



# Berkshire

## DIVIDEND STRATEGY

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“Casual Friday” Commentary

### Casual Friday: Update Q1 Material + Rise Of The 2nd Geography? – April 12<sup>th</sup>, 2024

#### Updated Strategy Marketing Material

[Dividend Strategy Guide 3.31.2024](#) - [Dividend Strategy Scorecard 3.31.2024](#)

[Dividend Strategy Fact Sheet 3.31.2024](#) - [Dividend Strategy Commentary 3.31.2024](#)

#### Recent Bank Action

There's been a quiet rally in regionals and money center banks, with many up ~30 – 40%+ since October '23. So, did this week's CPI print ruin the party? March CPI hit 3.5%, reversing the market's optimism of upcoming rate cuts. The 10-year Treasury yield jolted above 4.5%, marking its high of '24. And many regional banks sold off ~4 – 5% (we saw NYCB down ~10% intraday). Sticky Inflation + Higher Rates for Longer = Increased recession odds. For banks, recession means loan losses and higher long-end rates could mean held-to-maturity losses and deposit shifting. (learnings from the '23 bank failures). We appreciate the challenges and foggy outlooks issued (<https://www.wsj.com/finance/banking/jpmorgan-chase-q1-earnings-jpm-stock-407a202f>) but believe there might be a more positive long-term narrative.

#### The Flip Side?

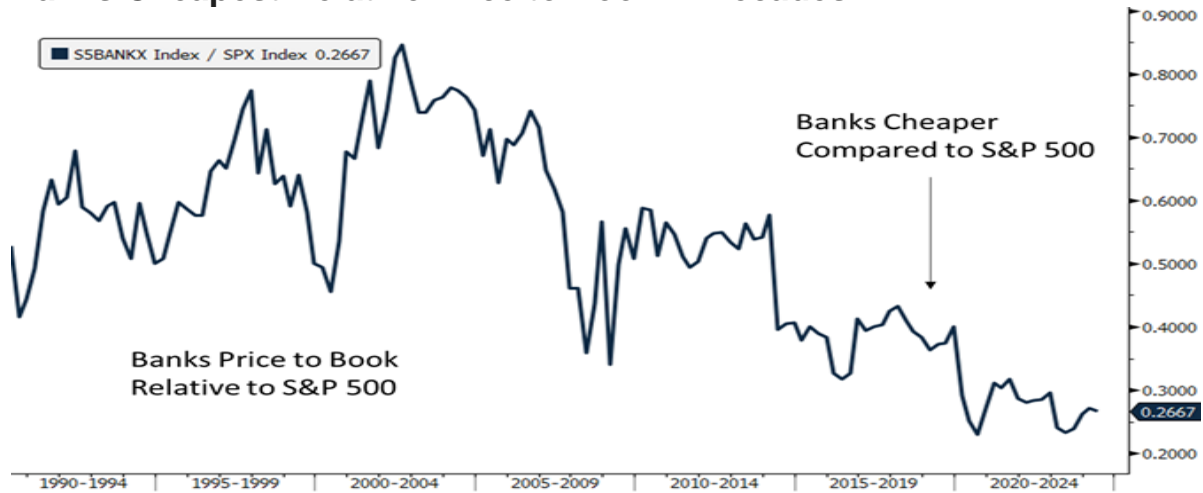
- NIM expansion tends to follow higher rates. (see chart below)
- The economy appears resilient – potential for loan demand and lower delinquencies over time
- U.S. banks, in general, maintain very high-quality credit exposure, carry near-record tier 1 capital and boosted loan loss reserves throughout 2023 (including and especially CRE) - Valuations are near historic lows compared to the S&P 500

#### Net Interest Rate Margins



(Source: Bloomberg)

### Banks Cheapest Relative Price to Book in Decades



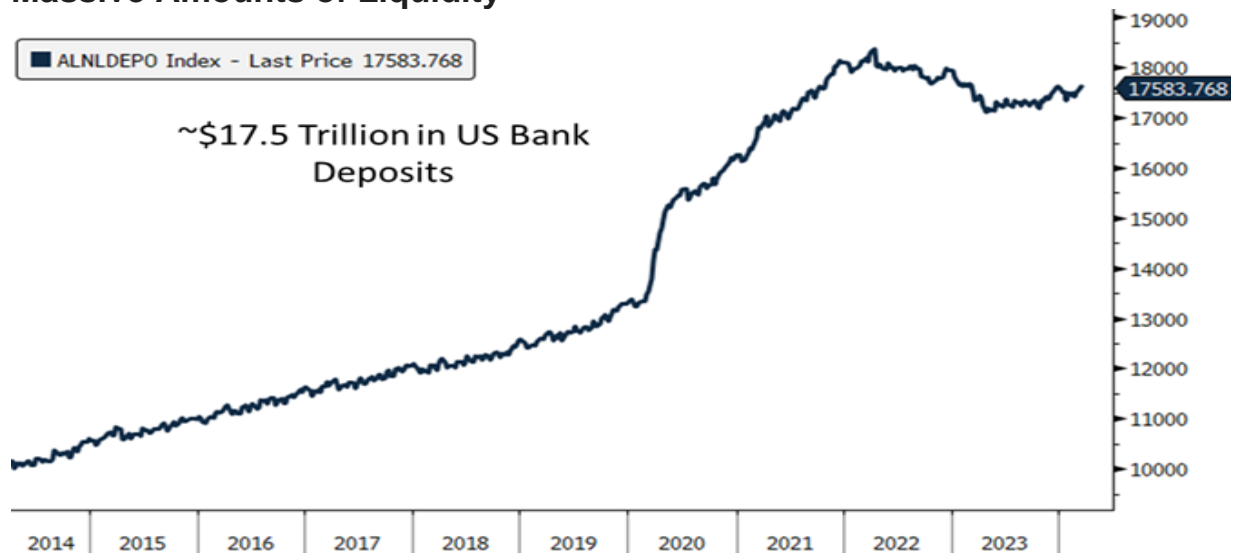
(Source: Bloomberg)

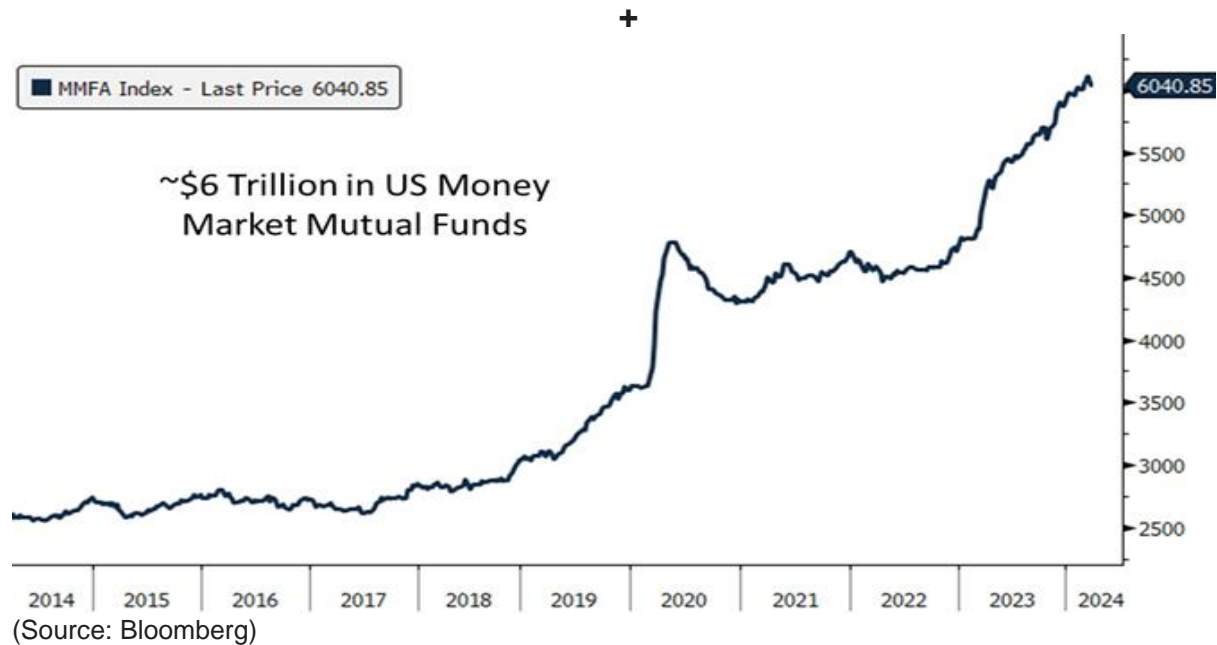
### Credit Remains Strong



(Source: Bloomberg)

### Massive Amounts of Liquidity





### The Rise Of A Second Geography?

Imagine how advisors grew their practice in the "the old days"... Join a fancy club, get on local boards, network with other LOCAL professionals. Face-to-face meetings were the gold standard for advisors, and geographical constraints defined the limits of one's client base. Post Covid? My, how have things changed... I just listened to Kitces podcast. The firm he interviewed:

[750MM, 200 clients, Everyone works remote! All virtual meetings, they serve a Niche Client Base in DC.](#)

Financial advisors can run a practice they dreamed of from anywhere in the world. Why not build a "second geography?"

### Tap into Markets You Love

Target markets you're personally passionate about. Whether it's a city you've always dreamt of visiting or a region where you have cultural ties, virtual meetings eliminate the physical barriers to entry. Financial advisors can immerse themselves in markets that resonate with their personal interests or lifestyle choices.

### Carve Out Your Niche

Cater to the financial needs of tech entrepreneurs in Silicon Valley or retirees in Florida or the music industry in Nashville. You can literally create any niche you want... tailor services, create a unique and personalized marketing strategy and start working your magic!

### The "Out-of-Town" Specialist Appeal

Expanding your business into a new geography might position you as an out-of-town

specialist, adding an element of cache. By positioning yourself as a fresh perspective from outside the area, you can leverage exclusivity and novelty to attract clients who are looking for something different from the local fare.

### **Opening Up New Demographics**

Virtual meetings have democratized access to financial advisory services, making it easier to cater to underserved or niche demographics.

### **Key Strategies for Success?**

- Get your virtual game in order: Take an effective email writing course, study virtual meeting effectiveness playbooks and organize your fintech tools to ensure seamless communication and service delivery.
- Understand the Market: Conduct thorough research to understand the unique needs, desires and current pain points of your prospects.
- Market Strategically: Tailor your marketing efforts to address the specific characteristics and needs of the new market, highlighting your unique position as an out-of-town specialist.
- Build Local Networks: Even in the virtual world, local connections matter. Engage with local professionals and communities to build a referral network. Market your niche planning skills to local attorney, CPAs and other COIs. How about local branch managers or RIA offices? There's likely opportunity to purchase books or team up with folks.
- Prioritize Client Experience: Ensure that the virtual experience is as personable and engaging as in-person meetings, maintaining high standards of client service and satisfaction.

You are now unbound – go get it!

### **Epic Traditions**

Whether you like golf or not, The Masters might just be the most special sporting event of the year. What makes the event so special? The Master's @ Augusta is a weeklong event that upholds tradition unlike anything else: [Masters Champions Dinner](#) & [50 Masters Traditions Unlike Any Other](#) & For next year: [Taste of the Masters](#)

Have a great 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 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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