Berkshire
DIVIDEND STRATEGY

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

“Casual Friday” Commentary

Casual Friday: Portfolio Change + Thriving In Today's Landscape? – *Sept 24th, 2021*

3 quick topics today:
Portfolio Change - Q3 Dividend Increase Recap - Thriving Advisor Business Model

Portfolio Change: Increase Position in Qualcomm (QCOM)

- Strong moat in 5G technologies
- Recent push to secure additional automotive / autonomous assets
- Strong beat Q2 earnings on top and bottom line
- Attractive 2%+ dividend with potential for strong growth

The secular growth opportunities for QCOM are far beyond just smart phones. 5G is quickly transforming business across the globe. Think autonomous vehicle, smart manufacturing, energy conservation/renewables, shipping and transportation, agriculture... the opportunities are massive for chip producers and QCOM is in a solid position to deliver.

Read more about "The Transformative Role of 5G
https://www.qualcomm.com/media/documents/files/5g-and-sustainability-report.pdf

Quarter End Dividend Recap
Berkshire experienced 9 dividend increases, 8.5% on average in Q3 2021 -- no dividend cuts.

- JPMorgan (JPM) Raises Dividend 11%
- Kinder Morgan (KMI) Raises Dividend 3%
- Norfolk Southern (NSC) Raises Dividend 10%
- Bank of America (BAC) Raises Dividend 17%
- Lockheed Martin (LMT) Raises Dividend 8%
- McDonald's (MCD) Raises Dividend 7%
- Microsoft (MSFT) Raises Dividend 11%
- PNC Financial (PNC) Raises Dividend 9%
- W.P. Carey (WPC) Raises Dividend 1% YOY

(Source: Zacks)

Advisors Thriving in Changing Landscapes

In some cases, fee compression, compliance demands, increased competition (and a host of other forces) has industry morale running low. Our View? There's never been a better time to be a financial advisor or a money manager!

- $30 trillion wealth transfer underway
- 85% of kids will fire their parent's advisors
- 30% of advisors are due for retirement with few young people to take their place
- You have better tools and technology than ever

But... does the old model where advisors and managers simply state the legacy attributes of their firm like "We are a bank who does planning" or "We are a manager with a solid track record" cut it? Frankly, no. That's one reason why Berkshire offers to partner with advisors in a number of ways to help advisors strategically elevate their practice.

Here are 5 key strategic elements top advisors use for scale, growth and service:

- They seek a specific client profile
  - Targeted marketing message to key niche groups with specific pain points
    - i.e., executives, business owners, athletes, ultra-high-net worth, etc.
  - Why not work for clients you love where you truly have an edge vs. other generic advisors?
  - "Attractive to everyone is compelling to no one"

- They do specialized planning for their niche (beyond the boiler plate software programs)
  - "She knows more about estate planning then the estate planning attorneys in town"
  - If you can solve big complicated problems, you are likely to get big assets
  - What's your advisor superpower?

- They have consistent, streamlined allocations in a UMA format (with an income bias of course -- insert wink emoji)
  - Know key strategies inside and out vs. "death by 1000 CUSIPs"
  - How does each strategy contribute to meeting plan/investment objectives?
  - Make changes across the book on the fly
    - i.e., bonds to equities, value to growth value, underperforming strategies
  - Disciplined rebalancing
  - "Manage to the client's liability not to the benchmark"

- Consolidated reporting through one holistic advisor portal

  - Consolidated reporting in one place
  - Investment reports center around “is the plan on track” vs. “did we beat the market”
  - Disciplined rebalancing at predetermined levels to show active management

- All this time, efficiency and scale creates a truly differentiated offering and client service experience / Do what you do best
  - More substantive meetings
  - Getting deep into client motivations
  - Asset gathering and referrals

UMA technology is probably the best end to end solution to execute this business model

We know an advisor who relentlessly puts this into practice.
Here is the profile / attributes of her model:

- 20 clients
- $250 million AUM
- incredibly detailed custom financial plans for each client
- 2 managers: Dividend growth and Muni bonds
- Adjusts risk tolerance for clients through stock / bond mix. Some clients end up 60/40 some 70/30 50/50 based on risk tolerance
- Meets them 8 times per year
- is viewed as most important family advisor "I'm their first call on any life event or financial decision"
- Attorneys and CPAs try to get referrals from HER
- “As long as they have enough income, they don’t care what the market is doing”
- Works 25-30 hours a week
- An extreme case with concentration risk? Sure! But the concept can be implemented with a slightly wider (yet focused) client audience and just a few additional strategies.

It’s a great example of how things could be (and we think should be).

One more thought to consider - "Marie Kondo" your practice. That is, if clients or strategies don’t give you joy, move them out your life. Do you want to mindlessly and randomly grow AUM or would you like to maximize efficiency, client results and have an awesome quality of life? Are you a business or a collection of sales? A streamlined business may create higher value in a transition even if assets are lower. I say this at seminars: “For established advisor, success going forward is not about what you DO, it’s about what you

DON'T do (taking small accounts, still working for clients who don’t take your advice, or entertaining every wholesaler who walks through the door).

Good luck and call us if you would like more execution ideas! Have a great weekend.

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 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.*