BERKSHIRE DIVIDEND STRATEGY

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Casual Friday: Dressed for Bad Weather + Dividends… One Step at a Time.

#TGICasualFriday!

Rain Boots and Umbrellas

On a recent analyst call we were asked:

"Any macro threats you are worried about and how do you think the portfolio can hold up?"

Technical answer:

"Well, the trouble probably comes from a combination of higher rates, inflation coinciding with — or potentially causing — a crack-up in the AI trade, accelerated by private credit woes."

We actually *do* think *if* a storm is brewing, it's probably brewing from some combination of those sources.

Berkshire/client friendly answer:

"We're always ready for bad weather. Rain boots and umbrellas."

Our outlook is that many of the companies we own are pretty well decked out in "foul-weather gear".

We see these companies having resilient characteristics such as strong balance sheets, low debt, high coverage ratios, recurring revenue, pricing power…and, of course, dividends.

These are durable businesses that we would argue are built to keep operating — and rewarding shareholders — when the weather gets ugly.

But being prepared for bad weather doesn't mean you have to stand inside waiting for it.

We believe our results this year are a good reminder that resilience and participation are not mutually exclusive. You can own companies with the balance sheets to weather a storm while still participating when markets are good.

And with our low-turnover approach, we don't have to constantly change outfits to enjoy different seasons.

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Compounding, Adversity

I recently had the pleasure of listening to **Timothy O'Donnell** speak. His story is pretty amazing:

- U.S. Navy veteran
- Navy triathlete
- Two engineering degrees
- World Champion triathlete
- Founder of veterans' advocacy groups
- Two-time IRONMAN champion
- Survivor of a near-fatal heart attack during an IRONMAN race (and countless other setbacks that would have derailed most lesser humans.)
    - Then won IRONMAN 70.3 Peru.

But what really stuck with me wasn't the résumé. It was something he said about **resilience**.

Resilience isn't a skill. It's a system. In other words, resilience isn't something you either have or don't have. It's not simply being a naturally tough person. It's a set of habits and actions that help you respond when things get hard — reset, reframe, rebuild and keep moving forward.

He was speaking at a rehabilitation hospital and talked about how recovery often comes down to the **next best step** — sometimes literally one step.

You take that step. Then another. And eventually those small steps compound into something much bigger.

I couldn't help but think about dividends...

We talk about compounding all the time — dividends, earnings, capital appreciation. But there's another kind of compounding:

The ability to keep taking the next best step when things don't go according to plan.

One dividend. One year. One step. Over time, it can add up to something pretty remarkable. Maybe that's part of resilience, too.

Tim, a fan of stoic philosophy, quoted "Character is fate."

And sometimes fate is built one step at a time.

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