



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Q2 Updated Material + "Napkin Finance?" – July 10, 2020

Good afternoon,

We've hit the half way point of a volatile 2020.

U.S. equity indexes posted their best quarterly gains in some time, after coming off one of their worst - But the market's returns can be described as "narrow"...

A few growth stocks have driven much of the S&P 500 returns... partially distorting how the average stock fared.

- The 5 largest stocks in the S&P 500 make up roughly 23% of the entire index
- The S&P 500 returned -1.68% year to date through 7.7.2020, but if you exclude the 5 largest stocks, the remaining 495 stocks YTD return is -7.3%
- The disparity in valuations is pronounced as well - The largest 5 stocks in the S&P 500 trade at approx. 35.4x 2021 earnings while the remaining 495 trade at 19.5x 2021 earnings

We believe this dynamic is creating an opportunity for active management in a wide basket of U.S. large cap stocks.

Source: Zacks Analytics

2020 Mid-Year Bullet Point Berkshire Portfolio Recap:

- Berkshire Dividend Growth and Income Strategy ("Strategy") YTD return -11.42% (gross) vs Russell Large Value -16.26% as of 6.30.2020
- Berkshire's dividend yield of 3.30% as of 6.30.2020 appears attractive on a risk adjusted basis
 - We believe the dividend component likely to be a positive "factor" in ultra low rate environment
- 15 dividend increases 1 suspension, 1 reduction, several re-affirmations
- All Berkshire Strategy holdings possess investment grade balance sheets as of 6.30.2020
- We believe the dividend coverage ratios remain attractive across the strategy holdings
- We anticipate very limited cuts in aggregate for the companies we own in the strategy

Source: Bloomberg

Q2 2020 Marketing Material:

[Dividend Strategy Guide 6.30.2020](#)

[Dividend Strategy Scorecard 6.30.2020](#)

[Dividend Strategy Fact Sheet 6.30.2020](#)

[Dividend Strategy Bottom Line Commentary 6.30.2020](#)

Napkin Finance

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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.

These folks set out to teach “Everything about money in 30 seconds or less.”™ by sketching out complex financial concepts on nothing bigger than a napkin...

<https://napkinfinance.com/>

Have a good weekend!

Best Regards,
Gerry

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Berkshire Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). <https://berkmgmt.com/wp-content/uploads/2020/01/GIPS-Compliant-Presentation-through-2018-1.pdf> 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.

Definitions: The S & P 500 Index is a market capitalization weighted index of the largest 500 U.S. stocks. It is a market-value weighted index (stock price times # of shares outstanding), with each stock's weight in the index proportionate to its market value. The index is designed to measure changes in the economy and is representative of most major industries. Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. You cannot invest directly in an index. BEst (Bloomberg Estimates) Earnings Per Share (EPS Adjusted) estimate returns Earnings Per Share from Continuing Operations, which may exclude the effects of one-time and extraordinary gains/losses. Beta is a measure of volatility vs. an index. Upside/Downside capture ratios refer to a portfolios performance as a percentage of either positive returns (upside) or negative returns (downside) vs. an index. Standard Deviation is a measure of total risk. Alpha, Beta and capture ratios are represented as calculated by Morningstar.

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