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Berkshire
DIVIDEND STRATEGY

Dividend Growth Commentary
3Q 2025

QUIETLY COMPOUNDING: THE BEST OF BOTH WORLDS?

Oct 2025

In a world consumed by AI, tariff debates, and rate speculation, it's easy to lose sight of the quiet compounding power of disciplined dividend investing. However, we continue to believe in its long-term efficacy. Recent market volatility reminds us why the strategy, combined with active management, may provide investors with the best of both worlds.

April reminded us of that discipline and the importance of downside protection. While the broader market experienced a sharp dive, our strategy fell much less, echoing the defensive resilience it demonstrated in 2022 — when markets dropped more than 20% and select growth names dropped 30–50%. As the growth trade dominates the ether, it's almost like investors forgot what downside volatility feels like.

Along the way, we made several adjustments — trimming defensive names and selectively adding companies that could be described as more pro-cyclical or slightly higher "beta." A change in strategy? Hardly. These new names show that our commitment to high-quality, cash-rich companies with the potential to compound wealth through dividends remains firmly in place.

By mid-April, markets turned on a dime. The rise — which is nothing short of swift, meteoric, and historic — again proves just how difficult it is to time markets with precision. Quiet compounding through tumult and waiting patiently for the upswing is more our style. This rapid 30%+ climb off the bottom ranks among the quickest advances of that magnitude since 1950 (source: CapTrader, "Record Rally in the S&P," July 2025).

We observed that our proactive April changes, along with powerful advances in several of our core holdings, allowed the portfolio to participate meaningfully in this sharp rebound. As big a bounce as growth or AI names? No. But our advance reminds us that downside protection and attractive upside need not be mutually exclusive.

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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BEHIND THE NUMBERS

We see money center banks and big-cap tech as having provided clear tailwinds. Money center banks are thriving, as the benefits of their diverse business models are on full display. Loan growth hasn't quite hit escape velocity yet, but their capital markets business has. Our "older" tech companies — those with notable free cash flow and reasonable valuations — are thriving. Our newest purchase, Dell, has positioned itself to participate in AI — but owning it comes at a fraction of the valuation, and in our view, provides meaningful dividend growth potential versus the rest of the space. AbbVie, TE Connectivity, and Norfolk Southern are other long-term holdings contributing meaningfully to recent results.

On the other hand, staples have underperformed — particularly General Mills and Pepsi. A general preference for riskier companies has consumer staples lagging a white-hot market. Inflation, GLP-1 drugs, and changing consumer tastes are headwinds for "Big Food" companies. Energy-related issues are having a "so-so" year, but even in these pockets of weakness, we see attractive yields, ample free cash flow, and potential opportunities to capitalize on economic recovery.

OUTLOOK

Economic and market conditions today feel "Goldilocks," but prices already reflect much of that optimism. An ever-climbing market demonstrates investors are acting as if there is little to worry about — or are happy to shake off any bad news.

But it's usually the **lack** of fear, coupled with high prices, that sets investors up for either poor forward returns at best or, worse, a meaningful correction. The S&P 500 P/E? 22.65. The Technology sector sports a P/E over 30 and represents a whopping 35% of the index. An equal-weight S&P sits at a more moderate 17.63x, suggesting pockets of opportunity remain in a wider range of stocks outside the largest weightings of the S&P. (Source: Bloomberg 9.30.2025)

Our strategy may be built for environments like these. We see it continuing to demonstrate resiliency, quiet yet attractive dividend compounding, and appealing upside. The best of both worlds? Maybe. Berkshire Dividend Strategy will actively work to find those opportunities. With a disciplined focus on dividend growth, quality, and sensible valuation, we hope the strategy will continue to quietly compound wealth over time — and remind clients why they own it in the first place

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