



Berkshire

DIVIDEND STRATEGY

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“Casual Friday” Commentary

Casual Friday: Due Dil. in 3 Minutes? + Memorial Day Burgs, IPA's and Reds – May 27th 2022

[Schedule a Call](#) - [Dividend Strategy Scorecard 3.31.2022](#)

#TGICF!

This week, we are choosing brevity vs. detail.
Here's a 3 minute guide for your due diligence and client updates

Berkshire Firm Update

- Stable and growing etc.
- No major changes to people, product etc.
- Its important clients know our culture

Great performance story to share through 5.23.22! (net of fees, composite estimate)

- Berkshire -5.71
- Value -7.51
- SP -16.3
- Growth -26

Worst over for inflation/rates?

- Higher rates may cool housing, destroy some demand (retail) and take pressure off rates
- Any good news on supply chain, lockdowns could also be a positive surprise
- 3.25% on the 10 year treasury may be a rate ceiling near term and attracted buyers

Potential recession?

- Sure it's possible but how much of that risk is priced in already?
- Recessions themselves usually don't cause big sell-offs...the overcapacity and excess leverage in the system does
- Can the system handle one? Unlike 2008 bank underwriting, capital ratios and financial system appears much stronger

Valuations?

- Already pricing in a lot of bad news
- 17x forward EPS for S&P 500 -- seems reasonable
- Lower prices may help set up better returns from here; its hard to make money when stocks are <30x EPS!

Tech/growth carnage?

- Likely to continue
- Rampant speculation and overvaluation: “You rent growth. You own value”
- Looks like a generational washout

Berkshire Portfolio

- Benefits from a secular rotation to value
- Dividend growth remains attractive way to hedge inflation
- 2.75% dividend yield
- High quality names
- Potential to grow dividends in a low return environment
- Emphasis on financial, health care, industrials
- Underweight: utilities, telecom, REITS

Memorial Day Bonus:

Sure meat prices are through the roof. But how do you resist these innovative burger recipes? over Memorial day...

[Memorial Day Burgers](#)

And why not pair them with some amazing libations:

Great wine: [Wine pairings for burgers](#)

Best IPAs: [Most popular IPA's](#)

Enjoy the weekend!

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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 portfolio's 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.

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