



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Portfolio Change + "UMA Crusader" – Sept 13th, 2019

Portfolio Change

Wells Fargo (WFC) - Increase Position Size

Rationale:

We understand and appreciate the challenges Wells Fargo faces across various business lines. Although, technology leadership, broad product availability and an enormous geographic footprint creates an entrenched customer base. Lingering bad news is priced in to the stock but many catalysts are in front of the company. ie - a new CEO, a steepening yield curve, a booming mortgage re-fi business, a lifting of the asset cap and finally a resolution of its issues with bank regulators. We are exercising patience, focusing on fundamentals and collecting a healthy dividend with expectations of continued growth.

- Dividend yield roughly 4.3%
- 18.6% dividend increase year-over-year
- \$23+ Billion buyback plan in upcoming quarters is likely to be very accretive for long-term investors
- Steepening yield curve to create increased NIM for "spread based" bank
- Solid credit metrics, high capital levels
- EPS growth available through improving efficiency ratio and other levers

"UMA Crusader"

The business model of being *both a financial planner and a "stock picker"* has become very difficult to scale in practice. Clients expect advisors to solve bigger issues in insurance, retirement, estate, executive compensation, income, asset allocation, total balance sheet and niche planning... And are finding less value in an advisors ability to pick individual stocks. We see inefficiencies in advisors servicing their clients in both capacities and it's creating a paradigm shift that's likely here to stay...

The good news: As client expectations change and become more demanding, technology enhancements in UMA (unified managed account) has unleashed huge advisor productivity. Those deciding to adopt the structure in practice create vast efficiencies allowing time to add client value in ways far beyond portfolio management...

- Practice efficiency
 - Broad implementation of highest conviction ideas / asset allocations
 - Quick and efficient allocation changes across all accounts
 - Automated re-balancing
- Investment selection efficiency
 - Customization of broadly diversified asset allocation
 - Open architecture to hire best in breed for asset class
 - SMAs, Mutual Funds, ETFs and alternatives available in one account
- Reporting efficiency
 - Sleeve level performance to monitor performance of funds
 - Ongoing asset allocation monitoring
 - Overlay management
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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 30 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.

- Tax Efficiencies
 - Automated tax loss harvesting

Give us a call to discuss how we work with advisors to implement and leverage the practice benefits of UMAs.

New Berkshire Investment Professional:

Rachel Ames, CFA - VP, Portfolio Analyst

Education – George Washington University – BA Finance

Her "ninja black belt skills" include security analysis, portfolio management, and coding. At Berkshire, she'll work with the entire PM team on idea generation, security monitoring and implementation. Rachel has held various roles in the investment industry for 15 years. She has served in analyst, portfolio manager and supervisory roles throughout her career with ProShare Advisors and CBOE Vest in the D.C. area.

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