Berkshire
DIVIDEND STRATEGY

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First Quarter 2013 Commentary

PROCESS IN ACTION: GENERAL MILLS

We constantly remind our investors that intelligent dividend investing is more than just "shopping" for high current yield. Current income is important, but a company that can manage to grow its dividend through a variety of challenging environments will:

- Generate more income for investors over the long term
- Command a higher multiple

General Mill is is an excellent illustration of what we are trying to achieve in our Dividend Strategy: a balance between attractive current yield and good growth General Mills has faced rising commodity costs over the past few years which of course are earnings and dividend "head winds."

Yet, because of its brands, General Mills can pass most of the input costs on to its customers. So even in a tough year, General Mills raised its dividend 9%. Over a 5 year period, General Mills has raised the dividend at rate of 11% per year. And since prices tend to be "sticky" as commodity prices ease, (underway) it is unlikely General Mills will lower prices which pave the way for margin expansion.

So while utilities may have higher current yields, we believe the dividend flexibility and growth potential of a company like General Mills is more attractive.

Utilities operate in a high fixed cost industry, do not have much flexibility in managing their cost structures, and their return on equity is regulated.

Berkshire is a fee-based, SEC registered advisory firm serving the portfolio management needs of high net worth and institutional clients. Over the past 20 years, we have successfully implemented highly focused equity, fixed income and balanced portfolios. Our guiding principle is a belief that success is 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.