



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: "Boring You To Wealth?" – October 25th, 2019

Do Growth Managers Have All the Fun?

It seems growth managers always have some exciting tech paradigm to talk about – big data, payment systems, shared economy, biotech breakthroughs - just to name a few. And they sell their strategy as a pure play to participate in exciting new industries. And of course, these rapid growth stories resonate with retail clients. "Maybe I might get the next Microsoft, Amazon, Facebook, etc.!"

On the other hand, sometimes value managers might get a bad rap. Investors might label their holdings: "big and boring", "cash cows" or "too mature". It's even worse if clients lament: "How can the manager own *that* lousy company! It isn't growing! Don't they read the paper?"

At a recent advisor conference, I sat in on a "SMID-cap growth" manager's presentation. He was passionate, super interesting, has a great investment mind and a solid long-term track record. Heck, after listening to the exciting presentation I was ready to allocate some money to his fund! But then my value investing DNA took over and I started thinking about where we might be in the cycle, downside capture, and valuation...hmmm. (I say all of this tongue-in-cheek because I really do respect this manager and his fund!)

When it was my turn, I stood up and quipped to my audience "If you're looking for exciting growth stories from me, you're at the wrong meeting! So, let's talk compounding dividends. And while it may not sound exciting, I don't think I'm going to bore you to *DEATH*, but instead I'll bore you to *WEALTH!*"

I then went on to show how compounding dividends help grow and preserve wealth and shared many fun analogies of dividend investing: [Dividend Growth Analogies](#)

But, is our portfolio really boring?

Today, almost all companies benefit from great technological advances – albeit some more indirectly than others. Innovation allows "traditional" companies to operate more efficiently and garner new sources of revenue (i.e. Energy, Consumer, Financial).

But we believe many of our companies present attractive risk/reward opportunities to directly participate in exciting new technologies and industries. (i.e. Tech, Health Care, Communications). Below we list some examples.

5G and IOT infrastructure and applications

5G and IOT technologies are exciting aspects of our economy and will give us huge secular advantages... And we are just at the beginning stages of this transformation. Companies in our portfolio like Qualcomm, CSCO, MSFT, AT&T & Intel are poised to benefit in infrastructure build and security. Other companies in our portfolio will be the beneficiaries of vast efficiencies and productivity these technologies unlock.

5G Simplified

20x faster than 4G & 100's x faster than 3G at transmitting data:

<https://www.visualcapitalist.com/the-future-of-5g-comparing-3-generations-of-wireless-technology/>

Importantly, 5G will allow Internet of Things (IOT) economy to drastically accelerate.

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.

Internet of Things (IOT) Simplified

- Devices connected with chips that communicate data
- These devices transmit data to allow for immediate and accurate decision making

IOT Applications are unlimited:

- Autonomous vehicles
- Real time shipping / smarter logistics
- Precision, sustainable and more efficient agriculture
- Flexible and more efficient manufacturing
- Real time medical and cumulative medical records and treatment

Qualcomm created a great visual piece to express how 5G, IOT and the economy will be woven together:

<https://www.qualcomm.com/media/documents/files/5g-vision-use-cases.pdf>

Economic benefit to global economies*:

- \$12.3 trillion worth of goods and services enabled by 5G within 20 years
- This new infrastructure may support 22 million jobs
- \$3.5Trillion in revenue generated globally for companies

*Source: Qualcomm - <https://www.qualcomm.com/invention/5g/economy>

So while some of our companies may not have quite the sizzle of more aggressive strategies, we believe there *is* *absolutely* "growth hiding in value!"

Berkshire Utilization Ideas?

Berkshire believes it is important to deliver more than just a great dividend strategy - good performance and a well thought out process are minimum standards for access to your platform!

To differentiate ourselves and attain "trusted partner status" our strategy and service model must solve the key challenges advisors and clients face today.

Advisors use Berkshire to:

1. Generate growing income in an ultra-low interest rate environment
2. Articulate the benefits of rising dividends (vs. a constant focus on market value)
3. Grow assets and solidify client relationships through Berkshire's service model: real time manager updates, practice management ideas, Casual Friday
4. Consolidate over-diversified strategies into a "back to basics" approach that is effective and easy to understand
5. Effectively outsource advisor directed accounts so they can spend more time on holistic wealth management and servicing clients

Bonus: Changing strategies but worried about incurring capital gains? Berkshire's Tax Managed Portfolio may allow the client to harvest gains of the legacy portfolio over 2 calendar years. Platform restrictions apply.

<https://berkmgmt.com/wp-content/uploads/2019/10/Berkshire-Tax-Managed-Transition-Brochure.pdf>

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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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**Platform restrictions may apply. Preliminary returns are based on composite estimates only. Individual accounts will vary.*