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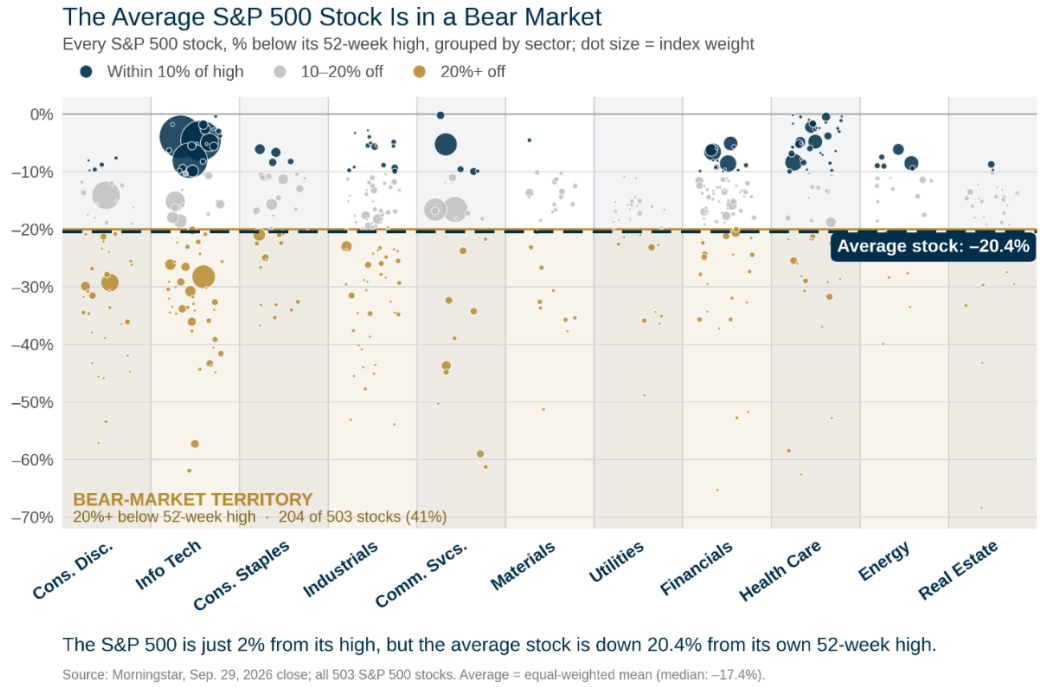
Berkshire DIVIDEND STRATEGY

Dividend Growth Commentary
3Q 2026

A GOOD MARKET CAN STILL BE A DANGEROUS MARKET

Markets continue to make new highs. That's good news for investors—and also a reason to stay disciplined. There is a lot of noise underneath the surface. Inflation has not completely gone away. Interest rates surged higher. The cost of materials, energy and capital has increased. A relatively small group of technology and AI-related companies continues to account for a remarkable share of the market's gains. And in other parts of the market, as of September 29th, 2026 41% of S&P 500 stocks are already in bear-market territory.



None of this definitively means the market is going down tomorrow. We have no interest in predicting that. However, we do believe, we should pay attention to what we are paying for.

A VERY GOOD YEAR FOR DIVIDEND GROWTH

The Berkshire Dividend Growth Strategy is having a very solid year, participating fully vs the broader market. More importantly, most of the businesses we own continue to do what we ask them to do: grow their earnings, generate cash and increase their dividends. (Source: Bloomberg)

Dividend growth was particularly strong across our financial holdings, with several companies raising their dividends by 15% or more. Dell, Nucor, Cisco and Deere have also been notable contributors. Financials performed well, although some of that strength faded late in the quarter. Housing-related businesses continue to feel the weight of higher rates, while several consumer-oriented holdings have lagged.

We are comfortable with that. Our job is not to own every stock that is working today. It is to own good businesses at reasonable prices and allow their fundamentals to compound over time.

Berkshire Asset Management, LLC (Berkshire) is a fee based, SEC registered advisory firm serving the portfolio management needs of high net worth and institutional clients. Our guiding principle is a belief that success can be achieved by combining rigorous, well-crafted investment processes with an exceptional level of client service and attention to detail. Asset Management with a Difference... Diligence, Integrity and Focus. Berkshire Asset Management, Inc. was formed in 1986 as a SEC registered investment adviser. In 1999 the company was sold to Legg Mason. In 2007, senior leadership repurchased the firm, forming Berkshire Asset Management, LLC, the company built to serve you today.

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THE MARKET IS CHANGING BENEATH THE SURFACE

One of the more interesting developments this year is the narrowing gap between growth and value. By some measures, value outpaced growth by ~30% over the past year—one of the more significant shifts since 2000. We think there is a reason for that.

For years, investors could make money simply by owning more technology. But technology is not one thing. Some companies are generating extraordinary cash flow. Others are spending extraordinary amounts of it. We have tried to thread our way through that distinction.

We own technology but generally avoid paying any price simply because a company was considered a technology leader. We also avoided the temptation to chase whatever segment of technology happened to be leading the market.

A good example is **Accenture**. We have liked the business for a long time. We simply did not like the valuation. At higher valuations, other value-oriented managers were willing to own it. We waited. When the price finally became more attractive, we were able to establish a position in a business we already knew and respected. The investment case changed not because Accenture suddenly became a better company, but because **the price finally made more sense**. That is an important distinction.

We would rather wait for a good business at a reasonable price than convince ourselves that a great business is worth any price. That discipline helped us this year.

It is also worth remembering that the definition of "value" has become somewhat blurry. Some value indexes now contain companies that look very different from the traditional dividend-paying businesses investors may expect to find there. We believe that matters.

WHAT HAS OUR ATTENTION

There are several things we are watching carefully. **First, concentration**. A surprisingly small number of companies are driving a large portion of the major indexes. When expectations become concentrated, so does risk.

Second, AI. We believe artificial intelligence will be enormously important. We are less certain that every company associated with AI will produce enormous investment returns. There is a difference between a great technology and a great investment. The enormous capital spending required to build the AI infrastructure also deserves scrutiny. Steel, copper, lumber, energy and other inputs are more expensive. And now the money required to finance all of that investment is becoming more expensive as well. At some point, investors will ask a simple question: **How much can all of this spending earn?**

Third, inflation and interest rates. Inflation may be better than it was, but it is not dead. Higher input costs and higher financing costs can eventually find their way into corporate earnings.

And finally, private credit. Easy money has a way of creating problems that do not become visible until later. We are paying attention to what happens when credit becomes less abundant and more expensive.

None of these concerns necessarily makes us bearish. They simply make us less willing to take things for granted.

DISCLIPLINE MATTERS MOST WHEN THINGS FEEL EASY

We never believed investors should abandon stocks because markets are expensive or because there are risks. Over long periods of time, ownership of productive businesses remains one of the best ways to compound and build wealth. But investing is not only about what you own. It is also about **what you pay, how much you own, and when you are willing to rebalance**.

When everyone wants more risk, we think it is reasonable to take a little off the table. When markets provide an opportunity to buy good businesses at better prices, we want to have the patience—and the capital—to take advantage of it. That is one reason we continue to favor companies with strong balance sheets, durable businesses, growing cash flows and management teams willing to return more of those cash flows to shareholders through rising dividends.

We do not know what the market will do next. We do know that discipline has worked through many different markets. **Markets may be making new highs. We simply don't think that means investors should stop asking what they are paying for.**

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