Berkshire Hathaway ‘B’ shares were introduced to the public in 1965. At that time, per share ‘B’ was worth 1/1500 of a ‘A’ share. In February, 2010, the company acquired railroad Burlington Northern Santa Fe. As part of that transaction, Berkshire split the ‘B’ shares 50-to-1. Now, each ‘B’ share is worth $1/1500 of an ‘A’.

| Year | Price Gain Return | Price Growth Persistence | Price Growth Persistence
|------|-------------------|--------------------------|--------------------------|
| 2008 | 13.1% | 15.0% | 10.4%
| 2009 | 13.0% | 15.0% | 10.4%
| 2010 | 15.0% | 16.7% | 11.8%

The company’s long-term growth strategy is to acquire and manage businesses that are otherwise discounted by the aforementioned market indices. Berkshire’s diversification gives it a leg up on the competition, from our view, as it appears more susceptible to a prolonged downturn in the insurance market. Turning to next year, we look for earnings gains to moderate from this year’s performance, which was already strong.

These shares don’t stand out from the pack at their current valuation. We believe that a large acquisition (or two) may be in the offing at that point, given the company’s history and its large cash hoard.

Berkshire Hathaway has been on a roll over the past three months. Indeed, we believe $100 billion is only a few percent over the pull to 2021-2023. Our cautious optimism is based on a healthy earnings backdrop over that time frame.

We do not think that large acquisition (or two) may be in the offing at that point. Berkshire’s long-term growth strategy aren’t included in our forecast, as per Value Line convention, and could add meaningfully to our projections.

Alan G. House
September 7, 2018

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