



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: State of the Union + "Stress Tested..." – March 13, 2020

There are no magic words to calm the velocity and indiscriminate nature of this sell off. Markets over and undershoot fundamentals often - making it really hard to call direction near term.

As of writing this email, we are moving higher possibly offering support levels for the market...

For those leveraging our dividend strategy - Thank you for the continued support. We strongly believe this market is offering a great opportunity for patient, long term dividend investors.

Berkshire Dividend Strategy - State of the Union

Performance From Peak 2.19.20 – 3.12.20

- Dividend Strategy Composite Estimate – 25.30%
- RLV – 29.15%
- S&P 500 – 26.59%

Source: Bloomberg

Importantly, we think the probability of a major credit event remains low:

- National banks have incredibly strong balance sheets
- Policy makers *around the globe* are responding very quickly to ensure liquidity
- Fed Stress test Banks in 2019 under assumptions: 10% Unemployment, Housing Crash, \$410 Billion in loan losses ([Source](#))

Unlike 2008, where the system itself had what was akin to a blood cancer, capital markets remain intact. So far it's just a painful reduction in asset prices.

Not panic selling or having the courage to buy in to this market... **The case for owning stocks:**

- Cash flow - Berkshire Current Dividend Yield: 3.75% vs .75% on 10yr treasury
- Attractive Long-term Valuations - Berkshire P/E < 12
- Cheap money, cheap gas, weak dollar, other forms of fiscal stimulus and U.S. secular growth advantages will act as stimulus

Source: Bloomberg

COVID-19 pandemic seems more drastic near term than 2008 but at its conclusion we are convinced we go back to - "business as usual" with only a few long term effects in certain industries.

Benjamin Graham: "The investor's chief problem – and even his worst enemy – is likely to be himself."

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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.

Last month we offered an explanation to the physiological aspects of why investors panic sell...

[Casual Friday: Predictably Irrational but it's not their fault – February 7, 2020](#)

Please call our cell phones if we could support in any way:

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