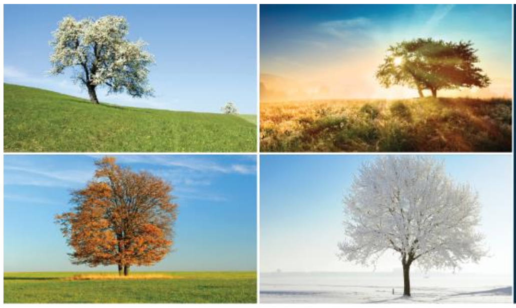

Berkshire
DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Bubbles In Hindsight + Six Wholesalers In The Lobby? – October 21st, 2022

#TGICF!

Nerd alert -- Ironically, earnings are coming in "not as bad as expected" … In turn, this is likely sending rates higher, and stocks lower. What? Good earnings are making stocks go down?

Yes. A discounted cash flow model to value stocks goes like this... earnings / the discount rate – growth rate. Earnings are going up, *but the interest rate in the denominator is going up faster*. This makes the value of company cash flows less valuable to investors. The good news? Deflationary forces are seemingly building along with reasonable earnings – there's no doubt a soft landing is possible.

Speaking of higher rates, we hear advisors opening accounts by offering high-interest rates on money markets and CDs. Solid idea – bring someone in on the guise of higher rates and push them through the planning process. Showcase your value and ultimately turn them into long-term IM clients. Sounds obvious but since that hasn't been "a thing" in over a decade, maybe you forgot.

Market Blurb:
"It's only when the tide goes out that you learn who has been swimming naked." - *Warren Buffet*
Sometimes bubbles can only be identified and memorialized with hindsight. With rates soaring, it's now easier to see what was fueled by easy money of the last decade: growth stocks, crypto, structured credit, bond funds, and real estate to varying degrees. In our experience, bubbles and ensuing crashes follow a pretty familiar cycle. Confession: We'd like to see a bubble form for dividend stocks someday.

We think it is important to share, because we heard that ½ the financial advisors in the business were not around in 2008 (housing bubble) so we suspect even fewer witnessed the crazy of 99.

So here goes!

Event	Comments	Examples
Hot New Paradigm Emerges	A shift from traditional wisdom into assets that fall under the category "disruptive technology of the future"	Tech stock late 90's, Crypto, ARKK like stocks, SPAC's, NFT's, etc.
Feedback Loop Created	FOMO buyers rush in. Increasing prices fuel…increasing prices. BUY BUY BUY!	Momentum – "Buy high, sell higher"
Capital Chases	Wall Street jumps on board early. Next… here comes main street…	Crypto experts, meme stock websites, and your local bartender starts talking about "crypto yield farms"
Irrational Valuations…	There is a change in how "value" is measured to justify insane prices. Or valuation is not used at all!	Companies trading at 750x earnings, massive PE's, Bitcoin, skyrocketing IPO's
"We can't lose" mentality	Growth is the only vision, exit opportunity is not even a consideration until the chaos erupts	"These growth stocks are the future. Rapid growth will cure all.
Media / mainstream sensation	Cathie Wood CNBC appearances weekly, Matt Damon's creepy crypto commercials, influencer sweep the media	"Cramer's magnificent seven" – never forget
The first "crack" emerges but is viewed as opportunity	Bear market rallies while valuations reset lower. "Now is our chance." Dip buyers emerge temporarily supporting the assets	Tech stocks in 2002-2003. Investors waited a long time to break even.
Capitulation: "Its over" Mass selling ensues.	Stocks down 50-90%. The business is broken, and the stocks never recover	Peleton? Zoom? Beyond Meat?
Investor apathy	The stocks fall out of investor consciousness all-together	Chances are the next big thing is something investors are NOT talking about (international, materials stocks after dot.com crash)

Berkshire's Dividend Growth Strategy does not hold positions ARKK, SPACs, NFTs, Crypto, BYND, PTON, or ZM. These observations and examples are based on the views of Berkshire. The concepts discussed herein are for educational purposes only. It includes the opinions, beliefs, or viewpoints of Berkshire and should not be relied upon in making any investment decisions.

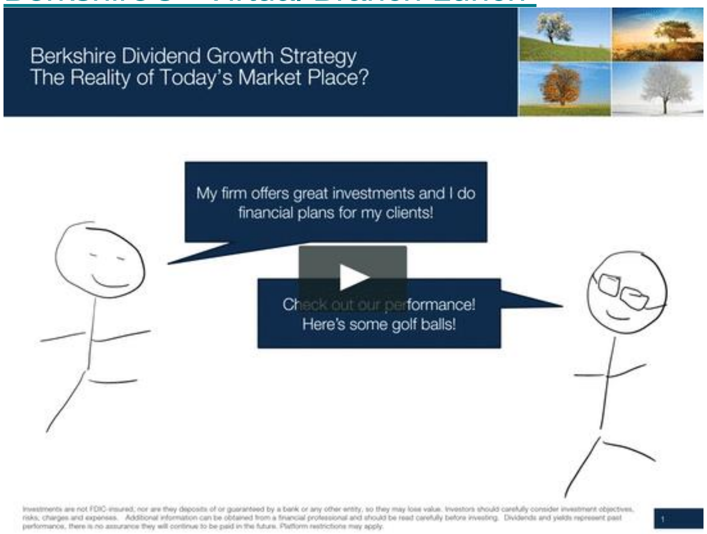
"Six wholesalers in the lobby?"

I remember the day I showed up to do a lunch for a large bank in a metro area. Yep, six of "us" mulling around waiting to see advisors and make presentations, etc. (pre-pandemic, of course). One youngster was running around trying to collect signatures to prove to his boss he was actually there. We all got a good laugh, but it brings to light the dystopia of the old model. We've ALWAYS sensed advisors, branch managers and product heads would love to rationalize their partner list to a select few. What's it takes to make the elite list you and your firm will welcome, embrace, and value? Donuts? Golf Balls? Mindless signatures… low-value sales tactics? Doubt it.

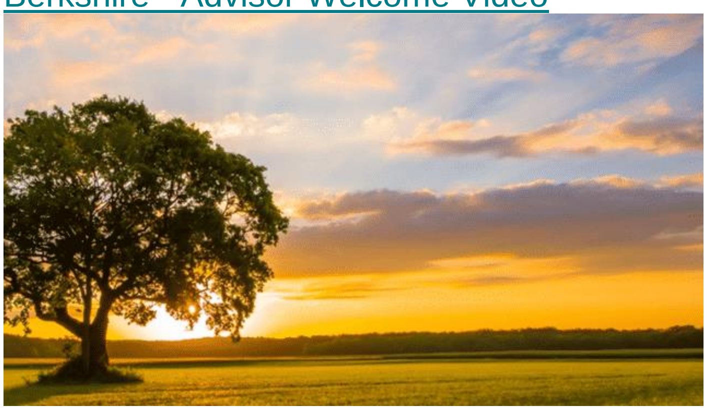
In addition to delivering a great strategy, (a minimum standard for platform entrance!) today's advisors need: a full suite of concierge-level product support and practice management guidance – delivered across a variety of platforms that work for you. Virtual meetings, value-added emails, concise slide decks, short videos, and on-demand webinars create a holistic advisor experience. Investment wise we offer serious investment professionals for talking points, analytics, and direct interaction with clients as needed. Our ever-growing vault of practice management content is all about helping you attract/retain more assets, attain any practice aspiration or overcome challenges. How can we assist you?

- Casual Friday Email series: you are living it! Past casual Friday
- UMA Crusader: Modernizing the Advisor’s Business
- “Alignment”: How to Align
- Short advisor practice videos: Social setting playbook, the one sentence you need

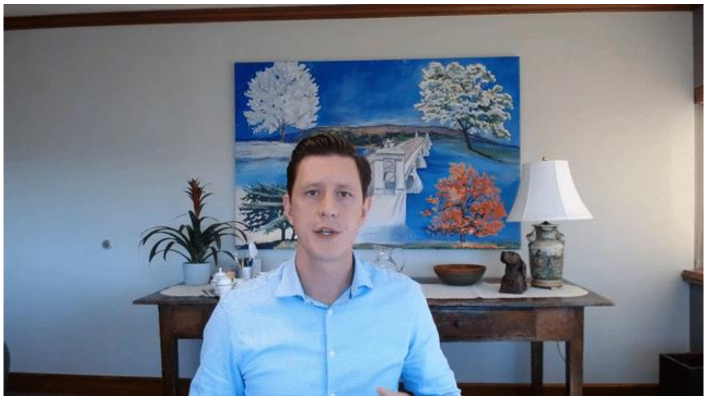
Berkshire's - Virtual Branch Lunch



Berkshire - Advisor Welcome Video



Social Setting Playbook:
Ever wonder how to effectively mix business with pleasure without becoming "that guy" everyone wants to avoid because they are worried about getting "hit up?" This week, Berkshire's own Jason Reilly, VP CFP presents dignified ways to tastefully engage prospects in social settings.



Having trouble viewing? View on LinkedIn

Other Business Building Topics?
“We Don’t Sell a Dividend Product…”
The New Advisor Formula: Strategies for Capturing Money in Motion
Incumbent Tech User Beware

If you're having issues accessing our video, visit directly @
https://berkshireasset.com/strategy-info/

Reshape? Educate? – Planning for the “Next Gen”

- Half of the parents believe children aren’t prepared to handle family money
- 75% of young investors say it’s impossible to achieve above-average returns solely with traditional stocks and bonds

Bank of America’s survey is showing an alarmingly huge gap. Generational division on investing and preparedness to handle money. Planning with parents, educating next-gen and crafting an alternatives playbook the key to capture future money in motion?

Bank of America Private Bank Study Finds Younger Investors Turning to Alternatives, Sustainability and Digital Assets to Create Wealth

Have a great weekend,
Gerry

Gerard Mihalick, CFA
Dividend Strategy Portfolio Manager/Partner
Berkshire Asset Management, LLC

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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 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.

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