



# Berkshire

## DIVIDEND STRATEGY

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"Casual Friday" Commentary

### Casual Friday: Q3 Updated Marketing + It's So Bad, It's Good? – October 7<sup>th</sup>, 2022

#### Q3 Berkshire Dividend Recap (All Data YTD as of 9.30.2022)

- Performance Net of Fees - 14.93%
  - Russell Large Value -17.78% / S&P 500 -23.88%
- 28 out of 36 companies raised dividends so far in 2022
- Average dividend increase of roughly 7%

#### Updated Q3 2022 – Dividend Strategy Marketing Material

[Strategy Guide 9.30.2022](#) - [Strategy Scorecard 9.30.2022](#) - [Strategy Factsheet 9.30.2022](#)

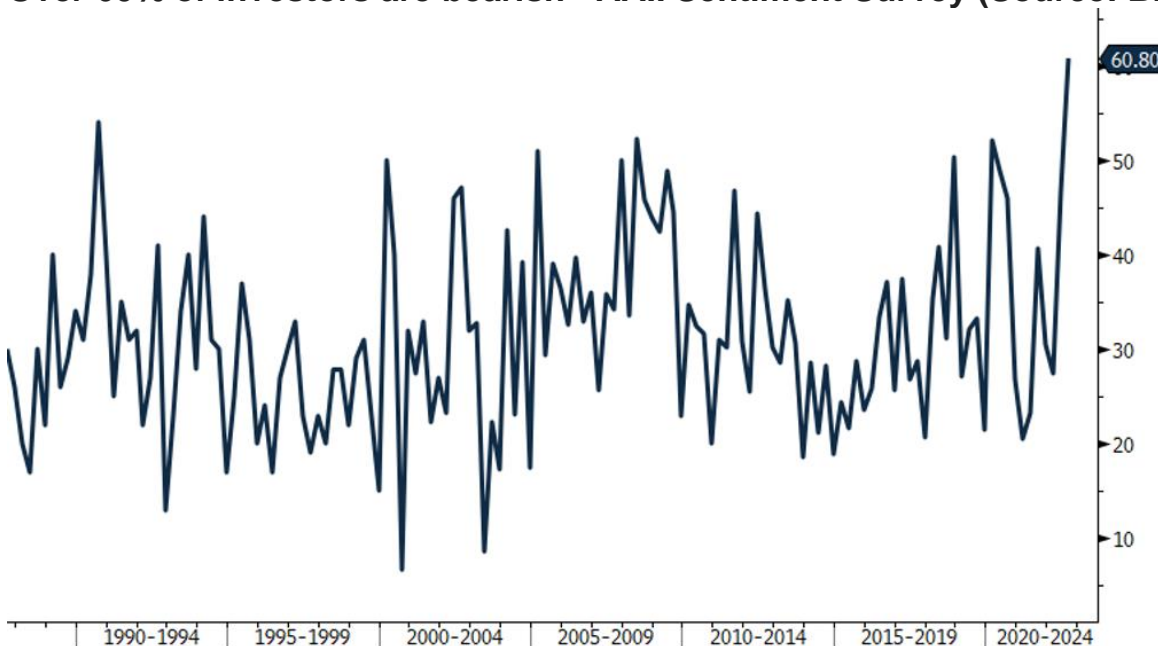
#### It's so Bad, it might be Good?

Recent investor sentiment is abysmal. The Fed, inflation, Russia/Ukraine, upcoming mid-term elections, rates, bond implosions, etc... So many reasons to NOT invest. By one gauge, investor sentiment is worse than 2008.

And what's the big move for retail traders? - **Leveraged Short bets against indices.**

"Exchange-traded funds that use leverage to short indexes have attracted \$5.8 billion in new inflows so far this year as trading volumes have surged" - [Shorting is All the Rage for Retail](#)

#### Over 60% of investors are bearish - AAll Sentiment Survey (Source: Bloomberg)



We had a LOT of dynamic exchanges with advisors this week. We asked -- describe how clients (and they) were feeling. The responses / anecdotes and themes were almost **universal**.

- Bearishness & Anxiety
- Clients “not wanting to do anything” / “waiting for all clear”
- Panic over the election
- Noticeable flight out of bonds to things like cash, fixed annuities and CDs.
- Few advisors indicated they were leaning in against these winds and saying: “I’m strongly advising my clients to add more to \_\_\_\_\_(something risky)”

Maybe we suffer from a level of professional detachment, but I never cease to fully understand why retail clients can’t:

- Buy low or buy into some bad news
- Stop allocating money to yesterday’s winners and not invest in today’s laggard.

History suggests this is precisely what to do, yet short-term anxiety overrides prudent action.

**So, could we create a series of advisor discussion topics / reminders to help clients through this pessimism?**

- “Everyone wants to buy low... until they see the news that goes with the low prices.”
- “Be fearful when everyone else is greedy and greedy when people are fearful” should read in a more action-oriented way “SELL when people are greedy and buy when people are fearful”
- “Your overall plan is still on track.” (Assuming you have one, assuming it is... then show HOW it's still on track)
- “Think about all the challenges and volatility the markets have gone through over the last 25 years -- crisis after crisis, yet we’ve still got you through “We’ve seen all this before... it's never different.”
- “It’s when prices are low that return potential is higher”
- “I’m contemplating a few changes to your portfolio...”

We were reminded of an insightful quote from one of our advisor friends.

***“Bull Markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria.” - Sir John Templeton***

**Dart Mission? - Success**

"Planetary Defense at NASA - Near-Earth objects (NEOs) are asteroids and comets that orbit

the Sun like the planets, but their orbits can bring them into Earth's neighborhood - within 30 million miles of Earth's orbit. Planetary defense is "applied planetary science" to address the NEO impact hazard."

<https://www.nasa.gov/planetarydefense/dart/dart-news>

Have a great weekend,  
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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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