Berkshire
DIVIDEND STRATEGY

Supplemental "Bottom Line" Commentary 9.30.2020

Gerard Mihalick, CFA | Gmihalick@berkshiream.com
46 Public Square | Wilkes-Barre, PA 18701 | 570.825.2600

*Intended for advisor use only. Not for distribution to general public.

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #1 - THE VALUE OF STAYING INVESTED… A VICTORY LAP FOR THOSE WHO HUNG IN THERE!

As investors, it's difficult to avoid knee jerk decisions… Timing the market, chasing performance and avoiding "out of favor" investments are all potential pitfalls that can erode performance over time. Don't lose sight of how important it is to simply stay the course in equities particularly during times of volatility.

- Most macro prognosticators had a dismal view of equities in March 2020.
- Berkshire advised to remain patient and invested amidst the panic, arguing stocks had already more than reflected grim news and could recover.
- Result? Most U.S Equities moved sharply higher from their March 2020 lows through September 30, 2020.
- While U.S. value stocks did not vault as high as U.S. growth stocks, they still rebounded significantly - an attractive outcome vs. moving to cash or fixed income.
- In addition to swift policy response, U.S. companies again showed their resiliency and ability to reshape themselves even in something like a pandemic – a trait to be remembered in future crises.
- Fundamentals remain tenuous but are moving in the right direction and better than expected.
- U.S. elections remain a wild card as does the path of the pandemic.
- YTD market returns have remained concentrated with a narrow list of growth stocks outpacing the average stock by a wide margin.

Bottom line? While it may not sound sophisticated, sometimes the wisest, yet most difficult investment strategy anyone can follow is to simply stay the course… especially during market panics. APPLAUD yourself if you accomplished this objective!

Source: Bloomberg

OBSERVATION #2 - HOW EXPENSIVE ARE GROWTH STOCKS NOW AND WHAT MIGHT HELP VALUE STOCKS CLOSE THE GAP?

“Why should I own these lousy dividend stocks when growth is KILLING IT!”

- How big is the gap? Biggest ever - 6.5x relative price to book vs. 5.5x in 1999.
- Why does it exist? In a world where earnings growth is scarce, investors are paying up for the companies they think can grow regardless of the economic environment.
- What creates the reversion? Better economic performance where investors realize MANY sectors can and will grow.
    - Changes in sentiment can also spark a value rotation.

Bottom line? By many valuation measures we believe investors are paying the largest premium ever for “growth” stocks vs “value” stocks.

Source: Bloomberg

OBSERVATION #3: EARNINGS GROWTH OBSESSED?[1] EARNINGS GROWTH AND GOOD FUNDAMENTALS DON'T ALWAYS MEAN HIGHER STOCK PRICES.

- Growth investors generally believe earnings growth will drive stock prices higher, regardless of valuation.
- Although, if valuations are stretched, attractive earnings growth does not guarantee higher stock prices.
    - Coke grew earnings from $3.5 billion to $11.8 billion from 1998 - 2011 yet its stock barely budged.
    - Microsoft grew earnings from $7.8 billion to $20 billion from 1999-2010, yet the stock went almost nowhere.
    - Cisco grew earnings 400% from 2001 to 2010 but the stock declined 60%.
- Today, there are a number of game-changing companies with fabulous fundamentals. We do question however, are their prices too high? Will their earnings grow but their prices stay flat like Coke, Cisco and Microsoft did years ago?
- Sometimes, the opposite is true. There are numerous companies with more pedestrian growth prospects but low valuations, attractive dividends and stock prices that may rise at a faster rate than some of today's popular growth stocks.

Bottom line? No growth stock is immune to over-valuation. Companies, industries and the economy are adaptive - nothing is inevitable. Over time, valuation and price matter.

Source: Bloomberg

[1] These companies are mentioned solely for illustrative purposes to evidence sample companies which experienced earnings growth, without corresponding stock price appreciation. Berkshire does not purport to have invested in these companies. The companies identified herein do not represent all of the securities purchased, sold or recommended for client accounts, and you should not assume that an investment in the companies identified was or will be profitable. Berkshire retains the right revise or modify portfolios and strategies if it believes such modifications would be in the best interests of its clients. Model portfolios may or may not contain any specific security at any time, and decisions to invest should not be made based on the presumed or current composition of any model portfolio

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #4: PSYCHOLOGY OF EXTREMES: WITH GROWTH ECLIPSING VALUE, A WINNING STRATEGY GOING FORWARD MAY BE A CONTRARIAN APPROACH – EXTREMES GO IN CYCLES AND OFTEN REVERSE...

Why do investors often chase what’s working now and abandon what’s not? In our opinion, it's because the story ALWAYS sounds so compelling…especially at the extremes. The compelling story creates the extreme valuation! Stock price momentum combined with media sensation creates a feedback loop! Sometimes a healthy approach is to understand past extremes and how convincing the story was at the time.

Think back about past extreme environments and how convincing the story was at the time:

- Tech stocks in 1999 - “The internet changes everything so earnings and prices can go to the moon."
- Florida real estate in 2006 - “They are not making any more... real estate prices never go down.”
- Crude at $145 in 2007 - “Peak oil; China is growing so fast they will devour it all and prices will go ever higher."
- Nokia in 2007 - Cover of Forbes Magazine, "Can anyone catch the cell phone King?"
- Financial crisis stocks in 2009 - “Every mortgage and bank is underwater... the economy is doomed and banks will never recover. Don’t invest in the US!”
- Bitcoin at $20,000 in 2017 - "Crypto is the wave of the future, it’s going to $100,000."
- Stocks March of 2020 - "COVID will create 30% unemployment and the economy and stocks won’t recover anytime soon."
- Crude at $-37 in 2020 - “There is no place to store all this oil; COVID is killing the economy so it will keep plummeting!”
- Banks in 2020 - “Interest rates are so low they will never grow earnings again.”
- Tech 2020 - "TFAANG/virtual economy is where it's at! There’s no growth out there, but these companies will grow anyway!"

Bottom line? Every extreme environment has a compelling story... That’s why people think it will go on forever and justify the extreme valuations!

Source: Bloomberg

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #5: BERKSHIRE HAS BEEN ACTIVE, TRANSACTING WITH THE AIM TO CAPITALIZE ON THE CHANGING LANDSCAPE.

Purchases / Position Increase:

- Apple (AAPL) - New Purchase: Volatility allowed Berkshire to enter into an attractive business at a discount to our intrinsic value estimate.
- Bank of America (BAC) – Position Increase: Transformed bank; pristine loan quality, attractive dividend yield and quality management.
- Intel (INTC) – Position Increase: A short-term product delay creates opportunity; secular growth story (internet of things, cloud, 5G and autonomous vehicles) with attractive valuation.
- Leggett & Platt (LEG) – Position Increase: Long time dividend aristocrat; mundane business but demand is high; “selling every mattress I can make.” - (LEG CEO)
- Chevron Corporation (CVX) – Position Increase: Chevron upgrades balance sheet strength from BP & XOM and allows us to stay in sector we feel is attractively positioned once we are "back to normal". Diversified, lower cost producer. 7.25% dividend yield - management committed to payment. As of 9.30.2020.

Sales / Trims:

- Microsoft (MSFT) – Trim: pristine but approaching our intrinsic value estimates.
- Southwest Airlines (LUV) – Sold: dividend suspension – avoided selling at “fire sale” prices.
- Wells Fargo (WFC) – Sold: No longer fits discipline - Cut dividend to roughly 1.5% per DFAST guidance.
- BP (BP) – Sold: During beginning of Pandemic, energy price jeopardized BP financials and cash flows. After sale, BP cut dividend.
- ExxonMobil (XOM) – Sold: Higher breakeven prices, high capital expenditures, we “upgraded” in the space to Chevron (CVX).

Bottom line? Berkshire made changes over the past 6 months with the goal to “upgrade” portfolio quality in certain sectors, likely improving future dividend income growth and total return profile.

Source: Bloomberg

Berkshire
DIVIDEND STRATEGY

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #6: BERKSHIRE MAINTAINS A LONG-TERM FAVORABLE PERFORMANCE TRACK RECORD.

Trailing Returns	YTD	% of Peer Group Beaten	1 Year	% of Peer Group Beaten	3 Years	% of Peer Group Beaten	5 Years	% of Peer Group Beaten	10 Years	% of Peer Group Beaten	15 Years	% of Peer Group Beaten
Berkshire Dividend Strategy	-7.03	66	0.02	66	5.96	69	10.26	77	12.01	89	-	-
Russell 1000 Value TR USD	-11.58	30	-5.03	32	2.63	32	7.66	35	9.95	42	6.35	21

Income Growth w/ Dividends Reinvested as of 9.30.2020	
1 Year	3.21%
3 Years	9.43%
5 Years	9.38%
7 Years	9.74%
10 Years	11.42%
Inception	11.67%
Cumulative Income Growth	246.20%

Bottom line? Berkshire maintains a 5-Star overall Morningstar ranking with a long-standing history of generating income growth for investors.*

Source: Morningstar

**Morningstar Rating Morningstar Rating TM is calculated for investments with at least a three year history. It is calculated based on a Morningstar Risk- Adjusted Return measure that accounts for variation in an investment's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of investments in each category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars and the bottom 10% receive one star. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with the three-, five- and 10- year (if applicable) Morningstar Rating metrics. Morningstar will not calculate ratings for categories or time periods that contain fewer than five investments.*

Intended for illustrative purposes only. Income growth is based on dividend growth and reinvestment since the inception of the Berkshire Dividend Growth and Income composite. (6/30/2009). Dividends are not guaranteed, and may be subject to change. Investing based on dividends alone may not be favorable as it does not include all material risks. There is no guarantee any stated (or implied) portfolio or performance objective mentioned by Berkshire can be met. Fees are not included in the analysis and would lower values. Berkshire Dividend Growth and Income current yields are calculated in Bloomberg from a representative account only. Individual account yields and returns can vary. Calculation limitations: Changes of the underlying holdings in the index or composite can change current yield calculations. This can lead to various ranges of results that may appear more or less favorable. Example: Stock A with 3% current dividend yield is sold. Stock B with 4% current dividend yield is purchased. This would result in higher yielding portfolio but is not the result of “dividend growth”.

Berkshire
DIVIDEND STRATEGY

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #7: PORTFOLIO HOLDINGS AS OF 9.30.2020

				Dividend Growth Rate			
Company Name	Ticker	Portfolio Weighting	Dividend Yield	1 Year	3 Year	5 Year	3 Year Projected
BANK OF AMERICA	BAC	4.38%	2.99%	14.29%	27.79%	29.20%	11.20%
NORFOLK SOUTHERN	NSC	4.13%	1.76%	8.67%	15.82%	9.95%	10.84%
MICROSOFT	MSFT	4.02%	1.07%	10.87%	9.35%	10.47%	8.42%
INTEL	INTC	3.99%	2.55%	4.82%	7.01%	6.67%	5.67%
LOCKHEED MARTIN	LMT	3.98%	2.71%	9.09%	9.66%	9.86%	6.51%
JPMORGAN CHASE	JPM	3.93%	3.74%	12.50%	22.47%	17.03%	7.72%
BRISTOL-MYERS	BMY	3.42%	2.99%	7.98%	4.33%	3.53%	6.27%
APPLE	AAPL	3.30%	0.71%	6.00%	9.83%	9.94%	5.93%
PNC FINANCIAL	PNC	3.26%	4.19%	15.00%	24.22%	18.36%	7.41%
WALMART	WMT	3.22%	1.54%	1.90%	1.93%	1.97%	1.83%
CISCO SYSTEMS	CSCO	3.21%	3.66%	4.41%	8.88%	12.16%	3.38%
CHEVRON	CVX	3.16%	7.17%	7.89%	5.41%	3.41%	5.43%
MCDONALD'S	MCD	3.16%	2.28%	7.76%	9.97%	8.02%	3.10%
ABBVIE	ABBV	2.92%	5.39%	10.55%	22.79%	19.02%	9.99%
ABBOTT	ABT	2.82%	1.32%	12.90%	9.89%	8.29%	10.06%
MERCK	MRK	2.77%	2.94%	10.91%	9.08%	6.27%	6.65%
JOHNSON & JOHNSON	JNJ	2.76%	2.71%	5.95%	6.12%	6.21%	5.02%
QUALCOMM	QCOM	2.71%	2.21%	2.42%	4.91%	7.13%	5.00%
WASTE MANAGEMENT	WM	2.60%	1.93%	7.24%	8.42%	7.02%	5.89%
PROCTER & GAMBLE	PG	2.47%	2.28%	5.02%	4.18%	3.30%	5.31%
AMGEN	AMGN	2.45%	2.52%	10.23%	11.99%	15.97%	9.87%

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #7 (CONTINUED)

Company Name	Ticker	Portfolio Weighting	Dividend Yield	Dividend Growth Rate			
				1 Year	3 Year	5 Year	3 Year Projected
HONEYWELL	HON	2.44%	2.26%	9.76%	10.61%	11.70%	3.57%
PPL	PPL	2.38%	6.10%	0.61%	1.93%	2.09%	1.63%
EMERSON ELECTRIC	EMR	2.27%	3.05%	2.04%	1.37%	1.25%	1.96%
WP CAREY	WPC	2.22%	6.41%	0.77%	1.43%	1.78%	0.76%
KIMBERLY-CLARK	KMB	2.19%	2.90%	3.67%	3.45%	4.03%	2.83%
PFIZER	PFE	2.10%	4.14%	5.63%	5.98%	6.40%	5.07%
LEGGETT & PLATT	LEG	2.09%	3.89%	2.56%	4.55%	5.06%	4.00%
AT&T	T	1.96%	7.30%	1.97%	2.01%	2.05%	1.89%
COCA-COLA	KO	1.83%	3.32%	2.52%	3.74%	4.71%	2.40%
GENERAL MILLS	GIS	1.83%	3.31%	0.00%	0.52%	2.89%	3.89%
KINDER MORGAN	KMI	1.79%	8.52%	13.89%	27.03%	-11.23%	4.66%
NUCOR	NUE	1.79%	3.59%	0.63%	2.16%	1.56%	0.62%
CHUBB	CB	1.55%	2.69%	3.38%	3.00%	3.00%	2.55%
M & T BANK	MTB	1.37%	4.78%	10.00%	14.26%	9.46%	3.30%

Definitions
Dividend Growth Rate (1 Year) - Growth rate over one year in the gross dividend per share. Calculated as: (Current year's dividend per share / Prior year's), minus 1, times 100. Dividends per share includes Interim and Final payments, as well as all Abnormal Dividends. Dividend amounts are adjusted for stock splits and other corporate actions.

Dividend Growth Rate (3 Year) Growth rate over three years in gross dividend per share. Calculated as: (Current year's dividend per share / Dividend per share three years prior), raised to the power of one-third, minus 1, times 100. Dividends per share includes Interim and Final payments, as well as all Abnormal Dividends. Dividend amounts are adjusted for stock splits and other corporate actions.

Dividend Growth Rate (5 Year) Growth rate over five years in gross dividend per share. Calculated as:(Current year's dividend per share / dividend per share five years prior), raised to the power of one-fifth, minus 1, times 100. Dividend per share includes interim and final payments, as well as Abnormal Dividends. Dividend amounts are adjusted for stock splits and other corporate actions.

Projected dividend per share (DPS) growth rate over next 3 years, based on the trailing 12-month dividend starting three years from today's date. This dividend amount is then divided by the current trailing 12-month dividend amount, annualized. Calculated as:100[(Y/Z) ^ (1/3)-1] Where: Y = projected trailing 12-month dividend amount starting 3 years from today's date.*

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #8: WHY OWN BERKSHIRE PORTFOLIO NOW?

- 3.21% current dividend yield as of 9.30.2020.
- 21 dividend increases in 2020 YTD with an average increase of roughly 5%.
- Berkshire 2 dividend cuts. S&P 500 61 dividend cuts.
- 15.64x 12M P/E vs S&P 21.42x 12M P/E.

Bottom line? If you just dropped in from Mars and had to make investment decisions but: You could not view any past performance data, only current fundamentals and valuation, and you had a 5-year time horizon, what would you buy?
Growth at 35x 12M P/E or value stocks at 16x 12 M P/E and a 3.20% dividend yield?

Source: Bloomberg

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #9: PERFORMANCE LAG AGAINST THE S&P 500 IS CONCENTRATED IN TWO ISOLATED AREAS. WE BELIEVE THESE TWO AREAS DO NOT INVALIDATE OUR PROCESS, APPROACH, OR LONG-TERM TRACK RECORD.

Act of omission:
Berkshire did not own enough high growth or S&P 500 Top 5 tech companies.

- Many of these stocks are expensive and do not pay dividends. Broad ownership of these stocks in the Berkshire portfolio would violate our discipline. Berkshire's underweight in these stocks created a -7.07% performance drag against the S&P 500 through 9.30.2020.

YTD Performance Attribution as of 9.30.2020 vs. Top 5 S&P Holdings by Market Cap

- Apple (AAPL) -1.99%
- Microsoft (MSFT) -0.41%
- Amazon (AMZN) -2.52%
- Facebook (FB) -0.65%
- Alphabet Inc. (GOOG) -1.50%
- **Top 5 Total Attribution -7.07%**

Act of commission:
Berkshire owned an overweight allocation to banks

- **7% absolute drag on performance**
- Sector down approx. -30%; S&P 500 +5.5%

Case for banks and bank ownership going forward:

- We believe the Fed keeping the short end of the curve at 0% will eventually be a tailwind for the banking industry.
- Zero interest rates should support a continuous recovery in the economy - Loan demand should increase.
- Long term rates may return to pre-pandemic levels (10 year 1.5% to 2.0%) while the Fed holds short rates low - NIM expansion
- Credit quality has been better than expected
- Banks were expecting 9 to 10% unemployment in the 4th quarter, it might be closer to 7%. Meanwhile, most banks are managing their other earnings levers extremely well
- Although performance has lagged in 2020, we believe investor pessimism will fade from the industry and the banks offer an attractive risk return profile in the years ahead

Bottom line? We believe our portfolio is filled with some of the highest quality U.S. equities an investor could own. The Pandemic has accelerated changes that were already occurring in our economy – By and large, we think the companies in our Berkshire portfolio are well prepared, driving change and will capitalize on these shifts. Underperformance against the S&P 500 appears to be isolated and we'll look for a reversion in the upcoming years.

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #10: STOCK INSIGHT INTO BERKSHIRE SECTORS OF CONVICTION[2]:

Intel (INTC)
- “Mobileye one of the most successful acquisitions in Intel’s history.”
- “Mobileye is leading in every advanced driver-assistance system category.”
    - https://newsroom.intel.com/press-kits/autonomous-driving-intel/#gs.j6erdt
- Attractive unit growth from access to fast growing technology sectors (5-G, Internet of Things, Cloud Computing)
- Dominate market position
- Fortress balance sheet to endure cyclicality of chip cycles
- Low dividend payout ratio with the possibility to grow more rapidly

Walmart (WMT)
- Massive e-commerce growth over the past number of years
- Leverage brick and mortar presence to enhance e-commerce experience and distribution
- Wal-Mart stores within 10 miles of 90% of the U.S. population
- Heavy investments in consumer-friendly experience paying off

Honeywell (HON)
- Honeywell ThermoRebellion - new temperature monitoring solution that incorporates advanced, infrared imaging technology and artificial intelligence algorithms to conduct non-invasive, preliminary screening of personnel entering a facility (source: PRNewswire)
- Other innovation includes, virtual engineering, machine learning to fight cyberattacks, robotic cargo unloading and predictive airplane maintenance

AT&T (T)
- An attractive dividend yield that we believe is sustainable
- T has lots of recurring revenue so higher debt levels are reasonable
- AOL Time Warner is a less capital-intensive business
- Dividend math:
    - $44 billion in operating cash flow - $17 billion in cap ex = $27 billion in annual free cash
    - Current Dividend commitment is roughly $15 billion annually allow ample cash flow for debt interest and reduction.

[2] *These companies are mentioned solely on a representative basis of positions in sectors representing Berkshire’s greatest conviction and not on the basis of performance. The companies identified herein do not represent all of the securities purchased, sold or recommended for client accounts, and you should not assume that an investment in the companies identified was or will be profitable. Berkshire retains the right revise or modify portfolios and strategies if it believes such modifications would be in the best interests of its clients. Model portfolios may or may not contain any specific security at any time, and decisions to invest should not be made based on the presumed or current composition of any model portfolio.*

Berkshire Asset Management, LLC
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

OBSERVATION #10 (CONTINUED)

JPMorgan (JPM)

- Through downturn, banking could become more concentrated
- Leaders in technology solutions, like JPM, may pick up additional market share
- Multiple earnings levers outside of traditional net interest margin
- Extremely well capitalized coming into crisis, dividend likely to withstand economic pressures

Leggett and Platt (LEG)

- 3.75% dividend yield with 48 years of consecutive dividend increases
- Low-cost producer in mundane furniture and fixture markets
    - "I can sell every mattress I can get my hands on." - Karl Glassman, Leggett's CEO
- Management has "skin in the game" – Source: LEG Investor Presentation
    - Significant stock owners; forego comp in exchange for shares
    - Incentive comp aligned with TSR focus

Norfolk Southern (NSC)

- Predicative locomotive analytics, automated maintenance and network efficiency all ensure faster more reliable transportation
    - https://www.nsrailtech.com/power-predictive-analytics
- Personnel and locomotive productivity up 15% YOY from continued technology adoption
    - https://seekingalpha.com/article/4341186-norfolk-southern-corporations-nsc-ceo-jim-squires-on-q1-2020-results-earnings-call-transcript?part=single

[2] These companies are mentioned solely on a representative basis of positions in sectors representing Berkshire's greatest conviction and not on the basis of performance. The companies identified herein do not represent all of the securities purchased, sold or recommended for client accounts, and you should not assume that an investment in the companies identified was or will be profitable. Berkshire retains the right revise or modify portfolios and strategies if it believes such modifications would be in the best interests of its clients. Model portfolios may or may not contain any specific security at any time, and decisions to invest should not be made based on the presumed or current composition of any model portfolio.

Berkshire

DIVIDEND STRATEGY

Berkshire Asset Management, LLC

46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshiream.com

Berkshire Asset Management, LLC ("Berkshire") is a fee-based, SEC registered advisory firm serving the portfolio management needs of institutional and high-net worth clients. Registration with the SEC or any state securities authority does not imply a certain level of skill or training. Berkshire Asset Management, Inc. was formed in 1986 as a SEC registered investment adviser. In 1999 the company was sold to Legg Mason. In 2007, senior leadership repurchased the firm, forming Berkshire, the company built to serve you today. The views expressed reflect those of Berkshire as of the date of the commentary. Any views are subject to change at any time based on market or other conditions, and Berkshire disclaims any responsibility to update such views if you are not a client. This commentary is not intended to be a forecast of future events, a guarantee of future results or investment advice. Because investment decisions are based on numerous factors, these views may not be relied upon as an indication of trading intent on behalf of any portfolio or strategy. The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by Berkshire as to its accuracy or completeness.

Risks: Past performance does not guarantee future results. All investing carries risk including risk of principal or income loss. Dividends are subject to change, are not guaranteed, and may be cut. Investing based on dividends alone may not be favorable as it does not include all material risks. There is no guarantee any stated (or implied) portfolio or performance objective mentioned by Berkshire can be met. Berkshire's equity style may focus its investments in certain sectors or industries, thereby increasing potential volatility relative to other strategies or indices.

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. You cannot invest directly in an index. Beta is a measure of volatility vs. an index. Current yield is the mean estimated annual dividend amount based on current calendar year, divided by the current stock price. Dividend Payout ratio is the fraction of net income a firm pays to its shareholders in dividends, in percentage. Forward Price Earnings Ratio (P/E) is the ratio of the price of a stock and the company's projected earnings per share.