Berkshire
DIVIDEND STRATEGY

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

"Casual Friday" Commentary

Casual Friday: Robos, Russia and Q1 Returns– *April 1st, 2022*

TGICF!

Advisor question:
"Is the flattening yield curve a problem"

Our response?
True, it is doubtful you would ever place "inverted yield curve" on the list of investment positives. We respect the threat. However, it doesn't need to be fatal - especially for certain industries:

- Fed *might* engineer a soft landing
- Aggressive tightening *might* lower inflation expectations sharply
- It's *likely* good for banks. Bank of America and others in our portfolio are "asset sensitive" meaning their earning assets reprice faster than their liabilities.

That's been a large part of our investment thesis for some time.

"But what if it causes/indicates a recession?"
Enduring recessions are part of life and investing. Recessions are also cleansing and healthy for the economy. But go deeper -- Does the recession spark a credit cycle? Bank underwriting remains incredibly strict since the financial crisis. Consumer and corporate balance sheets are strong. So, the risk of a credit cycle seems less likely. But then you have to ask "ok, if there is a credit cycle, can bank balance sheets take the hit?" Unlike 08 banks are sitting on huge levels of excess capital. .

So while its possible an inverted yield curve could cause some stress, it's not guaranteed it causes a calamity that would spark wholesale changes (go to cash, etc.) to a long term strategy. Our portfolio is built for durability and to endure times like these, which keeps you out of the market timing business.

"Still think macro works?"
If we were to tell you at the beginning of the year "Hey, inflation will accelerate to record levels, the Fed will tighten even more (with a flattening yield curve) and there will be a war in Europe with hints of a nuclear exchange but our strategy would be positive for the year" you might call the CFA institute and have them revoke all our charters. Still that is what's happened and we suspect many other equity/income value strategies are faring pretty well too. Macro is hard.

Our mantra continues to be "you can't side step a crisis, own companies that can endure them. We believe this philosophy actually is a productivity enhancer for advisors as it may keep you out of those unproductive client conversations about market direction, is now the time to invest, etc.?

Pleased to announce Q1 numbers appear favorable vs large cap indices:

- Berkshire +0.10%

- R1000 Value -0.74%
- S&P 500 -4.60%
- R1000 Growth -9.04%

(composite estimate, net of fees)

“What is the portfolio’s Russian / European exposure”
Full Report - Russian Impact – Berkshire Special Commentary

Executive Summary:

- Berkshire does not own or seek to own foreign securities in its portfolio
- Berkshire’s screenable universe contains high market cap companies domiciled in the US. Many derive revenue and maintain operations at a multi-national level
- We don’t explicitly seek nor avoid companies with international exposures. A company’s geographic footprint is simply one variable in a bigger investment mosaic
- Outside of oil, Russia’s direct impact on world GPP is not high (1.7%)
- Few companies break out revenue by “Eastern Europe” or "Russia"
- Berkshire European revenue exposure is around 25%, in line with major indices
- Russia is a 10% contributor to the European economy
  - We infer, there is likely nominal direct revenue exposure across our portfolio
- The team is also monitoring company announcements to verify expected nominal exposure

Robos Beware...
Humans are coming for your job.
You ever notice the irony on most financial websites -- you constantly have to prove to a robot that you're not a robot! In a recent Vanguard study, “More than 90% of human-advised clients say they would not consider switching to a digital advisor, while 88% of robo-advised clients would consider switching to a human advisor in the future, according to the survey." In a driven by technology, perhaps the pendulum for real human guidance is swinging back the other way...
Nearly 90% Of Robo-Advised Clients Would Switch To Humans, Vanguard Says

Regards,
Gerry

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

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

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.*