



Berkshire

DIVIDEND STRATEGY

Berkshire Asset Management, LLC

46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600
www.berkshireasset.com

Dividend Growth Commentary
1Q 2026

16 YEARS, 16 REASONS NOT TO INVEST?

April 2026

2026 is off to a wild start – to say the least! We will unpack the year's events soon enough, but we believe dividend stocks “passed the test” again. We continue to see their combination of steady cash flow, generally strong balance sheets and reasonable valuations providing solid downside protection in a volatile market.

YTD Market Performance 12.31.2025 – 3.31.2026



(Source: Bloomberg)

HOW DID 2026 UNFOLD, AND WHERE DO WE GO FROM HERE?

It's been anything but a straight line, and the headline index numbers don't tell the whole story.

Act I: Too Much Enthusiasm

Early 2026 picked up where 2025 left off — investors were infatuated with growth investing and the latest tech paradigm. AI names were being stuffed into everything: indexes, “value” funds, moderate allocation models. The market was beginning to broaden after a massive AI-driven run, but crowding in mega-cap tech and AI remained very real.

Act II: The Quiet Rotation

Then, without much fanfare, things started to shift. Value stocks began to rally. Energy, staples, industrials, and materials posted double-digit returns through the end of February. Lower-valuation international stocks continued their upward pace. Value peaked, up ~7% the Friday before Iranian airstrikes began, while growth was down ~5% over the same period. The growth selloff — fueled by a rotation out of frothy AI and mega-cap growth and jitters in private credit — appeared to just be getting underway. (Source: Bloomberg)

Act III: Iran — And the Plot Twist Nobody Scripted

On February 28th, strikes on Iran sparked the ongoing conflict. Oil jumped above \$100. The threat of sustained high prices pushed stagflation concerns to the forefront, and the 10-year Treasury surged from 3.95% to over 4.40%. The dollar strengthened as inflation control became a priority, removing an easy-money tailwind. A stronger dollar, in turn, pressured international stocks that had been benefiting from rising local prices and currency appreciation.

Sector Reaction

Predictably, the oil and energy sector led the quarter, rising 30–40%. Utilities, a classic defensive sector, held up well but face potential headwinds from higher interest rates. Consumer defensive stocks, which were strong before the strikes, faltered later in the quarter amid fears of sticky inflation, rising input costs, and soft demand. They still ended positive for the quarter.

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IN THIS REPORT

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Technology stocks were hit hard, with several tech names down 20% or more. High starting valuations played a role, but the bigger factor has been AI-driven disruption, particularly from companies like Anthropic. AI is beginning to automate core functions across software, consulting, and data services — tasks these companies built entire businesses around. In many ways, the software industry has almost “invented” a toolset that now threatens to devour its own market.

Financials, a top-performing sector last year, struggled this quarter. Geopolitical uncertainty and recession fears contributed, but the bigger factor has been the proliferation of private credit. Over the past years, hedge funds and other non-bank lenders have stepped in to fund everything from LBOs to working capital, often with looser underwriting. While some see these non-bank entities as an efficient capital source, others worry loans are being made to borrowers who wouldn't meet traditional bank standards. High-profile failures have raised questions: What are the underlying loans worth? Is there enough transparency? Was capital simply deployed to generate sponsor fees? This \$1.5–\$2 trillion question will need resolution regardless of the market outcome.

BERKSHIRE DIVIDEND STRATEGY: COMPANY HIGHLIGHTS

Some holdings mirrored broader sector trends — our energy positions and defense-related holdings rose sharply. Others were shaped by individual company developments.

The portfolio saw numerous dividend increases in the past three months: Dell (+20%), Schwab (+18%), Waste Management (+14.5%), Pepsi, Chevron, Chubb, and Walmart raised dividends 4–6%. Appreciation was notable from Hershey (lower input costs), Honeywell (successful spin-off), and Deere (increasing recurring revenue versus equipment sales). (Source: Bloomberg)

Conversely, some companies faced unique headwinds. Qualcomm, down roughly 24%, struggled with memory supply and diversification. Microsoft, down roughly 23%, faced valuation pressure amid a technology rotation. Abbott Labs issued weak guidance. General Mills wrestled with higher input costs and soft demand. (Source: Bloomberg)

ACT IV: SO WHAT DO YOU DO WITH ALL OF THIS?

We cannot predict whether the Iran conflict will be short-lived or prolonged, and we won't try to handicap it. We continue to advise investors to remain invested in high-quality businesses that can compound capital even in difficult environments — especially those paying dividends. The income machine doesn't stop because headlines are loud. Companies that write checks every quarter — and raise them — are exactly the businesses built for this environment.

We remain laser-focused on upgrading portfolio companies for the long term and will look to use volatility to our advantage.

16 YEARS, 16 REASONS NOT TO INVEST?

Q1 '26 is a reminder of what's been true for some time... Every year brings a new reason to sit on the sidelines. This chart pairs each year's headline risk with the market's worst drawdown — and shows how Berkshire's dividend income grew through it all.

Year	Headline Risk	S&P 500 Drawdown	Dividend Income Growth
2010	Flash Crash & European Debt	-16%	+18.1%
2011	European Debt & U.S. Downgrade	-19%	+17.3%
2012	Europe “Double Dip” Recession	-10%	+23.0%
2013	Taper Tantrum & Gov't Shutdown	-6%	13.1%
2014	Global Slowdown Fears	-7%	+8.3%
2015	Energy Recession / Oversupply	-12%	+11.4%
2016	Energy, Election & Bank Selloff	-13%	+9.0%
2017	62 New All-Time Highs	-3%	+7.8%
2018	Hawkish Fed	-19%	+14.9%
2019	Trump Tariffs	-7%	+11.4%
2020	COVID	-34%	+3.2%
2021	China Real Estate – Evergrande	-5%	+5.7%
2022	Tech Wreck, Inflation, End of ZIRP	-25%	+4.8%
2023	Inflation Persists, 10-Yr Peaks ~5%	-10%	+5.0%
2024	Yen Carry Trade Unwind	-8%	+5.6%
2025	DeepSeek & Tariffs	-20%	+6.6%

CONTACT BERKSHIRE:**Berkshire Asset Management, LLC**

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DISCLOSURES

Annual Income Change represents the year-over-year percentage change in total dividend income collected by the Berkshire Dividend Strategy model portfolio, net of a 1.00% annual fee. The calculation measures the change in aggregate dividends received from portfolio holdings from one calendar year to the next, expressed as a percentage. Dividend data is sourced from Bloomberg. Annual Income Change is representative of a characteristic of the Berkshire Dividend Strategy and is not intended to be a representative of Berkshire Dividend Strategy's portfolio performance. Portfolio and strategy characteristic are subject to change based on differences in account size, timing of contributions and withdrawals, individual security selection, and other factors. These figures are based on a hypothetical model portfolio and do not represent the performance of any individual client account. Actual client results will vary due to differences in account size, timing of contributions and withdrawals, individual security selection, and other factors. Model portfolio results are calculated and maintained by Berkshire Asset Management. The model assumes full investment in the Berkshire Dividend Strategy with dividends received in cash and reinvested at Berkshire's discretion for purposes of this calculation. Any securities mentioned represent a partial list of holdings whereas Berkshire portfolios typically contain approximately 30-40 securities in percentage weightings ranging from 1-5%. A complete list of holdings from a representative account is available upon request. Past income growth is not a guarantee of future income growth, and dividend payments are subject to change or elimination at the discretion of the issuing company.

The S&P 500 Index maximum drawdown data is included for reference purposes only to illustrate general market conditions during each respective period and is not intended as a direct comparison to the Berkshire Dividend Strategy or as a basis for making investment decisions. The maximum drawdown is the drawdown experienced in each respective calendar year. The S&P 500 Index is an unmanaged index of 500 widely held stocks and is not available for direct investment. Index performance does not reflect the deduction of fees, expenses, or taxes. Annual Income Change figures reflect the Berkshire Dividend Strategy model portfolio, gross of fees. Past performance is not indicative of future results. S&P 500 maximum drawdown data sourced from Bloomberg.

The Berkshire Dividend Strategy inception date is July 1, 2009. Calendar year 2009 has been excluded from this table as it represents a partial year without a prior completed reference year and is therefore not representative of full-year Annual Income Change or maximum drawdown data. Full-year reporting begins January 1, 2010. The reported Annual Income Change for 2010 is based on a comparison to a partial year for 2009.

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