Berkshire
DIVIDEND STRATEGY

Gerard Mihalick, CFA
gmihalick@berkshiream.com

46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600

Dividend Growth Commentary
2Q 2025

"FOUNDATIONAL", "GENERATIONAL", "A PILLAR OF ENDURING WEALTH"

July 2025

"Foundational"

"Generational"

"A Pillar of Enduring Wealth"

All are words we like to use to describe our portfolio.

But first, let's rewind to early April of this year.

Markets were spiraling. The S&P 500 had just shed nearly 20% from its February highs. Tariff headlines were screaming. Oil prices were spiking. China talks were unraveling. Every strategist on TV was suddenly an expert in geopolitics, and bonds were pricing in a full-blown slowdown.

It was a noisy, high-drama moment. And if you zoomed in too closely, many thought everything was breaking.

But the funny thing about markets: they don't care about how persuasive or terrifying narratives sound in the moment. Whether there is panic or euphoria (amplified by media frenzy and people seeing their account values fluctuate wildly), the answer usually falls somewhere in between, and violent price moves can happen fast.

Within days (starting approx. April 8), the script flipped. A surprise U.S.–China trade framework emerged. Earnings came in less badly than feared. The Fed turned more dovish. Suddenly, what looked like the edge of the cliff turned into a trampoline. From April 8 through June 27, the S&P 500 rallied **+23.9%**, one of the fastest rebounds on record. Macro predictions were left in the dust. Those macro pundits? Quick…certain…wrong…again! (Source: Bloomberg)

And that brings us to the heart of it: disciplined and long-term investing for cash flow can still provide good results and fewer sleepless nights in months like April. And a lot less wrangling over macro.

While everyone else was trying to guess whether Powell would cut in July or September, we were focused on what mattered: did the businesses we own continue to generate cash? Did they raise their dividends? Did they take care of shareholders through rational capital allocation? That's the foundational nature we see in the businesses we own. They are not blips on a screen, or a temporary "trade" or even an "allocation". Instead, they are real businesses with real cash flow that can help a family provide income for generations. Most investors don't check Zillow or BizQuest for the daily market price of their real estate or business assets. Why should your portfolio of high-quality dividend companies be viewed differently, especially if they make up an enduring pillar of your wealth?

However, we did use volatility to our advantage and implement meaningful changes into the portfolio.

We were more active than usual. We didn't rotate into the hot new AI small-cap trade. We didn't chase the 2025 version of the "Magnificent Seven", many of which declined by 1/3 in a few short weeks. What we did was modestly increase exposure to cyclical

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- Familiar Lessons

dividend growers like **A.O. Smith, Dell, EOG, Hershey,** and **Lennar**. Call it a measured move towards increasing "beta", but still well within our cash-flow quality filter. (Source: Bloomberg)

We also trimmed back a few big winners, not because we stopped liking them, but because of position size or valuation. And yes, we did some spring cleaning on a few names, and we used the proceeds for the aforementioned names.

TAILWINDS

Some of our names in the tech sector rebounded sharply. Did we own the big pure-play AI names? No, but we owned solid cash flow generators with reasonable valuations. Banks also caught a bid as investors appreciate: lower rates, more loan growth and attractive capital plans. This may bring buybacks and hopefully some double-digit dividend increases.

HEADWINDS

Were we perfect? Of course not. Our staples and healthcare positions, particularly in food, were lackluster, offering stability but little upside.

Net / net? By holding relatively steady during the worst of times, but providing solid upside and cash flow, we believe the strategy passed the test, again.

THE MARKET TAUGHT A FAMILIAR LESSON (AGAIN)

It's tempting, always, to get caught up in the now — the drama of tariffs, inflation prints, bond yield whiplash. But it's precisely in those moments of high noise that steady signals matter more.

This quarter reminded us of a few timeless lessons:

- The urge to divine wisdom from macro events is seductive — and often wrong.
- The future is unpredictable, but growing income can offer stability.
- Simple price risk isn't volatility. Real risk? We believe it is paying for cash flow that never materializes. And owning businesses that pay you to wait has always been a good antidote.

Our companies raised dividends. They bought back shares thoughtfully. They stayed profitable while the world panicked. They didn't need a crystal ball — just a consistent business model and shareholder discipline. (Source: Bloomberg)

SO, WHERE ARE WE NOW?

Valuations are a bit richer, no doubt, and uncertainty abounds. But dividend strategies can still offer a compelling middle path — participating in upside, while keeping investors grounded in reality. Whether rates stay elevated or slip, whether trade headlines quiet down or flare back up again, we'll keep focusing on businesses that can pay their way through the noise.

Dividends didn't just survive the first half of the year — they reminded us why we own them in the first place.

CONTACT BERKSHIRE:

Gerard Mihalick, CFA | Portfolio Manager

gmihalick@berkshiream.com
(570) 825-2600

Jason Reilly, CFP® | Partner, Distribution

jason@berkshiream.com
(570) 825-2600

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