Berkshire
DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Long Term "Parking"? + I Don't… - June *10th 2022*

TGICF!
"I'm going to park some money with you folks at Berkshire for the next few months"... hmmm -- insert sigh face. We welcome new accounts, of course! And we were waiting for the day when dividend stocks were sexy again.

However, I do struggle with what sounds like a transient allocation approach based largely on recent performance. Some other advisor conversations are striking a similar tone. To be fair, we're so fortunate to enjoy many long-standing partnerships with high conviction advisors that know Berkshire inside and out. They employ a disciplined allocation approach based on the long-term appeal of dividend strategies. The longevity and durability of these relationships often translates into great client and practice outcomes. But with dividend strategies back in vogue, it's revealing how some are now allocating money to Berkshire. The core components, compounding power, practice efficiencies and risk adjusted benefits dividend strategies can bring is being overlooked for the short-term buying/performance demands of clients...

The advisor from our example called and quickly began probing near term performance metrics and we of course began to probe about the advisor's practice, objectives and motivations… "How does this fit into financial plans for your clients?" "How do typically make investment decisions across your BOB?" "How and why do you use dividend strategies?" Turns out the client drove the advisor to seek a "one off" investment allocation in a dividend strategy. The allocation was not commensurate with anything else the advisor was doing in his practice... SMA delivery and a strategy focused on dividends were both "one offs". The call almost ended up with us talking ourselves out of the sale. "What happens for this client if dividends move out of favor?", "Is the client ok with you not implementing your highest conviction allocations?", "Can this account lead to a broader partnership with Berkshire?"

Yes, we'll take, appreciate and say thank you for the allocation… We treat every dollar here at Berkshire with the same meticulous care. But we're always of the mindset, we need to be more to advisors than an "asset manager". Instead, we seek to help advisors with their broader aspirations and challenges just as you do with clients!

I have two comments to more broadly contemplate…

First, advisors have elevated their practice through the power of dividends and dividend growth investing…

Think about all the time and energy exhausted on that menacing question: "which way is the market going? It can be a not-so-subtle productivity killer in your practice. Instead, imagine the potential simplicity and effectiveness of managing client portfolios for *growing cash flow*. It may be a far more productive option than trying to time markets!

Here's how some of our advisors coach clients on dividend investing:

- Remind and refocus clients about their real investment goals
  - It's likely all about income – either income now or income later.
- Highlight specific talking points that show the potential power of dividend investing?
  - The Power of Dividends and Dividend Growth
- Redirect the conversation from "did we beat the market" to "is my income plan on track?"
- Reinforce dividend concepts through regular Berkshire communications
  - https://berkshireasset.com/casual-friday/

Second, in our opinion, the best advisors in the industry are often distinguished by what they DON'T do...

- They don't let clients drive the investment decision agenda
  - They do create a sound financial plan for clients and implement aligned investment allocations (think about this one a moment, if the client is dictating investment decisions to you – why do they need you?)
- They don't disrupt the day with menial nonscheduled tasks
  - They schedule the day with the most productive and impactful activities for clients and their practice.
- They don't have 1000's of tickers in their book of business
  - They do create a finite amount of high conviction models that are implemented across the ENTIRE book
- They don't have a generalized practice
  - They do build a niche around a specific type of client and master how to add value to that base

Back to our friend. Maybe his near-term motivation is misplaced. But we still believe a Berkshire allocation makes sense just for a host of investment reasons not to mention the myriad of ways we stand ready to assist with practice management issues. We are ready to convert him from salesmanship to discipleship! Given these opportunities we hope he'll be "parked" with us not for 6 months but maybe six years and beyond.

We're finally back to grilling and outdoor barbeques here in Pennsylvania - Here's a quick guide to kick off the season!

The Grill
Top Rated BBQ Grills, Outdoor Kitchens, and More for 2022
https://www.bbqguys.com/top-rated

The Grub
The best smoky, charred grilling recipes any outdoor cooking enthusiast should know? Juicy sausages, thick medium-rare burgers, succulent seafood
https://www.seriouseats.com/grilling-recipes-5117350

The Chatter
50 Fun Facts That Will Make You the Toast of the Party
https://www.wsj.com/articles/50-fun-facts-that-will-make-you-the-toast-of-the-party-11654282648

Have a great weekend!

Gerry

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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.

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