

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 pointed to the clear undervaluation. The market capitalisation was USD 170 billion, or 104% of the book value. In the company's 2010 annual report, Warren Buffett provided some guidelines for an approximate calculation of the intrinsic value of Berkshire Hathaway. Based on his explanation, one could calculate a fair value of approximately USD 278 billion or 170% of the book value. That value was within the valuation range of 150% to 200% that could be observed in the market over the long term.

Just a few weeks after our report, Berkshire Hathaway announced the buy-back of its own shares at a price to book value ratio of maximum 110%. The limit was increased to 120% in December 2012 in order to purchase a share package of USD 1 billion. With the then valuation discount of approximately 30% on the fair value, Buffett generated a buy-back yield that exceeds the annual increase in the fair value. Such a buy-back programme acts as a catalyst for the future value per share. Therefore it is in the interest of long-term investors if the Berkshire Hathaway share price should fall temporarily and enable the buy-back of own shares. In that context, Buffett notes as follows in the last annual report: "We did not purchase shares during 2013, however, because the stock price did not descend to the

120% level. If it does, we will be aggressive." At the same time, there are skilled managers who have established themselves for the time after Buffett and Munger ("You can rest easy when they take over."). The 69 non-listed companies of Berkshire Hathaway which are not active in the insurance segment generate enormous profits. The value of listed investments is doing very well thanks also to Todd Combs and Ted Weschler, and the insurance business that was shaped by Ajit Jain is generating premium volumes that have grown to USD 79 billion p.a. The "float" is generating investment demand. It drives the expansion of the empire.

At the same time, the fair value of Berkshire Hathaway continues to go up. On 30 June 2014, it was approximately USD 421 billion or 178% of the book value. That corresponds to a market price of USD 256,000 per share. Our "floor", hence the face value of the price to book value ratio of 120%, is currently USD 173,000 per share. Using the increase in the book value during the last 10 years as an approximate value, it would appear that both figures will grow at approximately 11% p.a. Keeping in mind the current market price of USD 205,000 per share, we are now in that wonderful trend channel of "value" and "event". We weighted Berkshire Hathaway very heavily, and have so far earned EUR 30 million for the fund. We expect that Berkshire Hathaway will also let this number become bigger and bigger.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky