



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Dividend Strategies At Rate Inflections + 'Google' Named From A Typo?

Advisor question: "Can you show how Berkshire Dividend Growth Strategy performed during the last few periods of rising interest rates"? Clients also read the headlines and inevitably ask: "How might higher rates affect my dividend portfolio?"

Our view? Depending on the composition of dividend stock holdings, higher rates can produce vastly different outcomes. We believe our focus on dividend growth and owning securities which may benefit from higher rates can give us an edge against competing strategies.

First, we reviewed the past 5 years and identified three distinct periods where 10 year Treasury rates made a significant move higher (75 bps or more).

May 1st 2013 – December 31st 2013

10 Yr. Treasury moves from 1.60% to 3.00%

*Berkshire Performance: +13.52%

January 30th 2015 – June 10th 2015

10 Yr. Treasury moves from 1.65% to 2.50%

*Berkshire Performance: +6.34%

July 8th 2016 – March 13th 2017

10 Yr. Treasury moves from 1.38% to 2.60%

*Berkshire Performance: +9.92%

Next, we created graphs plotting an index of our portfolio vs. the U.S. 10 year treasury. The charts provide a good look at how our portfolio tracked key rate inflection points listed above:

[Performance Charts: Berkshire Dividend vs 10 Yr Treasury Yield](#)

Third, we calculated Berkshire's correlation w/ Bloomberg Barclays US Agg 7-10 Year Total Return Value**:

YTD Correlation*** (-.39)

5yr Correlation*** (-.23)

Basic interpretation?

When rates are up and fixed income total return is down Berkshire has performed positively.

(Of course every cycle will be different and past performance is not a guarantee of future returns)

Qualitative explanation behind this relationship:

- Focus on dividend growth over dividend yield
- Overweight in financials
- Avoidance/underweight sectors like utilities and telecom.

Utilities may be particularly vulnerable in a rising interest rate environment while financials may benefit.

[Higher Rates...Good or Bad for Equities?](#)

Was the name Google created by a typo?

Here's what 24 of the most popular brand names really mean:

<http://www.businessinsider.com/what-brand-names-mean-2017-4/#pepsi-was-named-after-the-medical-term-for-indigestion-1>

Berkshire is a fee-based, SEC registered advisory firm serving the portfolio management needs of high net worth and institutional clients. Over the past 29 years, we have successfully implemented highly focused equity, fixed income and balanced 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. Asset Management with a Difference... Diligence, Integrity, and Focus.

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.

Popular last week: Growth vs. Value chart showing big valuation gap forming...reminiscent of 99'?

[Casual Friday: Back To Business + Growth/Value Inflection? – September, 15th 2017](#)

Give us call to discuss and have a great weekend
-Gerry

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**Berkshire performance is measured from a model acct index only. This performance measurement can vary from actual results. Individual account performance will vary. Past performance does not guarantee future results.*

***The Bloomberg Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).*

****Bloomberg Definition: Correlation is defined as the degree to which the fluctuations of one variable are similar to those of another.*

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.

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