



Berkshire

DIVIDEND STRATEGY

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“Casual Friday” Commentary

Casual Friday: Recession Chatter? + What's YOUR Story? – May 19th, 2023

Happy Friday – spring is in full bloom in northeast!

Financial news is usually dominated by earnings and how they relate to recessionary forces – especially now.

What do our company results say about the economy? What are CEO's saying?

On average, most of our companies delivered positive earnings or sales surprises. We're pleased.

Financials: generally navigating the environment reasonably well – we own very large regionals (PNC, MTB) or megabanks (JPM, BAC). But the stocks are still down and this has been a drag on performance YTD.

Industrial oriented companies: demand still remains pretty brisk for many. Let's hope they are saying the same 2 quarters from now.

Consumer & drug companies: less cyclical companies, a potential haven also posted solid results.

Telecom: our lone holding posted a big miss on slower subscriber growth.

Net / Net? Company earnings across a range of industries are still holding up, despite constant recession chatter.

34 of 36 Berkshire companies reported as of 5.18.2023

See the table below for company earnings estimates/surprise + CEO comments:

Name	Ticker	Date	Period	Actual	Actual Source	Estimate	Surprise	CEO and Executives Notable Earnings Comments
PNC Financial Services Group	PNC US	4/14/2023	Q1 23	3.98	Adjusted	3.656	8.90%	"we grew deposits and loans, increased our capital and liquidity positions"

JPMorgan Chase & Co	JPM US	4/14/2023	Q1 23	4.10	Adjusted	3.379	21.30%	Inflows, acquired FRC - "but financial conditions will likely tighten as lenders become more conservative"
M&T Bank Corp	MTB US	4/17/2023	Q1 23	4.01	Adjusted	3.969	1.00%	"The strength of M&T's diversified community banking model and prudent management have positioned M&T to continue to deliver for our customers. First quarter net income nearly doubled from the year-earlier quarter."
Johnson & Johnson	JNJ US	4/18/2023	Q1 23	2.68	Adjusted	2.521	6.30%	"We know the value our investors place on our dividend, and we were pleased to announce this morning that our Board of Directors has authorized a 5.3% increase, marking our 61st consecutive year of dividend increases"
Bank of America Corp	BAC US	4/18/2023	Q1 23	0.94	Adjusted	0.818	14.90%	"Simply put, we navigated that environment well."
Lockheed Martin Corp	LMT US	4/18/2023	Q1 23	6.43	Adjusted	6.077	5.80%	"We remain on track to achieve our full-year 2023 financial guidance and continue our robust approach to returning capital to shareholders, with \$500 million in share repurchases and \$784 million in dividends distributed in the first quarter."
Abbott Laboratories	ABT US	4/19/2023	Q1 23	1.03	Adjusted	0.986	4.50%	"Growth in our underlying base businesses accelerated"
Kinder Morgan Inc	KMI US	4/19/2023	Q1 23	0.30	Adjusted	0.293	2.40%	"At 6%+, KMI has a top 10 dividend yield in the S&P500"
AT&T Inc	T US	4/20/2023	Q1 23	0.60	Adjusted	0.588	2.00%	"95% of our debt is now fixed at an average rate of 4.1%"

Nucor Corp	NUE US	4/20/2023	Q1 23	4.45	Adjusted	3.852	15.50%	"Demand from nonresidential construction, our largest end market, continues to be robust"
Procter & Gamble Co/The	PG US	4/21/2023	Q3 23	1.37	Adjusted	1.325	3.40%	"raising our fiscal year outlook for sales growth and cash return to shareowners"
PepsiCo Inc	PEP US	4/25/2023	Q1 23	1.50	Adjusted	1.38	8.70%	"Given the strength of our business performance, we now expect our full-year 2023 organic revenue to increase 8 percent (previously 6 percent)"
McDonald's Corp	MCD US	4/25/2023	Q1 23	2.63	Adjusted	2.315	13.60%	"Global comp sales were up nearly 10% and most of our major markets are growing share"
Microsoft Corp	MSFT US	4/25/2023	Q3 23	2.45	Adjusted	2.235	9.60%	"Across the Microsoft Cloud, we are the platform of choice to help customers get the most value out of their digital spend and innovate for this next generation of AI."
Chubb Ltd	CB US	4/25/2023	Q1 23	4.41	Adjusted	4.436	(0.60)%	"Rising interest rates are our friend."
TE Connectivity Ltd	TEL US	4/26/2023	Q2 23	1.65	Adjusted	1.576	4.70%	"along with our team's strong operational performance, inventory reduction helped to drive free cash flow improvement of over 35% year-over-year in the first half and enabled us to continued strong return to capital back to our owners."
Norfolk Southern Corp	NSC US	4/26/2023	Q1 23	3.32	Adjusted	3.149	5.40%	

Waste Management Inc	WM US	4/26/2023	Q1 23	1.31	Adjusted	1.282	2.20%	"We're very enthusiastic about how the growth in our renewable energy and recycling businesses strengthens WM's compelling investment thesis. We expect the investments that we're making over the next several years to provide meaningful operating EBITDA and free cash flow growth with impressive returns."
Honeywell International Inc	HON US	4/27/2023	Q1 23	2.07	Adjusted	1.925	7.50%	"Backlog increased to a record \$30.3 billion, up 6% year over year, with particular strength in our aerospace business that gives us confidence in our full-year guidance"
Merck & Co Inc	MRK US	4/27/2023	Q1 23	1.40	Adjusted	1.328	5.40%	"We will continue to prioritize investments in our business and growing pipeline to realize the value of the many near- and long-term opportunities we see. We remain committed to our dividend and plan to increase it over time."
Bristol-Myers Squibb Co	BMY US	4/27/2023	Q1 23	2.05	Adjusted	1.971	4.00%	"We remain focused on commercial execution, progressing our pipeline and leveraging our strong financial foundation to invest in the next wave of innovation and deliver value to all of our stakeholders."
AbbVie Inc	ABBV US	4/27/2023	Q1 23	2.46	Adjusted	2.461	0.00%	"These balanced results give us confidence to increase our full-year guidance and we see numerous opportunities for key

								assets to drive compelling long-term growth."
Mondelez International Inc	MDLZ US	4/27/2023	Q1 23	0.89	Adjusted	0.799	11.40%	"Given our strong Q1 performance, we are raising our net revenue and earnings outlook for the year."
Chevron Corp	CVX US	4/28/2023	Q1 23	3.55	Adjusted	3.383	4.90%	6% Dividend Increase - "Also, we expect share buybacks to increase to a \$17.5 billion annual rate"
WP Carey Inc	WPC US	4/28/2023	Q1 23	1.29	Adjusted	1.272	1.40%	"The investment backdrop remains constructive and our pipeline active, driven by the competitiveness of sale-leasebacks versus sellers' funding alternatives"
Leggett & Platt Inc	LEG US	5/1/2023	Q1 23	0.39	Adjusted	0.264	47.70%	"5.5%dividend yield; 52 consecutive annual increases"
Pfizer Inc	PFE US	5/2/2023	Q1 23	1.23	Adjusted	0.97	26.80%	"With this solid start to the year, we remain on track to grow our non-COVID revenues by 7-9% operationally in 2023."
Emerson Electric Co	EMR US	5/3/2023	Q2 23	1.09	Adjusted	0.974	11.90%	"The 2023 outlook includes \$2 billion returned to shareholders through share repurchases completed in the first quarter and approximately \$1.2 billion of dividend payments"
QUALCOMM Inc	QCOM US	5/3/2023	Q2 23	2.15	Adjusted	2.15	0.00%	"While the challenges we are facing are impacting the semiconductor industry, we remain focused on managing what is within our control and will continue to execute on our diversification strategy and leading

								technology and product roadmap."
PPL Corp	PPL US	5/4/2023	Q1 23	0.48	Adjusted	0.446	7.60%	"We remain confident in our ability to deliver top-tier earnings per share and dividend growth of 6% to 8% a year through at least 2026"
EOG Resources Inc	EOG US	5/4/2023	Q1 23	2.69	Adjusted	2.514	7.00%	"Production volumes, capital expenditures and cash operating costs were each better than expected."
Apple Inc	AAPL US	5/4/2023	Q2 23	1.52	Adjusted	1.433	6.10%	"our Board has authorized an additional \$90 billion for share repurchases. We are also raising our quarterly dividend for the eleventh year in a row."
Cisco Systems Inc	CSCO US	5/17/2023	Q3 23		Adjusted	0.972		"As key technologies like cloud, AI and security continue to scale, Cisco's long-established leadership in networking, and the breadth of our portfolio position us well for the future."
Walmart Inc	WMT US	5/18/2023	Q1 24		Adjusted	1.304		"We had a strong quarter. Comp sales were strong globally with eCommerce up 26%. We leveraged expenses, expanded operating margin, and grew profit ahead of sales."

What's YOUR Story?

"Story" in investment manager parlance usually means a pitch, that highlights the 6 P's: Product, People, Philosophy, Process, Portfolio, Performance. It's a traditional institutional construct...

Consultant: "No one can tell the Berkshire story better than their principals" I heard this comment at a recent meeting and I took a long pause. I thought "You know, our whole approach with advisors has little to do with OUR story. Our approach always focuses on hearing the ADVISOR'S story. What are you trying to accomplish in your practice? What challenges are you facing? How do you differentiate yourself?"

It seems consultative one on one selling is a superior approach, but I think many managers are so excited to impress advisors with how smart the team is, how wonderful the process is, and how great the alpha is, they missed the mark... And guess what? Most teams and strategies ARE super impressive and solve a host of problems, which is how they got on your platform in the first place.

Confession – I may occasionally derive some relatively mindless entertainment from social media. I mean, the other day I watched a house cat beat up a fox (Pure gold!). But in another video, I also watched a communications expert say "Don't talk to impress. Ask questions and listen so you can understand. That actually will impress someone."

She's spot on. Berkshire's take? Instead of droning on and on about the product, We start by asking advisors: Where do you want to take your practice? What type of clients do you want to have? How do you want to be known? How do you want to differentiate...and a host more. Importantly we ask you to imagine your practice at the ultimate height of success...and describe what that looks and feels like. Then a true partner (not the kind that just gives lip service) should commit to taking steps to make it easier, more efficient, and more enjoyable (even fun?) to become all that you want to be. That's how we define success. The product solutions will likely take care of itself.

That's where we start.

So, forget "our story" for the moment tell us..."*what's YOUR story*"

Tech Addiction Is Real: How to Cut Back on-Screen Time and Wean Off Social Media
Speaking of social media, it could be a real hot button for many parents and their kids. Here's a guide to help set some phone boundaries and limit distractions...

<https://www.pcmag.com/how-to/tech-addiction-is-real-how-to-cut-back-on-screen-time-wean-off-social-media>

Have a great weekend,
Gerry

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