrap fee program". Because there is typically a low turnover in the strategy, this may be more costly for some investors. No one should assume that any information presented serves as the receipt of, or a substitute for, personalized individual advice from a qualified advisor or any other investment professional.

Market Commentary, Aggregate Holdings, Securities, Sectors, Portfolio Characteristics Mentioned: No statement made in this presentation shall construe investment advice. This presentation is for informational purposes only. Views, comments or research mentioned is not intended to be a forecast of future events. The mention of any security or sector is not deemed as a recommendation to buy or sell. Any reference to any security or sector is used to explain the portfolio manager's rationale for portfolio decisions or philosophy. Research or financial statistics cited regarding securities or sectors do not contain all material information about them. Any securities mentioned represent a partial list of holdings whereas Berkshire portfolios typically contain approximately 30-40 securities in percentage weightings ranging from 1-5%. A complete list of holdings from a representative account is available upon request. Overall portfolio characteristics mentioned are from a representative account deemed