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

Berkshire DIVIDEND STRATEGY

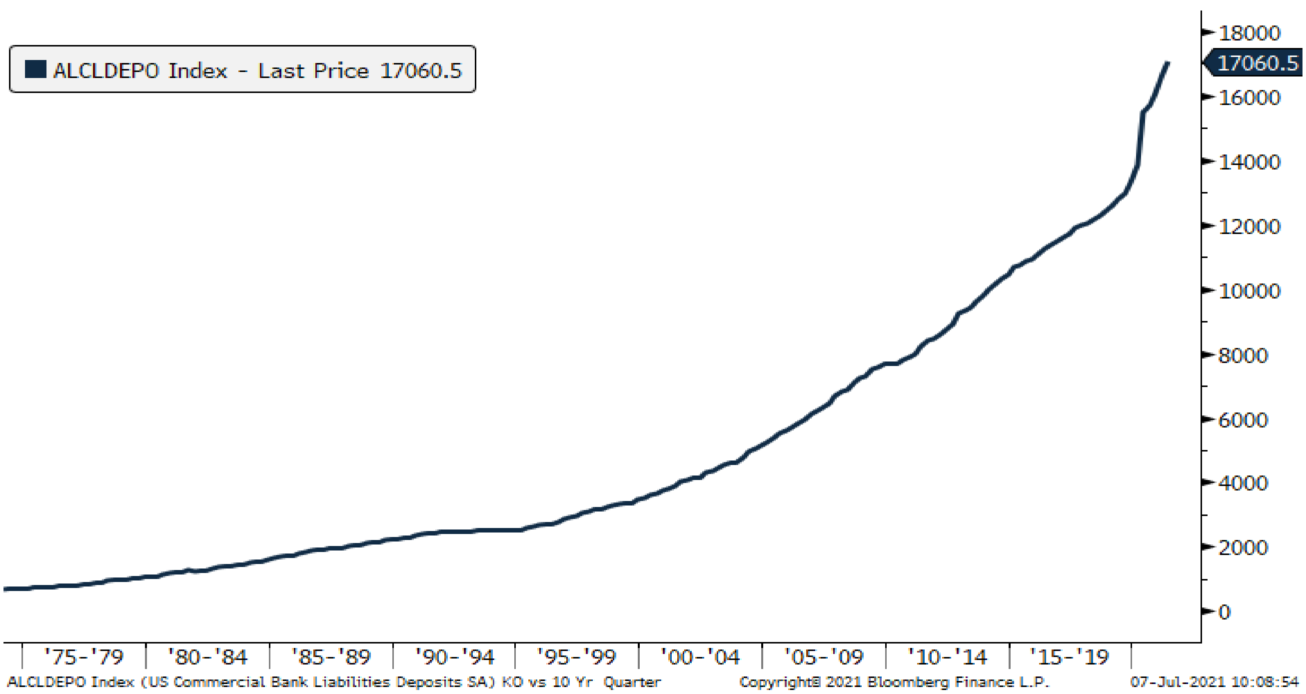
"Casual Friday" Commentary

Casual Friday: Q2 Material, Virtual Office Hours + "Five Chart" Friday? - *July 9th, 2021*

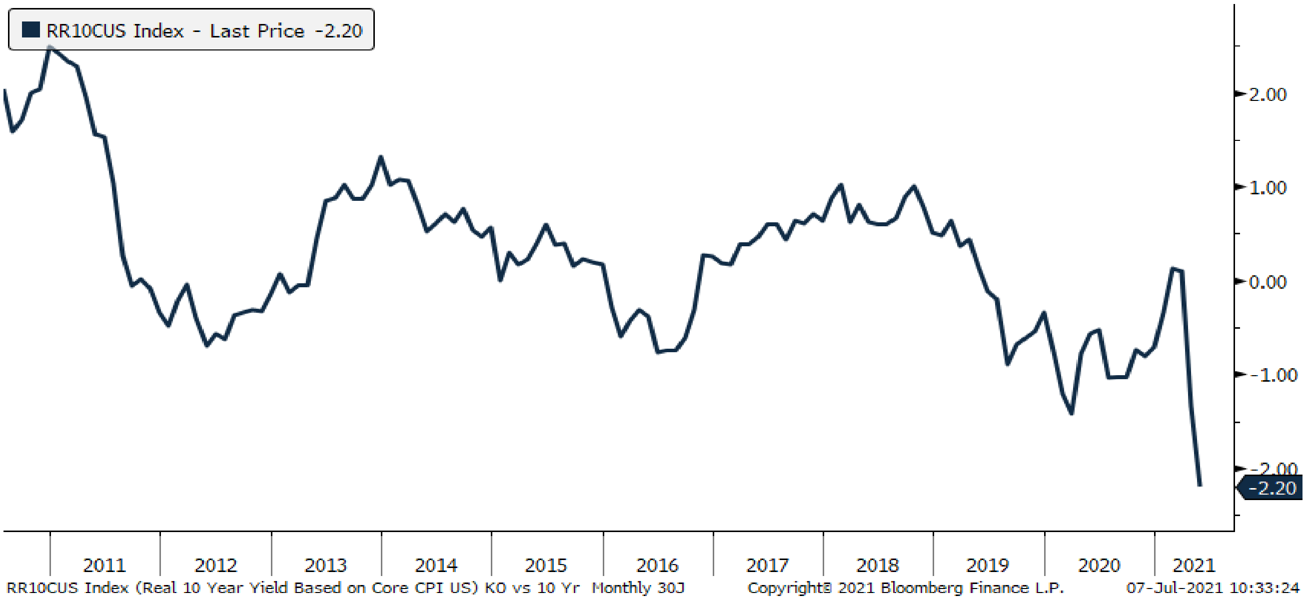
Growth and inflation expectations seemingly disappeared from the market. Investors ditched the "reopening" trade, rates plummeted and the market as a whole was on shaky footing this week. Thematically, signs of inflation, growth and a path to higher rates are seemingly intact. To visualize what's going on we put together...

Five Chart Friday

There are boat loads of pent-up cash on deposit at the banks.
Deposits went from $12Trillion pre-pandemic to over $17Trillion today.
Does this massive stock pile eventually start chasing goods and services?



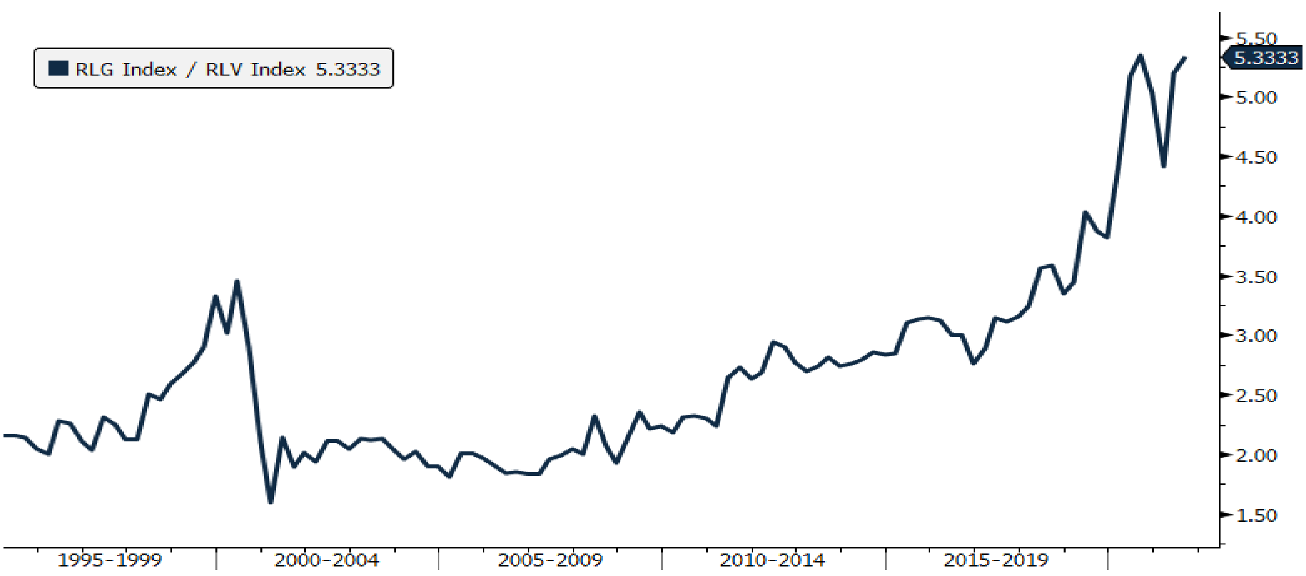
Real rates dip way in to negative territory in U.S. -- The world still has over $10 Trillion in NOMINAL negative yielding debt. *Will investors/businesses wake up one day and say "ok I'm NOT willing to accept negative returns, where do I spend it?"*



Real 10 Year Yield Based on Core CPI (Source Bloomberg)

The "Growth" premium being paid by investors is back to the largest ever. AKA -- Safety / No economic growth "trade". *Looks like the buy value window may be opening again but this time the economy is heating up?*

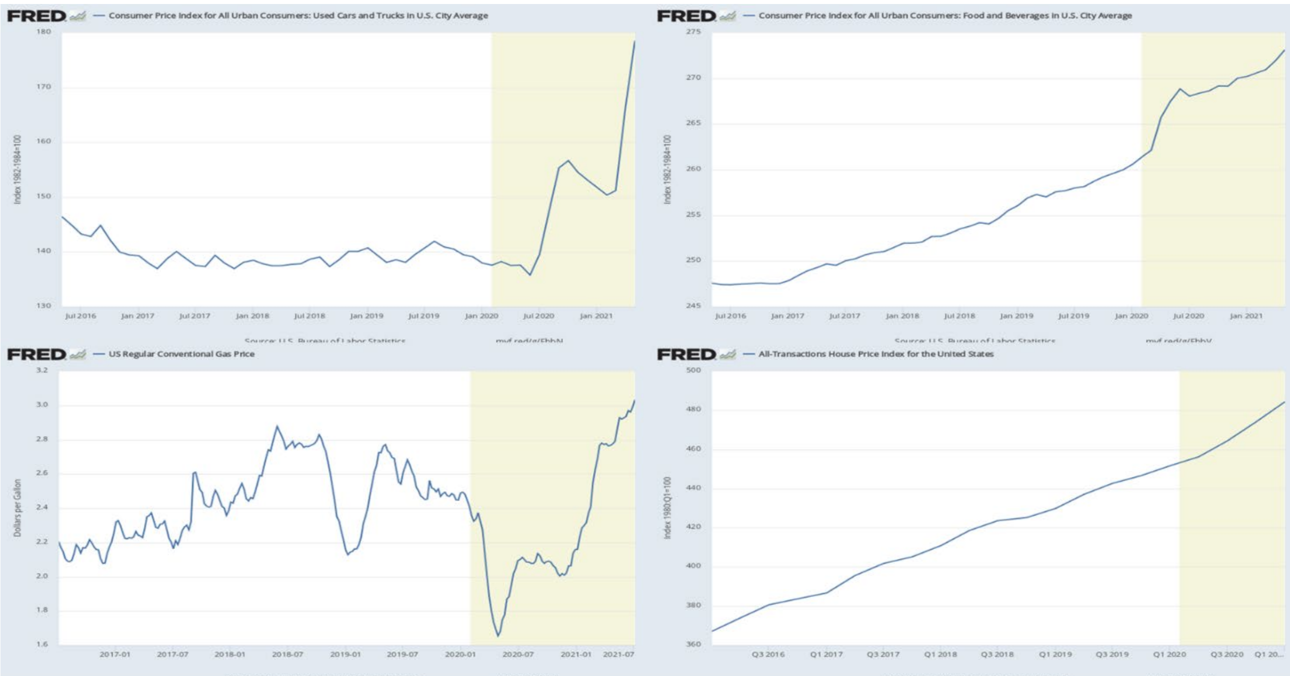
Relative Price to Book -- Russell 1000 Growth vs Russell 1000 Value



(Source: Bloomberg)

The Fed has been saying for some time there is no inflation and most recently “transitory”. This is true unless you actually buy stuff! Everything I buy costs more -- Just look at the charts on things people NEED.

- Top Left: Auto Prices
- Top Right: Food and Beverage Prices
- Bottom Left: Gas Prices
- Bottom Right: Home Prices



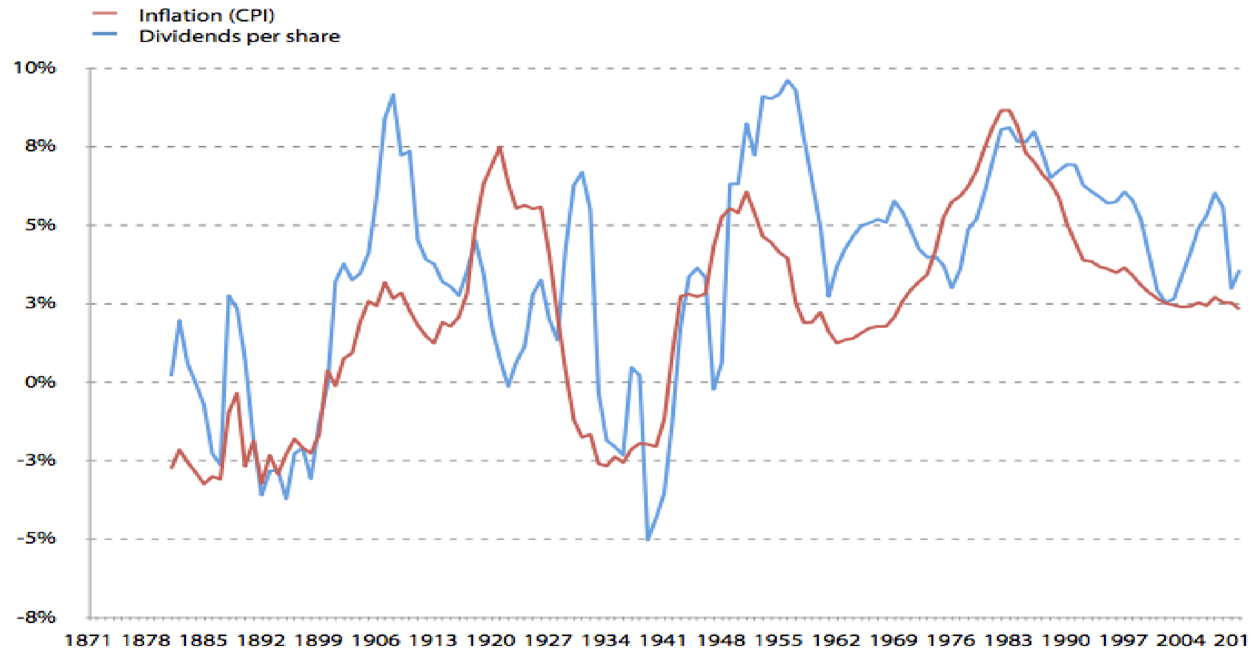
(Source: Federal Reserve)

We could add in other things like education, health care, lumber, steel etc. In addition to this classic demand pull/supply chain induced inflation you have the Fed printing money like crazy -- all inflationary even if it’s not clear through whatever lens the Fed is looking through.

So, investors need to print more dollars to combat these forces.

How? We believe some of the great companies in our portfolio are also good at printing more dollars and delivering them to our investors. But they do so by actually selling stuff, booking profits and paying out more in dividends! We think that's a way to get "vaxxed" for what sure looks like "inflationary pandemic" to us!

A historical chart shows S&P 500 dividends rising alongside of inflation:



(Source: https://www.dividend.com/sponsored-why-dividends-matter/)

Schwab Survey: Get in touch with client emotions about money and life

The best advisors have empathy and articulate how clients feel about their wealth and goals. (Personal and financial) The pandemic has clients more pensive and changing their feelings about wealth, health and how they live. The Schwab advisor survey sparked a few clues on how clients are feeling these days, and we used this to create a few actionable ideas to connect on a deeper level.

1. Clients are more optimistic about the economy, and stock market - advisors should keep talking up long term equity allocations.
2. In general, clients plan on saving more - Be on offense and show what long-term investing can do
3. But they want to hold more emergency cash - discuss higher yielding alternative strategies - there is an appetite for yield
4. 2/3 of Americans have reprioritized what matters - and mental health and wellness top the list. WE BELIVE A HEALTH/WELLNESS SEMINAR IS A WINNER! See if your firm has any resources here or call us. Or call us we have some ideas.
5. Survey says… “it takes fewer assets to be considered wealthy, happy or comfortable. Example the bar for “wealthy” dropped from $2.6 million in assets to $1.9 million in assets. Focus on quality-of-life issues and promote non-financial goals. Ask about trips, social gatherings, and friends. Who knows a referral might come out of it

6. 1/3 of Americans have a financial plan - what about the other 2/3's?
7. Planning makes people feel better! 54% of people with plans feel highly confident about reaching their goals vs. 18% of people without one. And creating plans creates better clients as planning clients are more likely to follow your recs on rebalancing, risk management and tax mitigation strategies.
8. However - we saw a recent survey that nearly 60% of advisor clients don't have a financial plan, while 75% of advisors say they prominently feature financial plans in their practice.

Bonus: Just what is a person capable of?

For many, the thought of a 2.4 mile swim, 112 mile bike followed by a full marathon (aka ironman) is a once a year or once in a lifetime goal. Here is a guy who did 100 of these in 100 days. So the next time you have the thought "I could never ____________" -- read this link: https://kslsports.com/461011/utah-man-completes-100-ironman-triathlons-in-100-days/

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

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

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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