Berkshire
DIVIDEND GROWTH STRATEGY

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

Casual Friday Commentary

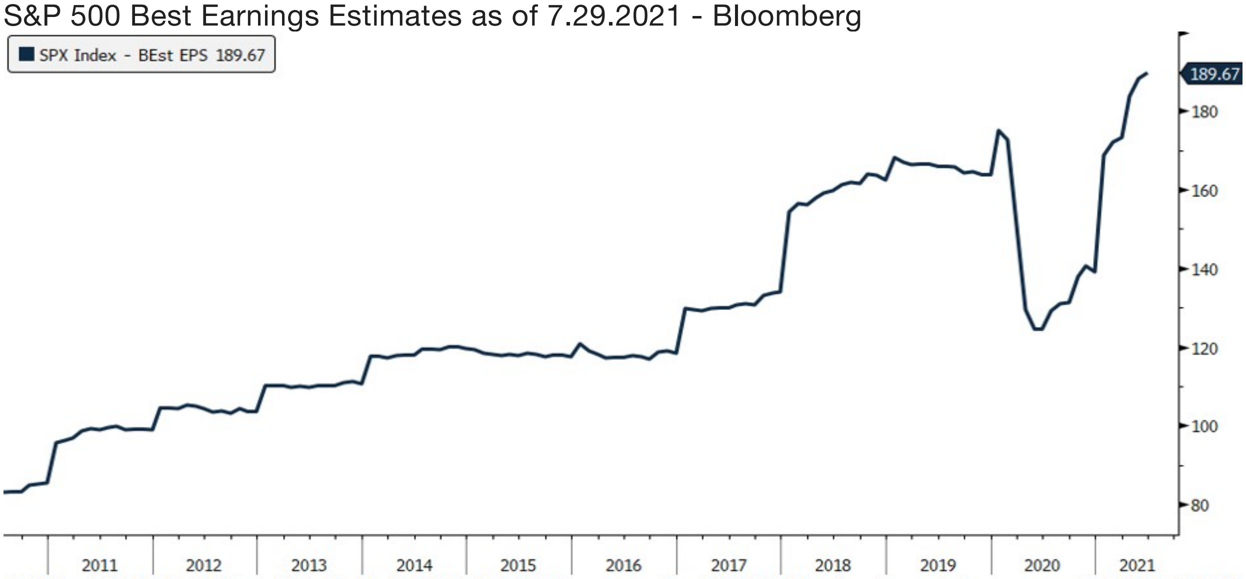
Casual Friday: Earnings Deliver + Building an Income Practice? - July 30th, 2021

Investors Looking for Good News...
We seem to be capping off another solid week for equity investors but many are asking "Can the market keep going higher". Some positive catalysts from the week -- The Fed appears to maintain an accommodative "wait and see" approach. The economy continues to show signs of life. And importantly earnings have been outstanding. As of market close 7.29.2021 - About half of the companies in the S&P have reported earnings:

Index	Average Earnings Surprise
S&P 500	18.18%
Tech	11.02%
Health Care	14.17%
Consumer Discretionary	38.89%
Communication Services	40.81%
Financials	22.64%
Industrials	12.32%
Consumer Staples	8.81%
Real Estate	8.16%
Energy	52.12%
Materials	4.62%
Utilities	11.95%

(Source: Bloomberg)

S&P 500 Best Earnings Estimates as of 7.29.2021 - Bloomberg



Equity Income: Advisory Practice Focal Point?

Making investment decisions based on world macro events and timing the market is a very difficult business. Even the best economists and strategists are in constant disagreement and often wrong about market direction. What's more, if you've been an advisor long enough -- you could likely recall that time you got fired for bad performance against a benchmark...

- It's difficult to beat benchmarks.
- If your marketing and quarterly review process w/ clients focuses most on benchmark or past performance, that's how you'll be evaluated.
- Your client's see different benchmarks all over the place -- ie. "My friend said she did 20% last year, I'm concerned my account was only up 5%."

So, what's the right client benchmark in the first place?

Ultimately, most clients invest for one of two reasons:

- Retirees – Generate a current stream of cash flow that can grow over time (replacement of income)
- Accumulators – Build a future stream of cash flow that grows over time (eventual replacement of income)

The degree to which investments will support client income requirements will vary greatly -- no doubt. But redirecting energy on income discussions/reviews is a different approach and is not so dependent on traditional benchmark/performance reviews...

- "How much more do we need to save to replace your current income w/ passive investment income?"
- "Your investments don't appear to support your cash flow and future budget needs. Instead of taking on more risk now, first, can we discuss expenses and perhaps I can help prioritize importance and find ways to close the income gap?"
- "Your investments more than support your total lifetime retirement income needs, should we discuss more aggressive allocations for future generations?"
- "Social security, plus your pension gives you guaranteed income matching your current obligations. Let's discuss a dividend growth portfolio and how this may help generate a growing stream of income for discretionary spending and cover ever rising costs."

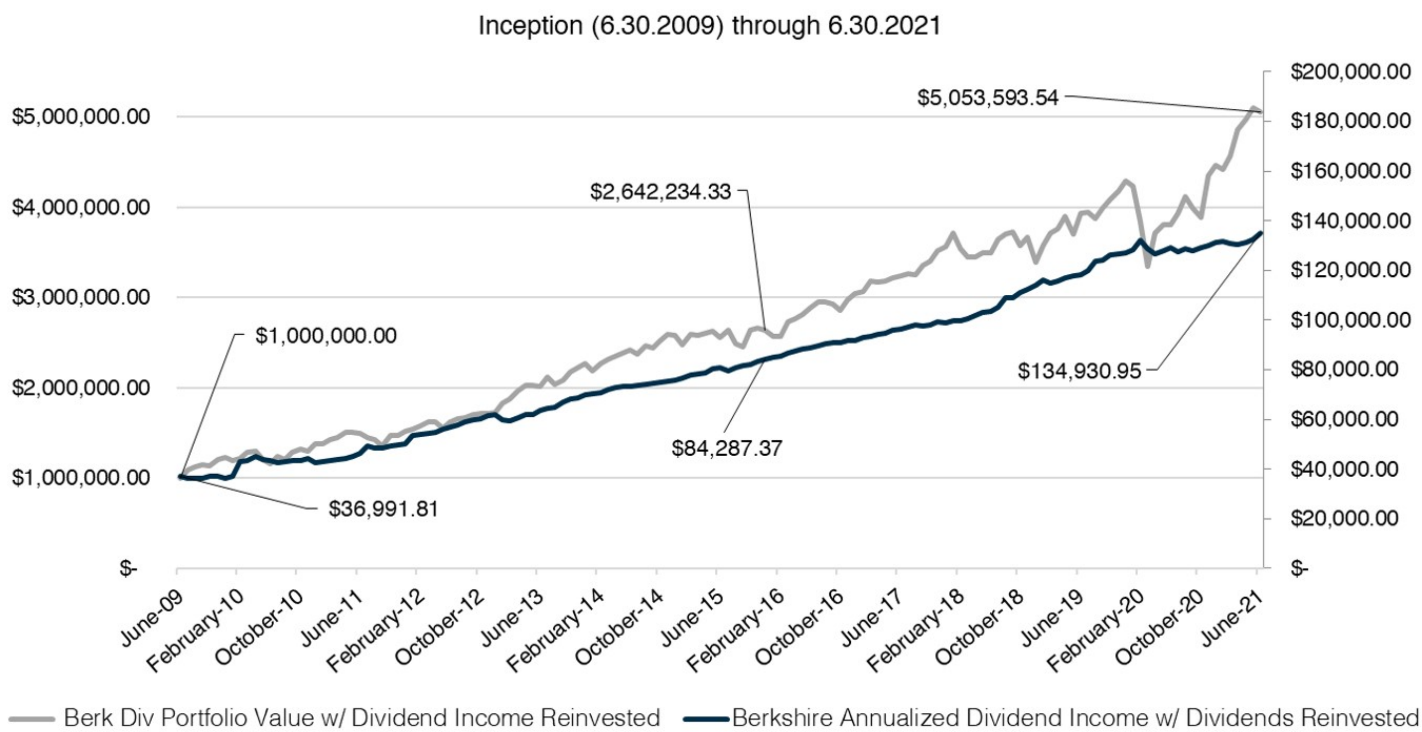
This approach is in alignment with a solid financial planning process. Also, it gives the advisor potentially more control of outcomes.

How Can a Dividend Strategy Work with This Approach?

We believe dividend strategies can work hand and glove with the above approach. Dividend strategies may provide a stream of income clients need and potentially grow income over time. Furthermore, dividend strategies may provide a more consistent return of shareholder capital to clients over time -- i.e., not just relying on appreciation. Below is a look at volatility over the past 10 yrs, max draw downs in the S&P 500 and how Berkshire's dividend income grew over those time frames. It seems there is ALWAYS a reason NOT to invest. Hopefully this chart provides effective talking points that overcome client inertia, or when clients want to "sell" stocks during the next crisis.

Berkshire Annual Portfolio Income Growth w/ Dividend Reinvestment		S&P 500 Max Drawdown	Reason for Market Correction?
2010	18.14%	-16%	"Flash Crash" & European Debt Issues
2011	17.34%	-19%	Continued European Debt Stress & US Debt Downgrade
2012	22.96%	10%	Europe "Double Dip" Recession
2013	13.15%	-6%	Taper Tantrum & Debt Ceiling Debate / Government Shutdown
2014	8.32%	-7%	Fears of Global Slowdown
2015	11.39%	-12%	Energy Recession / Oversupply Issues
2016	8.98%	-13%	Energy Recession, Bank Selloff & Election Jitters
2017	7.79%	-3%	62 New All-Time Highs for S&P 500
2018	15.26%	-19%	Recession Fears & Hawkish Fed
2019	11.30%	-7%	Trade Tensions
2020	3.19%	-34%	Pandemic

Berkshire Dividend Growth Strategy Portfolio Value and Income w/ Dividends Reinvested



Intended for illustrative purposes only. Income chart is based on the assumption $1,000,000 is invested in the Berkshire Dividend Growth and Income Strategy at the inception of the Berkshire Dividend Growth and Income composite. (6/30/2009) The $1,000,000 investment is adjusted monthly based on the stated monthly total returns for the given composite. This includes accumulation and reinvestment of the dividend. The monthly adjusted account values are then multiplied by the current yield of the respective composite. The resulting monthly income figures are then charted in the graph. Dividends are not guaranteed, and may be subject to change. 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. Fees are not included in the analysis and would lower values. Berkshire Dividend Growth and Income current yields are calculated in Bloomberg from a representative account only. Individual account yields and returns can vary. Calculation limitations: Changes of the underlying holdings in the index or composite can change current yield calculations. This can lead to various ranges of results that may appear more or less favorable. Example: Stock A with 3% current dividend yield is sold. Stock B with 4% current dividend yield is purchased. This would result in higher yielding portfolio but is not the result of "dividend growth".

Contact Berkshire:
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 email is Intended for Institutional and advisor use only. This email 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. index. Standard Deviation is a measure of total risk. Alpha, Beta and capture ratios as represented/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 representative of the strategy; data may be compiled from Bloomberg, Baseline or Berkshire estimates. Individual holdings, performance and aggregate characteristics of actual portfolios may vary based on a variety of factors including market conditions, timing of client cash flows and manager discretion. This presentation contains Berkshire opinions and use of Berkshire estimates which are subject to change at any time. Berkshire employees may have personal positions in any securities or sectors mentioned. Charts, presentations or articles may be obtained from third parties and Berkshire does not guarantee their accuracy. *Platform restrictions may apply. Preliminary returns are based on composite estimates only. Individual accounts will vary.*