

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.

Berkshire Hathaway, the private equity firm managed by Warren Buffett, announced on 17 July 2018 that it would lift the repurchase threshold for its stock repurchase programme, which limited the purchase of the company's stock to the equivalent of 120% of book value. The threshold has applied since 12 December 2012, after the programme was launched on 26 September 2011 at an initial threshold of 110%. That was when we first introduced Berkshire Hathaway in our investment report, citing Buffett's previous publication of a method for approximate calculation of intrinsic value and the significant undervaluation of the stock. We calculated 170% of the book value for the intrinsic value and 104% for the stock market price. Buffett was trying to take advantage of this undervaluation. Unfortunately, he never really had the opportunity to do so, because the repurchase threshold was always too low.

In the five quarters since the threshold was raised, Buffett has bought back USD 4.2 billion worth of his own stock. Given the company's liquid assets totalling USD 124 billion, it would make sense to make a bolder purchase, as the discrepancy between intrinsic value and stock market price is currently greater than it has been for a long time. The current market price amounts to 125% of book value and the intrinsic value amounts to 146% of book value. In the long term, and this is

unique to Berkshire's business model, the intrinsic value is likely to grow by around 10% p.a., as it has done over the last two decades. This is primarily due to the premium volume generated by the four insurance lines, which can be invested profitably until claims are incurred. Since the historical combined ratio is below 100%, the premium volume (float), which has grown to USD 127 billion and is tantamount to long-term refinancing with negative interest rates, creates a constant demand for investments, which drives the expansion of the empire. In our opinion, Berkshire Hathaway has been relatively misunderstood for decades. This is due to a widespread unfamiliarity with the calculation of the static intrinsic value and the expansion based on a dynamic perspective as described above. In addition, one assumption used in Buffett's heuristics is now too conservative. It allowed the normalised pre-tax results of unlisted subsidiaries not active in the insurance business to be multiplied by 12. The factor will be much higher today because interest rates are low and corporate income tax has fallen from 35% to 21% as a result of the 2018 US tax reform. Buffett is not currently able to make any major acquisitions and his investment decisions in recent years have only been of average quality. However, Berkshire Hathaway is a core investment for us. Buffett should never be written off. At the same time, the company has already significantly increased its independence from him in terms of personnel and structure.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky

Disclaimer: This document is a customer information ("CI") in the sense of the German Securities Trading Act (WpHG). Responsible as the author for the content is the tied agent listed below. This "CI" is used exclusively for information purposes and cannot replace an individual suitable investment advice. This "CI" does not constitute a contract or any other obligation or kind of contractual offer. Furthermore, the content does not constitute investment advice, an individual investment recommendation, an invitation to subscribe for securities or a declaration of consent or a solicitation of an agreement on a transaction in financial instruments. This "CI" is intended only for professional customers and eligible counterparties with a habitual residence or domicile in Germany and has not been written with the intention of giving legal or tax advice. The tax treatment of transactions is dependent on the personal circumstances of the respective customer and may be subject to future changes. Recommendations and forecasts are non-binding estimates of future events. They can therefore prove to be inaccurate regarding the future development of a product. The information contained in this document is based exclusively on the date on which this "CI" was provided. A guarantee for the actuality and correctness cannot be given. Past performance is not a reliable indicator of future performance. This information is protected by copyright, no reproduction or commercial use is permitted. Author/Issuer: GANÉ Aktiengesellschaft acting as a tied agent (§ 2 section 10 German Banking Act) in the order, in the name, for account and under the liability of the responsible liability holder BN & Partners Capital AG, Steinstraße 33, 50374 Erftstadt. BN & Partners Capital AG has a authorization from the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) pursuant to § 32 German Banking Act for the provision of investment advisory service pursuant to § 1 section 1a no. 1a Banking Act and the investment brokerage pursuant to §1 section 1a no. 1 German Banking Act. The above content only reflects the author's opinions, which may differ from those of BN & Partners Capital AG. A change of this opinion is possible at any time, without it being published. BN & Partners Capital AG assumes no liability for the content, correctness and up-to-dateness of the information contained therein and does not accept any liability for damage resulting from the use of the "CI" or parts thereof.