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### Pilgrimage to Omaha

Jacob and David made the pilgrimage out to Omaha, Nebraska for the 2014 Berkshire Hathaway Annual Meeting. There were approximately 40,000 shareholders this year, a far cry from 1,000-2,000 when Mike first attended in the early 1990's! Questioners from the audience hailed from Omaha to China and everywhere in between. Travelers ranged from tourists to individual investors to well-known hedge fund managers. We even noticed Alex Rodriquez at a table next to us during a private dinner (he apparently has some free time).

This year we made a concerted effort to take full advantage of the ancillary events available for the value investing community. We attended multiple cocktail hours, a dinner hosted by the Columbia Business School, a breakfast hosted by insurance company Markel Corporation and an office visit to a mutual fund we invest in headquartered in Omaha, in addition to the six-plus hour meeting with Warren Buffett and his partner Charlie Munger. We also visited multiple Berkshire retail companies and ran the annual 5k (for those of you keeping score, David beat Jacob). These efforts made the trip incredibly productive, as we essentially spent the whole weekend discussing investment ideas with intelligent and welcoming counterparts – our kind of weekend! Unfortunately, we've yet to convince our wives to join us for this can't miss event (or as Dave's wife calls it, the "giant nerd-fest").



*Jacob and Dave with Ted Weschler after the Berkshire Hathaway Invest in Yourself 5k. Buffett has chosen Weschler as one of two managers to inherit the duties for managing Berkshire's stock portfolio after he is gone.*

As for the meeting, it was great as usual. Buffett and Munger rarely disappoint. If you read the popular press, there were several controversial issues raised this year, including some criticism of Buffett and Munger (particularly on the Coca-Cola shareholder vote). We won't go into the details here, but for those who have followed Buffett closely, we believe his decisions fit well into his historical pattern of actions, which are based on rational motivations and logical thinking.

Buffett's partner Munger is the real entertainment, though. At 90 years of age, he still sits on stage for over six hours and delivers insightful, worldly wisdom in brief, sarcastic quips. Some of our favorites from this year's event:

If there's any secret at Berkshire, it's that we're pretty good at ignorance removal... We've been quite good at both removing ignorance and scrambling out of mistakes. Both are quite useful.

Competency is a relative thing. What I needed to get ahead was to compete against idiots. And luckily there's a large supply.

The greatest way to get a spouse is to deserve one. The same goes for getting a good business partner.

While these comments entertain, they also encapsulate what we believe is the essence of Berkshire's "secret sauce": focus intensely on what you know, avoid areas outside of your circle of competence, remain rational, systematically learn from your mistakes and always act with integrity and honesty. These things are simple to say, but hard to do. Buffett and Munger have built an institution deserving of both intense study and human admiration.

### **Sharing the Profession**

We recently had a chance to share our profession with various groups of students. While we aren't sure that we passed on the "investing bug," we did our best to convey an honest assessment of a career in the investment management industry and our sincere passion for what we do each day. First, East Noble High School's "bring your daughter to work day" landed Erica and Mike's teenage daughters in the office for a day. (We aren't sure yet if that was viewed by the participants as an opportunity or a punishment.) Next, Jacob spoke at Fort Wayne Canterbury High School's Career Day, which brought in a wide variety of different professionals. Jacob's wife, a high school mathematics teacher at Canterbury, pointed out that it was the last day before a two-week Spring Break, so the kids might not be thrilled about discussions of discounted cash flows. But the students were great, with a lot of thoughtful questions. Finally, Jacob and Dave used a due diligence trip to Indianapolis as an opportunity to swing by Crawfordsville and visit with the Wabash Investment Club. Mike is a proud 1989 graduate and our intern for the past few summers, Ben Shank, is doing great things there. Ben coordinated the trip and this group was a bit more interested in the details of financial modeling.

### **Speaking of Spring Break...**

Jacob headed out to California for spring break with his wife to visit family and spend a weekend in Santa Barbara. Of course he couldn't pass up the opportunity to visit our partners in Los Angeles, who manage a large portion of our international stock portfolio. We've spent a lot of time with them over the past few years and we are very happy with the partnership. They are aligned with their shareholders, think about businesses the right way and work their tails off. He also had an opportunity to meet with a fund of funds that invests in long/short hedge funds and discuss manager due diligence.

### **Odds and Ends**

We find ourselves increasingly on the road as we have come to further appreciate the opportunity to meet with investment managers and company executives face-to-face. Fortunately, there are a wealth of opportunities in the Midwest. We attended an annual meeting for a private equity fund in Indianapolis, a conference on asset allocation in Chicago and a stock conference in Chicago (including multiple break-out meetings with different companies).

Some warmer weather has finally come to northeast Indiana! We hope you've had a great start to the summer season and look forward to checking in again soon.

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