



Berkshire

DIVIDEND STRATEGY

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“Casual Friday” Commentary

Casual Friday: 2022's Ride + "Does it Make Sense TO?" – September 16th, 2022

#TGICF!

It's been a wild ride for both equities and fixed income. Berkshire Dividend Portfolio: -8.80% YTD through 9.15.2022 (composite estimate, net of fee). Surprisingly, an advisor asked me “which way is the market going over the next few months?” as if I had the proverbial crystal ball (or would render such an opinion).

“Trading” this market near term? Good luck! I cued my Bloomberg chart of the S&P 500 YTD

- 5 drawdowns greater than 10% (one 21.41% decline)
- 3 rallies greater than 10% including a 19% advance from June lows

Net? S&P 500 down -17.88% YTD.

It's not a full list of every twist and turn but it's a good look at how market events unfolded. At the risk of a total “non-answer”, I did concede the best time to start adding to or even sticking with equities is often when you really don't want to.

Low prices and good news rarely go together. Valuation is not a timing tool, but Berkshire Dividend Strategy now sells for about 13.5x forward P/E, sports a 2.75% dividend yield, and seems to hold up better than core or growth strategies on “risk-off” days.

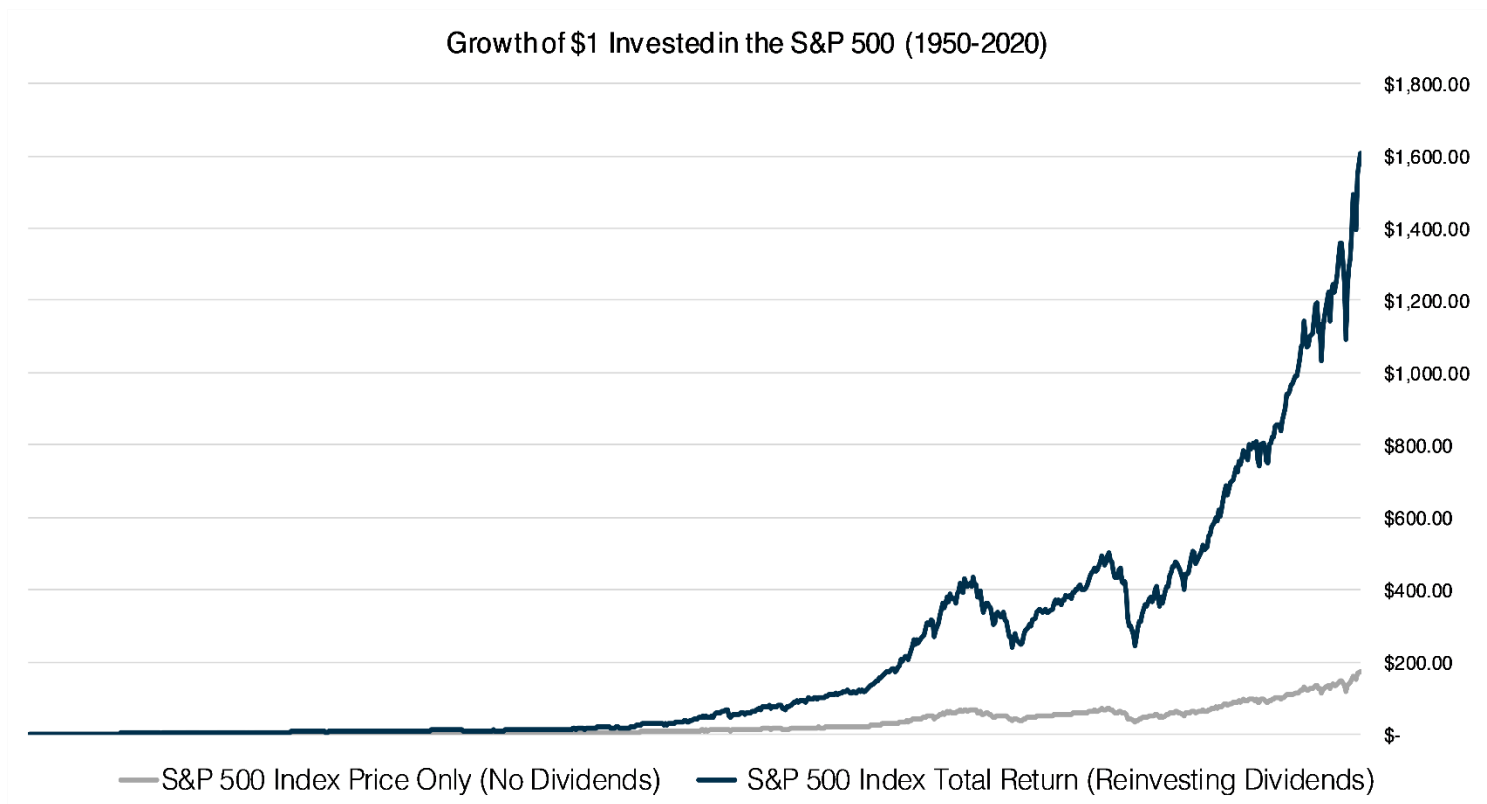
Here's a pic of 2022's sharp drawdowns and rallies...pretty dramatic when you see it all on one chart (S&P 500 as of September 15, 2022).



Power of Dividends?

However, we maintain an unrelenting focus on the pure long-term compounding effect dividends provide.

Over the past 70yrs through 2020, more than 80% of the S&P 500's cumulative returns came from dividends and dividend reinvestment.



For illustrative purposes only. Graph assumes a 70-year time horizon. The S&P 500 index returns are provided to represent the investment environment existing during the time periods shown. For comparison purposes, the index 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. Dividends are not guaranteed and may be subject to change. The return shown may not be representative of the Berkshire Dividend Growth strategy. Growth rates of dividends vary, and illustration may not be indicative of future returns.

To boot, dividend stocks vs inflation?

S&P 500® Dividend Aristocrats Performance, 12/31/1990 - 6/30/2022

- Monthly CPI YOY of +4% or greater, 31 observations
 - Dividend Aristocrats outperformed S&P 500 by +0.70% each month on average.
- Monthly CPI YOY of +3% or greater, 100 observations
 - Dividend Aristocrats outperformed S&P 500 by +0.55% each month on average.

(Source: Bloomberg)

Phraseology: Does it make sense to stop saying - "does this make sense?"

Apparently, sales gurus are divided on the efficacy of using the phrase "Does this make sense?" to elicit feedback from clients and/or prospects.

Proponents argue it's an attempt by a sales professional to gather a bit more information rather than droning on endlessly. Others would say it's a vague and insecure attempt by the presenter to ask if he / she is doing a good job explaining the concept. After all, a confident presenter would know his message is clear and on target.

This article will reveal an effective twist on the phrase and will help you forward your agenda:

<https://www.heinzmarketing.com/2018/03/single-best-closing-question-use-sales/>

The First Dividend Ever Paid? 1250!

<https://www.visualcapitalist.com/power-dividend-investing/>

Have a great weekend,
Gerry

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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 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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