

We invest in winners. That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

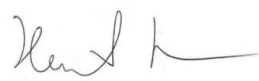
Berkshire Hathaway Inc.

In August 2011 we introduced Berkshire Hathaway in our Investment Report. At the time, we noted Buffett's surprising disclosure of an approximate calculation method for determining Berkshire Hathaway's intrinsic value. We then calculated the value using 170% of the book value. At the same time, the exchange price was only 104% of the book value. Just a few weeks after our report, Buffett reacted to the under-valuation by announcing the buy-back of own shares at a maximum price to book value ratio of 110%. In the year 2012, he raised this limit to 120%. Since then, the parameter has remained unchanged, and the exchange price has been trading above the buy-back level. Since we analyse the quarterly reports, we are able to continuously assess the value of the stock and the attractiveness of a buy-back. In 2017, the book value rose by an impressive 23%. It improved by USD 65 billion to USD 348 billion. Of this figure, USD 29 billion are due to special effects from the US tax reforms. The remaining USD 36 billion represent the enormous earning power of this company. As a result of this increase, Buffett's buy-back limit was increased to USD 418 billion (or USD 254,000 per share). At the same time, the intrinsic value has increased to USD 564 billion (or USD 343,000 per share), which corresponds to 162% of the book value. It is not only approximately USD 50,000 above the current exchange price, but is also likely to grow by

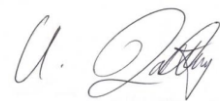
around 11% p.a. if we use just the annual increase in the book value during the last ten years as an approximation. This is due in particular to the premium volume of the four insurance segments, which Berkshire Hathaway can invest profitably over many years until potential insured losses are incurred. Since the historic claims and cost ratio is under 100%, the premium volume ("float"), which has grown to USD 115 billion, ensures steady investment demand that drives the expansion of the empire. Therefore the cost of the float (insurance losses) is not only lower than the cost of alternative refinancing, but rather corresponds to permanent refinancing with a negative interest rate.

In our opinion, the intrinsic value is a very conservative estimate. Buffett assigned 12 times the price to the normalised pre-tax results of the non-listed subsidiaries that are not active in the insurance business. Today, he would probably assign a much higher factor. Not least because corporate taxes have been reduced from 35% to 21% as a result of the US tax reforms. Therefore we expect that the buy-back limit will be raised. In an interview, Buffett was already musing about raising the level to 125% or 127%. Regardless, the intrinsic value is likely to continue to rise (value), and the buy-back limit will probably reach the level of the current exchange price in as little as two years (event).

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky