

We invest in winners. This 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 investment company run by Warren Buffett, has provided an essential anchor of stability in our fund for a number of years. On 28 February 2022, the company reported its business figures for 2021. Operating cash flow came in at USD 39 billion, of which Buffett used USD 27 billion to buy back his own shares. This was an impressive fulfilment of his announcement of the previous year: *“Berkshire has repurchased more shares since year-end and is likely to further reduce its share count in the future.”* The cumulative buyback volume increased to USD 60 billion (table):

	2021	2020	2019	2018	2017
Treasury shares in bn USD	60	33	8	3	2
Outstanding shares in mn	1,477	1,544	1,625	1,641	1,645
Δ Buybacks YOY	-4%	-5%	-1%	0%	0%

During the year, 26,818 A shares (nominal value: USD 5 per share) and 59,568,968 B shares (nominal value: USD 5/1500 per share) were acquired. This means that the buyback comprised the equivalent of 66,531 A-shares and reduced the number of outstanding shares by 4.3%. 9.1% of all outstanding shares were bought back in the last two years alone. *“When the price/value equation is right, this path is the easiest and most certain way for us to increase your wealth,”* as Buffett states in the current annual report. He also raised

the prospect of further buybacks: *“Our appetite remains large but will always remain price-dependent.”* Using Buffett’s own method for calculating the approximate intrinsic value, the share is undervalued. The current stock market price amounts to 141% of book value and the intrinsic value amounts to 164% of book value. The intrinsic value continues to grow at the same time. This is primarily due to the premium volume generated by the four insurance lines, which can be invested profitably until any claims are incurred. Since the historical combined ratio is below 100%, the premium volume, which has grown to USD 147 billion and is tantamount to long-term refinancing with negative interest rates, creates a constant demand for investments, which drives the expansion of the group. Our current calculation of the intrinsic value is around USD 830 billion, based on a conservative assumption. According to Buffett’s heuristic, which he made public more than ten years ago, the normalised pre-tax results of unlisted subsidiaries not active in the insurance business were multiplied by 12. He is likely to set this factor higher today on account of what is now a significantly reduced level of interest and corporate income tax. Accordingly, we are not surprised that Buffett has already invested a further USD 1.2 billion in buying back his own shares as of 23 February 2022. For us, Berkshire Hathaway continues to be a prime example of the implementation of our value event strategy.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky

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