



# Berkshire

## DIVIDEND STRATEGY

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"Casual Friday" Commentary

### Casual Friday: Dividend Increase + "Bonds? Vanilla please" – May 6<sup>th</sup> 2022

"TGICF"

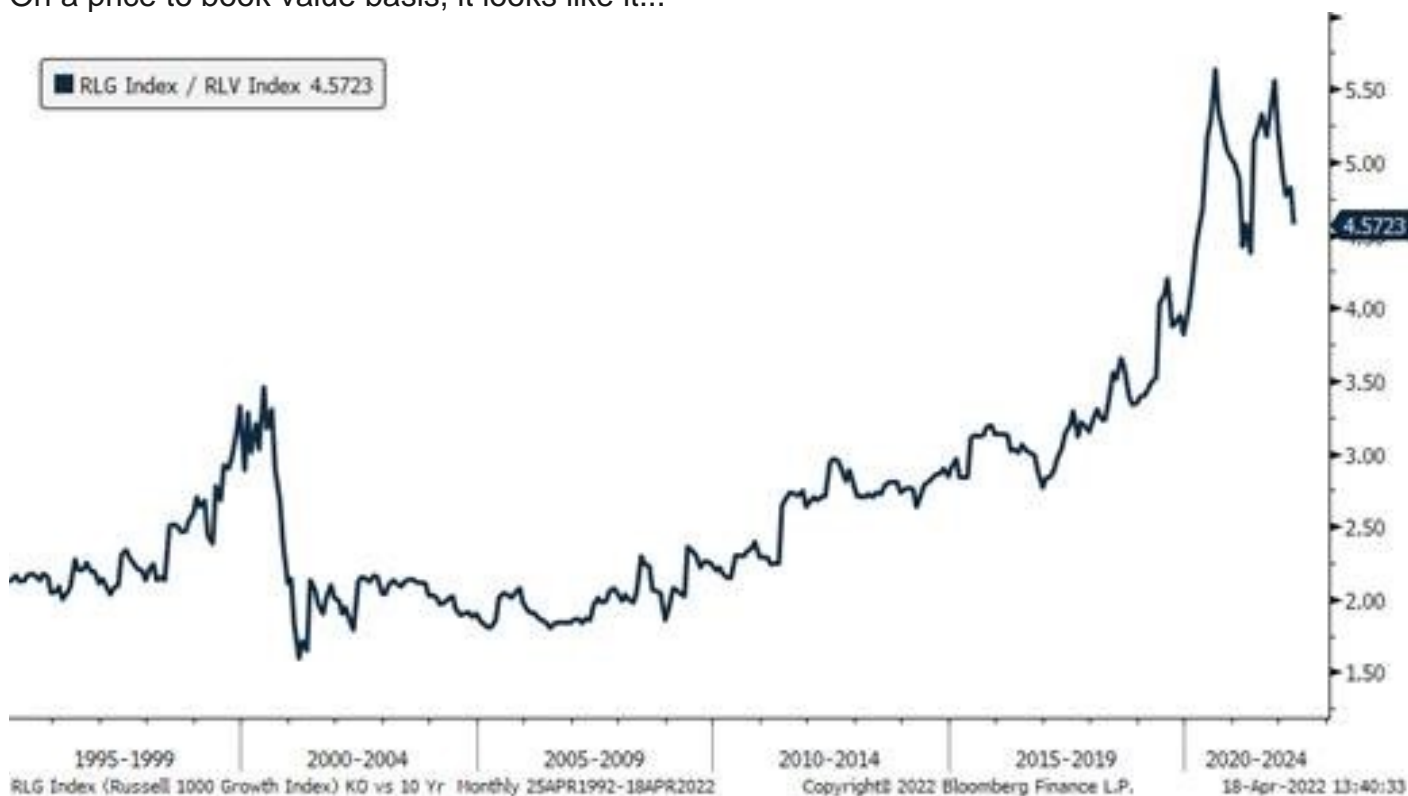
#### Dividend Increase Alerts

[PepsiCo Increases Dividend by 7 % \(5.3.2022\)](#) - The Board of Directors of PepsiCo, Inc. (NASDAQ: PEP) today declared a quarterly dividend of \$1.15 per share of PepsiCo common stock, a 7 percent increase versus the comparable year-earlier period.

[Apple Increases Dividend by 5% \(4.28.2022\)](#) - Apple's board of directors has declared a cash dividend of \$0.23 per share of the Company's common stock, an increase of 5 percent. The dividend is payable on May 12, 2022 to shareholders of record as of the close of business on May 9, 2022. The board of directors has also authorized an increase of \$90 billion to the existing share repurchase program.

#### Five Chart Friday

"Is growth still expensive relative to value?"  
On a price to book value basis, it looks like it...



(Source: Bloomberg -- Russell Large Growth Price to Book / Russell Large Value Price to Book)

“How long do these rotations last?”

Sometimes quite a while. Value outperformed Growth for 7 yrs after dot.com bubble...



(Source: Bloomberg -- Russell Large Value Total Return minus Russell Growth Total Return)

Cramer's "Magnificent Seven" -- “Disrupters” once so loved are getting annihilated...

STSLA · [See more](#)**Stephen Geiger** @Stephen\_Geiger · 4h

Last year Cramer displayed his “Magnificent Seven” stocks.

6 have been killed... one left. [STSLA](#)

158



598

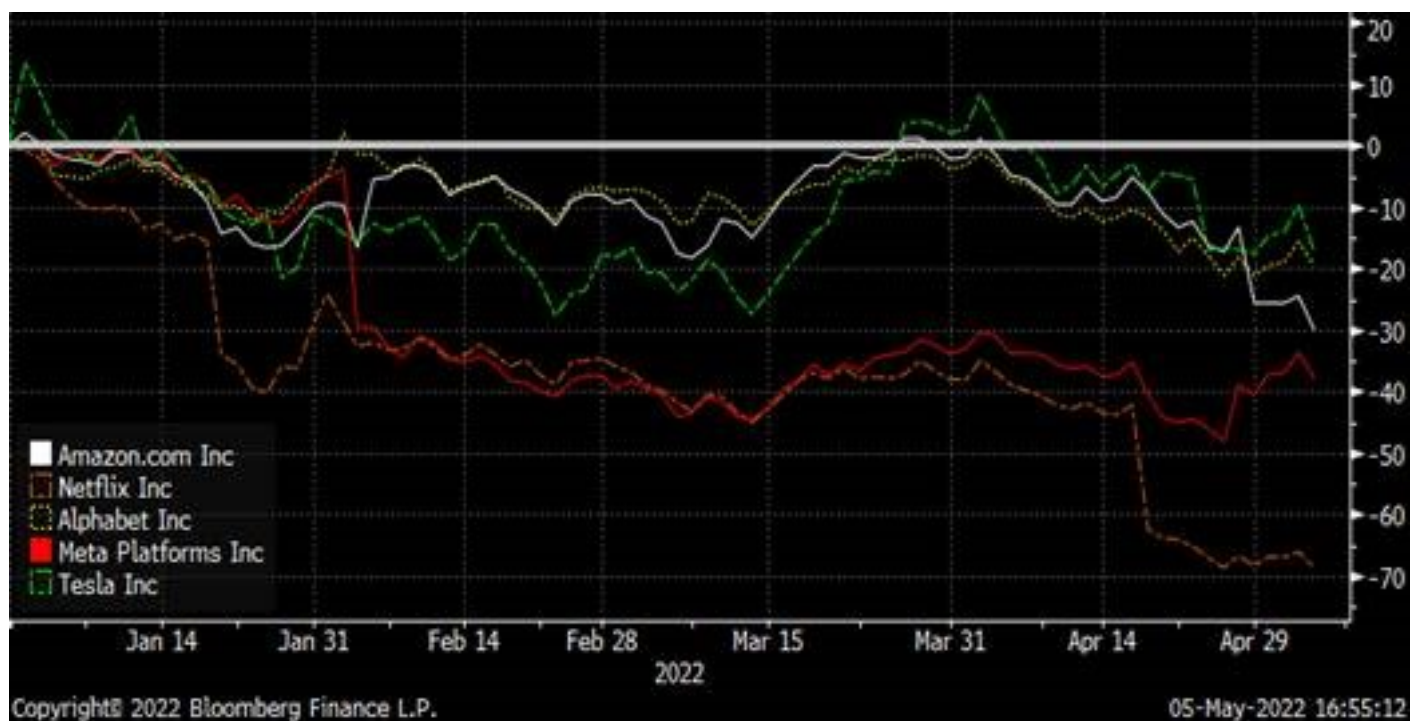


2,667



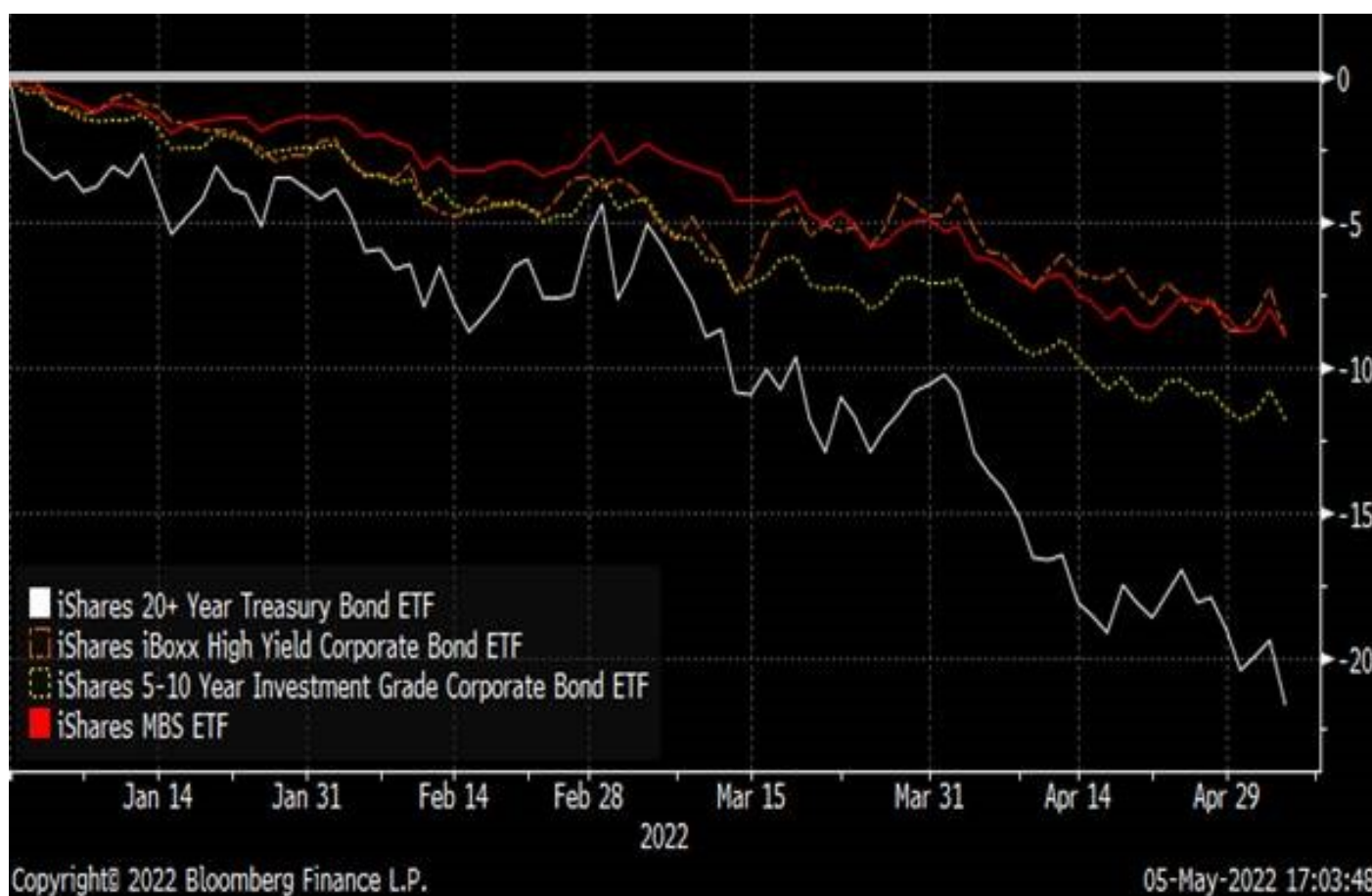
(Source: Twitter)

Sure everyone thought meme stocks were going to get creamed but "it can't happen to big established mega cap stocks right?"



(Source: Bloomberg - YTD Performance through 5.5.2022)

“And don’t worry, fixed income is going to save us” -- I’ll have vanilla, please (read on for meaning/rationale)



(Source: Bloomberg - YTD Performance through 5.5.2022)

We've seen it time and time again. It feels like every time there is a either an equity market blow up (a financial crisis, tightening cycle, or an inverted yield curve) investors often wake up to material losses in their bond portfolio... precisely at the time they needed it to hold steady. Strategies that employ above average duration, leverage, quirky hedges, poor liquidity, foreign securities, low credit quality are popular ways managers and investors stretch for yield. These strategies often tout high returns, low risk and low correlation to equity markets. But there is no "free yield", there is almost always a risk SOMEWHERE. Yet yield hungry investors seemingly can't resist.

These strategies usually work great as rates fall and credit quality is stable. But when those trends reverse (like now) investors end up with a negative surprise. Investors often forgive advisors when equities go down, but they have little patience when the supposed hedge gets pounded too. Buffet said: "You never know who is swimming naked until the tide goes out." This holds especially true for more exotic bond strategies.

We are often asked "what strategies pair well with yours?" We believe a fixed income strategy should seek stability of principal and liquidity above all else. Think: high quality (A+) intermediate term (3-5 year) governments, munis, agencies and corporates. These pair well with high quality dividend oriented equities. So while a bond portfolio like this might sound vanilla and boring, it will rarely embarrass you. i.e. Plain Vanilla

**Going EV?**



## Visualizing All Electric Car Models Available in the U.S.

Have a great weekend!

Regards,  
Gerry

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