



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Earnings Wrap, Intel's Moat + "Berkshire Jeopardy" – April 26th, 2019

Earnings Season:

By and large, companies in the Berkshire Portfolio are reporting solid earnings, and price reactions have been favorable. Consumer related companies, which were a drag on performance in 2018, are rebounding sharply. Kimberly Clarke (KMB) and Coca Cola (KO) reported solid advances in unit volumes and importantly, they demonstrated solid pricing power as input costs continue to challenge the bottom line. Proctor & Gamble (PG) was down after reporting solid numbers, but that is understandable given the huge run the stock had from the end of 2018.

Large holdings, such as JP Morgan (JPM), Lockheed Martin (LMT), Honeywell (HON), Microsoft (MSFT) are also performing well – good for our portfolio – but also a good indicator for the whole economy given their bellwether status.

Intel (INTC) a long term holding is down sharply this morning as the company issued below consensus guidance. While the street (often) focuses on cyclical issues, the secular advantage Intel enjoys is truly remarkable. New technology paradigms, declining price of computing power, new competitors, high capital spending requirements, recessions... are just a few of the threats Intel has faced since it went public in 1968. Perhaps most impressive is how Intel has maintained high gross margins and cash flow margin - even as many products in the chip space get commoditized. It shows Intel can deliver innovation and pricing power from the \$13 billion in annual R&D. Despite high annual capital expenditures, free cash flow margins are over 20% - which outpaces many smaller rivals who lack scale, and is quite attractive vs. many other industrial companies. Intel's free cash flow covers the dividend over 2.5 times. Many companies and analysts talk about "moat" and "competitive advantage" but the durability of Intel's is one that has stood the test of time and we continue to believe this "moat" remains intact.

"Berkshire Jeopardy"

The incredible Jeopardy streak for James Holzhauer continues!
He's won 16 episodes straight and well over \$1MM in earnings...

Advisors – Do you think you have what it takes to challenge Holzhauer on Berkshire Stocks?!

- **Berkshire Stocks for \$100** – Primary financier to early development of U.S. railroads, this financial institution has become the largest of its kind in the U.S.

- **Berkshire Stocks for \$200** – Founded in 1975, this technology company first topped sales of \$1MM in 1978 and is now one of the top patent holders in the U.S.

- **Berkshire Stocks for \$300** – A globally recognized brand, this company was the first to sponsor the Olympics in 1928 and remains the longest continuous sponsor of the Olympic Games.

- **Berkshire Stocks for \$400** – Paying shareholders a dividend since 1891, this company is now on a streak of increasing payouts for 63 consecutive years.

- **Berkshire Stocks for \$500** – With more than 130 years of industrial innovation in the U.S., this Charlotte based company's instruments helped U.S. astronauts Neil Armstrong and Edwin "Buzz" Aldrin land on the moon.

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Dividend Highlights

- Dividend growth can often provide transparent insight into a company's fundamentals and vitality.
- Dividend growth can provide an attractive stream of increasing cash flow to satisfy many financial objectives.

- **Berkshire Stocks Final Jeopardy** – Contrary to how most identify with the company today, it invented: Nerf balls, Care Bears, Paint-by-Numbers, the Betty Crocker Easy Bake Oven and even a submarine which trolled the North Atlantic looking for remains of the Titanic.

Reply to this email with your ticker symbol responses...we will send you the correct "questions!"

Good luck!
Gerry

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