



## Value Investing

# Betting On Buffett

Godwin Maidment, 11.10.08, 6:00 PM ET

Within a few weeks, Warren Buffett's Berkshire Hathaway will make its first 13-F filings for the September quarter, but we have provided a look at his portfolio, based on Berkshire's most recent regulatory filings ([Form 13-F](#)) for the quarter ended June 30, 2008.

Berkshire is only required to reveal investments listed on U.S. exchanges. For example, it does not routinely disclose information in its 13-F filings about its stake in Posco, a South Korean steelmaker, or Tesco, a British supermarket. In addition, the U.S. Securities and Exchange Commission often allows Berkshire to file confidentially on certain holdings to thwart copycat investing.

It is certainly worth keeping an eye on Buffett's moves. Even with the delay in filings, mimicking Berkshire's buys has generated annual returns of 25%, double the return of the S&P 500, according to a 2007 study of Berkshire's purchases from 1976 to 2006 by Gerald Martin, a finance professor at American University, and John Puthenpurackal, a professor at the University of Nevada, Las Vegas.

--Godwin Maidment

Company	Industry	Shares (millions)	Value (\$mil.)	% of Portfolio	% Stake in Co
American Express (nyse: AXP)	Credit Services	151.6	\$5,711.2	9.6%	13.1%
Anheuser-Busch Cos (nyse: BUD)	Beverages-Brewers	13.8	860.1	1.4	1.9
Bank of America (nyse: BAC)	Money Center Banks	9.1	217.2	0.4	0.2
Burlington Northern Santa Fe (nyse: BNI)	Railroads	63.8	6,371.5	10.7	18.5
CarMax (nyse: KMX)	Auto Dealerships	21.3	302.2	0.5	9.7
Coca-Cola (NYSE: KO)	Beverages-Soft Drinks	200.0	10,396.0	17.5	8.7
Comcast (nasdaq: CMCSA)	Broadcasting & Cable TV	12.0	227.6	0.4	0.4
Comdisco Holding (nasdaq: CDCO)	Business Services	1.5	14.7	0.0	38.2
ConocoPhillips (nyse: COP) *	Integrated Oil & Gas	17.5	1,652.6	2.8	1.2
Costco Wholesale (nasdaq: COST)	Discount Stores	5.3	368.5	0.6	1.2
Gannett (nyse: GCI)	Newspapers	3.4	74.7	0.1	1.5
General Electric (nyse: GE)	Conglomerates	7.8	207.6	0.3	0.1
GlaxoSmithKline (nyse: GSK)	Drug Manufacturers	1.5	66.8	0.1	0.1

Home Depot (nyse: HD)	Home Improvement Stores	4.2	97.9	0.2	0.3
Ingersoll-Rand (nyse: IR)	Diversified Machinery	5.6	211.0	0.4	1.8
Iron Mountain (nyse: IRM)	Business Services	3.4	89.5	0.2	1.7
Johnson & Johnson (nyse: JNJ)	Diversified Healthcare	61.8	3,973.3	6.7	2.2
Kraft Foods (nyse: KFT)	Diversified Foods	138.3	3,933.9	6.6	9.1
Lowe's Cos (nyse: LOW)	Home Improvement Stores	7.0	145.3	0.2	0.5
M&T Bank (nyse: MTB)	Regional Banks	6.7	473.7	0.8	6.1
Moody's (nyse: MCO)	Business Services	48.0	1,653.1	2.8	19.7
Nike (nyse: NKE)	Footwear & Accessories	7.6	455.5	0.8	1.6
Norfolk Southern (nyse: NSC)	Railroads	1.9	121.1	0.2	0.5
NRG Energy (nyse: NRG)	Electric Utilities	3.2	138.9	0.2	1.4
Procter & Gamble (nyse: PG)	Personal & Household Products	105.8	6,436.6	10.8	3.5
Sanofi-Aventis (nyse: SNY)	Drug Manufacturers	3.9	129.7	0.2	0.1
SunTrust Banks (nyse: STI)	Regional Banks	3.2	116.1	0.2	0.9
Torchmark (nyse: TMK)	Life Insurance	2.8	165.6	0.3	3.2
U.S. Bancorp (nyse: USB)	Regional Banks	68.6	1,914.1	3.2	3.9
Union Pacific (nyse: UNP)	Railroads	8.9	672.4	1.1	1.8
United Parcel Service (nyse: UPS)	Air Delivery & Freight Services	1.4	87.9	0.1	0.1
UnitedHealth Group (nyse: UNH)	Business Services	6.4	168.0	0.3	0.5
USG (nyse: USG)	Building Materials	17.1	504.8	0.8	17.2
Wabco Holdings (nyse: WBC)	Auto Parts	2.7	125.4	0.2	3.9
Wal-Mart Stores (nyse: WMT)	Discount Stores	19.9	1,120.9	1.9	0.5
Washington Post Co. (NYSE: WPT)	Newspapers & Educational Services	1.7	1,014.0	1.7	18.5
WellPoint (nyse: WLP)	Managed Health Care	4.8	228.8	0.4	0.9
Wells Fargo & Co (nyse: WFC)	Money Center Banks	290.7	6,903.1	11.6	8.8
Wesco Financial (nyse: WSC)	Conglomerates	5.7	2,178.6	3.7	80.1
<b>As of June 30 2008</b>		<b>Total Holdings</b>	<b>59,529.9</b>		

\*In its latest filing for the quarter ending June 30 2008, Berkshire Hathaway omitted information pertaining to its position in ConocoPhillips but submitted a separate, confidential filing with the SEC. Berkshire Hathaway reported owning 17,508,700 shares of ConocoPhillips as of March 31.

## The Latest

According to the [13-F filing](#) for the quarter ending June 30, Warren Buffett's Berkshire Hathaway boosted its stakes in Ingersoll-Rand and Sanofi-Aventis, while cutting its stake in Anheuser-Busch. Berkshire also announced a new position in electric utility NRG Energy.

Berkshire's stake in Anheuser-Busch decreased 61%, from \$2.4 billion to \$860 million, at the end of the second quarter. Anheuser shares rose 32% in the second quarter. It is not clear whether Berkshire began cutting its stake before or after InBev's interest in buying the St. Louis brewer surfaced in May.

Buffett said in an August interview on CNBC that initially he was not sure the deal would go through, given Anheuser's initial resistance to InBev's offer. Anheuser-Busch finally agreed to the Belgian brewer's buyout for \$52 billion, or \$70 per share, on July 14.

Ingersoll-Rand, which makes refrigeration and air-conditioning equipment, jumped dramatically in the Berkshire portfolio: from 936,000 to 5.6 million shares. Part of the increase came from Ingersoll-Rand's stock-and-cash acquisition of Trane, which it completed on June 5, paying 0.23 of an Ingersoll-Rand share and \$36.50 in cash for each Trane share. Berkshire held 10.9 million shares of Trane at the end of the first quarter.

In the second quarter, Berkshire's position in French drug maker Sanofi-Aventis increased 9%, to 3.9 million shares, worth \$130 million as of June 30. The number of Berkshire's Union Pacific shares doubled from the first quarter, but not because of additional purchases by Berkshire. Union Pacific completed a 2-for-1 stock split in late May.

Berkshire announced one new investment, over 3 million shares of NRG Energy worth \$139 million. NRG Energy, of Princeton, N.J., the second-biggest power producer in Texas, has 44 power plants located in North America, Australia and Germany. NRG shares rose 6% on Aug. 15 after Berkshire revealed its stake.

Information on Berkshire's stake in ConocoPhillips is omitted from the second-quarter filing, and it is not clear whether Berkshire is beefing up or reducing its investment in the oil and natural gas company. Berkshire held 17.5 million ConocoPhillips shares at the end of the first quarter.

More recently, Buffett has been putting Berkshire's cash to work as the credit crisis deepens. On Sept. 18, Berkshire subsidiary MidAmerican Energy Holdings announced a deal to buy Constellation Energy for \$4.7 billion, or \$26.50 a share, in cash. Constellation had begun the year trading above \$100 per share; its stock had plunged in September after Standard & Poor's put its debt rating on watch amid worries about the liquidity of its commodities trading business. Constellation will issue MidAmerican \$1 billion of preferred equity at a yield of 8% as part of the deal.

On Sept. Goldman Sachs announced that Buffett was coming to its aid, exchanging \$5 billion for a Goldman preferred stock offering with a yield of 10%. As part of the deal, Berkshire also received warrants to buy an additional \$5 billion in common stock with a strike price of \$115 a share any time over the next five years. In another preferred stock-deal, on Oct. 1, Buffett revealed that he had made a \$3 billion investment in General Electric.

On Sept. 29, MidAmerican Energy said it had bought a 10% stake in Hong Kong-listed BYD Company Limited for \$230 million. BYD makes and sells rechargeable batteries, automobile batteries and related products. The company is the largest producer of nickel-cadmium batteries in the world. Its subsidiary BYD Auto is building electric-hybrid cars that it plans to sell in China later this year and in Europe by the end of the decade. MidAmerican said it would partner with BYD to develop batteries to store energy generated by wind and solar collectors.

Most recently, on Oct. 30 Berkshire Hathaway revealed in a regulatory filing that it had added 825,000 Burlington Northern Santa Fe shares. Berkshire now owns 18.9% of the railroad's common stock.