



# Berkshire

## DIVIDEND STRATEGY

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Over the past 30 years, we have successfully implemented highly focused equity portfolios. Our guiding principle is a belief that success is achieved by combining rigorous, well crafted investment processes with an exceptional level of client service and attention to detail.

### INVESTMENT OBJECTIVE

The Berkshire Dividend Strategy's primary goal is to generate a growing stream of income through investments in a diversified portfolio of equities. We seek companies with a stable, high and growing dividend. Capital appreciation is a secondary goal and a risk profile below the S&P 500 is desirable.

### STRATEGY RATIONALE

Over time, dividends have made up a substantial portion of the total return of the S&P 500. The current investment climate may make dividend effect on total return even more important. As consumers, businesses and governments continue to pay down debt, growth is likely to be positive but below average. Many high quality dividend paying stocks offer an attractive alternative to low yielding fixed instruments as they may possess higher current yields and may have the ability to grow the dividend over time.

### A COMPREHENSIVE, FORWARD LOOKING INVESTMENT PROCESS:

Intelligent dividend investing is much more than simply selecting stocks with high dividend yields or screening for past dividend increases. With an eye to a company's future, we carefully consider three major variables when investing:

#### CURRENT DIVIDEND

- Dividend yield equal to or higher than S&P 500
- Current yield + dividend growth
- Potential for stock buybacks

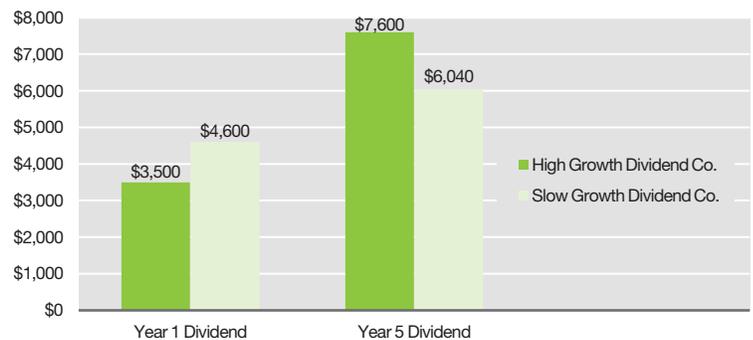
#### CONSISTENCY OF DIVIDEND

- Strong balance sheet: low debt to equity ratios and high interest coverage ratios
- Sustainable operating margins
- Credit spreads on underlying debt

#### GROWTH OF DIVIDEND

- Future sales and earnings growth
- High return on equity
- Management's commitment to dividend growth
- Potential future return

### IMPORTANCE OF A GROWING DIVIDEND

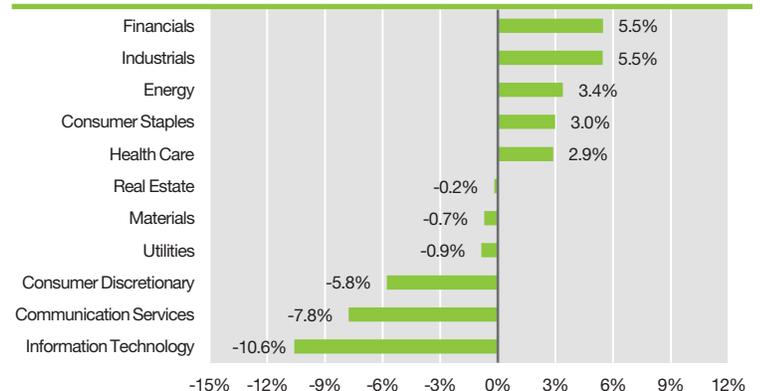


Assumptions: \$100,000 invested in 2 companies:  
Company #1: 3.5% current yield and high growth ("High Dividend Growth Company")  
Company #2: 4.6% current yield and modest growth ("Slow Dividend Growth Company")

### PORTFOLIO CHARACTERISTICS (as of 9/30/2019)

	S&P 500	Portfolio
Number of Issues	505	37
Return on Equity	15.29%	16.09%
Beta	1.00	0.87
Current Yield	1.92%	3.11%
LT Debt to Capital	42.39%	45.60%
Forward P/E	16.87	14.76
Payout Ratio	36.50%	49.20%
Average Market Cap	\$250 bill	\$179 bill

### RELATIVE SECTOR WEIGHT (% vs. SP 500)



**TOP HOLDINGS** (as of 9/30/2019) \* Holdings are subject to change. A full list is available upon request.

Company Name	Ticker	% of Portfolio	Dividend Yield %	P/E Next 4 Qtrs	Beta	ROE %	Dividend Payout Ratio%
JPMORGAN CHASE	JPM	4.73%	2.72%	11.32	1.08	14.00%	32.36%
PNC FINANCIAL SERVICES	PNC	4.10%	2.85%	11.99	1.09	11.59%	34.18%
LOCKHEED MARTIN	LMT	3.99%	2.26%	16.02	0.87	29.51%	41.89%
CISCO SYSTEMS	CSCO	3.97%	2.75%	14.64	1.13	30.27%	51.45%
MICROSOFT	MSFT	3.48%	1.32%	25.67	1.05	42.41%	35.96%
NORFOLK SOUTHERN	NSC	3.42%	1.93%	15.67	1.05	17.59%	32.51%
WELLS FARGO	WFC	3.13%	3.65%	11.13	1.02	12.67%	36.18%
MCDONALD'S	MCD	3.05%	2.16%	25.05	0.73	36.03%	58.36%
WP CAREY	WPC	3.01%	4.62%	25.97	0.46	8.04%	76.81%
KINDER MORGAN	KMI	2.95%	4.37%	19.72	0.89	6.92%	89.85%
<b>Total Portfolio</b>			<b>3.11%</b>	<b>14.76</b>	<b>0.87</b>	<b>16.09%</b>	<b>49.20%</b>
S&P 500			1.92%	16.87	1.00	15.29%	36.50%

**PORTFOLIO MANAGER PERSPECTIVE**

Convoluting push/pull macro worries – about trade wars, Federal Reserve actions, and a potential recession – are persisting quarter after quarter. Still, stock indices keep grinding higher, leaving naysayers and market timers well behind. Value stocks are rebounding vs. growth as the economy remains seemingly durable.

	Berkshire Dividend Strategy (Gross)*	S&P 500	S&P Difference	Berkshire Dividend Strategy (Net)*
<b>2009</b> <i>Incep. 5/31/2009</i>	23.24%	22.50%	0.74%	22.74%
<b>2010</b>	11.62%	15.06%	-3.45%	10.62%
<b>2011</b>	10.04%	2.11%	7.93%	9.04%
<b>2012</b>	14.18%	16.00%	-1.82%	13.18%
<b>2013</b>	31.26%	32.39%	-1.13%	30.26%
<b>2014</b>	13.88%	13.69%	0.19%	12.88%
<b>2015</b>	2.27%	1.38%	0.89%	1.27%
<b>2016</b>	15.29%	11.96%	3.33%	14.29%
<b>2017</b>	16.95%	21.83%	-4.88%	15.95%
<b>2018</b>	-4.85%	-4.38%	-0.47%	-5.85%
<b>2019 YTD</b>	17.76%	20.55%	-2.79%	17.01%
<b>Total Return</b>	299.17%	300.56%	-1.39%	264.24%
<b>Annualized</b>	14.85%	14.89%	-0.04%	13.44%
<b>1 Year</b>	7.12%	4.25%	2.87%	6.12%
<b>3 Years</b>	10.88%	13.38%	-2.50%	9.88%
<b>5 Years</b>	10.31%	10.84%	-0.53%	9.31%
<b>7 Years</b>	12.89%	13.26%	-0.36%	11.89%
<b>10 Years</b>	13.30%	13.24%	0.06%	12.30%

Disclosure: Berkshire Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). Berkshire Asset Management is a fee-based, SEC registered advisory firm serving the portfolio management needs of institutional and high-net worth clients. Registration with the SEC or any state securities authority does not imply a certain level of skill or training. The Dividend Growth Composite contains portfolios invested in Berkshire's Dividend Growth Strategy with an equity allocation target of 90% - 100%. The Dividend Growth Strategy's primary objective is to generate a growing stream of equity income by investing in a diversified portfolio of equities with stable, high, and growing dividends. The benchmark is the S&P 500 Index. The index returns are provided to represent the investment environment existing during the time periods shown. For comparison purposes, the index is fully invested, does not include any trading costs, management fees, or other costs, and the reinvestment of dividends and other distributions is assumed. An investor cannot invest directly in an index. Gross returns are presented before management and other fees but after all trading expenses. Net returns are calculated by deducting actual management fees from gross returns. Returns reflect the reinvestment of dividends and other earnings. Valuations are computed and performance is reported in U.S. dollars. To receive a complete list of composite descriptions and/or a compliant presentation, contact Jason Reilly, CFP® Tel: 570-825-2600 or info@berkshiream.com. Past performance does not guarantee future results.

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. You cannot invest directly in an index. Beta is a measure of volatility vs. an index. Current yield is the mean estimated annual dividend amount based on current calendar year, divided by the current stock price. Dividend Payout ratio is the fraction of net income a firm pays to its shareholders in dividends, in percentage. Forward Price Earnings Ratio (P/E) is the ratio of the price of a stock and the company's projected earnings per share. Return on equity (ROE) measures profitability by dividing dollars of profit by shareholders' equity.

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.