BERKSHIRE DIVIDEND STRATEGY

Berkshire Asset Management
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Casual Friday: Party Like its 2000? + "When Genius Failed." Again...

#TGICasualFriday!

Value's lead over growth this year is the widest since 2000.

Through August 5, the Russell 1000 Value Index is up **22.7%**, compared to **4.9%** for the Russell 1000 Growth Index. *(Source: Morningstar)*

This value rotation hasn't necessarily benefitted all 'value' managers. We've seen some evidence of style drift where to 'get in' on the AI trade they went heavy Mag 7 type names only to see a big rally in semis and a shellacking in SaaS related. The AI worked, but the sub industry leadership shifted big time.

It's a reminder that like driving and investing, the windshield is much bigger than the rear view. We try to avoid chasing shifting market narratives.

Pure Plays vs. Beneficiaries?

Near the peak of the dot-com era, Warren Buffett made a simple observation: history's greatest innovations don't always produce the best investments. Often, investors simply pay too much for the companies at the center of the excitement.

The biggest long-term winners may not be the companies creating the technology—they may be the financially strong businesses that quietly use it to become more productive, more efficient, and more profitable.

That's more our style.

Many of the companies that meet our investment criteria have the balance sheets, meaningful cash flow, and experienced management teams to invest in AI, which we believe may help increase free cash flow and dividends in a material way over time.

Examples:

- **Industrials:** Smarter manufacturing, logistics, and automation.
- **Financials:** Better underwriting, fraud detection, and customer service.
- **Health Care:** Faster research, improved diagnostics, and lower development costs.
- **Energy:** More efficient exploration and production, while helping meet rising electricity demand from data centers.

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Technology changes. Investing principles don't.

Innovation matters. So does the price you pay.

Talent shortages, tech gaps & next-gen engagement?

How Leading RIAs Are Winning the Competition for Talent and Capturing Generational Wealth

The Next Generation Opportunity: Why the Next Decade Matters

The industry is rightfully focused on technology, talent, and the next generation of investors.

The numbers tell the story:

- **$124 trillion** of wealth is expected to transfer through 2048. *(Source: Cerulli, September 2025)*
- Nearly **80% of heirs** say they would consider changing advisors after inheriting wealth. *(Source: Cerulli, September 2025)*
- The industry could face a shortage of **100,000 advisors by 2034.** *(Source: McKinsey, February 2025)*

Translation: The next decade may be the most important relationship-building opportunity advisors have ever seen.

The advisors who win the next generation won't just be the ones with the best technology. They will be the ones who build trust with key stakeholders of the relationship (spouses, heirs, etc.) before they are needed.

Here are three simple ways to start:

1. **Audit client decision-makers, not accounts.**
   Look beyond account size. For your top 25 households, create three columns: household, heirs by name, and last direct contact. That third column often tells the real story.
2. **Ask the ten-second question.**
   "If something happened to you tomorrow, would your daughter call me — or someone else?"
   A "no" isn't a lost opportunity. It's an invitation to begin the conversation.
3. **Give the heir their own meeting.**
   Don't make the next generation an extension of their parents' relationship. Create a relationship of their own. Discuss their priorities — compensation, mortgages, 529 plans, career decisions, and financial goals.

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The future of advice will not be won by simply managing more assets.

It will be won by creating more relationships.

When Genius Failed. Again.
For those of us who've been around a while, the Situational Awareness unwind stirs up memories of LTCM. Different decades, different trade, same ending — enormous leverage, absolute conviction, and a market that didn't cooperate on schedule.

Humility remains one of the most undervalued assets in this business. -- When Genius Failed — Roger Lowenstein

Have a great weekend!

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