



# Berkshire

## DIVIDEND STRATEGY

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“Casual Friday” Commentary

### Casual Friday: U.S Innovation + Q1 Material Available – April 21<sup>st</sup>, 2023

Good Morning, TGICF! Happy spring. All Q1 Material Available:

[Dividend Strategy Guide 3.31.2023](#)

[Dividend Strategy Scorecard 3.31.2023](#)

[Dividend Strategy Factsheet 3.31.2023](#)

[Dividend Strategy Commentary 1Q2023](#)

### Still the Champ?

Sure the U.S economy gave investors an unwanted ride on the roller coaster in March.

So once in a while investors (and heck us too!) need a little reminder why the U.S is STILL home of innovation and the world’s most dominant companies.

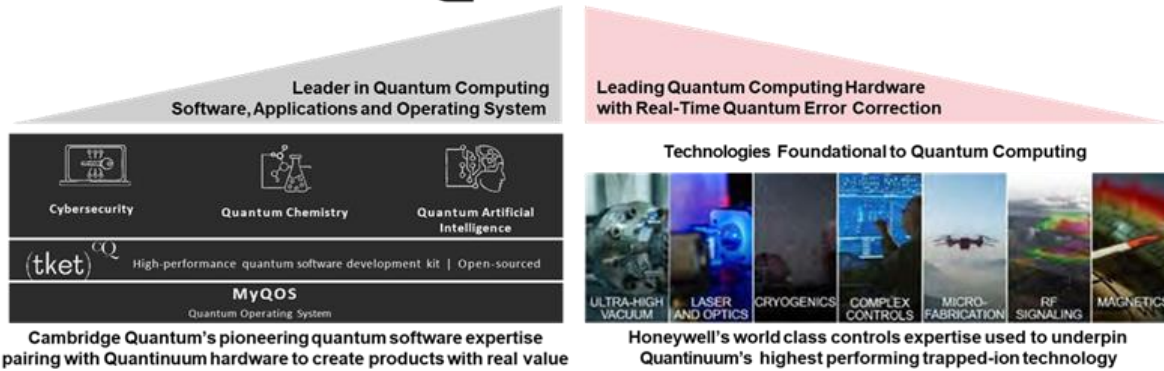
- U.S. share of world GDP, market cap: 24.3%, 55%
- Top 5 U.S companies market cap: \$8 trillion (exceeding Japan’s entire GDP)
- U.S. R&D spending 2022: \$100 billion (25% of world total)
- US dividends, share buybacks 2022: 500 billion, 700 billion respectively (We’d like to see those numbers in favor of dividends but that’s another nerd commentary on corporate finance)
- The U.S dollar comprises 90% of the world’s foreign currency market
- This is an opinion, but I believe the U.S banking system has grown in prominence and stability since the financial crisis. Our financial system is still appears the envy of most of the world

(Source: Bloomberg)

Some of the worlds most important technological innovations still blossom out of the United States. And technology isn’t just for the growth guys! Here are how some “boring old value companies” are leveraging technology to revolutionize their businesses

### Honeywell (HON)

- Honeywell Quantum Solutions and Cambridge Quantum have combined to form Quantinuum – the world’s largest integrated quantum computing company.
- *“As a leading technology company, we will shape the adoption and integration of quantum information systems into the industries we serve.”*
- 2022 Capital deployment -- Buybacks \$4.2 billion and Dividends \$2.7 billion



**Driving the 4<sup>th</sup> Industrial Revolution; On Track to Become a \$1T Industry**

Source: Honeywell

### Qualcomm (QCOM)

- Holds a staggering 140,000 patents and patent applications for 5G technologies (source: WSJ)
- Key player in next generation “chips”, healthy business diversification
- Very strong buyback program over the past number of years

### One Technology Roadmap

Leading technologies to scale across virtually every device



Source: Qualcomm

### Deere & Company (DE)

- Farming is going high tech with increased use of “precision farming”
  - Productivity increasing by multiple in certain cases
- Farm fleet is relatively old: replacements needed
- Agriculture prices are causing a new cap ex spending cycle
- Aggressive dividend increases the past 3-5 years
- Room for payout ratio to expand. DE is targeting 25-30% div payout ratio; currently 19%
- “A” rated balance sheet



Source: Deere

## Microsoft (MSFT)

- Cloud computing juggernaut with no signs of slowing, Azure = entrenched
- \$125Billion in cash and securities, aggressive buyback program and dividend growth
- OpenAI acquisition allows strategic integration to further enhance and expand Microsoft products

2023

February

FEB 1

**Teams Premium**

Intelligent meeting recap (suggested notes and action items)

FEB 2

**Viva Sales**

Summarization of sales calls, question extraction, KPI assessment

TODAY

**New Bing & Edge**

AI-powered copilot for the web

1pt

search advertising market share

\$2B

annual revenue

Source: Microsoft

Dynamic. Innovative. Evolving.

These words also describe the landscape for financial advisors. Change is the only constant, and we are continuously looking to deliver you expertise on a wide range of topics. We're incubating a number of practice management concepts... AND PLEASE HELP – We're seeking input from the field.

What topics are most relevant to you:

- Mega-teams are on the rise. What role does the lead advisor play? Run the investments, run the relationships or run the practice?
- How do you successfully transition and monetize the personal brand equity and client loyalty you've built over the years
- Is AI going to help your job or replace your job?
- The advent of the mobile, multi geography, "life-style" advisor
- How to capture the fastest growing segment of separately managed accounts
- Lending and leverage are NOT dirty words. They are critical elements of today's wealth manager

These are just a few of the topics we are contemplating to help you thrive in a changing landscape. What topics should we be writing about to help you? EMAIL us some suggestions (in confidence).

Have a great weekend,

Gerry

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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 portfolio's 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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