



Berkshire

DIVIDEND STRATEGY

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“Casual Friday” Commentary

Casual Friday: Bubble Trouble? + Minion Mayhem... – July 8th, 2022

Quick Admin Note

Q2 Material -- delivered to your inbox no later than Tuesday at 4 pm.
Call / email for prelim #'s.

Quarter End Preview:

[Casual Friday: Quarter End Quick Hits + Respect for The Flag](#)

OR view On LinkedIn: [Casual Friday: July 1st, 2022](#)

Bubble Trouble?

"Should I sell all this stuff and buy your strategy?"

FAANG. Crypto. Tesla. Netflix. Meta. ARKK. Meme Stocks. Stonks. High P/E growth Stocks. Bonds with negative interest (real) rates.

2 Common themes? To **varying** (yes, I was very intentional with the word “varying”) degrees, they displayed characteristics of a “bubble” and they’ve all popped. Individually they may not be of the magnitude of say the Dutch Tulip bubble, Nifty Fifty, tech or housing bubble but in aggregate it feels close... and of course subjective. But it’s pretty clear to us they’ve followed a pretty familiar bubble cycle.

- A hot new paradigm emerges (crypto, ARRK stocks, FAANG)
- A somewhat plausible (“It’s the future” “disruptive technology, paper currency is outdated)
- Price momentum / feedback loop develops into a frenzy (higher prices create higher prices - meme stocks, crypto speculators)
- Capital chases it
 - Wall street gets on board (35 new cryptos in 1 week!)
 - Main street follows (my bartender became a crypto expert, discussed ‘yield harvesting’ in crypto)
- Irrational economics / valuation develops...but are explained away (Bitcoin, massive P/E’s, negative yields...remember price to eye-balls in 1999?)
- “We can’t lose” mentality (growth stocks)
- Media / mainstream sensationalizes, fuels the bubble, but often marks the top (Cramer’s magnificent 7, Matt Damon’s crypto commercial)
- Pain emerges but dip buyers come in (“now is my chance!”). The asset class usually rallies...but then

- ...capitulation (this is never going to work! SELL!!!!!!) ...does the selling cause contagion? So far thankfully...no
- The aftermath? “Impairment – it down a ton...and not coming back.
- Investor apathy
- In time...tomorrow’s “next big thing emerges” and is likely something we are NOT talking about today

The assets mentioned all check off a lot of boxes. What does this have to do with dividend investing...a lot. For the past few years, dividends / value stocks were largely unloved – investors had FOMO – big time. At best retail investors grumbled: “Why should I own these lousy value stocks while growth is doing so well?” Advisors and managers were left defending the asset class. At worst, many capitulated, speculated, over allocated in one or more of the asset classes. They now face large losses: 30-50% or more. Main stream growth stocks down 30%. Investors who stretched for yield, bought low quality, or extended duration (at generational lows) now may see double digit losses in their bonds too. Predictable? In some cases, absolutely.

An advisor who, committed some of the offenses asked “well should I sell all this stuff and buy your strategy.” For what it’s worth, we think high quality intermediate bonds and mainstream growth stocks will likely recover... as for much of the rest? Good riddance to bad ideas.

Summer 2022: Rev Up or Kick Back?

Summer brings downtime, vacation and a recharge...

For some, it's needed time to work ON the business instead of IN the business:

[Advisors Thriving in Changing Landscapes?](#)

Minion Mayhem

Teens dressing up in suits to see Minions? -- Mosh pits at the movies? -- Minion riots?

<https://www.youtube.com/watch?v=UDd1DCC0dLU>

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