



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Q3 Wrap Up + Dividend Increases - October 6th, 2017

Q3 is wrapping up and advisors are engaged in client meetings

Below we share ideas on how advisors can address some common refrains coming from clients:

"Why own these stodgy value stocks when "FAANG"/Growth stocks are doing so well?"

Growth has been on incredible run, up roughly 20% YTD (Russell 1000 Growth).

But as we observe current valuations growth is now the most expensive relative to value (on a price to book value basis) going back over 15 years. While not at March 2000 extremes, valuation charts are starting to look eerily familiar:

[Growth / Value Charts 9.15.17](#)

Advisors know what successful long term investing is all about: putting cash in investor bank accounts. Show them how "Old Tech" is poised to do just that:

["Old Tech" Opportunities vs "New Tech"](#)

"What happens to dividend strategies when interest rates go up?"

As global growth persists, rates may continue a grind higher.

In this environment, utilities and telecom may be particularly vulnerable while financials may benefit.

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

Advisor question: Can you show a data series that shows what specifically has happened with Berkshire Strategy in periods of rising rates?

Our strategy has demonstrated negative correlation to the ten year.

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

Dividend increases are also welcomed news and we are pleased with this past month's dividend increases in the Berkshire Portfolio:

Honeywell (NYSE: HON) - 12% increase

Lockheed Martin Corporation (NYSE: LMT) - 10% increase

Microsoft Corp. (NYSE: MSFT) - 7.6% increase

McDonald's (NYSE: MCD) - 7.4% increase

We have a full list of this year's dividend increases ready for client presentation:

[Dividend Growth Scorecard 9.30.17](#)

We will have completed fact sheets, commentaries and slide decks shortly.

Bonus: Can you imagine Manhattan covered in farmland?

Business Insider presents historical images of the city as it once was:

[Incredible Photos of New York City When it was Covered in Farmland](#)

Have a great weekend.

-Gerry

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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.

**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.*

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