



Berkshire

DIVIDEND STRATEGY

Gerard Mihalick, CFA
gmihalick@berkshiream.com

46 Public Square
Wilkes-Barre, PA 18701

570.825.2600

"Casual Friday" Commentary

Casual Friday: Spring Edition/Quarter End Preview – March 29th, 2018

Good morning and a happy long weekend. Spring is here (finally!). This means opening day for baseball (today), the end of March Madness (weekend), the (Masters next weekend), Easter and Passover. Hopefully the weather where you are matches the calendar.

It's also quarter end for investors...

So here are some macro and Berkshire specific perspectives to get you ready for client meetings.

Stories of Q1 2018...

Markets started out with a bang – strong earnings, prospect of tax reform, and ‘gradual’ rate increases – a type of Goldilocks scenario lifted stocks to all-time highs.

Mid-February brought the VIX related crack up. We didn't see how further contagion would evolve and it appears that specific threat has since subsided:

[Casual Friday: The “Vol Of Vol” + Olympian, Advisor Evolution – Feb 9th, 2018](#)

Then the Fed started to sound a bit more hawkish and expectations for 3 rate hikes started to sound more like 4. Berkshire's emphasis on dividend growth vs. dividend yield plus convictions in financials, industrials have historically allowed us to have solid relative performance against other dividend managers in rising rate environments:

[Casual Friday: Dividend Strategies At Rate Inflections – September, 22nd 2017](#)

Now we are experiencing “FANG”/ growth stock issues– a welcomed development for those defending value stocks. We addressed the last 2 weeks – one from the macro and one from the micro side of things:

[Berkshire – Growth Value and Volatility](#)

[Casual Friday: “Priced To Perfection” + Zone Stealing? – March 23rd, 2018](#)

The action in growth stocks is dominating late in the quarter and creating underlying volatility in the indices. Value has been picking up relative performance.

Our quarter end materials will contain more thoughts on specific stocks, quarterly performance and updated client material. The portfolio did enjoy attractive dividend increases...

Q1 18' Dividend Increase Recap:

- AbbVie (ABBV) - February 15, 2018 – 35% Dividend Increase
- Cisco Systems (CSCO) - February 14, 2018 -14% Dividend Increase
- Intel (INTC) - January 25, 2018 – 10% Dividend Increase
- Kimberly-Clark (KMB) – January 23, 2018 – 3.1% Dividend Increase
- Norfolk Southern Corporation (NSC) – January 23, 2018 – 18% Dividend Increase
- PPL Corporation (PPL) – February 22, 2018 – 3.8% Dividend Increase
- Qualcomm Incorporated (QCOM) – March 8, 2018 – 9% Dividend Increase

Other Berkshire Observations/Positive Developments:

- Current Yield 3% - Strategy recorded strong dividend growth in q1 18'
- Buybacks - 150Billion+ in buyback commitments from companies in Berkshire portfolio over the past year.
- Tax Reform Impact – Creating strong additional cash flows – Continued tailwind for dividend increases and buybacks

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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.

- Fundamentals Are Strong - S&P 500 earnings estimates up 15-20% for 2018 - Global recover underway
- Value Stocks vs Growth Stocks – Most attractive relative valuation since 98 - 99'
- Berkshire strategy weighted average valuation @ 15x Forward P/E

Did Anyone go "Long Eggs"?

Apparently egg prices doubled in the last month - just in time for Easter. Who knew?

<http://www.businessinsider.com/egg-prices-are-enjoying-a-cracking-rally-ahead-of-easter-2018-3?r=UK&IR=T>

Happy Easter and Passover!

Give us call/ email with questions or comments.

Regards,

- Gerry

Contact Berkshire:

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

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

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