Berkshire DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: New Purchase Bristol-Myers (BMY) + Now... "Double Yield" – *Aug 23rd, 2019*

Berkshire New Portfolio Purchase: Bristol-Myers (NYSE: BMY)

- BMY's recent acquisition of Celgene creates enormous synergies
- Valuation was one of the cheapest deals in biotech: 8 times 2021 earnings of roughly $6.15/share
    - Deal should create $45 billion in free cash flow over the next 3 years.
- Celgene deal improves both early and late stage pipeline
    - Celgene has 5 products that are expected to launch in the next 18 months.
- 3.5% dividend yield adequately covered by free cash flow
- We think the market is overly concerned with debt from Celgene deal
    - Bristol expects to pay it down aggressively over 4 years

"Double Yield"

Our Berkshire Dividend Growth Strategy yield is approx 3.15%. An advisor we were speaking to this week took note and said "that's nearly double the yield of 10yr Treasury."

The interest rate paradigm is indeed remarkable. Negative yielding debt now eclipses $16 trillion. The S&P 500's dividend yield is now approximately the yield on the ***30 year treasury***. Investors continue to flock to safety as recession has become a risk and volatility rises. Money market assets now approach $3.5 trillion, a level not seen since the middle of 2009. (significant cash on "sideline")

We are sanguine to the risks out there - an inverted yield curve, trade jitters, and what negative rates might be telling us about the state of the global economy. Broken record: Rates are low, the US consumer remains strong, and unemployment remains at record low and valuations are reasonable. World central bankers remain dovish and ready to act.

One strategist at a well-respected research firm voice an opinion: "We are in the bottom of the 9th inning of the bull market." We would counter it's not the bottom of the 9th inning for most of your client ***investment time horizons.*** Many still need to generate and compound cash flow now and in the years ahead. We understand why there could be some caution increasing baseline equity allocations aggressively. Could a correction surface? Of course. But "going to cash" or buying ultra-low yielding debt doesn't seem attractive either - especially when nothing seems painfully obvious. Safety is expensive and potentially disruptive to long run financial goals.

We discussed how advisors can balance these forces by "Grinding Out Returns" in this commentary: [Casual Friday: 15 Trillion and Counting + "Finding the Alpha?" – August 9th, 2019]

Casual Friday Bonus: The Morning Ritual of Top Performers:

https://www.businessinsider.com/tim-ferriss-morning-routine-2017-1

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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.

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