



# Berkshire

## DIVIDEND STRATEGY

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"Casual Friday" Commentary

### **Casual Friday: Butterfly Effect + the Taylor Trade – August 9<sup>th</sup>, 2024**

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#TGICasualFriday!

#### **This Week...Explained**

"Risk happens fast." (growth stocks)

"It always works...until it doesn't." (macro strategies)

"The flapping of butterfly wings can be felt on the other side of the world." (yen-carry trade and ripple effects).

Investment clichés often ring true. This week, many investors received a rude reminder why. A great un-winding or a pause? Time will tell. But we reflected on our advisor base this week and what you might be going through. Some received tons of phone calls, many received few.

Most advisors and their high net worth and ultra-high-net-worth clients usually fare best with: high-quality equities and fixed income balanced in a way to reflect their risk and long-term goal. Simple, understandable, enduring compounding vehicles that remain outside the realm of Wall Street macro exotica may usually be best for them, and best for your business. Hopefully, the past weeks create some new appreciation for the businesses in the Berkshire portfolio.

Oh, and that butterfly effect? Here is a really good article that shows the interconnectedness of failed macro strategies, interest rates, Yen-carry and growth stocks. Buffett was right, you never know who is swimming naked until the tide goes out. [\\$6.4 trn stock wipeout has traders fearing the start of a 'great unwind'](#)

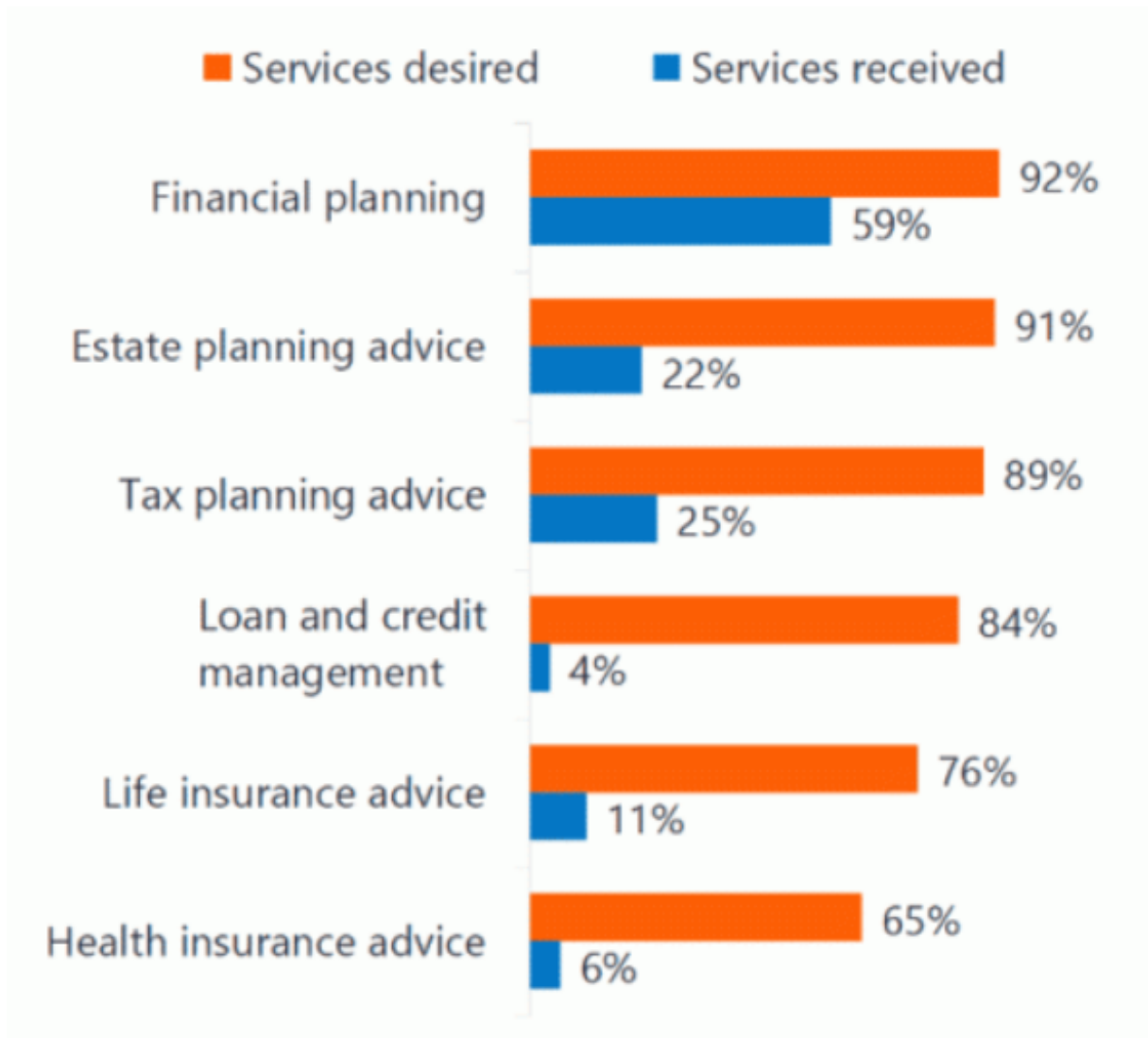
#### **Another Failed Global Macro Trade: European Taylor Swift Ticket Arbitrage?**

Dealing with astronomically priced U.S. Taylor swift tickets, Americans are in a way "shorting" U.S. Taylor Swift tickets and they are "going long" less expensive European shows. The logic? Even after "carrying" costs (air, hotel, etc) it looks like a profitable trade and a cheaper way to see her. Are we counting increased travel time, adjustments for currency differentials? Did we calculate value at risk (VaR)?

What could go wrong? Bomb threats have Ms. Swift canceling shows, giving new meaning to the term event risk. Investors now understand arb risk "all too well" making this trade feel like a "blank space." [Taylor Swift Fans Figured Out a Simple Way to Get Cheap Tickets, and Now I'm Actually Kind of Considering It](#)

## Advisors: New Challenges, New Opportunities?

Services desired by wealthy investors as part of a wealth management offering, vs. services received<sup>2</sup>



Source: Envestnet.

I was shocked when I read this chart because I feel like as an industry, we **say we do all these things**. Resist if you want but this chart tells me advisors are not delivering enough value or articulating enough value in the areas clients seem to want most.

And it means shifting from an investment-oriented practice to a holistic planning one which could mean you will need to learn new skills, reinvent your service model, accept new profit margins, work deeper with a narrower group of clients just to name a few. Net – I believe it's a huge opportunity for advisors willing to adapt. More on how to capitalize in future articles.

## Casual Friday Bonus:

Olympics are winding down but your summer travel is perhaps just getting started. Here is how to travel like an Olympian

<https://www.bnnbloomberg.ca/business/2024/08/07/how-to-travel-like-an-olympian-even-if-you-arent-especially-fit/>

Have a great weekend!

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