Berkshire
DIVIDEND STRATEGY

Tax Alpha Transition Strategy

An Alternative to Direct Indexing

Presented to: Portfolios with Embedded Capital Gains

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Berkshire's Tax Alpha Transition Strategy

Our approach offers similar tax benefits as competing direct indexing and custom indexing strategies, yet we seek to provide a more elegant and simplified process clients can understand and appreciate…

All while maintaining a dividend growth portfolio aligned with financial plans.

It's a **white glove, thoughtful approach** powered by modern technology but implemented by a **seasoned Portfolio Manager.**

Berkshire's Tax-Alpha Transition Service

A Straightforward, Commonsense Process

Common Advisor Problem

> "I need to change large cap strategies, but I'm worried about capital gains."

Berkshire Tax-Alpha Transition Program

Unlike a traditional SMA which may "blow out all positions day one" we work within a client-directed tax budget and timeline (typically 2–3 years) to actively manage the transition of portfolios with embedded gains — without handing control to an algorithm.

Technology has flooded the market with new "tax-managed" solutions. But do they actually align with client preferences?

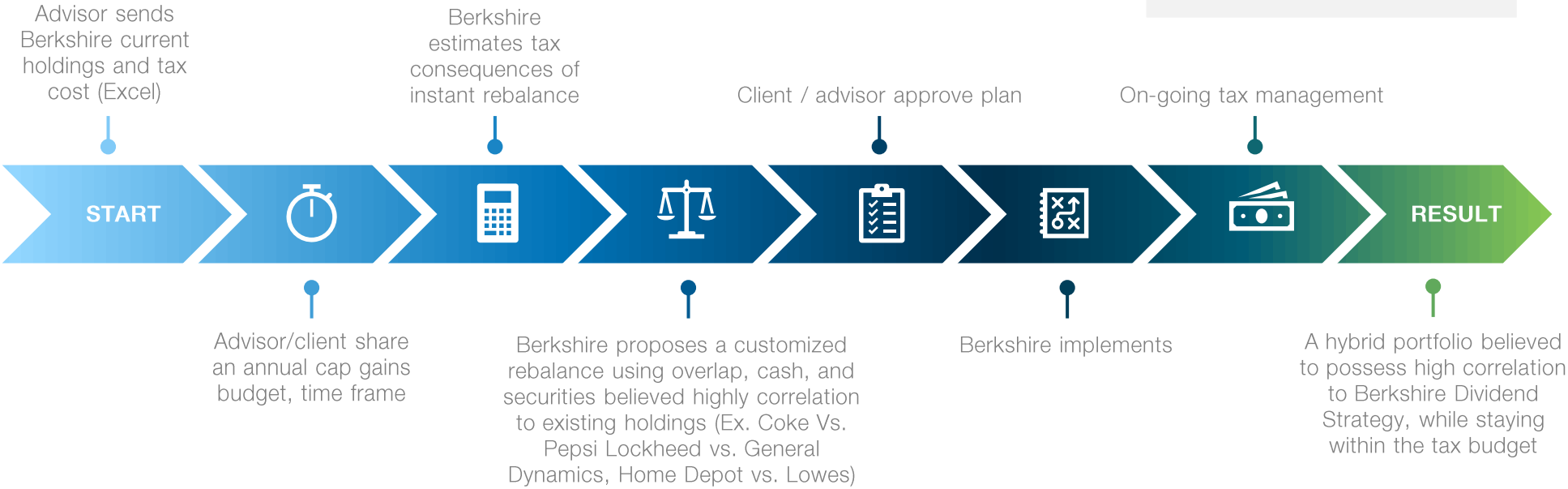
Common Feedback: Limitations of Direct Indexing

- "I don't want to track an index: I want active management, especially with markets near all-time highs."
- "The fees seem high."
- "Too many confirms…too complicated."
- "What is tracking error and r squared even telling me?"
- "My clients want cash flow from dividend growth stocks, not a basket of ETFs or an index."
- "We favor simplicity."
- "I prefer that a seasoned portfolio manager — not an algorithm — is customizing each account."

Berkshire's Tax-Alpha Transition Service

A Straightforward, Commonsense Process

> "It's often a select number of securities creating all the tax problems and retaining them for a year or two often mitigates a good portion of the gains."



> "Advanced tools guide us, but common sense rooted in fundamental analysis prevails. Real tax management is often simply making a few smart moves, not chasing overly complicated algorithms."

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value. 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, there is no assurance they will continue to be paid in the future. Platform restrictions may apply.

Instant vs. Gradual Rebalance

Cash-tax impact of two transition approaches

Advisor	
Market Value	$1,343,014.79
Client Name	Valued Client
Tax Saving from Custom Rebalance	$18,588
Potential Tax Alpha Year 1	2.93%
Estimated Years to Transition	3

	Instant Rebalance	Custom Rebalance
Gains Realized*	$345,982	$73,957
Tax Rate	20.00%	20.00%
Cash Taxes	$69,196	$14,791
Tax as % of Market Value	5.15%	1.10%
Amount Invested in Berkshire	100%	53%

The tax savings estimates presented are for illustrative purposes only and are based on assumptions that may not apply to your specific situation. Actual results may vary depending on individual circumstances, including but not limited to cost basis, holding period, applicable tax laws, and other factors. Berkshire Asset Management, LLC does not provide tax or legal advice. Clients should consult their own qualified tax or legal advisors before making any decisions related to this analysis or implementing any investment strategy.

CLOSING THOUGHTS

- Simple, yet effective
- Transparent and easy to understand
- Customizable – “account by account, stock by stock”
- Rooted in common sense, fundamentals

All supported by Berkshire’s hands on service model

Ideal Advisor Engagements

Berkshire Dividend Growth Strategy

- “I switched firms and legacy manager/strategy not available.”
- “I’m firing a manager.”
- I just inherited/bought an advisor managed book of business.“
- “I want to increase use of outsourced managers.”
- “I took over a big account from another firm – in-kind.”
- “I’m trying to consolidate cusips in my practice in a tax efficient way.”
- “Advisors seeking improved after-tax returns while avoiding more complicated and cumbersome direct indexing products.”
- “Advisors seeking the benefits of direct indexing but desires Berkshire Dividend Growth Strategy as the resulting portfolio.”
- “Switching from an underperforming manager.”

Advisor Use Cases

If one or more of these applies to you, ask how working with Berkshire can provide solutions.

Disclosure

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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. The Morningstar US Value index is designed to provide a consistent representation of the value segment of the US equity market, with no overlapping constituents across styles. 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 a 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 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. 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.

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