January 15th, 2019

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Eric Spector

Fixed Income Manager  
Markets Analyst
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● Company:
  ○ Has focused on finding good companies at fair values
  ○ Now serves as an insurance conglomerate
  ○ Investment Portfolio made up 48 different brands
  ○ High valuations have kept Buffett, Combs and Weschler on the sidelines over the most recent segment of the bull market
  ○ Due to emotional market reactions, BRK/B shares have been discounted

● Macro:
  ○ Consistently has beaten the S&P 500 throughout every economic cycle
  ○ Well diversified with a long-term focus
  ○ An impending recession or further market corrections could present buying opportunities for Berkshire, eventually growing the security’s intrinsic value
Berkshire Hathaway
Company History

- Founded in Rhode Island. Now headquartered in Omaha, Nebraska.
- Buffett ended up buying the entire company in 1965 after conflict with CEO
- Acquired several insurance companies and has focused on finding good companies at fair values

1839
Founded as a leading textile company

1930
Buffett is born

1965
Buffett buys Berkshire

1967
Starts investing in insurance companies

1996
Acquires Geico

2017
Class A shares top $300,000
"We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful." - Warren Buffett

Headquartered in Omaha, Nebraska

Serves as an insurance company

Uses liquidity to invest

Has beaten the S&P by nearly 10% annually since 1965
Berkshire Hathaway
Leadership

Warren Buffett
Chief Executive Officer and Executive Chairman
- Born to a stock broker amidst Great Depression.
- Studied under Benjamin Graham
- Has grown book value by 19.0% annually since 1965

Charlie Munger
Vice Chairman
- Munger was born in Omaha, Nebraska. As a teenager he worked at Buffett & Son
- Vice Chairman since 1978
- Buffett's close friend as the two have known each other for more than 60 years

Todd Combs
Investment Manager
- Joined Berkshire in 2010 and is linked to replace Warren Buffett as Chief Investment Officer
- Serves on the board of JP Morgan
- Buffett is impressed

Ted Weschler
Investment Manager
- In July 2010, at $2,626,311, Weschler was the top bidder to win a private lunch with Warren Buffett
- Buffett was impressed by his background and offered him a position

Footnotes
Warren Buffett
Chief Executive Officer and Executive Chairman
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Berkshire Hathaway
Holdings

Apple
BNSF Railway
Geico
Lubrizol

Lines of Revenue

- Insurance: 37%
- Railroad: 19%
- Utilities and energy: 14%
- Manufacturing: 22%
- Finance: 8%
- Investments: 8%
Value Investing

- Long-term strategic focus
- Margin of safety
- Capitalize on strong cash position
- Shareholders

5 Pillars of Value Investing:
- The Business
- Circle of competence
- Mr. Market
- Intrinsic value
- Margin of safety
Berkshire Hathaway
SWOT Analysis

**Strengths**
- Strong cash position
- Outperforms S&P throughout any cycle
- Diversified
- Insurance Business

**Weaknesses**
- Apple investment
- Mark to market accounting

**Opportunities**
- Over $110 Billion in cash
- Lower valuations
- Share Buybacks
- Berkshire, JPM, and Amazon deal

**Threats**
- Buffett and Munger’s age
- US Economic Slowdown
- PG&E
### Berkshire Hathaway Competitors

<table>
<thead>
<tr>
<th>Name</th>
<th>Ticker</th>
<th>Mkt Cap</th>
<th>P/E</th>
<th>P/B</th>
<th>P/FCF</th>
<th>ROA LF</th>
<th>ROE LF</th>
<th>EV/EBITDA LF</th>
<th>Net Debt to EBITDA LF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>100 BERKSHIRE HATHAWAY ...</td>
<td>BRK/A US</td>
<td>482.29B</td>
<td>27.67</td>
<td>1.29</td>
<td>22.48</td>
<td>8.74%</td>
<td>18.12%</td>
<td>12.45</td>
<td>-0.22</td>
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<td>101 BLACKROCK INC</td>
<td>BLK US</td>
<td>62.99B</td>
<td>14.79</td>
<td>1.95</td>
<td>17.11</td>
<td>2.87%</td>
<td>18.19%</td>
<td>9.50</td>
<td>0.60</td>
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<td>102 JEFFERIES FINANCIAL ...</td>
<td>JEF US</td>
<td>6.26B</td>
<td>17.65</td>
<td>0.61</td>
<td>--</td>
<td>1.61%</td>
<td>7.32%</td>
<td>10.55</td>
<td>3.85</td>
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<tr>
<td>103 INVESCO LTD</td>
<td>IVZ US</td>
<td>7.22B</td>
<td>7.08</td>
<td>0.80</td>
<td>7.84</td>
<td>3.74%</td>
<td>13.60%</td>
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<td>104 MARKEL CORP</td>
<td>MKL US</td>
<td>14.39B</td>
<td>46.33</td>
<td>1.47</td>
<td>15.69</td>
<td>3.39%</td>
<td>11.14%</td>
<td>--</td>
<td>--</td>
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<tr>
<td>105 AMERICAN INTERNATIONAL ...</td>
<td>AIG US</td>
<td>37.00B</td>
<td>18.04</td>
<td>0.63</td>
<td>--</td>
<td>-1.20%</td>
<td>-9.22%</td>
<td>--</td>
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<tr>
<td>106 ALLSTATE CORP</td>
<td>ALL US</td>
<td>28.85B</td>
<td>9.43</td>
<td>1.36</td>
<td>6.32</td>
<td>3.31%</td>
<td>17.49%</td>
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</table>

- **Price to Book**
- **ROA and ROE**
- **EV/EBITDA**
- **Debt AA-**
Berkshire Hathaway
Financial Highlights

Assets (Orange)

Cash (Green)

Debt (Yellow)

Net Income (Blue)
Berkshire Hathaway
Valuation

12M Tgt Px  4/7  238.50
Last Price  195.84
Pricing Currency  USD
Return Potential  21.8%
LTM Return  -5.2%

Stock Price Target BRK.B

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>High</td>
<td>$258.00</td>
</tr>
<tr>
<td>Median</td>
<td>$230.12</td>
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<tr>
<td>Low</td>
<td>$220.11</td>
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<tr>
<td>Average</td>
<td>$236.85</td>
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<tr>
<td>Current Price</td>
<td>$195.77</td>
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Valuation
- Analyst Average: $237.68
- Conservative DCF: $209.06
- EV/EBITDA Multiple: $234.12
- Return potential is 6-22%
- Private Equity
- VaR would not change

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>40,164.92</th>
<th>42,728.64</th>
<th>45,456.00</th>
<th>48,183.36</th>
<th>51,074.36</th>
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<tbody>
<tr>
<td>10.28</td>
<td>175.11</td>
<td>185.81</td>
<td>197.20</td>
<td>208.58</td>
<td>220.65</td>
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<tr>
<td>11.28</td>
<td>191.42</td>
<td>203.16</td>
<td>215.66</td>
<td>228.15</td>
<td>241.39</td>
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<tr>
<td>12.28</td>
<td>207.73</td>
<td>220.51</td>
<td>234.12</td>
<td>247.72</td>
<td>262.13</td>
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<tr>
<td>13.28</td>
<td>224.04</td>
<td>237.87</td>
<td>252.57</td>
<td>267.28</td>
<td>282.87</td>
</tr>
<tr>
<td>14.28</td>
<td>240.35</td>
<td>255.22</td>
<td>271.03</td>
<td>286.85</td>
<td>303.61</td>
</tr>
</tbody>
</table>
To buy 61 shares at $197 for a total investment of $12,017.