

Madison Wealth Management – Our New Name and Look

Reflective of our commitment to provide comprehensive wealth management services to our clients, we are pleased to announce our new look and name change to Madison Wealth Management.

We believe our new look and name better captures our holistic approach to addressing clients' needs. We remain dedicated to providing our clients with customized wealth management solutions including financial planning, portfolio management, retirement account services and wealth transfer consulting.

As we reflect on our various relationships with clients, friends of the firm and other professionals, we are humbled by the confidence you have placed in us. Since founding the firm in 2000, we have continually searched for ways to serve you better. The firm now includes seven professionals, the majority of whom have either the Certified Financial Planner (CFP®) or Chartered Financial Analyst (CFA) designation. We have invested in additional research, investment management and reporting capabilities. We have recently opened a new office in Reston, Virginia. Through our three offices we now serve clients in over 17 states and the District of Columbia. With your help we have been consistently ranked among America's top wealth managers by Bloomberg Wealth Manager®. We look forward to continue to be of service to our clients and friends.

Berkshire Hathaway Annual Meeting

Earlier this month our Chief Investment Officer, Cern Basher, CFA and Alan Henning, CFA and Principal, made a trek to Omaha, Nebraska to what is often referred to as the "Woodstock for Capitalists," the Berkshire Hathaway Annual Meeting. Cern and Alan were eager to glean words of wisdom from Warren Buffett (pictured left) and his partner for more than 30 years Charles (Charlie) Munger. During the five hour question and answer session, the duo did not disappoint.



The meeting began with a discussion about Berkshire's recent investment of \$4 billion for an 80 percent stake in Iscar Metalworking Companies of Israel, which makes metalworking tools. Munger noted that "They are the best in the world, but not yet the biggest. That leaves them something to do." This is Berkshire's first acquisition outside the United States and Buffett noted that "I think you'll look back at this in five, ten years as a very significant event in Berkshire history."

Buffett and Munger are often asked questions about how they evaluate investing in companies and what companies they will consider. Munger's response to one shareholder's question was "We have three boxes. In. Out. And too hard. We know the edge of our competency better than most people do. It's not a competency if you don't know the edge of it."

On the topic of CEO compensation, Warren Buffett said that envy is the primary driver of runaway CEO pay. "Envy is probably a bigger motivation in terms of people wanting to be in that top quartile than greed," Buffett said. "You can hand somebody a \$2 million bonus and they're fine until they find out someone next to them got \$2.1 million." Buffett feels that more SEC disclosure of CEO pay packages

won't necessarily solve the problem, as it becomes a shopping list for CEOs. "Envy is the worst of the seven deadly sins," Buffett observed, because "you only feel worse." "There are definite upsides to gluttony," Buffett said, noting that gluttony had provided some of his best times, "and let's not get into lust."

The attendance at the annual meeting was estimated to be about 24,000. For many of Berkshire's 68 subsidiary companies, the weekend of the annual meeting is their biggest sales event of the year. For example, sales at the Nebraska Furniture Mart over the annual meeting weekend were expected to be more than \$30 million. For comparative purposes, Buffett said an average month at the Furniture Mart generates \$30 million in sales. "You're doing your part," he encouraged, "but you can do more!"

This year Buffett left the board of Coca-Cola, but he indicated that he expects to hold the stock (worth about \$8 billion) for at least another decade. Perhaps more importantly, Buffett explained why people should drink Coke. "We get the profit on one of every 12 cans of coke," he said, "I don't care whether you drink them or not, just open the can."

Berkshire's largest business is the reinsurance business (insurance for insurers). Buffett cautioned that reinsurance is a dangerous business and that it's difficult to be certain if the premiums Berkshire is collecting will be adequate compensation for the company's assumed risks. "The really scary possibility is that the variables are changing in some way - that change is continuous," he said, referring to the volatility of the last two hurricane seasons. "But we can survive better than others." Munger (pictured right) added, "It's a good habit to trumpet your failures and be quiet about your successes."



When quizzed by a shareholder about why Berkshire is holding \$40 billion in cash and whether the company will begin to pay a dividend, Buffett stated that he expects other investment prospects to arise. "I would say it's likely, but far from certain, that three years from now we'll have significantly less cash and hopefully significantly more earning power," Buffett said. "But you're right to keep jabbing us on that." He also added, "I don't like cash lying around, but I dislike doing dumb deals even more."

Buffett and Munger discussed investing in commodities and missing great investment opportunities. Munger conceded that "we failed in one of the biggest commodity booms in history." Buffett quickly added that "we search for new ways to fail." Then he warned against chasing after popular investments, stating that "what the wise men do in the beginning, fools do in the end." Buffett feels that a lot of activity in the copper market, for instance, is being produced by speculators.

Many investors are worried about how much longer Buffett (age 75) will be able to run his company. Buffett stated that if he died today, the board has three candidates ready to take over for him. He said the board knows who his successor would be if he died today, although that person may change in the years ahead. Commenting on the issue of succession, Munger (age 82) said, "Do you really think Buffett will blow the job of passing the faith on?" Munger, however, made it clear that he would like to see Buffett continue to work, "I'd like to ring the last drop of good out of Warren (before he dies)."

Final words of wisdom: "Narrow down to things that are knowable and important. Markets are there to serve you, not instruct you. The market tells you only prices." Warren Buffett