CASUAL FRIDAY

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Sidestep? + Still "Chillin"?

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DIVIDEND INCREASE

Microsoft Increases Dividend by 10%

SIDESTEP?

Powell moved 50bps, in line with the market's more dovish expectations. The Fed may be "playing catch-up," or maybe it's purchasing insurance against future deteriorating economic data. We suspect the latter, but it's doing so with the prospect of more inflation. I'm no economist, but everything we all buy still seems to cost more and more.

Long rates? 10Yr & 5Yr treasury plummeted from ~5% to ~3.75% and ~3.50%, respectively. So, the bond market already did some of the heavy lifting for the Fed over the past year. The 2-10 curve emerges from deeply inverted to slightly positive. So, did we sidestep the recession, or do lower rates tell us it's coming? This week's stock market seemed optimistic for a soft landing, but time will tell.

"T- BILL AND CHILL" REVISITED

It seemed intuitive and downright attractive to everybody. After years of "ZIRP," retail investors seemed quite excited to pile millions into T-bills, hang out, and earn approximately 5%. Advisors could once again gather assets based on enhancing short-term yield. We warned, however: T-bill investing is not likely to beat inflation long term, reinvestment risk is real, and what if investors miss out on an equity market rally? Yes, inflation is cooling (but everything still costs more), rates have plummeted, and the S&P 500 rallied ~30% since the 1-year T-bill peaked.

We applaud advisors who successfully used rate strategies to gather assets and were strategic enough to convert "rate shoppers" into long-term "wealth management clients". After all, you are a wealth advisor, not a T-bill salesperson.

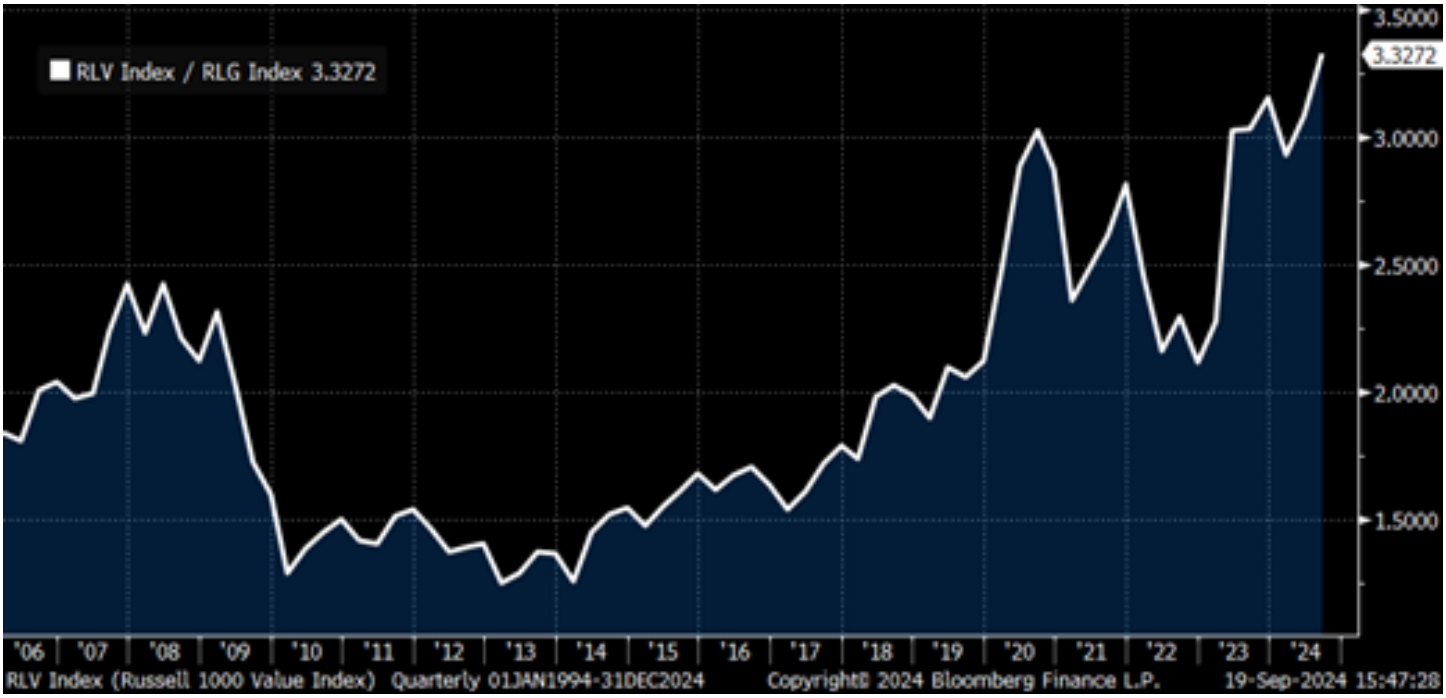
What's next? If we stay on the Fed's expected path, T-Bill and Chillers may reallocate positioning in the upcoming months. So where do these folks go with the $? We suspect at least some of it will enter the equity market and to us it is looking like the relative headwind of dividend and value stocks is rotating in a material way.

Bond investors will likely seek equities that generate income and provide relative safety on the downside. We think a portfolio like Berkshire Dividend Strategy could fit well into the financial plans of these clients. (Source: Bloomberg)

Value Stocks Cheapest in 25 Years Vs Growth Stocks – Relative Price to Book 9.18.2024

(Source: Bloomberg)

Value Stocks Highest Dividend Yield Vs Growth Stocks – Relative Gross Dividend Yield 9.18.2024



(Source: Bloomberg)

“WE DON’T JUST SELL A DIVIDEND PRODUCT…”

Yes, you might not be looking for a dividend product right now. -- Perfect! We’re not trying to sell one.

…Well, maybe that’s not entirely true. We do offer a dividend strategy, and we believe it to be quite effective for a host of reasons. We’d be happy to share our differentiated investment process, sustainable edge, and our solid numbers. And yes, we are passionate about our creativity, depth of team, and the client benefits. We also realize that’s not enough to set us apart. Advisors rarely wake up in the morning and ask, “How on earth am I going to find a decent dividend strategy?” You likely have a huge list of vetted asset managers -- all worthy of being on your firm's roster.

To be fair, plenty of advisors have hired us based on a mandate/factsheet basis (and we love it when advisors are drawn directly to the strategy!). But there are multiple ways to differentiate a strategy… Chances are, you have many practice aspirations and challenges that need solving. We believe the way we market and deliver our dividend strategy is a major differentiator for our many advisor partners. We present our firm, strategy, and service through the lens of the practice objectives we help solve.

What does this look like in practice?

Advisor Challenge	Berkshire Potential Solution
“I have too many CUSIPS and need to discuss consolidation.”	Positioned correctly, our dividend portfolio may cover a lot of client allocation needs
“I need to consolidate strategies or change my selling model, but I’m worried about capital gains taxes.”	We’ve developed a customized transition approach that manages capital gains and can potentially drive down tax costs.
“I’m too busy and would like to outsource more, but I’m getting pushback from clients.”	We can help you make the case through webinars and presentation decks. And we’re ready to show up via in-person meetings too.
“My clients are hesitant to make changes and don’t want to feel cast off to some impersonal firm.”	Our high-touch approach includes direct calls with clients and broad portfolio manager access, keeping them comfortable and you are relevant.
“I’d like to grow my practice, but don’t have enough time to do it right.”	We provide direct practice management webinars, provide teachings that promote best practices and strategies to grow your business.
“I need to find new ways to engage my clients.”	Berkshire weekly emails forego the boring finance speak and provide sharp takes on important, big-picture trends. They can serve as a foundation to your own communications.
“I’m tired of chasing the benchmark and being victim to the ups and downs of the market.”	We can help you articulate the case for income-based strategies and how they may immunize cash flow needs and get the client's eyes off every market gyration.
“I’m tired of the old platforms of separate platforms for everything – SMA/mutual fund/advisor-directed…it’s all cumbersome.”	Let us show you how to build an assembly line using UMA technology.

So, for us, it's not the strategy per se, it's the different ways it can be positioned to solve real practice and client problems.

It's not too dissimilar to an advisor's business. There are lots of financial advisors out there like you, and most have access to the same tools and information. But you (hopefully) have a unique way you package those tools into an offering that solves a whole host of aspirations and challenges for your clients. That's what makes them work with you vs. someone else. Advisors see the same spirit in the Berkshire model, and it's why some advisors make us their partner of choice.

Our real value is how our service is delivered and customized to your specific practice objectives. So, while you might not be looking for a dividend "product," if you have any one of the above challenges, we invite you to have a discussion with us on how we can actually help. What challenge can our service and our portfolio potentially help you solve? We know that when we meet those challenges, suddenly the case to move assets our way becomes compelling.

SUMMER HASN'T EVEN ENDED, BUT HERE IT COMES.

https://www.marketwatch.com/story/starbucks-pumpkin-spice-latte-could-be-a-500-million-seller-but-is-that-good-enough-04cfccc8

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