Berkshire
DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: "They're Gone" + Eat That Frog! – June 21st, 2024

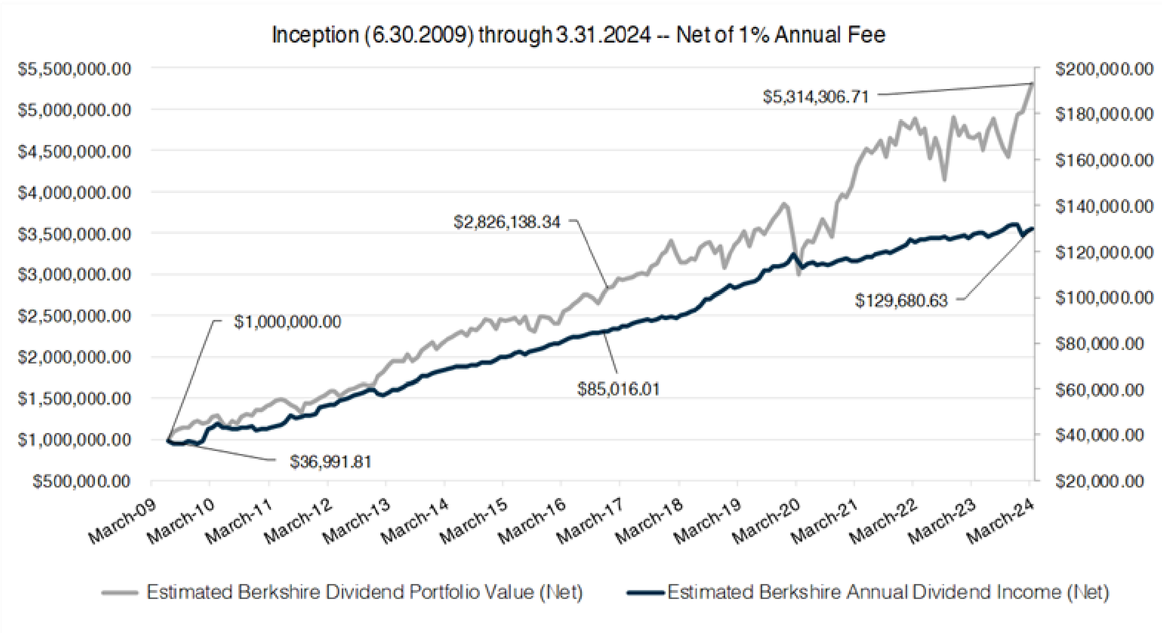
#TGICasualFriday!

6-Point Plan to Keep Clients "On–Track" in a growth driven market.
Advisor feedback - "We need talking points to keep clients on track and to 'not chase growth so much.' Experience tells us the hardest thing for an advisor is to convince clients to keep/add money to strategies that appear to lag behind ones that are "working."

There is no one "magic bullet"– it's a host of concepts working together to continually refocus clients.

1. What do companies like Xerox, Sanyo, Motorola, Panasonic, AOL, Lucent, and Nokia have in common? They were all companies widely believed to be the "next big thing" in some sort of "tech revolution." What else? They are for discussion purposes now largely "gone". PC's Internet, Main, and Mobile Phones – all viewed as "can't miss growth stocks" at one point or another. The revolution thrived…many firms did not. Does AI fit the same mold today? (Tip of the hat to the smart guys at JP Morgan for reminding us of this one). Remind clients there is no guarantee today's winners will be around tomorrow.
2. Remind clients (gently) it's not your job to always have them in the top performing manager in the top performing asset class. It's to create wealth strategies that generate the rate of return that will comfortably get them to their goals with the least amount of risk. Focus on client goals, planning, estate planning needs, wealth transfer, taxation, etc. to show the complete picture of what you get paid to do. Asset management is one part of wealth management.
3. Remind them about diversification. Most advisors use value/dividend strategies as part of a multi-asset class strategy – growth, value, core, international, all key parts. Rarely, the whole portfolio always works – that's the point!
4. Is it really that bad? A 50/50 – ISH growth/value portfolio (indexed) is still probably up (blended) double digits --- not bad for six months' worth of work. Remind clients about the 2022 experience when growth was down 30 and value was down low to mid-single digits. Corrections happen when you least expect them.
5. Growth vs. value metrics – we believe that by most metrics, growth appears more over-valued than during the .com bubble.
6. Can one slide say it all? While it hasn't beaten NVIDIA returns, advisors use this chart to show the merits of our strategy and keep clients fully invested. The results depicted below have endured financial crises, wars, low rates, increasing rates, and a pandemic – a seemingly endless list of things that make clients want to say "Get me out of the market".

Please see page 5 of our Dividend Strategy Guide 3.31.2024 for more detailed information, fees and disclosure information.



Since Inception, ~$1.2MM in total dividends generated by the portfolio

Generate dividend income

Grow dividend income

Provide safety on the downside

A permanent part of your investment portfolio

Invested in companies clients understand

Managed by people you KNOW, trust and committed to your success

(Please reference [Dividend Strategy Guide 3.31.2024](#) for Returns Net of 3% Fees. 3% fee represents the max fee in "wrap" programs in which Berkshire Dividend Strategy participates. Intended for illustrative purposes only. Income chart is based on the assumption $1,000,000 is invested in the Berkshire Dividend Growth and Income Strategy at the inception of the Berkshire Dividend Growth and Income composite. (6/30/2009) The $1,000,000 investment is adjusted monthly based on the stated monthly total returns for the given composite. This includes accumulation and reinvestment of the dividend. The monthly adjusted account values are then multiplied by the current yield of the respective composite. The resulting monthly income figures are then charted in the graph. Dividends are not guaranteed, and may be subject to change. 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. A fee of 1% annually is included in analysis. Berkshire Dividend Growth and Income current yields are calculated in Zacks from a representative account only. Individual account yields and returns can vary. Calculation limitations: Changes of the underlying holdings in the index or composite can change current yield calculations. This can lead to various ranges of results that may appear more or less favorable. Example: Stock A with 3% current dividend yield is sold. Stock B with 4% current dividend yield is purchased. This would result in higher yielding portfolio but is not the result of "dividend growth")

Scale?

Industry buzzword – **Scale**. Kitces recently did a piece…. The industry is constantly preaching **scale**. Heck, we're always discussing **scaling** a practice through the use of dividend strategies. There's merit in the approach. But many advisors don't have a **scale** problem. Many advisors spend far too much time on non-accretive tasks. Sometimes it's easier / more comfortable to focus time and energy on lesser activities instead of...growing the business.

Kitces conversation with an advisor…

Advisor -- I'm trying to **scale** my practice and spent weeks analyzing CRM systems. Salesforce, Redtail, Wealthbox, etc. It was a giant project; I've decided Salesforce is the answer to **scale.**

Kitces – OK so it sounds like you have the solution, so what's the question?

Advisor – Well it's too expensive, $125 a month.

Kitces – That seems reasonable, how big is your practice?

Advisor – I have 4 clients

Yes, some marketing capabilities come along with a standard CRM system. Maybe the advisor is busy perfecting his process, but it’s likely "creative avoidance." Like the book "Eat That Frog" (i.e. doing the hard things first) maybe he's avoiding the real essential task (getting clients) by over-analyzing the CRM.

Kitces emphasizes the point – the advisor is spending endless amounts of time picking a client management system to service clients at scale, when he doesn’t have any clients. The episode explores prioritizing time and energy through the growth of your practice.

Are You Worrying About Scale Before You Even Have a Scale Problem - Kitces & Carl Ep 140

https://www.youtube.com/watch?v=cZW8MXsGyDw

"The magic you seek is in the work you are avoiding." Dipen Parmer
Get after it!!!

Gerard Mihalick, CFA
Dividend Strategy Portfolio Manager/Partner
Berkshire Asset Management, LLC

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