



Berkshire

DIVIDEND STRATEGY

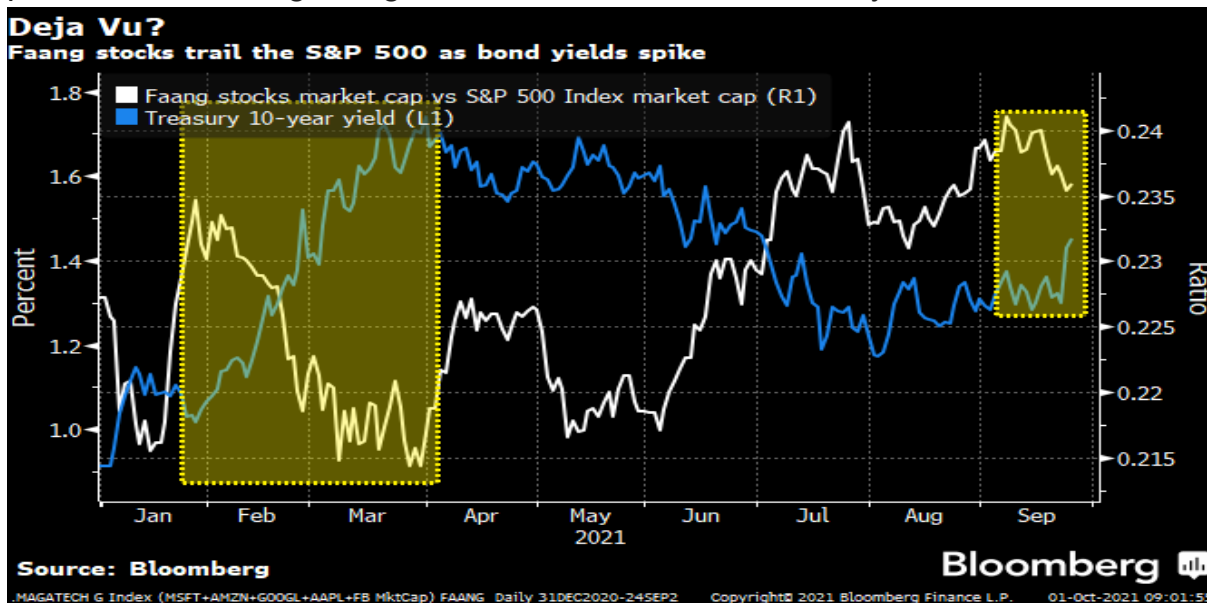
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“Casual Friday” Commentary

Casual Friday: Quarter End Wrap-Up + Reshape Your Practice – Oct 1st, 2021

Quick Q3 Recap: Stocks churned slightly higher throughout the summer months without any noticeable changes in trend. Several new all-time highs were made. Rates drifted lower and growth outperformed but last week the tide turned again. The Fed made various comments about slightly tighter policy, real estate problems in China intensified and the usual Washington politics were in the spotlight (debt ceiling, stimulus bills, etc.). Value started to do noticeably better. Markets pulled off their highs and posted their worst month since March 2020. For the quarter, major large cap indices were flat to slightly down, with growth posting about a 1% gain. Sector returns were also tightly clustered with the exception of bank stocks which posted gains north of 6% for the quarter. Year-to-date, major US large cap indices have posted percentage gains in the mid-teens.

This week served as yet another reminder of the major factors driving performance post pandemic -- that is the direction of 10yr yield. Rates go up value/dividend stocks seem to outperform -- rates go down tech / growth seems to outperform. Obviously, rates are their own tricky equation but this has seemingly been the largest performance factor for markets recently. With rates up over the past few trading days, Berkshire has gained roughly +2.25% (net of fees -- based on composite estimates) ahead of the S&P 500. For the near to intermediate term, the direction of rates seems to be the one force going to make the performance stronghold growth has had over value finally abate.



(Source: Bloomberg)

Q3 2021 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)

Recent 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>

Practice Management Articles

Two practice management articles this quarter which we hope have lasting impact. The first highlights practices elite advisors are using to thrive in a changing landscape. The second highlights the need for advisors to adopt Unified Managed Accounts as a platform for efficiency and growth.

[Casual Friday: Portfolio Change + Thriving in Today's Landscape?](#)

[Casual Friday: Incumbent Tech User, Beware + Dividend Playbook](#)

Have a great weekend and call with questions!

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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.

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