Berkshire
DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Rock And A Hard Place + Shake It Off? – July 7th, 2023

Good Morning, #TGICF
Q2 marketing material and commentary will be available mid-next week.

We're pleased to announce the following dividend increases.
07.05.23 - Bank of America Increases Dividend by 9%
07.03.23 - PNC Financial Increases Dividend by 3%
06.30.23 - JPMorgan Chase & Co Increases Dividend by 5%
06.28.23 - General Mills Increases Dividend by 9%
(No other dividend announcements were made over the period)

We're pleasantly surprised by the bank dividend increases. And thankfully and interestingly – talk of "bank runs'" is virtually non-existent, yet the stocks haven't rallied.

We're fielding lots of advisor questions regarding how to handle the growth vs. value performance disparity.

Clients are asking their advisors:

1. "Is something wrong?"
2. "Why isn't MY account up like the S&P 500?"
3. "Why should I own lousy value stocks when growth is doing so well?"

This one is pretty straightforward (especially number 2).

Growth had a terrible year last year. Value had a great year. This year, it's the exact opposite. Styles can and should be expected to go in and out of favor. Explain how the S&P 500 index is up so much because a narrow group of the largest growth stocks in that index have gone up rapidly. These stocks:

- Have high p/e multiples
- Most pay scant / no dividends
- Make up a huge percentage of the index

In fact - if an investor didn't own the 10 largest stocks in the S&P500 and just owned the remaining 490, their return would drop from about 16% to about 4%. That's investing sometimes, and we expect it to reverse – in time. (Source: Bloomberg)

Rock and a Hard Place Investing?
Falling rates might signal a weaker economy and recession -- equities down.

Rising rates might signal a stronger economy and more inflation -- equities down.

Fed conundrum – tighten too aggressively and they kill the economy. Stay too loose and they risk runaway inflation.

Anyone rooting for overall less micromanaging of the economy?
After all, it was the Fed who printed us into a 10% inflation rate (remember how they said “transitory”?). Will they ratchet rates up so aggressively they contract the economy by 2-3%? Take Thursday’s huge job creation that freaked everyone out. Monetary policy usually affects the economy 12 months forward. So yesterday’s strong data is probably derived from where rates were a year ago. A year ago the 2-year treasury yielded bout 3% and yields about 5% now. A year ago the 10-year treasury yielded about 2.5% now it yields about 4%. So data a year from *now* will probably be derived from today’s interest rates. Is the Fed still fighting yesterday's war? Macro prognosticating is a difficult business...
(Source: Bloomberg)

Protect Taylor Swift…the economy depends on it?
I’m a bit of a music buff and I’ve often wondered how much big performers take home per concert. Recent "analysis" (yes from Tiktok) estimated Taylor Swift's current tour generates $10 million in ticket sales and $2 mill in merchandise PER SHOW. Taylor’s estimated take home? Around $5.5 million (pre-tax of course!). Love her or hate her, it's estimated her tour's economic impact is nearly $4.6 billion on the economy. Now that's hard to shake off.

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.

Risks: Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for an individual's investment portfolio. Dividends are subject to change, are not guaranteed, and may be cut. Investing based on dividends alone may not be favorable as it does not include all material risks. There is no guarantee any stated (or implied) portfolio or performance objective mentioned by Berkshire can be met. Berkshire's equity style may focus its investments in certain sectors or industries, thereby increasing potential volatility relative to other strategies or indices. The dividend strategy may include bundled services also known as a "wrap fee program". Because there is typically a low turnover in the strategy, this may be more costly for some investors. No one should assume that any information presented serves as the receipt of, or a substitute for, personalized individual advice from a qualified advisor or any other investment professional.

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