Berkshire
DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Broken Record – June 16th, 2023

Good Morning, #TGICF

Broken Record?

When valuations get extreme and investor sentiment starts to favor momentum, value managers often have to find creative ways to keep investors on track and not chase today's winner. Case in point – the current enthusiasm for growth is again extreme – much like 1999, and at the peak of Covid going into 22.

Here are a few ideas to keep investors from chasing growth and abandoning value. Remind them how much a lot of the growth darlings / new economy stocks cratered in 2022 - despite intriguing "stories." Or maybe it's good to share how concentrated the growth index is now and what that *really* means. For example if a client puts $1,000,000 into the growth index today do they really grasp they are putting nearly half the money, (over $450,000) into just 5 stocks some of which have had metoric rises? It seems obvious to us, but maybe the mindset shirts if they had to actually make these 5 buys on their own (versus buying the ETF) . We wonder if they would remain as eager. Index concentration and valuations have rarely been this extreme. Safe to say, we feel the value window is again open wide.

Golden Age For Financial Advisors?

It's an absolute great time to be a financial advisor! I know I know I hear you…tricky markets, fee compression, increasing compliance demands. We get it.

But there are also mega trends that will help advisors grow like never before

- Massive wealth transfer – some stats say over $50 trillion will change hands, yet most kids fire their parents advisors.
- Aging advisor work force remains, with a dearth of advisors to take over
- Fee compression is real, but new tech tools let you better serve more clients and more assets. Fee *rate* maybe heading DOWN, but total revenue and scale should go UP.
- Tax, estate, legal insurance issues keep getting more complicated, so there are more ways to differentiate on tricky client pain points.

But, will the "old advisor playbook" capture these trends. A few persistent modalities we see will not work in this new golden age.

- Generic marketing messages – do you sound like everyone else, or do you have a "very specific set of skills" (sorry Liam Nissan) you can articulate with clarity.

- Investments all over the place – how can you have conviction scale and conduct proper due diligence if you have zillions of cusips. #hellocomplianceproblems
- Not turning away the wrong business – clients who don't take advice, have the wrong ideas and don't embrace you as the primary advisor kills your brand, margins and your spirit.

Possible common denominator? Trying to be all things to all people and being a collection of sales, rather than implementing a streamlined, disciplined investment plan.

What principal works? "Alignment!"

- Align with a partner not a provider…leverage the practice management and business support tools we have. Forge deeper partnership with fewer providers.
- Clients usually either need income now or later, so why not focus on income strategies that do just that. If you can train client to focus on how you are satisfying their income needs, you may spend less time on that pesky and feckless question "which way is the market going to go". So from that standpoint, dividend strategies may be the best way to unleash productivity in your practice.
- Show them the growth of dividend chart found here Align With Dividend Growth

We believe there is more opportunity than ever for the highly specialized focused advisor who is willing to adapt and capitalize on these new trends!

Have a great weekend!
Gerry

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