5-3-21

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 4-30-21	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	33,874.85	-0.5%	+10.7%
S&P 500	4,181.17	0.0%	+11.3%
NASDAQ	13,962.88	-0.4%	+8.3%

With the accelerating pace of COVID-19 vaccinations in the U.S. helping to support the labor market's recovery, initial jobless claims dropped again to 553,000 with continuing claims at 3.66 million.

The advance first quarter GDP report showed economic output increasing at a 6.4% annualized rate paced by a 10.7% increase in personal consumption expenditures and a 6.3% increase in government spending. Real final sales of domestic product, which exclude the change in private inventories, surged 9.2%. The GDP Price Deflator was up 4.1%. The economy is bouncing back sharply with the help of stimulus payments and reopening activity that has been catalyzed by the COVID vaccines.

Personal income surged 21.1% month-over-month in March and personal spending rose 4.2%. The PCE Price Index jumped 0.5% leaving it up 2.3% year-over-year, while the core PCE Price Index, which excludes food and energy, increased 0.4%, leaving it up 1.8% year-over-year. Wages and salaries were up 1.1% month-over-month, yet the clear driver was fiscal stimulus payments, which were up 95.1%. Those receipts helped drive up the personal savings rate to 27.6% from 13.9% in February.

The final April reading for the University of Michigan Index of Consumer Sentiment increased to 88.3, the highest this year and the best since August 2020 spurred by a record number of consumers expecting the unemployment rate to decline in the year ahead.

The Conference Board's Consumer Confidence Index jumped to 121.7 in April, the highest reading since February 2020 prior to the pandemic. This reflects a clear improvement in attitudes about current conditions, which have been fueled by increased vaccination rates, the receipt of stimulus checks, and reopening activity that is leading to increased hiring activity.

During the past week, the markets digested a plethora of earnings reports which came in better than expected but were already priced into the market with the Dow declining 0.5%, the S&P 500 relatively unchanged and the NASDAQ falling 0.4%.

HI-Quality Company News

Paychex-PAYX announced that its board of directors approved a $.04 increase in the company’s regular quarterly **dividend, an increase of 6%.** The dividend will increase from $.62 per share to $.66 per share and is payable May 27, 2021 to shareholders of record May 12, 2021.

T. Rowe Price-TROW reported first quarter revenues rose 25% to $1.8 billion with net income and EPS each more than doubling to $749.4 million and $3.17, respectively. Assets under management ended the quarter at $1.52 trillion, a $47.5 billion or 3.2% increase since year end. Net client inflows accounted for $1.2 billion of the increase with net market appreciation and gains accounting for $46.3 billion of the increase. The doubling of net earnings was due in large part to non-operating income of $102.1 million during the quarter compared to a non-operating loss of $500.3 million in the prior year period reflecting the impact on the firm's investment portfolio of strong market returns this quarter compared to significant market losses last year as the pandemic ensued. T. Rowe Price remains debt-free with ample liquidity including $6.9 billion in cash and investments. **During the past quarter, T. Rowe Price repurchased 1.6 million shares of its common stock for $267.6 million at an average price of $164.22 per share.**

Mastercard-MA reported first quarter revenues increased 4% to $4.2 billion with net income increasing 8% to $1.8 billion and EPS increasing 9% to $1.83. Worldwide Gross Dollar Volume increased 8% to $1.7 trillion as domestic spending returned to pre-pandemic levels on the heels of fiscal stimulus and improving domestic travel trends. Switched Transactions grew 9% to 23.8 billion and the number of Mastercard and Maestro cards grew 6% to 2.8 billion. By segment, Domestic Assessments revenues increased 7% to $1.8 billion, Transaction Processing increased 7% to $2.4 billion and Other Revenues charged ahead 27% to $1.35 billion, primarily driven by Mastercard's Cyber & Intelligence and Data & Services solutions. These revenue gains were partially offset by a 23% decline in Cross-Border Volume Fees to $932 million as international travel remained stalled due to the pandemic and a 6% increase in Rebates and Incentives to $2.3 billion. During the quarter, Mastercard generated $1.4 billion in free cash flow, down 19% from last year. **Mastercard paid $439 million in dividends during the quarter and repurchased $1.4 billion shares for an average cost per share of $358.97,** which leaves $8.1 billion remaining under the current repurchase authorization. The company ended the quarter with $7.7 billion in cash and investments, $13.2 billion in long-term debt and $6.3 billion in shareholders' equity. Looking ahead to the second quarter, management expects revenues to increase in the low-to-mid 20% range. "We started the year with good momentum, delivering positive net revenue growth this quarter, and are encouraged by the return of domestic spending levels to pre-pandemic trends," said Michael Miebach, Mastercard CEO.

Apple-AAPL reported record second quarter revenue of $89.6 billion, up a shiny 54% year over year, with net income and EPS more than doubling to $23.6 billion and $1.40, respectively. Apple delivered revenue records in each geographic segment and strong double-digit growth in each product category. Americas sales increased 35% to $34.3 billion, Europe sales increased 56% to $22.3 billion, Greater China sales jumped 87% from pandemic lows to $17.7 billion, Japan sales increased 49% to $7.7 billion and Rest of Asia Pacific sales jumped 94% to $7.5 billion. By product, iPhone sales surged 66% to $47.9 billion as consumers scooped up the iPhone 12 family of phones, the first 5G-enabled phone offered by Apple. Mac sales jumped 70% to $9.1 billion with the last three quarters the "best ever" for Mac sales, driven by Apple's innovative M1 chip and the work-and-learn from home trend. iPad sales soared 79% to $7.8 billion with 50% of the sales to new customers which drove iPad's installed base to new records. Wearables, Home and Accessories sales grew 25% to $7.8 billion and Services sales increased 27% with the number of paid subscribers growing by 145 million from last year to 660 million. During the quarter, Apple generated nearly $22 billion in free cash flow with the company returning $23 billion to shareholders through share repurchases of $19 billion at an average cost per share of $129.25 and dividends of $3.4 billion. Given the confidence in its future, **Apple announced a new $90 billion share buyback program and a 7% increase in the quarterly dividend to 22 cents per share.** Apple ended the quarter with $204 billion in cash and investments and $122 billion in long-term debt, resulting in an $83 million net cash position. The company remains committed to achieving a neutral net cash position over time. Given the strength of Apple's business model that connects hardware to software and services, the company remains committed to returning cash to shareholders while investing confidently in the future. To that end, Apple announced plans to invest $430 billion in the U.S. with the expectation of creating 20,000 new jobs. Given the uncertainly surrounding the pandemic, Apple declined to give sales guidance, but said it expects the sequential decline in iPhone sales from the March to June quarter to be greater than the historic average of 13% due to the late launch of the iPhone 12 and expected supply chain constraints that will negatively impact Mac and iPad sales by $3 billion to $4 billion.

Facebook-FB reported first quarter revenues rose 48% to $26.2 billion with net income up 94% to $9.5 billion and EPS up 93% to $3.30. During the quarter, Facebook's daily active users increased 8% year-over-year to 1.88 billion on average with monthly active users increasing 10% to 2.72 billion on average. The strength in advertising revenue growth was driven by a 30% increase in the average price paid per ad and a 12% increase in the number of ads delivered. Facebook expects advertising revenue growth will continue to be driven primarily by price during the rest of 2021 thanks to the shift to online commerce. Free cash flow increased 7% during the quarter to $8.0 billion with the company repurchasing $3.9 billion of its common stock. Facebook has $8.6 billion remaining authorized on the previous share buyback program while **announcing a new $25 billion share buyback program.** The company ended the quarter with a fortress balance sheet with more than $64 billion in cash and investments, no long-term debt and $133.7 billion in shareholders' equity. Management expects second quarter revenue growth to remain stable or modestly accelerate relative to the growth rate in the first quarter as it laps the slower growth related to the pandemic last year. In the second half of 2021, revenue growth is expected to significantly decelerate sequentially as Facebook laps periods of increasingly strong growth. Facebook expects increased ad targeting headwinds in 2021 from regulatory and platform changes, notably from Apple's privacy update for its new operating system. Facebook bumped up its total expense outlook for 2021 to a range of $70-$73 billion with capital expenditures lowered to a range of $19-$21 billion.

General Dynamics-GD reported first quarter revenue increased 7% to $9.4 billion with net income up slightly to $708 million and EPS up 2.1% to $2.48. Free cash flow was a net outflow of $131 million during the first quarter but is expected to increase for the full year. The company **paid $315 million in dividends and repurchased approximately 4.6 million shares of its common stock for $744 million at an average price of $161.38 per share.** Orders remained strong across the company with a book-to-bill of 1-to-1 led by a book-to-bill of 1.3-to-1 in Aerospace. Backlog grew 4.5% from the prior year to $89.6 billion. Management's outlook for the full year is for revenues to increase 3% to $39 billion with EPS in the range of $11.00-$11.05.

Starbucks-SBUX reported second fiscal quarter sales increased 11.2% to $6.7 billion with net earnings increasing 100.8% to $659.4 million and EPS increasing 100% to $0.56. Global comparable store sales increased 15%, driven by a 19% increase in average ticket, partially offset by a 4% decline in comparable transactions. Americas comparable store sales increased 9% while International comparable store sales increased 35%, both primarily due to lapping the severe impact of the COVID-19 pandemic the prior year. The company opened 5 net new stores during the quarter and ended the quarter with 32,943 stores, up 3% from last year. Active Starbucks Rewards Membership in the U.S. was up 18% year-over-year to 22.9 million members. Operating margins increased from 8.1% to 14.8% year-over-year, primarily driven by sales leverage from business recovery and the lapping of COVID-19 related costs in the prior year. **During the quarter, Starbucks generated $2.1 billion in free cash flow and returned approximately $1 billion to shareholders through dividends.** Starbucks ended the quarter with over $4 billion in cash and short-term investments and $14.6 billion in long-term debt. Starbucks updated fiscal year 2021 guidance, expecting EPS in the range of $2.65 to $2.75, revenue in the range of $28.5 billion to $29.3 billion, global comparable store sales growth of 18% to 23% and expects to open approximately 2,150 new stores. "I am very pleased with our progress to date in fiscal 2021, as our second quarter results demonstrated impressive momentum in the business with **full sales recovery in the U.S.** Our strong results validate our ability to adapt to changes in our environment and the needs of our customers," said Kevin Johnson, president and CEO.

ADP-ADP reported third quarter fiscal 2021 revenues increased 1% to $4.1 billion with net earnings declining 1% to $811 million and EPS flat with last year at $1.90. New Business Bookings grew 7% with sales performance improving consistently through the quarter. Year-to-date fiscal 2021 sales are now ahead of fiscal 2020 and 2019 levels. The number of clients served grew 6% to a record 900,000. By segment, Employer Services revenues dipped 1% to $2.78 billion with margins declining 120 basis points on continued investment in marketing and next generation platforms along with higher incentive compensation expense. U.S. pays per control declined by 6%, which was softer than expected due to the cadence of employment during the quarter. PEO Services revenue increased 7% to $1.3 billion with margins increasing 100 basis points. While Average Worksite Employees paid was flat, retention was stronger than expected and wages were higher. Interest on funds held for clients decreased 32% to $107 million on a 6% increase in Average Client Funds to $33.2 billion and a 70 basis point decline in average interest yield. **During the quarter, ADP generated $2.3 billion in free cash flow with the company returning nearly $2.1 billion to shareholders through dividends of $1.18 billion and share repurchases of $902.5 million.** ADP ended the quarter with $1.9 billion in cash, $2.0 billion in long-term debt and $5.7 billion in shareholders' equity. Given the strong third quarter and the improving U.S. economy, ADP upped its fiscal 2021 guidance with revenue now expected to increase in the 2% to 3% range and adjusted EPS flat to up 1%.

Microsoft-MSFT reported third quarter revenues for fiscal 2021 increased 19% to $41.7 with net income up 44% to $15.5 billion and EPS up 45% to $2.03. By segment, Productivity and Business Processes revenue increased 15% to $13.6 billion, boosted by 22% growth in Office 365, 25% increase in LinkedIn revenue and 45% increase in Dynamics 365 revenue. Intelligent Cloud revenue increased 23% to $15.1 billion and included 50% growth in Azure revenue. More Personal Computing revenue increased 19% to $13 billion on a 34% increase in Xbox content and services revenue, a 17% increase in Search and a 12% increase in Surface sales. During the third quarter, Microsoft generated $22.2 billion in operating cash flow, up 27% year-over-year, driven by strong cloud billings and collections and $17.1 billion in free cash flow, up 24% from last year. **Microsoft returned $10 billion to shareholders in the form of share repurchases and dividends in the third quarter.** Microsoft ended the quarter with $130.8 billion in cash and investments, $50 billion in long-term debt and $134.5 billion in shareholders' equity. Looking ahead to the fourth quarter, leadership expects sales in the range of $43.6 billion and $44.5 billion.

Alphabet-GOOGL reported first quarter results with revenues up 34% to $55.3 billion and net income and EPS rising more than 160% to $17.9 billion and $26.29, respectively. This strong performance was driven by elevated consumer activity online and broad-based growth in advertiser revenue. Google advertising revenue increased 32% in the first quarter, including 49% growth in YouTube ads. Google Cloud revenues increased 46% during the quarter to $4.0 billion. **Alphabet's free cash flow more than doubled during the first quarter to $13.3 billion with the company repurchasing $11.4 billion of its common shares**. On April 23, 2021, the Board of Directors of **Alphabet authorized the company to repurchase up to an additional $50.0 billion of its stock.** Alphabet ended the quarter with more than $135 billion in cash and investments, $13 billion in long-term debt and $230 billion in shareholders' equity on its sturdy balance sheet.

F5 Networks-FFIV reported second quarter revenue increased 11% to $645 million with net income and EPS declining 30% to $43.2 million and $0.70, respectively. Revenue growth was driven by a 20% increase in software sales to $108 million, a 17% increase in systems sales to $201 million and 4% growth in global services to $336 million. Subscriptions now account for 79% of F5's software sales, up from 73% last year. Systems sales growth was higher than expected due to a larger than expected increase in application traffic and the emergence of 5G demand as service providers upgrade existing 4G systems to accommodate 5G traffic. Second quarter cash flow from operations declined 30% year-over-year to $128 million**. During the quarter, F5 Networks repurchased $400 million shares** under its $500 million accelerated share repurchase program (ASR) at an average cost of $194.91 per share. F5 Networks ended the quarter with $662 million in cash, down from $1.5 billion at year end, reflecting $440 million cash paid for the Volterra acquisition and initiation of its ASR. Given potential supply chain issues, management lowered the bottom end of its revenue guidance with revenues for the third quarter of fiscal year 2021 ending June 30, 2021, now expected in the range of $620 million to $650 million, up 8.9% from last year at the midpoint. Non-GAAP earnings are expected in the range of $2.36 to $2.54 per share, up 12.4% from last year.

stryker®

Stryker-SYK reported first quarter net sales increased 10.2% to $4 billion with net income decreasing 38.7% to $302 million and EPS decreasing 39.2% to $0.79. By segment, Orthopaedics net sales of $1.5 billion increased 21.4% in the quarter, MedSurg net sales remained constant at $1.6 billion and Neurotechnology and Spine net sales of $848 million increased 14%. **During the quarter, Stryker generated $369 million in free cash flow with the company returning $238 million to shareholders through dividend payments**. Stryker ended the quarter with $2.3 billion in cash and investments, $13 billion in long-term debt and $13.5 billion in shareholders' equity. In 2021, management expects organic net sales growth of 8% to 10% and adjusted EPS of $9.05 to $9.30. "We are pleased with our results, as business picked up meaningfully in the latter part of the first quarter," said Kevin Lobo, Chairman and Chief Executive Officer. "We expect this momentum to continue and are encouraged by the Wright Medical integration, which is pacing ahead of our expectations."

3M Science. Applied to Life.™

3M-MMM reported first quarter sales increased 9.6% to $8.9 billion with net earnings up 24% to $1.6 billion and EPS up 23% to $2.77. Sales in the Safety & Industrial segment grew 13.7%, due to high demand in respirators. 3M announced last week that they expect to reduce its dependence on virgin fossil-based plastics by 125 million pounds by 2025. Over the last two decades 3M has reduced its emissions by 70%, while doubling its revenues. During the quarter, 3M generated $1.7 billion in operating cash flow, up 39% from last year, on strong working capital management and **$1.4 billion in free cash flow, up 56%** on lower capital expenditures. **The company returned $1.1 billion to shareholders during the quarter through dividends of $858 million and share repurchases of $231 million.** 3M reduced total debt by $0.6 billion, or 3%, strengthening an already strong balance sheet. The company's full-year guidance remains unchanged with projected 2021 sales growth of 5% to 8%, EPS in the $9.20 to $9.70 range and free cash flow conversion of 95% to 105%.

Raytheon Technologies

Raytheon Technologies-RTX reported first quarter revenues rose 34% to $15.3 billion with net income and EPS increasing from prior year losses to $753 million and $.50, respectively. Earnings include $.39 of net significant and/or non-recurring charges and acquisition accounting adjustments. Backlog at the end of the quarter was $147.4 billion, including $82.2 billion from commercial aerospace and $65.2 billion from defense. RTX generated $336 million of free cash flow during the quarter and returned $1.1 billion to shareholders through dividends of $705 million and share repurchases of $375 million. Based on the strong cash position, RTX **increased the second quarter dividend by more than 7%.** "The increase in our dividend reflects our long-standing commitment to deliver consistent and growing cash returns to shareowners," said Raytheon Technologies chief executive officer Greg Hayes. "The outlook for our company is positive and we remain on track to return $18 to $20 billion to shareowners in the four years following the merger." RTX, formerly United Technologies Corporation, **has paid cash dividends on its common stock every year since 1936.** Management increased the lower end of their outlook for 2021 and expects sales of $63.9 billion to $65.4 billion with adjusted EPS of $3.50-$3.70. In December, the company authorized a $5 billion share repurchase program and plans to repurchase at least $2.0 billion of shares in 2021, up from previous guidance of $1.5 billion, while remaining committed to paying and growing its dividend.

UPS-UPS delivered record first quarter results with sales increasing 27% to $22.9 billion and net income and EPS up nearly fivefold to $4.8 billion and $5.47, respectfully. Excluding a $2.5 billion, or $2.86 per share, mark-to-market pension benefit and transformation charges, adjusted EPS increased 141% to $2.77. Adjusted operating margin more than doubled to 12.9% on leverage from the sales growth and favorable sales mix as high-margin sales to small and medium-sized businesses advanced by 35.6%. By business segment, U.S. Domestic revenue increases 22.3% to $14 billion on a 10.2% increase in revenue per piece. International revenue increased 36.2% to $4.6 billion, led by Asia and Europe. Supply Chain and Freight revenue increased 34.3% to $4.3 billion, driven by record growth from Healthcare activities including the delivery of 196 million COVID-19 doses with 99.9% on-time delivery**. UPS generated cash from operations of $4.5 billion and free cash flow of $3.7 billion.** Given continued economic uncertainty, the company did not provide revenue or EPS guidance. However, UPS did affirm its full-year capital allocation plans with capital expenditures of $4 billion and long-term debt repayments of $2.5 billion. The company has no plans to repurchase shares. Improved macro environment forecasts and the expectation of continuing imbalances between market demand and industry capacity bodes well for UPS stakeholders.

Bank of Hawaii-BOH reported first quarter revenues fell 8.6% to $163.5 million with net income increasing 73% to $60 million and EPS increasing 72% to $1.50. During the quarter, Bank of Hawaii reduced its provision for credit losses by $14 million, reflecting an improvement in the economic outlook. **Deposit growth continued in the first quarter, as deposits grew $3.5 billion or 22% year-over-year, due, in large part, to government stimulus activities.** Net margin in the first quarter was 2.43% down from 2.96% last year, reflecting the impact from the strong deposit growth as well as the ongoing effects of the lower interest rate environment. Noninterest expenses increased 3% year-over-year to $98.9 million resulting in an efficiency ratio of 60.5% compared to 56% last year. First quarter's expenses included $1.8 million charge related to the voluntary separation incentive program and $1.9 million in onetime charges related to the mass issuance of contactless debit cards. Bank of Hawaii maintains a strong balance sheet including a high-quality securities portfolio, good asset quality, high levels of liquidity, and a solid capital base that will allow the bank to provide financial support to customers and the Hawaiian community as needed to emerge from the COVID-19 crisis. There were no share repurchases in the first quarter, but the bank did declare its regular quarterly dividend of $.67 per share payable on June 14, 2021. The dividend currently yields an attractive 3%. “We are pleased with our financial performance during the first quarter of 2021," said Peter Ho, Chairman, President, and CEO. “Our balance sheet remains strong with deposit balances and total assets reaching new record highs, solid asset quality, and high levels of liquidity and capital.”

Canadian National Railway-CNI reported revenues dipped slightly to C$3.5 billion with net income and EPS declining 4% to C$974 million and C$1.37, respectively. Record first quarter intermodal traffic and shipments of Canadian grain and freight rate increases were offset by lower volumes for other commodity groups caused mainly by the ongoing effects of the COVID-19 pandemic, the negative impact of a stronger Canadian dollar and lower fuel surcharge rates. CNI’s operating ratio of 62.5% improved 3.2 points, mainly due to the partial economic recovery and reduced impacts of the COVID-19 pandemic. Fuel efficiency improved by 4% to 0.92 US gallons of locomotive fuel consumed per 1,000 gross ton miles while revenue ton miles, train length (in feet) and car velocity (car miles per day) all increased by 5%. During the quarter, Canadian National generated C$540 million in free cash flow, down 6% from last year, despite a 32% decline in capital expenditures. During the quarter, the company paid C$436 million in dividends, or C$0.615 per share, up 7% from last year. After pausing its share repurchases at the end of March 2020 due to the pandemic, the company resumed its share repurchases during the quarter with C$291 million shares repurchased at a weighted average cost of C$140.70 per share. Canadian National Railway’s share repurchase program once again will be paused due to the proposed combination with Kansas City Southern. Management updated its 2021 financial outlook and is now targeting double-digit adjusted EPS growth, versus prior guidance in the high single-digit range. This guidance assumes high single-digit revenue per ton miles volume growth in 2021. **CNI still targets free cash flow in the range of C$3.0 billion to C$3.3 billion in 2021 compared to C$3.2 billion in 2020.**

Maximus-MMS secured two prime contracts to deliver the Restart program in South and East London, and in South and West Yorkshire, Derbyshire, and Nottinghamshire. The Restart program provides 12 months of tailored and community-based support for people that are long-term unemployed, and forms part of the UK Government's Plan for Jobs to help people directly impacted by the pandemic. Maximus will also invest more than ten million Great British Pounds (GPB), or 13 million U.S. Dollars (USD), into hundreds of community organizations, charities, and small and medium sized businesses through its innovative Community Partnership Networks, co-locating services in towns and cities, and funding innovative support to help Restart participants develop new skills, overcome barriers, and find work. In total, the two contracts – the maximum that could be won by a single provider – are for four years with a two-year option, and are valued at more than $960 million USD for the total contract period.

Check Point Software Technologies-CHKP reported first quarter sales increased 4% to $508 million with net income up 2.4% to $182.9 million and EPS up 8.1% to $1.33 on fewer shares outstanding. Subscription sales, which accounted for 35% of total sales, increased 11.7% and deferred revenues increased 8% to $1.5 billion. During the quarter, **Check Point generated $370.7 million in free cash flow, up 5.7% from last year, with the company returning $325 million to shareholders through share repurchases at an average cost of $120.37 per share.** The company ended the quarter with $4.06 billion of cash and marketable securities, $379 million in long-term debt and $3.4 billion in shareholders' equity on its super-secure balance sheet. Looking ahead to the second quarter, management expects sales in the $510 million to $535 million range, up 8% at the midpoint from 2020, with EPS in the $1.30 to $1.40 range, up 9.8% at the mid-point. Gil Shwed, Founder and CEO of Check Point Software Technologies, remarked, "The cyber threat landscape is reaching new levels of risk and requires a holistic security architecture to prevent the next cyber pandemic. Our Infinity architecture can uniquely address these needs and consolidate security for the user, the network and the cloud to prevent Gen V cyber-attacks."

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News from our ***HI***-quality companies last week reflected first quarter earnings reports which continued to come in well ahead of expectations with many companies increasing their financial outlooks for the full year. Strong cash flows from our businesses led to dividend increases such as the 6% increase from **Paychex** and the 7% increases from both **Apple** and **Raytheon.** More notable is the substantial new share repurchase announcements this past week, including a $90 billion buyback announcement from **Apple**, a $50 billion repurchase program from **Alphabet** and a $25 billion buyback announcement from **Facebook,** which reflect the extraordinary cash flows of these ***HI***-quality businesses.

Berkshire Hathaway's annual meeting was held on Saturday, May 1. Berkshire's operating earnings increased 19.5% during the first quarter and Berkshire repurchased $6.6 billion of its common stock during the quarter. A more detailed analysis of Berkshire's first quarter results will be in next week's Weekly Update with highlights from the annual meeting reported in the June newsletter.

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

Ingrid R. Hendershot, CFA
President