Berkshire
DIVIDEND STRATEGY

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“Casual Friday” Commentary

Casual Friday: True Lies + Tariff Talk? – April 4th, 2025

Our recent quarter-end commentary is about three and a half trading days old—an eternity in a week like this. Dividend Strategy Commentary 3.31.2025. But yes, it remains highly relevant, if not more so. The market’s reaction to the latest tariff announcements has magnified the impact we anticipated.

True Lies? - Markets have a way of forcing reality upon narratives that once seemed unshakable. Sometimes, the only thing that convinces people is price validation. Logic may not do it. A very well-thought-out argument may not do it. Sometimes, only price validation does. This week’s market plunge got everyone’s attention.

The past week has been a brutal reminder that what is taken as truth—until it isn’t… can unravel quickly.

A few notable examples:

- **"Growth stocks are overvalued."** That argument seemed settled in 2022’s drawdown, but 2023-24 felt like a case of market amnesia. Now, with growth stocks teetering on the edge of bear market territory, the valuation reset appears to be in full swing.

- **"The 60/40 portfolio is dead."** After 2022, many declared the traditional portfolio obsolete. And with Treasury yields at 1.5%-3%, the skepticism made sense—basic duration math. But at 5%+ yields, the landscape shifted. 60/40 portfolios were once again doing precisely what they're designed to do. Yet, institutions pivoted to alternatives and private credit, driven by big finance’s push into the “next big thing.” Now, the stocks of Blackstone, Apollo, and the distribution arms of these financial exotica are down 30-40% from their highs. There’s little mark-to-market transparency in private assets, but the writing may be on the wall.

- **Client misconception? (Per Natixis) "Inde**xing (and direct indexing) lowers risk." We understand the appeal of tax efficiency. But mirroring an index where the top seven stocks accounted for 56% of the growth index and traded north of 30x earnings doesn’t feel like reducing risk. Advisors we’ve spoken to are noticing the mismatch between expectations and reality. Our take? A more pragmatic approach: a tax-managed version of our strategy—no black-box algorithms, no excessive trading, just disciplined buy/sell/hold decisions based on fundamentals, gradually transitioning appreciated positions into a high-quality, dividend-growth portfolio. Too early to claim victory, but to us this setup seems compelling.

Back to the Present: What Matters Now

We see dividend stocks have held up relatively well— we view strength in staples, healthcare, and utilities. Meanwhile, banks, both regional and money-center, are under serious pressure.

As for tariffs, expect endless debates about winners and losers, but here's what really matters... Stock prices in the long term are mostly driven by two things: **earnings and the multiple applied to them**. Earnings? We see as likely receding. But should this change your long-term valuation framework? We don't think so. This is a potentially cyclical earnings downturn NOT a secular valuation shift.

Retooling the Advice Conversation with Couples?

Kitces explores how Nick Rodkin retooled his process with couples to accelerate the adoption of their financial plans. "*What's unique about Nick, though, is how, after nearly 15 years of practicing as a financial advisor, he went back to graduate school to get a master's degree in marriage and family therapy… which opened entirely new doors when working with client couples to help them better understand and resolve their own couples conflicts around money that would otherwise slow down or entirely stop their implementation of his financial planning recommendations.* "

Navigating Couples With Money Conflicts By Developing A New Toolset Of Questions To Ask, With Nick Rodkin

Have a great weekend.

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Have a great weekend!

contained herein. To receive GIPS-compliant performance information for the firm's strategies and products, contact Jason Reilly, CFP® Tel: 570-825-2600 or info@berkshiream.com.

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.

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