

# Berkshire Dividend Growth Strategy

## “Forward Looking” Process



Simple screens of historical data may fail to capture the full dividend growth opportunity set...

Berkshire’s Process: Identify perennial dividend growers before they are fully recognized by the market using a “Forward Looking” bottom up selection process:

- Understand how a business generates free cash flow by decomposing ROE components
- Model future income statement, balance sheet and free cash flow
- Measure dividend growth potential by analyzing optimal capital structure & future payout ratio
- Own tomorrow’s dividend growers trading at discounts to intrinsic value estimates

Some of our highest conviction dividend growth stories would have flunked traditional backward looking screens at time of Berkshire’s purchase\*:

- Emerging tech and health care businesses
- High quality financials

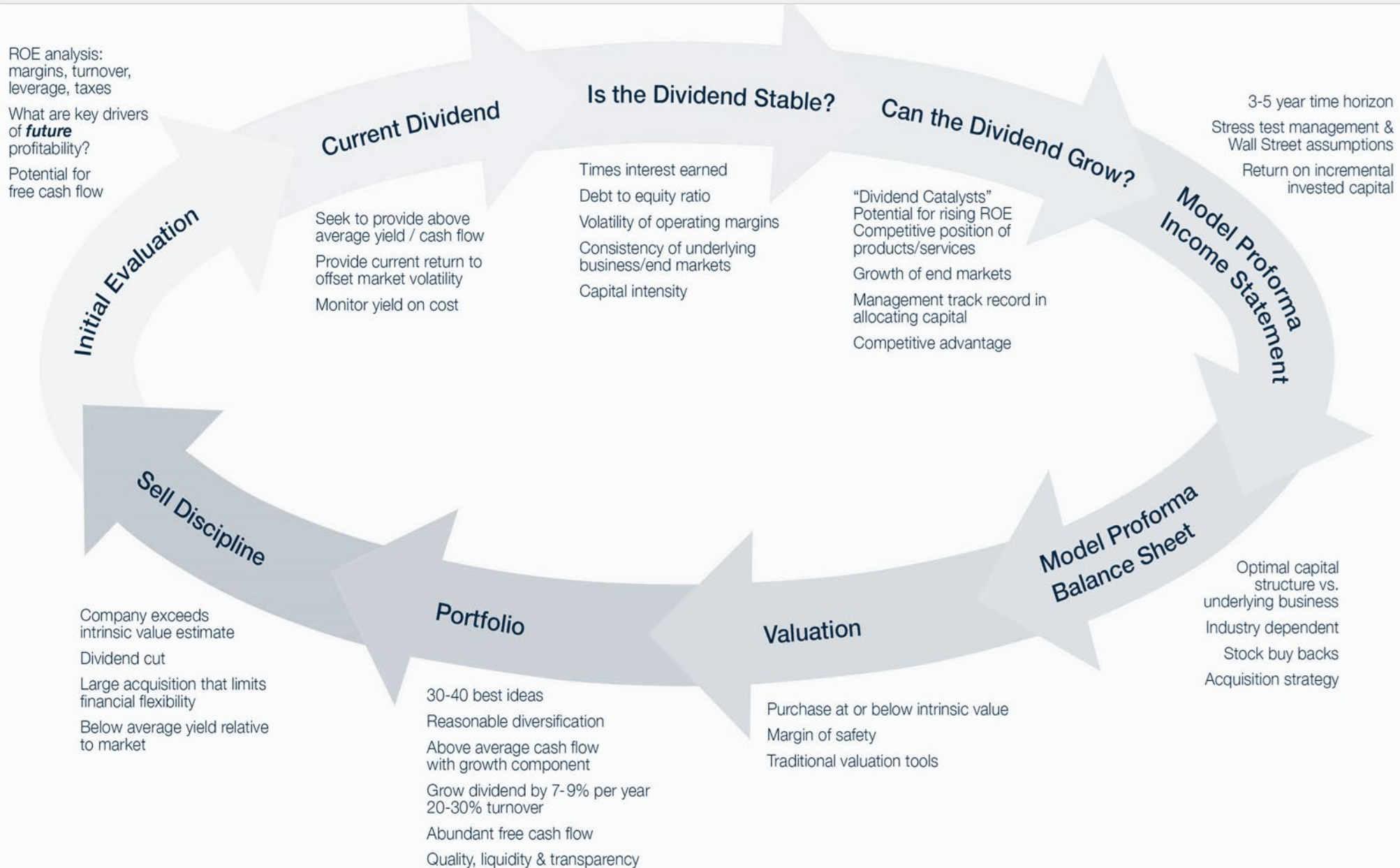
Our edge? Patience, discipline and the ability to capitalize on the short sightedness of others.

Investors should carefully consider investment objectives, risks, charges and expenses. Additional information can be obtained from a financial professional and should be read carefully before investing. Dividends and yields represent past performance and there is no assurance they will continue to be paid in the future. Platform restrictions may apply. “Forward Looking” does not imply a level of skill, however the term is used to reference the way we approach our analysis of individual companies. \*We highlight these companies solely for illustrative purposes and not on the basis of investment performance or attribution to the overall performance of the strategy. 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.

# Equity Selection Process

**SCREENING:** High and sustainable return on equity (ROE)

**CAREFUL OBSERVATION:** Price events, earnings misses, reservoir of company knowledge, areas of expertise by Portfolio Manger, contrarian, attempt to capitalize on short-sightedness of others.



# Berkshire Dividend Growth Strategy

## Rolling Period Dividend Growth as of 12.31.2020



Company Name	Symbol	1 Year Dividend Growth	3 Year Average Dividend Growth	5 Year Average Dividend Growth	Current Dividend Yield
Bank Of America	BAC	9.09%	22.68%	29.20%	2.38%
JPMorgan Chase	JPM	9.09%	20.84%	16.47%	2.83%
Norfolk Southern	NSC	4.44%	15.50%	9.76%	1.58%
PNC Financial	PNC	9.52%	20.95%	18.01%	3.09%
Microsoft	MSFT	10.58%	9.54%	10.13%	1.01%
Intel	INTC	4.76%	7.00%	6.58%	2.65%
Apple	AAPL	6.25%	9.50%	9.73%	0.62%
Chevron	CVX	8.40%	6.10%	3.81%	6.11%
Lockheed Martin	LMT	8.89%	9.52%	9.77%	2.93%
Cisco	CSCO	3.62%	8.16%	11.76%	3.22%
Abbvie	ABBV	10.28%	22.62%	18.50%	4.85%
Bristol-Myers	BMJ	12.20%	5.66%	4.31%	3.16%
Qualcomm	QCOM	3.63%	4.69%	6.68%	1.71%
Walmart	WMT	1.89%	1.92%	1.96%	1.50%
Honeywell	HON	8.04%	9.83%	11.07%	1.75%
McDonald's	MCD	6.55%	9.58%	7.94%	2.40%
Johnson & Johnson	JNJ	6.13%	6.23%	6.17%	2.57%
Abbott	ABT	12.50%	10.75%	8.45%	1.64%
Emerson Electric	EMR	1.78%	1.37%	1.24%	2.51%
Merck	MRK	9.73%	9.48%	6.50%	3.18%
Waste Management	WM	6.34%	8.64%	7.20%	1.85%
Procter & Gamble	PG	5.52%	4.42%	3.44%	2.27%
PPL	PPL	0.61%	1.66%	2.05%	5.89%
W.P. Carey	WPC	0.77%	1.33%	1.75%	5.93%
Leggett & Platt	LEG	1.27%	4.06%	4.89%	3.61%
Amgen	AMGN	10.34%	11.64%	15.16%	3.06%
Nucor	NUE	0.62%	2.16%	1.56%	3.05%
Pfizer	PFE	5.56%	5.90%	6.30%	4.24%
Chubb	CB	3.69%	3.09%	3.04%	2.03%
Coca-Cola	KO	2.50%	3.48%	4.44%	2.99%
Kimberly-Clark	KMB	3.88%	3.32%	3.99%	3.17%
Kinder Morgan	KMI	9.21%	27.55%	-11.67%	7.68%
AT&T	T	1.96%	2.00%	2.04%	7.23%
M & T Bank	MTB	7.32%	13.62%	9.46%	3.46%
General Mills	GIS	1.02%	0.68%	2.74%	3.47%
Weighted Average		6.42%	9.84%	8.70%	3.01%

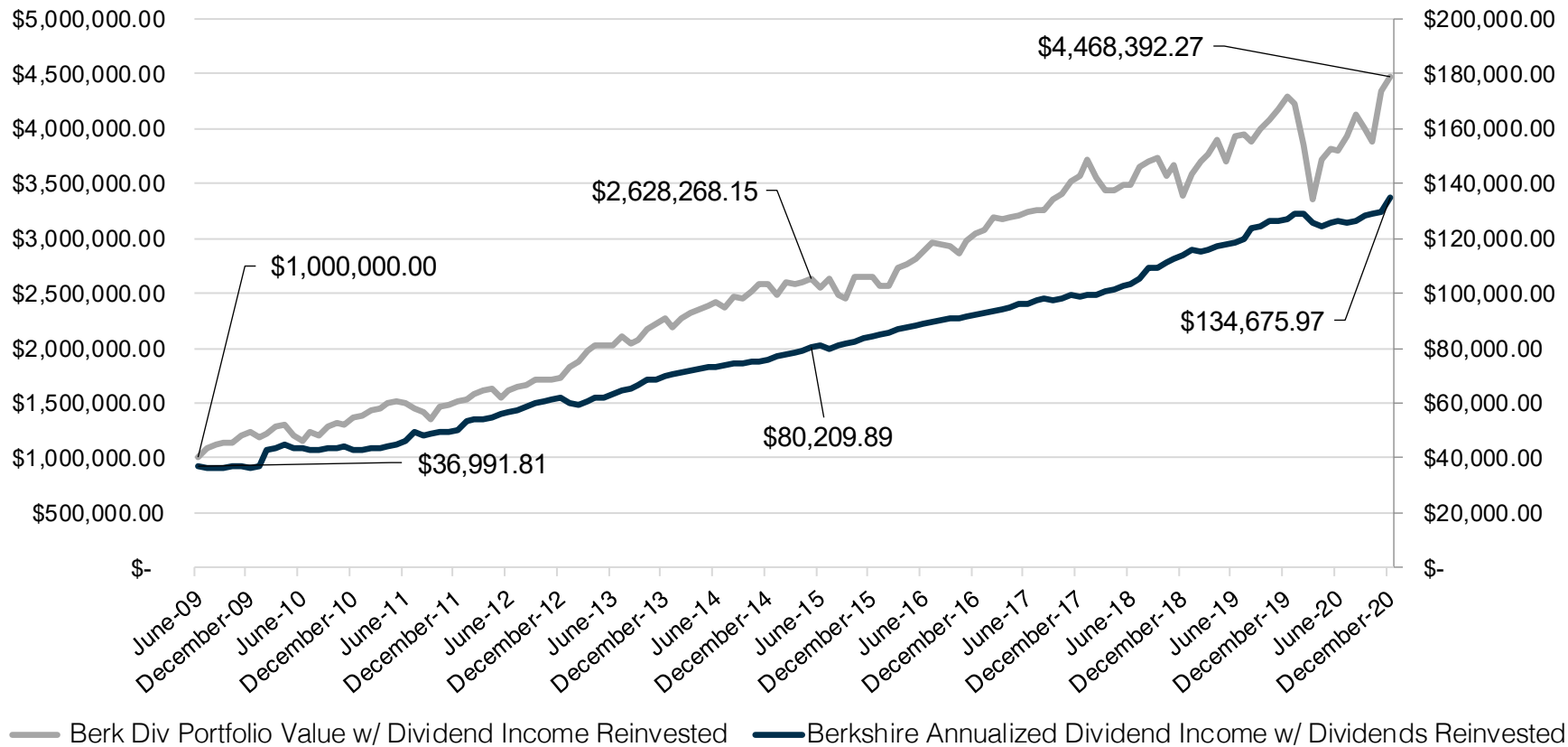
Source: Bloomberg

Positions are in order of portfolio weighting in the "Berkshire Dividend Growth and Income Model Portfolio" as of publish date. Weightings may vary. Dividend increase results are based on underlying holdings of a representative account in our Dividend Growth Strategy Composite. 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. Growth rate over three years in net 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. Growth rate over five years in net dividend per share. Calculated as: (Current year's dividend per share / Dividend per share five years prior), raised to the power of 0.2, 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. There is no guarantee dividends will continue to be paid in the future. All information provided is supplemental to its attached GIPS compliant presentation. The information contained herein, is for Investment Personnel use only.

# Berkshire Dividend Growth Strategy Portfolio Value and Income w/ Dividends Reinvested



Inception (6.30.2009) through 12.31.2020



Intended for illustrative purposes only. Income chart is based on the assumption \$1,000,000 is invested in the Berkshire Dividend Growth and Income Strategy at the inception of the Berkshire Dividend Growth and Income composite. (6/30/2009) The \$1,000,000 investment is adjusted monthly based on the stated monthly total returns for the given composite. This includes accumulation and reinvestment of the dividend. The monthly adjusted account values are then multiplied by the current yield of the respective composite. The resulting monthly income figures are then charted in the graph. 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 Growth Strategy Disclosure Information



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. Registration with the SEC or any state securities authority does not imply a certain level of skill or training. 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](mailto:info@berkshiream.com). Past performance does not guarantee future results. Platform restrictions may apply. Individual accounts vary.

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 Value Index (RLV) measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The index was developed as of August 31, 1992. 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. Upside/Downside capture ratios refer to a portfolio's performance as a percentage of either positive returns (upside) or negative returns (downside) vs. an index. Standard Deviation is a measure of total risk. Return on equity (ROE) measures profitability by dividing dollars of profit by shareholders' equity. If represented in this presentation - Alpha, Beta and capture ratios are generally presented as calculated by Morningstar.

Risks: Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for an individual's investment portfolio. 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. The dividend strategy may include bundled services also known as a "wrap fee program". Because there is typically a low turnover in the strategy, this may be more costly for some investors. No one should assume that any information presented serves as the receipt of, or a substitute for, personalized individual advice from a qualified advisor or any other investment professional.

Market Commentary, Aggregate Holdings, Securities, Sectors, Portfolio Characteristics Mentioned: No statement made in this presentation shall construe investment advice. This presentation is for informational purposes only. Views, comments or research mentioned is not intended to be a forecast of future events. The mention of any security or sector is not deemed as a recommendation to buy or sell. Any reference to any security or sector is used to explain the portfolio manager's rationale for portfolio decisions or philosophy. Research or financial statistics cited regarding securities or sectors do not contain all material information about them. Any securities mentioned represent a partial list of holdings whereas Berkshire portfolios typically contain approximately 30-40 securities in percentage weightings ranging from 1-5%. A complete list of holdings from a representative account is available upon request. Overall portfolio characteristics mentioned are from a representative account deemed representative of the strategy; data may be compiled from Bloomberg, Baseline or Berkshire estimates. Individual holdings, performance and aggregate characteristics of actual portfolios may vary based on a variety of factors including market conditions, timing of client cash flows and manager discretion. This presentation contains Berkshire opinions and use of Berkshire estimates which are subject to change at any time. Berkshire employees may have personal positions in any securities or sectors mentioned. Charts, presentations or articles may be obtained from third parties and Berkshire does not guarantee their accuracy.

# Berkshire Dividend Growth Strategy Disclosure Information



## Compliant Presentation

Berkshire Asset Management  
Dividend Growth Strategy  
12/31/2008 to 12/31/2019

Year	Composite Gross Return (%)	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Year End Portfolio	Internal Dispersion (%)	Composite Assets (\$)	Firm Assets (\$)
2009 <sup>1</sup>	23.24	23.12	22.50			2	n/a	56.10	561.42
2010	11.62	10.95	15.06			14	n/a	76.44	620.20
2011	10.04	9.54	2.11			19	1.60	28.15	603.71
2012	14.18	13.44	16.00	11.69	15.09	22	1.15	23.38	638.08
2013	31.26	30.39	32.39	9.41	11.94	26	2.20	32.81	835.67
2014	13.88	13.15	13.69	8.21	8.97	31	1.39	50.08	925.35
2015	2.27	1.64	1.38	10.34	10.47	43	1.23	64.60	948.89
2016	15.29	14.62	11.96	9.94	10.59	44	1.71	85.83	1,174.94
2017	16.95	16.26	21.83	9.23	9.92	44	1.95	81.71	1,441.98
2018	-5.15	-5.69	-4.38	9.54	10.80	42	1.89	55.80	1,505.60
2019	26.78	26.10	31.49	10.26	11.93	39	2.28	70.95	1,614.44

### Partial Years

<sup>1</sup> Returns for 2009 are from 06/30/2009 to 12/31/2009

# Berkshire Dividend Growth Strategy Disclosure Information



Berkshire Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Berkshire Asset Management, LLC has been independently verified for the periods January 1, 2009 through December 31, 2018. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

## Notes:

1. Berkshire Asset Management is a fee-based, SEC registered advisory firm serving the portfolio management needs of personal high net worth and institutional clients. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
2. 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 minimum size required to be in this composite is \$300,000.
3. 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.
4. Valuations are computed and performance is reported in U.S. dollars.
5. 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. The standard investment management fee schedule is as follows: 1.00% on the first \$2 million; 0.75% on the next \$3 million; 0.65% on the next \$5 million; and 0.50% over \$10 million.
6. This composite was created in August 2016. A complete list of composite descriptions is available upon request.
7. Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. It is not presented for any period with five or fewer accounts in the composite for the full year.
8. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for 2009 and 2010 because it is not required for periods prior to 2011. The standard deviation is not presented for 2011 because 36 monthly returns for the composite are not available.
9. Past performance does not guarantee future results.