



# Berkshire

## DIVIDEND STRATEGY

Berkshire Asset Management  
46 Public Square, Suite 700  
Wilkes-Barre, PA 18701  
570.825.2600

"Casual Friday" Commentary

### Casual Friday: Market Like Apple + Follow the \$? – November 8<sup>th</sup>, 2024

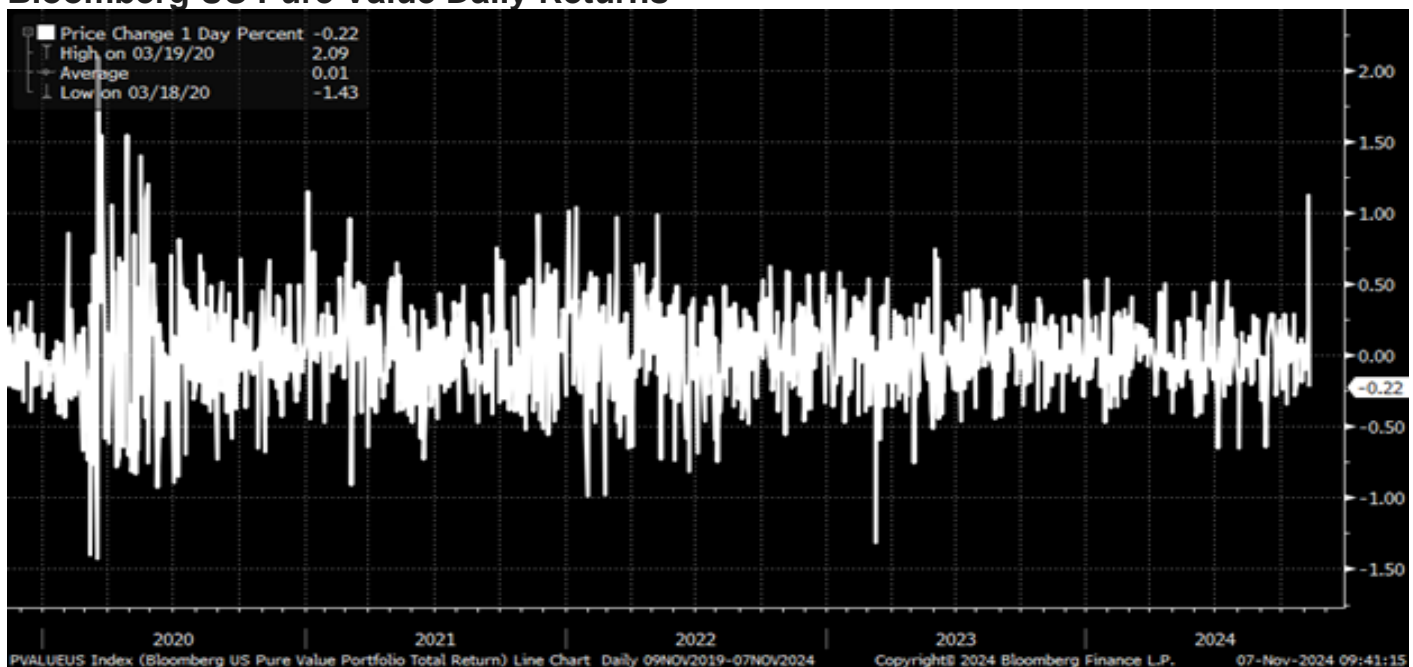
With election results wrapping up, how do we process the impact on financial markets? (Personally, I'm relieved not to receive 15 political ads via text message every day!) The agenda appears to be pro-growth economic policy -- lower taxes and deregulation. The markets reacted sharply with *value stocks surging the most in one day since early 2021*.

(Source: Bloomberg)

Why? Broader economic growth tends to benefit value stocks' earnings. "The rising tide lifts all boats." A boring bank might now grow earnings at the same pace as the flashy semiconductor. Consider this hypothetical scenario – a boring bank trades at 12x earnings and a flashy semiconductor at 30x, yet both grow earnings at the same pace. Which stock do you want to own? *As an investor, you will own a much greater share of the earnings of the 12x company.*

**Corporate Tax Impact:** Yes, economic growth can result as a *byproduct* of tax policy and regulation, but a corporate tax cut may benefit value companies much *more directly*. Trump proposes reducing corporate tax rates to as low as 15% for those that make their products in the U.S. Ending December 31, 2023, companies in the value index on average paid an effective tax rate of 20.18% vs growth 17.53%. A corporate tax cut may unleash dividends, buybacks, capex, etc. in U.S. Large Cap Value stocks.

### Bloomberg US Pure Value Daily Returns



(Source: Bloomberg -- Bloomberg US Pure Value Portfolio represents the return of Value factor US Equity model. Value factor aims to differentiate "rich" & "cheap" stocks.)

## What if YOU Could Market Yourself as Well as Apple?

HOW we do something vs WHY we do it...

Perhaps this is the key for financial advisors to unlock differentiated marketing campaigns and accelerate closing prospects.

As financial professionals, we could spend too much time telling clients HOW we do something. Perhaps a more productive and differentiated approach is to tell them WHY we do it.

Take a glance at Simon Sinek Apple's "Golden Circle" and I'll parallel applications to the financial business: <https://www.youtube.com/watch?v=OVnN4S52F3k>

The video sounds eerily similar to how financial advisors or portfolio managers present services.

### **Outside in (Traditional)**

*What:* "I'm a financial advisor at XYZ Firm. I have access to great planning tools, best in class investments and I devise a plan customized for each client. I'm dedicated to exceptional individual service."

*How:* "My comprehensive process delivers better results than the competition." (competition says the same thing!)

*Result:* The advisor fails to win the business because the client sees no motivation or anything unique.

### **Inside Out: (Motivational)**

*Why:* "I'm in this business because there is a retirement crisis in this country. The data shows out-of-pocket health care costs could approach \$250,000 during retirement, inflation is high and it's increasingly difficult to obtain returns commensurate with the risk investors are willing to accept."

*How:* "My mission is to liberate your retirement assets. I'll start with learning everything possible about your financial lives. I'll work to find tax savings, planning issues and offer budget tactics other advisors tend to miss. (Discuss examples, use case studies). I fight to make sure you get the type of retirement you want, not the one the IRS or the markets dictate for you."

These examples answer the pointed question from the video: Why did you get out of bed this morning...and why should anyone care?

Potential Result: The client clearly understands your passion, expertise, and feels compelled to act. This client is also likely to make referrals and join your cause. There are countless

applications in your advisory business. Use your creativity. Articulate your cause and you just may find a “Golden Circle” of client assets!

*Bonus:* If you are truly inspired, it often won't even feel like work.

### **What motivates our team at Berkshire?**

*Why:* The financial advisory industry is under assault in many ways. You face increased competition, tougher compliance, fee compression and higher service demands. That is why we are constantly looking for ways to take your business to the next level.

*How:* Portfolio managers at Berkshire meet directly with prospects and clients, help refine marketing messages, assist in the process of identifying and dominating your niche, and share countless best practices from the field of advisors we service.

*Result:* A differentiated partnership between advisor, client and manager helping you attract and retain more assets.

The Inside Out Method seeks to provide a transformative framework for marketing your financial services practice. By starting with your "why" and communicating it authentically, you create deeper connections, differentiate yourself in a crowded market, engage clients on a profound level, and attract ideal clients. As you implement this method, remember the words of Simon Sinek: "People don't buy what you do; they buy why you do it." Embrace your purpose and let it guide your marketing efforts and watch your practice flourish.

Ernst & Young's Global Wealth Management Research - [https://www.ey.com/en\\_gl/wealth-and-asset-management/how-to-build-a-wealth-management-business-that-scales](https://www.ey.com/en_gl/wealth-and-asset-management/how-to-build-a-wealth-management-business-that-scales)

Simon Sinek's TED Talk:

Start with Why - [https://www.ted.com/talks/simon\\_sinek\\_how\\_great\\_leaders\\_inspire\\_action](https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action)

### **Follow the Money?**

We're all in the money business, so it may not come as a surprise... "The markets were far and away the best forecast of the 2024 election," said Koleman Strumpf, a professor of economics at Wake Forest University in North Carolina: [Polymarket, Prediction Betting Markets Vindicated](#)

Have a great weekend,  
Gerard

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

**Berkshire Dividend Growth SMA is available through various** custodians, broker-dealers and UMA providers. This commentary is Intended for Institutional and advisor use only. This commentary may make information of third parties available via website links. The Third-Party Content is not created or endorsed by Berkshire nor any business offering products or services through it. The delivery of Third-Party Content is for general informational purposes only and does not constitute a recommendation or solicitation to purchase or sell any security or make any other type of investment or investment decision. In addition, the Third-Party Content is not intended to provide tax, legal or investment advice. the Third-Party Content provided to is obtained from sources believed to be reliable and that no guarantees are made by Berkshire or the providers of the Third-Party Content as to its accuracy, completeness, timeliness.

Any companies referenced, have been done so, solely for illustrative purposes and not based on investment performance or attribution to the overall performance of the strategy. The companies identified herein do not represent all the securities purchased, sold or recommended for client accounts, and you should not assume that an investment in the companies identified was or will be profitable. Berkshire retains the right to revise or modify portfolios and strategies if it believes such modifications would be in the best interests of its clients. Model portfolios may or may not contain any specific security at any time, and decisions to invest should not be made based on the presumed or current composition of any model portfolio - A complete list of holdings in the Berkshire Dividend Growth Strategy.

Berkshire Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To receive GIPS-compliant performance information for the firm's strategies and products, contact Jason Reilly, CFP® Tel: 570-825-2600 or [info@berkshiream.com](mailto:info@berkshiream.com).

**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.

**Risks:** Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for an individual's investment portfolio. Dividends are subject to change, are not guaranteed, and may be cut. 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. Berkshire's equity style may focus its investments in certain sectors or industries, thereby increasing potential volatility relative to other strategies or indices. The dividend strategy may include bundled services also known as a "wrap fee program". Because there is typically a low turnover in the strategy, this may be more costly for some investors. No one should assume that any information presented serves as the receipt of, or a substitute for, personalized individual advice from a qualified advisor or any other investment professional.

**Market Commentary, Aggregate Holdings, Securities, Sectors, Portfolio Characteristics Mentioned:** No statement made in this presentation shall construe investment advice. This presentation is for informational purposes only. Views, comments or research mentioned is not intended to be a forecast of future events. The mention of any security or sector is not deemed as a recommendation to buy or sell. Any reference to any security or sector is used to explain the portfolio manager's rationale for portfolio decisions or philosophy. Research or financial statistics cited regarding securities or sectors do not contain all material information about them. Any securities mentioned represent a partial list of holdings whereas Berkshire portfolios typically contain approximately 30-40 securities in percentage weightings ranging from 1-5%. A complete list of holdings from a representative account is available upon request. Overall portfolio characteristics mentioned are from a representative account deemed representative of the strategy; data may be compiled from Bloomberg, Baseline or Berkshire estimates. Individual holdings, performance and aggregate characteristics of actual portfolios may vary based on a variety of factors including market conditions, timing of client cash flows and manager discretion. This presentation contains Berkshire opinions and use of Berkshire estimates which are subject to change at any time. Berkshire employees may have personal positions in any securities or sectors mentioned. Charts, presentations or articles may be obtained from third parties and Berkshire does not guarantee their accuracy. \*Platform restrictions may apply. Preliminary returns are based on composite estimates only. Individual accounts will vary. Copyright © 2021 Berkshire Asset Management, LLC, All rights reserved.