



Berkshire

DIVIDEND STRATEGY

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“Casual Friday” Commentary

Casual Friday: Game Time + Rise of the Machines? – February 10th, 2023

Its game weekend, so we will keep it short and simple.

Advisor question: “Does the equity income space still make sense now”?

Our opinions?

- The macro scene still seems murky. Inflation...Deflation... and now Powell is talking about Disinflation? Who knows! So collecting a potentially growing dividend appeals to many clients during uncertain times.
- Growth *still* looks expensive relative to value. While cheaper than a year ago, price to book, price to earnings, and other valuation metrics still have us thinking the value looks more appealing at this time.
- Because we believe equity income stocks may be less volatile, it may allow advisors and clients to allocate slightly more to equities for the long term.

Advisor question: “After a great 2022 is it my imagination or is the Berkshire portfolio off to a bit of a slow start in 2023?”

On a relative basis yes. In the first six weeks attribution tailwinds from 2022 are turning into headwinds.

- After a dismal 2022 communication Service stocks like Meta, Disney Netflix and Google (yes they ARE included in the Russell 1000 Value index!) have ripped higher this year
- Consumer discretionary stocks, another relative underweight are also up over 10% as a group after a rough 2022. We estimate these two sectors comprise nearly 40% of our index lag.
- Industrials are a relative overweight for us, also are negative for the year. Some of the issues are security specific but we have confidence in the long-term prospects.

So just how prolific is OpenAI and what’s all the buzz around Chat GPT

Primer – OpenAI is a company that produces artificial intelligence apps based on deep machine learning that seeks to revolutionize how humans and computers relate. Chat GPT is a “product” of open AI and allows users to ask intuitive questions and get human like results. It’s been used to write songs, create articles, collect and analyze data, even mimic human interaction.

Microsoft has big plans for Open AI and Chat GPT. They’ve made a \$10 billion dollar investment in Open AI and are starting to integrate Chat GPT functions into Bing. Alphabet’s shares fell this week on investor feared it was falling behind.

Watch this short clip to see how it could revolutionize meetings when it gets integrated into Microsoft Teams.

https://twitter.com/ashleysmithnow/status/1621951437856190464?s=20&t=6p_KsPBEUub69d_ZHu1mSQ

Our best advice to understand how it works is to download the app and actually start asking it questions.

For example, we asked Chat GPT "Write us a clever 10-line poem about the power of dividend stocks using iambic pentameter"

*Div'ndend stocks have quite the pow'r,
Not all investments will tower,
Ctrl the flow of thy mon'y
Unstuffed, ye may be more free,
Without slaving o'er labor and toil,
Which only brings but more toil,
Live low cost and save each day,
Div'ndends made will clear the way,
Grow thy wealth and watch it soar
Dependant not on business more,
And when the time comes, enjoy thy due,
Life can be simple with div'dend stocks true.*

Shakespeare appears safe...for now.

Have a great weekend!

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