



Berkshire

DIVIDEND STRATEGY

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

“Casual Friday” Commentary

Casual Friday: “Advisor Checklist For All Time Highs” – January 24th, 2020

“Advisor Checklist for All Time Highs”

Clients are likely feeling good and your business is probably coming off a record year. However, it's not time to get complacent. Instead, it's time to work hard and bank good-will you've probably earned during this bull-run.

Here are focused activities to bolster client relationships:

1. Have the “risk” conversation - Now! Remind clients what downside feels like in dollar terms. Quantify the dollar amount they have invested in equities and calculate the approximate dollar loss if the market declined 20-30% (a meaningful correction). And if they can't handle a one year loss of that magnitude, it's likely they need to rebalance back to their baseline allocation.
2. Talk down return expectations. Yes, this sounds basic after coming off the last decade. But despite lip service to the contrary, clients typically have very unrealistic return expectations even in normal times.
3. Scrutinize manager/fund returns even more closely. Did a winning strategy: Take on undue risk? Benefit from gains concentrated in a few possibly overvalued/risky positions? Gain from a macro tailwind that might now reverse? Own lower quality names?
4. Start talking about what conditions would begin to spark potential changes to their investment lineup. One simple sentence can prove you are proactive: “I'm contemplating a few changes to your portfolio”.
5. If you haven't done a full financial plan, now is the time. It will help remind clients you do more than investment management – which will be critical if we go through another down cycle. Plus, you will likely uncover additional assets and/or discover client objectives you didn't know about. Remember – solving big problems means potentially landing big assets.
6. Talk about charitable giving – it's a great way to uncover client philanthropic passions. And while you are at it, consider making a contribution to the client's charity, volunteer for the next event, or help them fund raise.
7. Get the spouse or kids involved. You might ask “is there anyone else in your family who should know about what goes on here?” This way you start to build continuity and start to lock down future generations. Client attrition runs as high as 85% after death of a spouse or parent. Plus, you might find a financially successful child, and you can impress them with your approach. You don't want to be meeting the kids or widow/widower at the funeral.
8. Use the “Marie Kondo” de-cluttering method for clients and strategies – “if they don't give you joy, thank them, and but say goodbye”. Streamline into your favorite clients and your highest conviction strategies you know inside and out.
9. Carefully dissect recent AUM growth: how much of the growth came from client wins, and how much came from asset appreciation. For the former, carefully dissect the steps of how you won those new assets, and see if you can replicate those conditions. This creates a disciplined repeatable process for client acquisition.
10. Consider lowering portfolio beta and focus on income generation.

Let us know other great ideas we should add to the list!

Our Q4 2019 marketing documents are available:

- [Berkshire Dividend Strategy Fact Sheet 12.31.2019](#)
- [Berkshire Dividend Strategy Scorecard 12.31.2019](#)
- [Berkshire 2019 4th Quarter Dividend Commentary](#)
- [Berkshire Dividend Strategy Guide 12.31.2019](#)

2019 Bullet-point Berkshire Portfolio recap for advisors and clients:

- 35 of 37 companies in the portfolio raised the dividend in 2019
 - **General Mills (GIS)** and **Qualcomm (QCOM)** did not raise dividend, but GIS retired a large portion of debt and QCOM bought back nearly 1/3 of its outstanding shares with excess free cash flow - Source: Bloomberg
- 2019 Average dividend increase: 10% - Source: Bloomberg
- Approximate dividend yield: 3.01% - Source: Bloomberg 12.31.2019
- Forward P/E: 15.8% – Source: Bloomberg 12.31.2019
- Upside Capture: 90% S&P 500...despite being underweight some top performing sectors like tech, utilities and REITS. - calculated as % of S&P return.
- A formula that would have given more boost to the portfolio last year? Owning lower yielding and/or higher beta names, "paying up for growth" and a relative overweight in aforementioned tech, utilities and REITS (all which look expensive to us).

Call/email us to discuss portfolio, business building ideas that are working or client specific cases.

Contact Berkshire:

Gerard Mihalick, CFA, Portfolio Manager
gmihalick@berkshiream.com or (570) 825-2600

Jason Reilly, CFP®, VP Distribution
jason@berkshiream.com or (570) 825-2600

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 no guarantees are made by Berkshire or the providers of the Third-Party Content as to its accuracy, completeness, timeliness.

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. 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. 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 portfolio's 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 constitute 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 © 2020 Berkshire Asset Management, LLC, All rights reserved.*