

Berkshire Hathaway, Apple and Leading Your Life

William is my third child who turned 23 on Star Wars Day: May 4th as in May the Force Be with You. William graduated from Northwestern 11 months ago and is an analyst at a renewable energy investment bank. For his birthday, William asked if we could go to the Berkshire Hathaway annual meeting in Omaha.

So, this past weekend, William and I went off to what is called “Woodstock for Capitalists.” Besides spending quality time with William, I was excited to attend as it was on my bucket list of activities to do.

On Friday afternoon, we roamed the CHI Health center exhibition hall where various Berkshire subsidiaries hosted rather large booths and shareholders received a discount on buying items. At the Justin Boots booth, William bought a nice raincoat and his first pair of cowboy boots. At Oriental Trading, I bought a number of tchotchkes — a few of which will inevitably end up on my desk or credenza in our Port Clinton office.

You might be surprised, but in many ways the Berkshire annual meeting compares to the Masters golf tournament. Both are revered events which offer attendees inexpensive food (dilly bar for \$1 as Berkshire owns Dairy Queen) and on-site shipping for all of your purchases (we expect our delivery on Wednesday or Thursday). Both the Masters tournament and the Berkshire meeting are great places to watch and learn.

On Saturday, the parking lot opened at 3:30 a.m. and the doors to the arena opened at 7 a.m. William and I left the hotel at 7:15 a.m. for the 10-minute walk, hoping to be in our seats for the 8:45 am video tribute to Charlie Munger, the co-chairman who passed away last November just before his 100th birthday. When we got there, the line to enter the arena was LONG, really LONG, but despite the light rain and mild temperatures people were in good spirits.

We talked to the two gentlemen in front of us who were from Turkey (Mom: they highly recommend going to Cappadocia which is on her bucket list) and the man behind us from Charlotte. Coincidentally, the pair in front of us flew into Chicago, spent a few days touring including taking the architecture tour on the river (they showed me their pictures of the Opera House as they were astounded as to its beauty) and then drove eight hours to Omaha.

Once inside, we couldn't find two seats together but managed to finagle an excellent spot (I would share it with you, but I want to keep it secret for next year's trip).

Two topics dominated the meeting: Remembering Charlie and the revelation that Berkshire had reduced its Apple holdings by about 13% bringing its stake to \$135 billion or 790 million shares.¹ At the end of 2023, Berkshire owned 905 million shares. Berkshire is the 3rd largest owner of Apple shares.

Apple remains Berkshire's largest holding and Buffett was placed in the uncomfortable position of explaining why he reduced their holdings. A famous quote attributed to Buffett is that he likes to tap dance to work and with Tim Cook, Apple's CEO, seated about 20 yards away, Buffett was tap dancing around with his explanation.

Buffett said Berkshire pays a 21% corporate tax and that he thinks the rate is going higher. Thus, he thought it made sense to take some profits. Well, if that's the case, why didn't he sell other holdings for the same reason? Buffett also said that Apple remains Berkshire's largest holding and it will remain so as he thinks the iPhone is the “greatest product of all time.” Overall, his explanation was the worst part of the weekend, but his obfuscation was understandable. With such a large holding, he couldn't say anything mildly negative. As a reminder, Apple faces headwinds in China, hardware sales are not growing like they used to, the company shut down its car undertaking

to focus on AI (why so late to the AI party?) and has a Federal Trade Commission (FTC) review taking place. Unlike Berkshire, we have not materially reduced our Apple holdings.

While the meeting missed Charlie's biting comments and humor, Buffett had a few other thoughts that stand out:

- Avoid stupidity.
- Too many people are reluctant to sell winners because of taxes. He said that was a bad reason not to sell.
- He likes to buy companies that are buying back shares and increasing operating earnings. We have talked about that before. We also add a criterion of having more cash than debt. We would be happy to talk to you about some ideas if we haven't already.
- People who check stock prices on a daily basis don't have as much money as those who don't. I agree!
- Look at the common stock as if you actually own the business.
- Swing at pitches (i.e., investments) you like; if you feel you have to swing at a pitch that is a mistake.
- Don't regret missing an investment – even if the stock does well – if you don't understand the company.
- View the market fluctuations as serving you rather than instructing you. In other words, if you are confident in your assessment of the company and the price is lower than where you originally bought it, go ahead and add but don't freak out and sell.
- The AI genie is out of the bottle and we may wish that we never let it out. Buffett worries that AI will enable scams.
- Berkshire sold at a loss its holdings in Paramount Global. Buffett said they lost money – a lot of money on it. Even the best of us loses on holdings. No one is perfect.

And now back to Charlie Munger. Buffett reminded shareholders that Charlie had famously said, "If I knew where I was going to die, I would avoid going there." Munger liked to say that you should write your obituary the way you want it written, and then live your life accordingly. And that is why I was in Omaha with William.

Sincerely,



Peter Karmin
Managing Member



Stuart Loren
Director

Citations and Disclosures

¹ As of March 31, 2024. Source: Berkshire 10-Q.

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