



Berkshire

DIVIDEND STRATEGY

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“Casual Friday” Commentary

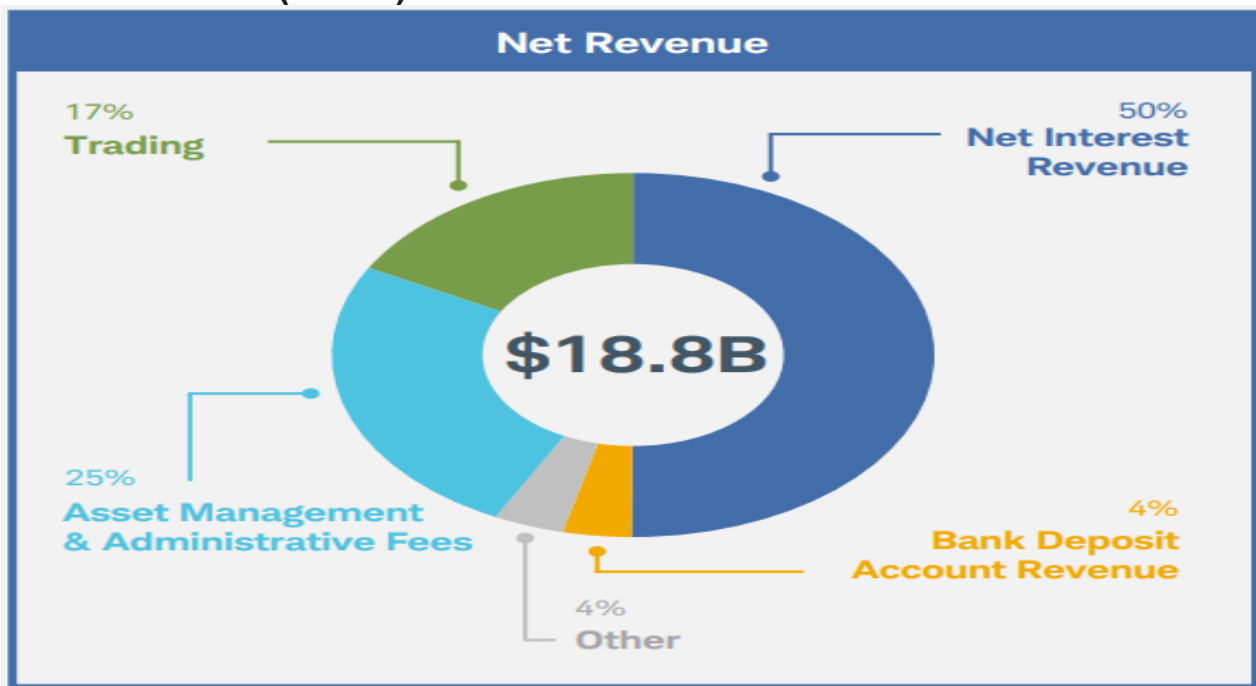
Casual Friday: New Purchase + Shocking "Gaps"? - January 26th, 2024

Berkshire New Purchase: Charles Schwab (SCHW) – Target Weight 2%

Rationale

- ~1.6% dividend yield, expected to grow @ 10%-15% annually
- Scale business, with significant moats
 - Some say “commodity business”, yet only 4% switched custodians in 2022
- ~10% tailwinds in RIA Business
- Industry data suggests breakaway broker / investment advisor trend accelerating
- TDA merger successfully complete, adds healthy client base and additional technology levers
- Credit quality is excellent with NIM expansion expected
 - \$40 billion in total loans
 - \$26 billion mortgages
 - \$13 pledged asset lines
 - \$0 in charge off first 9 months of 2023
 - Only \$3 million net charge offs in all of 2022
- Deposit stabilization

Charles Schwab (SCHW) 2023 Net Revenue Breakdown

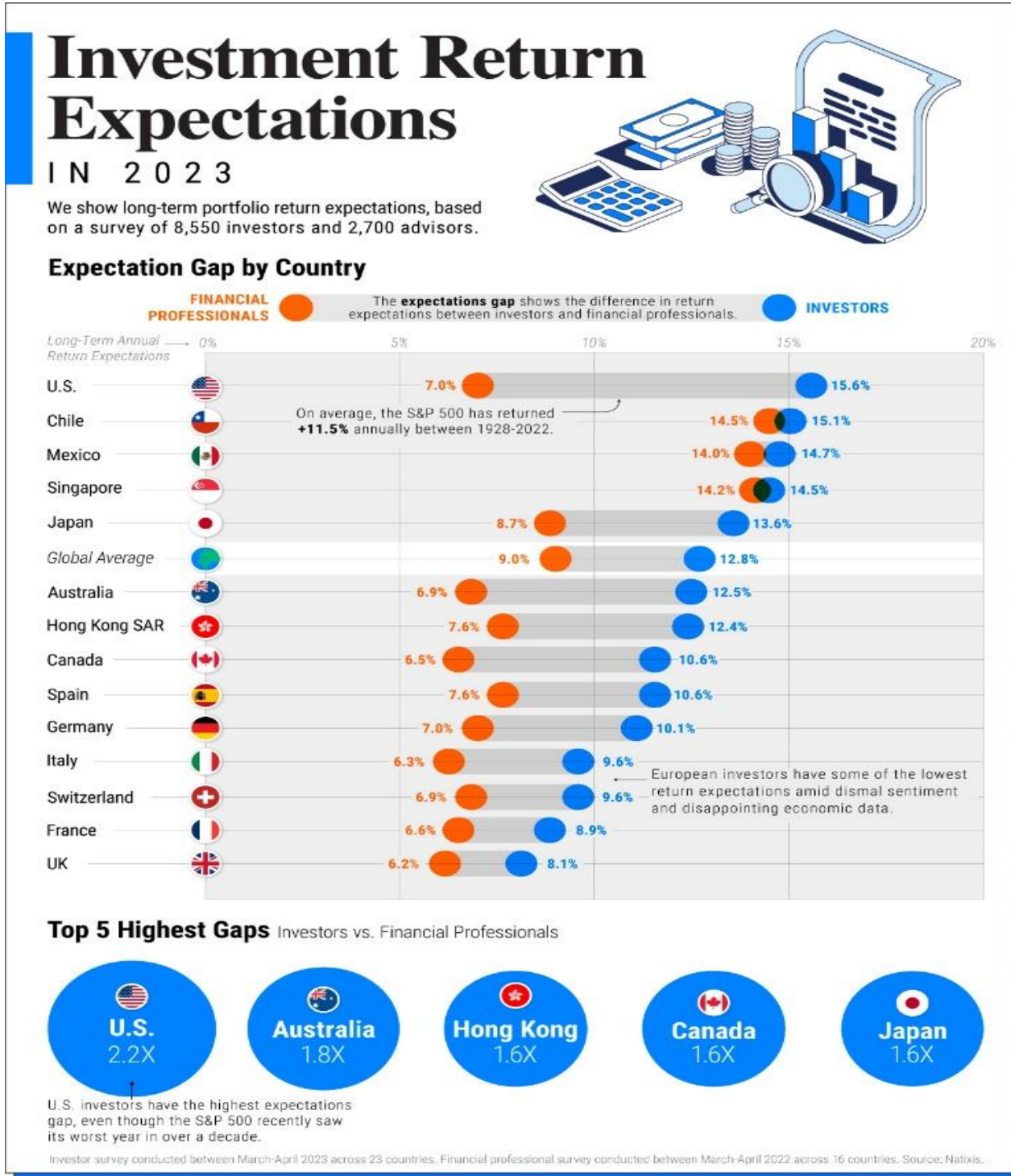


Source: <https://www.aboutschwab.com/financial-reports>

Con's/Risks

- Bear market in equities
- Payment for order flow regulation
- No buybacks until end of 2024

Source: Bloomberg & <https://www.aboutschwab.com/financial-reports>



(Source: Visual Capitalist)

Shocking Survey?

If the following client survey doesn't stop you in your tracks, I don't know what will.

Get this...a recent survey of 10,000+ U.S investors shows they expect YOU to generate long-term returns of...**15.6% ABOVE inflation. Seriously, to meet or/and exceed these client expectations, you'd have to outpace Buffet over his 58 years at Berkshire Hathaway! You'd have to double the S&P500 every year! To boot, most clients seek capital preservation -- How the heck can you get long returns of 15.6% ABOVE inflation owing a moderate 65/35 portfolio?! Strongly consider the implications of not addressing the clear expectation gaps with clients.**

Source: <https://www.im.natixis.com/us/resources/2023-individual-investor-survey-full-report>

Have a great weekend!

Gerard

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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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