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Dr Patrick Maurenbrecher visits Berkshire Hathaway Annual Shareholders Meeting 2019

The first weekend of may is the time of year, when the value investor community of the world comes together at the Berkshire Hathaway Annual Meeting (AGM) in Omaha, Nebraska. Some call it the „Woodstock of Capitalism“ and the week leading up to the event is a great opportunity for Kontora to learn, meet likeminded people and get new investment ideas.

The Berkshire AGM in 2019 had all the ingredients that are always associated with it: the long lines of people waiting from 4 AM on in front of the CHI Health Center, the large group of Chinese shareholders (>5.000), the exhibit hall with the variety of products out of the Berkshire empire, and most importantly Warren Buffet (88) and Charlie Munger (95) in good shape on the podium, answering questions of shareholders for 6 hours.

Even though many shareholders that have been coming to Omaha for a long time have remarked that the questions asked were mediocre, and the answers given were not as precise and detailed as in past years, there were quite a lot of very valuable takeaways:

- The Berkshire world view on the universe of investable companies does nowadays include ‘tech-stocks’ such as the new investment Amazon: ‘The decision to buy Amazon’s stock was just as much based on value investing principles as a decision to buy a statistically cheap stock. Value investing is about estimating and valuing future cash flows, not about how low a Price to Book or Price to Earnings ratio is for a stock’ Warren Buffett remarked at the meeting.
- Regarding the aspects of an evolving investment style, both Buffett and Munger made once again some comments on the importance of learning: ‘You should expand your circle of competence if you can. I have expanded mine a little over time. But you should be pretty cautious’ remarked Buffett. Munger added: ‘It’s amazing how much we learned over the years. If we hadn’t the results wouldn’t have been anywhere near as good. We needed to improve at each step to take it to a new level’.
- Buffett and Munger made some very strong comments on the issue of the lack of alignment of interests in the private equity space of large cap buyouts. With a 1-2% management fee on committed capital of 10 billion USD and more, the general partners become so rich after a few years that they don’t even have to exceed the 8% hurdle rate that is usually implemented. While the fees are measured against the committed capital, the performance is only measured against the capital called. Munger called this practice ‘lying a little bit to make the money come in’.
- With the hint at succession planning it was asked if some of the other senior executives could join Warren and Charlie on the podium. Warren Buffett was quite open to the idea and had Greg Abel and Ajit Jain answer some questions (both made an excellent impression). He highly praised them: ‘You can’t have better managers than Greg and Ajit. What they have achieved is simply fantastic,’

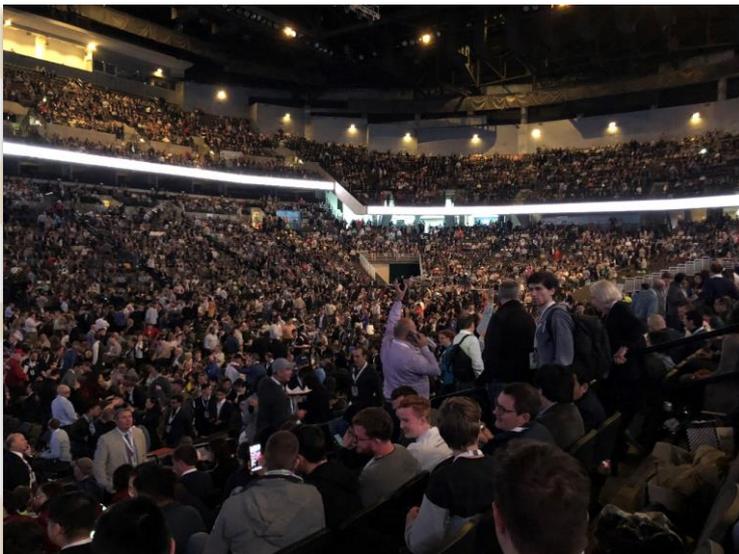
said Buffett. But it was Charlie Munger who stressed, that things are different at Berkshire and will stay that way. Decisions would not be made in a bureaucratic manner. So it's unclear, if Buffett and Munger will be joined on the podium by others in the future.



*Dr Patrick Maurenbrecher at the Berkshire Hathaway
Annual General Meeting in Omaha*

‘**W**arren Buffett and Charlie Munger are the world's most successful investors, mainly because they have continuously developed their investment process. Most other investors would have rested on their laurels and stagnated. It is humiliating to see how these two people, the youngest of whom is well in his 80's, challenge themselves to learn and develop every day. Both of them gave me this insatiable thirst for learning and expanding their area of competence, which can only be taken as an example. An attitude to life that we have firmly anchored in our corporate philosophy - only the constant urge to improve ourselves enables us as a Family Office to achieve something extraordinary for our clients’, states Dr Patrick Maurenbrecher, Partner at Kontora.

Impressions from the Annual General Meeting



About Kontora

Kontora is a leading independent multi-family office based in Hamburg, Germany, for individual advice and implementation of wealth strategies. As part of a holistic advisory approach, Kontora creates transparency about individual and complex asset structures and implements target-oriented strategies with maximum effectiveness.

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