



Berkshire

DIVIDEND STRATEGY

Berkshire Asset Management
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600

Practice Management Insights

Berkshire Tax Alpha Transition Program

Common Advisor Problem? Advisors are often “captive” to existing SMAs in client portfolios because of large embedded capital gains. Wholesale changes would have meaningful tax consequences...

Berkshire Tax Alpha Transition Program

- Berkshire works with advisor and client to create an annual tax budget for transitioning portfolio
- Berkshire assumes management and creates a customized “hybrid” portfolio
 - Maintain common/overlapping positions
 - Sell unattractive/non-strategic stocks within the tax budget
 - Maintain highly appreciated securities which may serve as a close proxy for Berkshire’s existing holdings
 - (e.g. retain Pepsi for Coke, Lilly for Merck etc)
 - Strategically incorporate Berkshire strategy positions to create highly correlated “hybrid” portfolio
 - Harvest losses to counter taxes on sales of legacy positions

The goal is to create high correlation to Berkshire Dividend Strategy, while maintaining approved tax budget. The account transition is overseen by a senior Berkshire Portfolio Manager.

Program Requirements

- Intended for large-cap taxable accounts
- Firms/Advisors must engage Berkshire via a manager traded SMA
- Available at multitude of broker dealers/custodial platforms – call for availability
- No additional Berkshire fees – the program is part of Berkshire’s normal service offering

Service Benefits

- Unique program backed by experience and personal service
- Eliminates a key roadblock to recruiting top producing advisors and their clients
- Helps firms jettison underperforming strategies or pursue other initiatives without burdening clients with taxes
- Customized value-added service that advisors and their clients appreciate
- Helps transition long-tenured advisor directed accounts toward SMA/UMA model

Best Use Cases for Tax Alpha Transition Program

- Advisor switching firms and legacy manager(s) not available
- Wholesale manager change by advisor or the firm’s research team
- Advisor switching from advisor directed accounts to fee based
- Switching from an underperforming manager

Next Steps: Share the holdings of an existing manager with Berkshire, we’ll input in to our trading/accounting systems and begin the custom process with you and your client.

Contact Berkshire:

Gerard Mihalick, CFA, Portfolio Manager
gmihalick@berkshiream.com or (570) 825-2600

Jason Reilly, CFP®, VP Distribution
jason@berkshiream.com or (570) 825-2600

"Tax-Alpha Berkshire Transition Portfolio was created by the same tax cost information. Berkshire investment professionals used its existing knowledge of large cap universe, various Bloomberg evaluation tools, and its portfolio trading management system to evaluate which highly appreciated securities were reasonable proxies for Berkshire holdings and should be maintained in the client's portfolio to defer potential gains to a later period of time. This is not an exhaustive listed of all tax factors considered and there is no guarantee Berkshire can actually attain a particular tax saving in any given year. Although we take possible tax consequences into consideration, Berkshire does not provide legal or tax advice. Taxes related to this program are the client's sole responsibility. Please consult your tax or legal advisor regarding any tax treatment or consequence related to this program. This approach may not be suitable for all clients (e.g., Non-Taxable Accounts, such as IRAs). Berkshire will provide an analysis of an account for your specific criteria utilizing this approach at your request.

Fees for Unified Managed Account (UMA) Programs are negotiated between Berkshire and the sponsor and may vary depending on a number of factors including the number of model portfolios that the sponsor is purchasing and the total assets under management for the sponsor. Berkshire charges a fee to each sponsor of a UMAs Program that enters into a contract for Berkshire to develop a model portfolio to assist in the management of the sponsor's client accounts. Berkshire typically charges UMA Program sponsors an annual fee of .25% to .40 % of the strategy assets under management. Clients may assume other expenses such as brokerage commissions, transaction fees, custodial fees, wire transfer fees and other fees and taxes charged to their account which are unrelated to the fees Berkshire collects. Berkshire does not accept commissions or compensation for the sale of securities or other products purchased in the client accounts. See Berkshire's Form ADV Part 2A Brochure for additional information related to fees and expenses.

Berkshire Dividend Growth SMA is available through various custodians, broker-dealers and UMA providers. This commentary is Intended for Institutional and advisor use only. This commentary may make information of third parties available via website links. The Third-Party Content is not created or endorsed by Berkshire nor any business offering products or services through it. The delivery of Third-Party Content is for general informational purposes only and does not constitute a recommendation or solicitation to purchase or sell any security or make any other type of investment or investment decision. In addition, the Third-Party Content is not intended to provide tax, legal or investment advice. the Third-Party Content provided to is obtained from sources believed to be reliable and no guarantees are made by Berkshire or the providers of the Third-Party Content as to its accuracy, completeness, timeliness.

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.

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.

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

All content in communication is intended for institutional/advisor use only. Any and all performance results in communication are based on peer group in large-cap value as reported by Morningstar. Not intended for distribution to the general public

*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. *Platform restrictions may apply. Preliminary returns are based on composite estimates only. Individual accounts will vary. Copyright © 2020 Berkshire Asset Management, LLC, All rights reserved.*