BERKSHIRE DIVIDEND STRATEGY

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

Early Casual Friday: Index Isn’t Everything + Happy 250, America!

#TGIEarlyCasualFriday!

Remember tennis great, Andre Agassi's famous ad campaign?

"Image is Everything."

For investors, I'd make one small change.

Index isn't everything.
Every June, the Russell indices quietly reshuffle the deck. Most investors never notice. This year, they probably should. The top 10 weighting in the indices made a dramatic shift.

Top 10 Holdings **Value Index as of 6.26.2026**			**Top 10 Holdings** **Value Index as of 6.29.2026**	
MICRON TECHNOLOGY	3.92%		Amazon	5.83%
Alphabet (A&C combined)	3.72%		Apple	5.30%
JPMORGAN	2.63%		Microsoft	5.30%
Berkshire Hathaway	2.60%		Berkshire Hathaway	2.62%
AMAZON.COM INC	1.73%		Intel	2.48%
JOHNSON & JOHNSON	1.70%		Exxon Mobil	1.73%
INTEL CORP	1.69%		Cisco Systems	1.60%
EXXON MOBIL CORP	1.68%		Johnson & Johnson	1.59%
CISCO SYSTEMS INC	1.37%		Walmart	1.27%
WALMART INC	1.31%		Abbvie	1.16%

(Source: Bloomberg)

Take Micron.

It's never been the kind of business we look for—a cyclical semiconductor company with virtually no dividend and highly unpredictable earnings. As AI enthusiasm took hold, the stock soared and grew into one of the largest positions in the Russell Value Index. If you didn't own it, you likely lagged.

Today, after this year's reconstitution, Micron is no longer one of the index's largest holdings. Which raises an interesting question. If Micron gives back a meaningful portion of those gains over the next year, will managers who avoided it finally get "credit?" Probably not.

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That's not because the benchmark is wrong. But it is a reminder that benchmark comparisons aren't always as straightforward—or dare we say 'fair'—as they first appear.

Now consider the other side of the ledger.

Today, **Amazon, Apple, and Microsoft** represent roughly **16.5%** of the Russell Value Index. Read that again. Three mega-cap technology companies now make up nearly one-sixth of the **Value** Index. Clearly not your dad's value index!

Prior to the index's reconstitution, Berkshire Dividend Strategy appeared "overweight" Apple and Microsoft because the value benchmark included very little of either company.

Today, thanks to reconstitution, you might say the benchmark is now overweight those two names. We didn't change. The index did.

And if Apple and Microsoft continue to outperform, the benchmark will now benefit far more than it once did—not because we changed our philosophy, but because the benchmark changed its composition.

Which is why the industry needs to approach benchmark comparisons thoughtfully and go deeper beyond the headline number. When a manager outperforms or underperforms, we naturally assume the story is about the manager.

They are not perfect measuring sticks. They are living portfolios, governed by rules that can materially change the hurdle active managers are measured against.

At Berkshire, our investment philosophy doesn't change because an index changed its' rules. We'll continue investing in businesses we identify as having durable competitive advantages, growing dividends, strong balance sheets, and management teams that allocate capital with discipline.

Some years our portfolio may look very much like the benchmark. Other years, it won't. And that's okay. Because our goal isn't to win a reconstitution. It's to build wealth by owning exceptional businesses over the long run.

And speaking of exceptional—happy 250th, America. Your track record is exceptional.

There was no stock market in 1776, but since 1802—about 224 years ago—a single dollar invested in U.S. stocks has grown to roughly $70–100 million. After inflation, that's about $2.5–3.0 million, or a real return of roughly 6.7% annually. *(Jeremy Siegel, Stocks for the Long Run)*

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Along the way: wars, recessions, inflation, political turmoil, bubbles, crashes—and more headlines than anyone could possibly track. Through it all, the same engine kept working: innovation, entrepreneurship, and the steady creation of new businesses and wealth.

It's a simple reminder for investors: wealth creation in equities is less about prediction, and more about endurance.

And while no one is investing with a 250-year horizon, the shorter windows tell a similar story:

- 1-year: ~70%–75% chance of a positive return
- 3-year: ~80%–85%
- 5-year: ~85%–90%
- 10-year: ~90%–95%+

(Based on long-term U.S. equity market history including dividends; CRSP/S&P 500 total return data, Dimensional Fund Advisors / Ibbotson-style long-run capital markets analysis.)

We remain heavily invested in high-quality businesses with that same long-term discipline. Not always perfect—**but always American.**

"Source: Dimensional Fund Advisors analysis of U.S. stock market returns using CRSP data, S&P 500 total return index (S&P Dow Jones Indices), and Ibbotson/Morningstar long-term capital markets data. Rolling return probabilities are based on historical U.S. equity returns including dividends."

Easily Schedule a Phone Call or Virtual Meeting

Have a great long weekend!
Gerard

Gerard Mihalick, CFA
Portfolio Manager/Partner
46 Public Square, Suite 700
Wilkes Barre, PA 18701
Office: 570 825-2600

Gerard Mihalick, CFA, Partner
gmihalick@berkshiream.com
Cell: (570) 406-3300

Jason Reilly, CFP®, Partner
jason@berkshiream.com
Cell: (570) 762-7692

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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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