

**Subject:** Berkshire Hathaway meeting notes  
**From:** CSH Investments <steve@cshinvestments.com>  
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**To:** <rjm1955@gmail.com>





**Sumner and I spent the weekend in Omaha with 40,000 friends. The Berkshire Hathaway annual meeting draws people from around the globe. Here are some thoughts:**

**Buffett started the meeting the usual way posting a slide of the 1st quarter earnings. I'll show you a condensed version.**

	<b>2019</b>	<b>2018</b>
<b>op earnings</b>	<b>\$ 5,555</b>	<b>5,288</b>
Inv earnings	16,106	(6,426)
net earnings	\$ 21,661	(1,138)

As you see net earnings in 2018 were negative..... Well not really. You see there's a new accounting rule that requires companies to count changes in investment gains and losses in every quarter and include them in earnings. This really is nonsensical. As Buffett put its "You need to focus on operating earnings. **Highlighted above**. This is the year over year change in how the business is performing. The investment earnings when added to net earnings has no predictive or analytical value whatsoever. Over time we will have capital gains that we will realize and some we will not realize as we might not ever sell. I would expect these to be quite large however looking at them and valuing them every quarter is meaningless."

Buffett and Munger fielded several questions on Apple. Since the last meeting Berkshire has become Apple's largest shareholder owning 5% of the company. Apple stock is up over 50% since the first of the year. Buffett expressed his displeasure at this. "Apple is in a position to repurchase enormous amounts of stock and has a covenant in place to do just that." With the stock up 50% theoretically they'll only be able to buy half as much. Of course if your already a stockholder of Apple the value of your shares go up when they repurchase.

Buffett added "its mind boggling sometimes what people want. If the stock runs up and my company has cash and its makes sense to buy in the shares the last thing you want is for the stock to go up."

Apple CEO Tim Cook was later seen perusing the exhibit floor. Cook was attending his first Berkshire meeting. When asked about what stood out about

Buffett and Munger he said this..."What stands out is their straight thinking, humility and integrity. Really just common sense thinking. I'm thrilled they own our stock."

When asked about healthcare Buffett, as always had a firm grasp of the numbers. "As a percentage of GDP healthcare costs are around 18% as opposed to 5% 30 years ago." "The answer will come from the private sector probably not from the government." He noted that was one reason Berkshire recently teamed with Amazon and JP Morgan Chase on a new health care initiative for their employees. What comes out of this is anyone's guess at this point, but there's some really smart people thinking about it....

One aspiring young money manager asked the dynamic duo "When do you know you're ready to take care of other peoples money?"

Buffett told them "make sure your clients understand what your trying to do. That's why i always wrote the annual letter in plain spoken terms not investment gibberish." Buffett's annual letters are a treasure trove of plainspoken investment advice. They have always been written to his aunt's who knew nothing about investing. You had to keep it simple so they could understand. If an investment goes down in value that's not necessarily the time to hurl things at me, it might be time to toss roses. The aunts are long gone but he still writes exactly the same way.

Munger told of the time Mozart was asked by a 22 year old aspiring composer how long it would take him to write symphonies Mozart said "Your too young." The man said "You composed your first symphony at 10." Mozart said "Yeah, but I wasn't running around asking how to do it."

Buffett added that its so very important for your investors to be on the same page as you are. If they are not or just don't get it you'd probably be better off sending them away. This reminded me of a story Buffett told at least 20 years ago. Buffett had this one investor that no matter how good things were going he'd call and point out the one bad thing. And if things were going bad he really got his nose out of joint. "About the third time he called I cashed him out and sent him a check. " Buffett said. "I made it very clear going in I didn't take calls. That's what our annual meeting is for."

I often wondered just how many millions those shares would be worth today, 40

years later...

Buffett passed on several questions to Greg Abel and Ajit Jain. With Buffett at 88 and Munger 95 the former pair become increasingly more high profile and important.

Jain has run the insurance operation at Berkshire for decades now and might be the most influential person in all the insurance world. WB has said on several occasions that Jain might be the most talented insurance executive in the world. Its hard to deny this given Berkshires track record. Buffett works closer with Jain than almost any other manager stating, "Ajit knows 5 times what I do. Every now and then I will call him and he'll tell me I've lost my mind."

I had one high level insurance executive tell me Buffett knows more about insurance than any person he's met in his life. So if Ajit knows just a little more than Warren it's high praise indeed.

Abel runs Berkshire Energy, an enormous company in its own right. After watching and listening to these talented people have I have no doubt that Berkshire Hathaway will be fine after Buffett and Munger move on.

Which brings me to a final point. I think Buffett's greatest skill may not be his investing acumen at all. The way he deals with people should be taught in business schools. So many high profile managers want to be the center of attention and to take credit for the successes. Its clear that WB holds many of the people around him in high regard and justifiably so. He praises and lauds over his people. I think he admires many of them. The credit always goes to them. He's also really nice to the people on the front lines. I've noticed on several occasions him coming down to the floor and working his way through the crowds just to say hi to someone working down there.

Many Berkshire companies are still ran by the family of the original founders. Clayton Homes is ran by Mark Clayton. The Nebraska Furniture Mart is run by Rose Blumkin's sons Irv and Ron. I know I just talked to them. It really is a family affair at Berkshire and the talent level there is unprecedented.

Charlie Munger has famously instructed his family never to sell a share of Berkshire after he's gone. "I'm sure they'll do a lot of stupid things." Charlie

says but they better never sell the Berkshire. That might be really good advice.....



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Sumner flying to Seattle. Courtesy of Flight Safety International



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