



Berkshire

DIVIDEND STRATEGY

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“Casual Friday” Commentary

Casual Friday: Dividends En Vogue? + SMA’s... Alive And Well – November 18th, 2022

#TGICF!

Dividends...bringing sexy back? (with apologies to Justin Timberlake)

Unlike 2020 when growth folks got all the attention, Berkshire’s presentation series centered around “Alignment” is suddenly in demand with regional managers/consultants and advisor teams of all sizes.

“Dividends are sexy again” – kicks off the talk (more lame PM humor).

What’s cool, is the really positive feedback and excitement from the field...

The presentations are **SHORT**, **INSIGHTFUL** and **ACTIONABLE** and designed to promote discussion and action – a far cry from the usual PM droning on and on.

Often, our first order of business catches some off guard, piquing interest:

“Don’t hire us based on performance... hire Berkshire because we create “alignment” which may elevate your practice.”

Here’s a sample presentation highlights/outline:

Advisor / Berkshire: “Alignment”

- Align with a “Partner” vs “Provider”
- Align investments with client financial plans vs. “Which way is the market going”
- Align portfolios with a common-sense approach to investing vs. complex/black box, expensive, strategies.

Market Observations / Outlook

- “Double Whammy”
- “After the Growth Bubble” – “Now’s my chance?”
- “Commodities Roll Over”
- “Clear thinking about the “R” Word?” (Recession)

Tired of walking away from calls like these with no actionable ideas?

- Changing managers but Cap Gains Tax a problem: [Berkshire Tax Alpha Transition Program](#)
- “Who pairs well with Berkshire”
- Berkshire + structured income strategies (annuities, structured notes, etc)

*Call for presentations/Talking Points

And apparently, the SMA is also back (although we find it never left).

As ETFs have exploded, (likely because of real-time trading, tax efficiencies and potentially lower expense ratios) some questioned the viability of active SMA's as a delivery vehicle. However, SMA's typically:

- Allow clients to maintain their own tax basis
- Allow for customization (ESG, Tax Customization, even dollar cost averaging)
- Provide holdings transparency that helps clients know and embrace what they own

No, SMA's are not dead, in fact they are thriving. They've quadrupled in assets since 2011 and are expected to grow at 16% in 2022. (Source: [Franklin Templeton](#) & [Cerulli](#))

And if there was ever a year where investor cost basis/tax management mattered, it's 2022. After a huge run in equities followed by this year's walloping, we suspect mutual funds will kick out high cap gains the wake of calendar losses – making matters even worse for late inning growth investors.

More unwelcome? BOND mutual funds may kick out gains in one of their worst performance years ever.

We believe the SMA is poised to grow as a vehicle of choice for investors.

FTX – is worse than we thought. Personal loans:

<https://www.thestreet.com/investing/cryptocurrency/bankman-fried-received-1bn-in-personal-loan-from-his-company>

See our missive from last week...

[Casual Friday: Inflation Game Changer? + “Tell Him The Good Part Mortimer”](#)

. FTX/Bankman Fried makes Randolph and Mortimer from Trading Places look downright ethical. At least they were gambling with their OWN money.

On a brighter note – Casual Friday is all about the good life... look for our early Casual Friday Extravaganza next week – recipes, hacks, history, and luxury!

Have a good 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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