



# Berkshire

## DIVIDEND STRATEGY

Berkshire Asset Management, LLC

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**Over the past 30 years**, we have successfully implemented highly focused equity portfolios. Our guiding principle is a belief that success is achieved by combining rigorous, well crafted investment processes with an exceptional level of client service and attention to detail. Asset Management with a Difference... Diligence, Integrity and Focus.

### INVESTMENT OBJECTIVE

The Berkshire Dividend Strategy's primary goal is to generate a growing stream of equity income through investments in a diversified portfolio of equities with stable, high and growing dividends. Capital appreciation is a secondary goal. A risk profile below that of the average stock in the S&P 500 is also viewed as desirable.

### STRATEGY RATIONALE

Over time, dividends have made up a substantial portion of the total return of the S&P 500. The current investment climate may make dividend effect on total return even more important. As consumers, businesses and governments continue to pay down debt, growth is likely to be positive but below average. Many high quality dividend paying stocks offer an attractive alternative to low yielding fixed instruments as they may possess higher current yields and may have the ability to grow the dividend over time. Valuation levels continue to be attractive.

### A COMPREHENSIVE, FORWARD LOOKING INVESTMENT PROCESS:

Intelligent dividend investing is much more than simply selecting stocks with high dividend yields or simply screening for past dividend increases. With an eye to a company's future, we carefully consider three major variables when investing:

#### CURRENT DIVIDEND

- Dividend yield equal to or higher than S&P 500
- Current yield + dividend growth
- Potential for stock buybacks

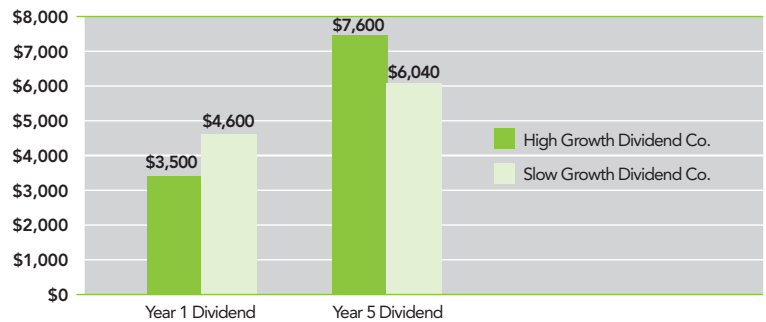
#### CONSISTENCY OF DIVIDEND

- Strong balance sheet: low debt to equity ratios and high interest coverage ratios
- Sustainable operating margins
- Credit spreads on underlying debt

#### GROWTH OF DIVIDEND

- Future sales and earnings growth
- High return on equity
- Management's commitment to dividend growth
- Potential future return

### IMPORTANCE OF A GROWING DIVIDEND

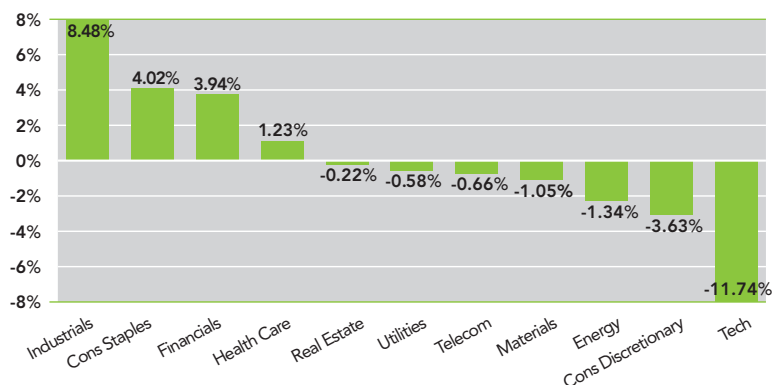


Assumptions: \$100,000 invested in 2 companies: one with 3.5% current yield and high growth ("High Dividend Growth Company") one with a 4.6% current yield and modest growth ("Slow Dividend Growth Company")

### PORTFOLIO CHARACTERISTICS (as of 6/30/2017)

	S&P 500	PORTFOLIO
Number of Issues	500	39
Return on Equity	15.80%	16.50%
Beta	1	0.92
Current Yield	2.03%	3.06%
LT Debt to Capital	39.25%	43.45%
Forward P/E	17.52	16.47
Payout Ratio	40.15%	54.05%
Average Market Cap	\$168 bill	\$146 bill

### RELATIVE SECTOR WEIGHT (% vs. SP 500)



**TOP HOLDINGS** (as of 6/30/2017)

Company Name	Ticker	% of Portfolio	Dividend Yield %	P/E Next 4 Qtrs	Beta	ROE %	Dividend Payout Ratio%
JPMORGAN CHASE	JPM	4.47%	2.27%	12.86	0.93	10.27%	30.34%
PNC FINANCIAL SERVICES	PNC	4.44%	1.92%	14.42	1.06	10.19%	27.85%
MICROSOFT	MSFT	4.29%	2.24%	20.91	0.88	34.24%	62.67%
WASTE MANAGEMENT	WM	4.17%	2.32%	22.08	0.62	15.66%	65.10%
MCDONALDS	MCD	4.00%	2.49%	23.19	0.72	38.33%	63.43%
GENERAL ELECTRIC	GE	3.48%	3.52%	15.33	1.22	11.64%	86.28%
LOCKHEED MARTIN	LMT	3.46%	2.68%	20.80	0.50	21.50%	71.30%
EXXON MOBIL	XOM	3.13%	3.79%	19.74	1.06	26.29%	78.15%
CISCO SYSTEMS	CSCO	3.06%	3.49%	12.88	0.62	17.66%	57.69%
JOHNSON & JOHNSON	JNJ	2.94%	2.54%	17.92	0.89	21.96%	48.97%
<b>Total Portfolio</b>			<b>3.06%</b>	<b>16.47</b>	<b>0.92</b>	<b>16.50%</b>	<b>54.05%</b>
<b>S&amp;P 500</b>			<b>2.03%</b>	<b>17.52</b>	<b>1.00</b>	<b>17.52%</b>	<b>40.15%</b>

**PORTFOLIO MANAGER PERSPECTIVE**

“A synchronized, global recovery seems to be underway and helped companies deliver impressive earnings growth last quarter – justifying the market’s advance. But central bankers from across the globe appear poised to raise interest rates. Stock selection and earnings growth will be key for dividend investors as policy makers return to normal.”

**PERFORMANCE**

	Berkshire Dividend Strategy (Gross)*	S&P 500	Difference	Berkshire Dividend Strategy (Net)*
2009	23.24%	22.65%	0.59%	22.24%
2010	12.12%	15.06%	-2.94%	11.12%
2011	10.06%	2.11%	7.95%	9.06%
2012	13.73%	16.00%	-2.27%	12.73%
2013	31.71%	32.39%	-0.68%	30.71%
2014	13.40%	13.69%	-0.29%	12.40%
2015	2.30%	1.38%	0.92%	1.30%
2016	15.67%	11.96%	3.71%	14.67%
2017	6.69%	9.34%	-2.65%	5.69%
Total Return	226.13%	212.24%	13.88%	201.22%
Annualized	15.75%	15.13%	0.62%	14.62%
3 Year	10.46%	9.61%	0.85%	9.46%
5 year	14.99%	14.62%	0.37%	13.99%

**Disclosure**

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. 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.

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.