THE BERKSHIRE HATHAWAY PORTFOLIO …
… a different investment choice for 401(k) plan participants

The Portfolio Manager

Berkshire Hathaway is not a fund. Rather, it is a conglomerate or a holding company. Berkshire owns many companies outright; utility companies (Mid-America), insurance companies (Geico, General Reinsurance), and a host (over 100) of companies that manufacture tools, jet aircraft, restaurants, jewelry stores, and even underwear (Fruit of the Loom).

Additionally, Berkshire Hathaway owns the stock, as a long-term investment, of many of the largest U.S. companies. These include Coca Cola, American Express, Proctor & Gamble, GE, Goldman-Sachs, Wal-Mart Stores and Wells Fargo. The market value of the stock of each company exceeds $1 billion.

The Investment Strategy

The company is managed by Warren Buffett and Charlie Munger, who have been co-managers since taking over the firm's management in 1965. Their investment strategy is simple:

- Don't buy anything you don't completely understand.
- Buy only companies with wide moats. A moat is some factor that keeps others from competing, such as capital requirements, intellectual property, or economy of size.
- Buy at a low price and keep what you buy.

Applying this discipline, they recently announced the purchase of the Burlington Northern Railroad. The cost of the shares they didn't already own was approximately $26 billion. The BNR has no competition in the markets it serves, no one else has enough capital to start a competing railroad, and railroads can move freight at a fraction of the cost of trucks – a significant moat as energy costs are expected to increase.

In a recent annual letter to shareholders, Warren Buffett wrote:

> "In good years and bad, Charlie and I simply focus on our four goals:
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> (1) Maintaining Berkshire's Gibraltar-like financial position, which features huge amounts of excess liquidity, near-term obligations that are modest, and dozens of sources of earnings and cash;
> (2) Widening the "moats" around our operating businesses that give them durable competitive advantages;

(3) Acquiring and developing new and varied streams of earnings;

(4) Expanding and nurturing the cadre of outstanding operating managers who, over the years, have delivered Berkshire outstanding results."

The current (December 31, 2013) portfolio:

Berkshire Hathaway Class B (Ticker Symbol: BRK.B)

Expenses

Because this is a Model portfolio, it carries none of the usual mutual fund sales commissions, selling concessions, administrative expenses and fund manager costs.

Through TD Ameritrade transaction costs are $9.95 regardless of the number of shares, and BenefitWorks charges .0002916 monthly, or 35/100ths of one percent of assets annually to unitize the portfolio and maintain the daily NAV (net annual value, or share price) calculation. The average "no-load" managed mutual fund charges 1.4% of assets. Mutual funds purchased through insurance companies or banks may have additional fees.