



“The housing market is still red-hot.”

MONEY MANAGER NEWSLETTER

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INVESTMENT CONSULTING GROUP, INC.

Donald R. Stanforth, CIMA



“When the phone don’t ring, you’ll know it’s me.”

BERNSTEIN INVESTMENTS

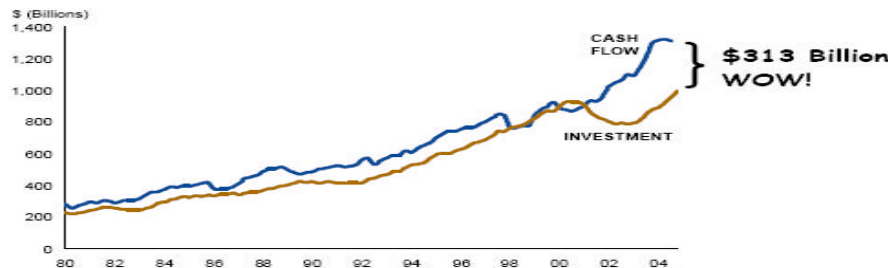
The US economy continues to expand at a solid pace. The underlying strength of the economy is such that 2005 could well be the third consecutive year in which GDP growth averages 4%.

Labor markets and income growth have improved: Payroll job growth is averaging 200,000 a month, and wages have risen 2.5%. Looking deeper, wages, salary and income are probably growing much faster. In the last month or so, withheld income-tax receipts have been running almost 10% ahead of year-ago levels.

The housing market is still red-hot. Commercial-bank real-estate loans jumped, surpassing gains during the huge refinancing wave of mid-2003. Second-home purchases have become an increasingly important part of the housing market. According to a study by the National Association of Realtors, second-home sales represented approximately 35% of total home sales last year.

Total housing starts in February reached 2.197 million units, the highest monthly level since 1984. Housing construction will be a large contributor to first-quarter real GDP growth since starts in the current period are running 10%. Commercial construction should also expand strongly in 2005, given the fall in vacancy rates and increases in construction hiring.

Display 4: Bright Outlook for Capital Spending
Net Cash Flow vs. Business Investment in Equipment and Software



Source: Bureau of Economic Analysis, Haver Analytics and Alliance Fixed Income

US companies have a war chest of free cash flow, suggesting a bright outlook for capital spending in 2005.

BERKSHIRE HATHAWAY INC. ACQUISITION CRITERIA

We are eager to hear *from principals or their representatives* about businesses that meet all of the following criteria:

1. Large purchases (at least \$75 million of pre-tax earnings unless the business will fit into one of our existing units),
2. Demonstrated consistent earning power (future projections are of *no* interest to us, nor are “turnaround” situations),
3. Businesses earning good returns on equity while employing little or no debt,
4. Management in place (we can’t supply it),
5. Simple businesses (if there’s lots of technology, we won’t understand it),
6. An offering price (we don’t want to waste our time or that of the seller by talking, even preliminarily, about a transaction when price is unknown).

The larger the company, the greater will be our interest: We would like to make an acquisition in the \$5-20 billion range. *We are not interested, however, in receiving suggestions about purchases we might make in the general stock market.*

We will not engage in unfriendly takeovers. We can promise complete confidentiality and a very fast answer – customarily within five minutes – as to whether we’re interested. We prefer to buy for cash, but will consider issuing stock when we receive as much in intrinsic business value as we give. *We don’t participate in auctions.*

Charlie and I frequently get approached about acquisitions that don’t come close to meeting our tests: We’ve found that if you advertise an interest in buying collies, a lot of people will call hoping to sell you their cocker spaniels. A line from a country song expresses our feeling about new ventures, turnarounds, or auction-like sales: “When the phone don’t ring, you’ll know it’s me.”