

# **Welcome to Peter Partnership Fund 2018 Annual General Meeting**

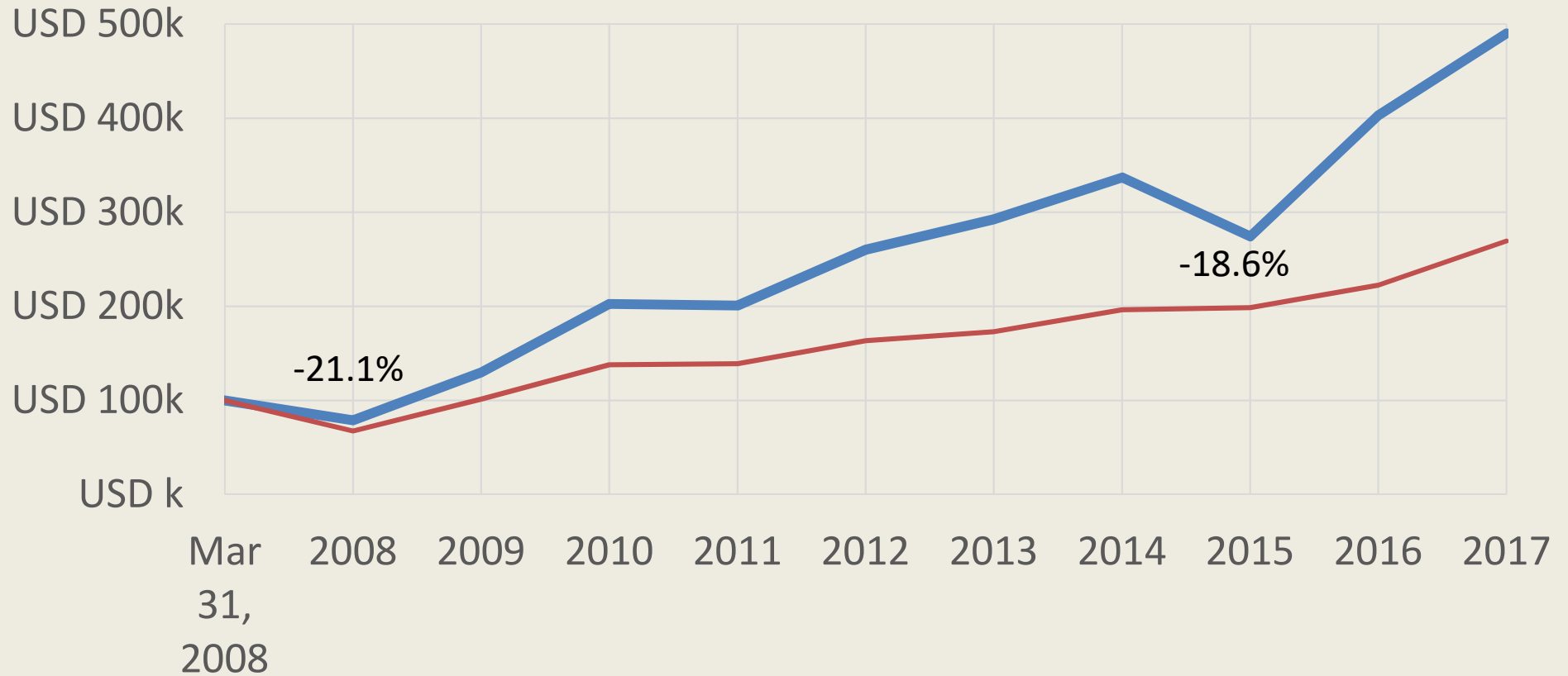
The fund where you, The Investor, gets paid  
BEFORE the Manager.

Also, virtually all The Manager's family money is invested together with you, so that the Manager doesn't take any unnecessary risk just to earn fees.

# Agenda

- Review of Peter Partnership's performance
- Review of Berkshire's Performance and current valuation
- Peter Partnership Fund
  - The fund now owns Berkshire Class A
  - Advantageous, Current Fund Size, Fees, etc.
  - Equalisation (for Performance Fees Calculations)
- Q&A

## Growth of USD 100k with PP vs. Benchmark\*



— Growth of USD 100k with PP (after Fees)

— \* Benchmark (KLCI + 3% a year from Inception until year 2013. S&P 500 ETF from year 2014 onwards)

### Annualised Return (USD to USD) (9 years 9 months)

Peter Partnership (PP) : 17.7%

Benchmark : 10.7%

## Peter Partnership's results vs. S&P 500 ETF (USD to USD)

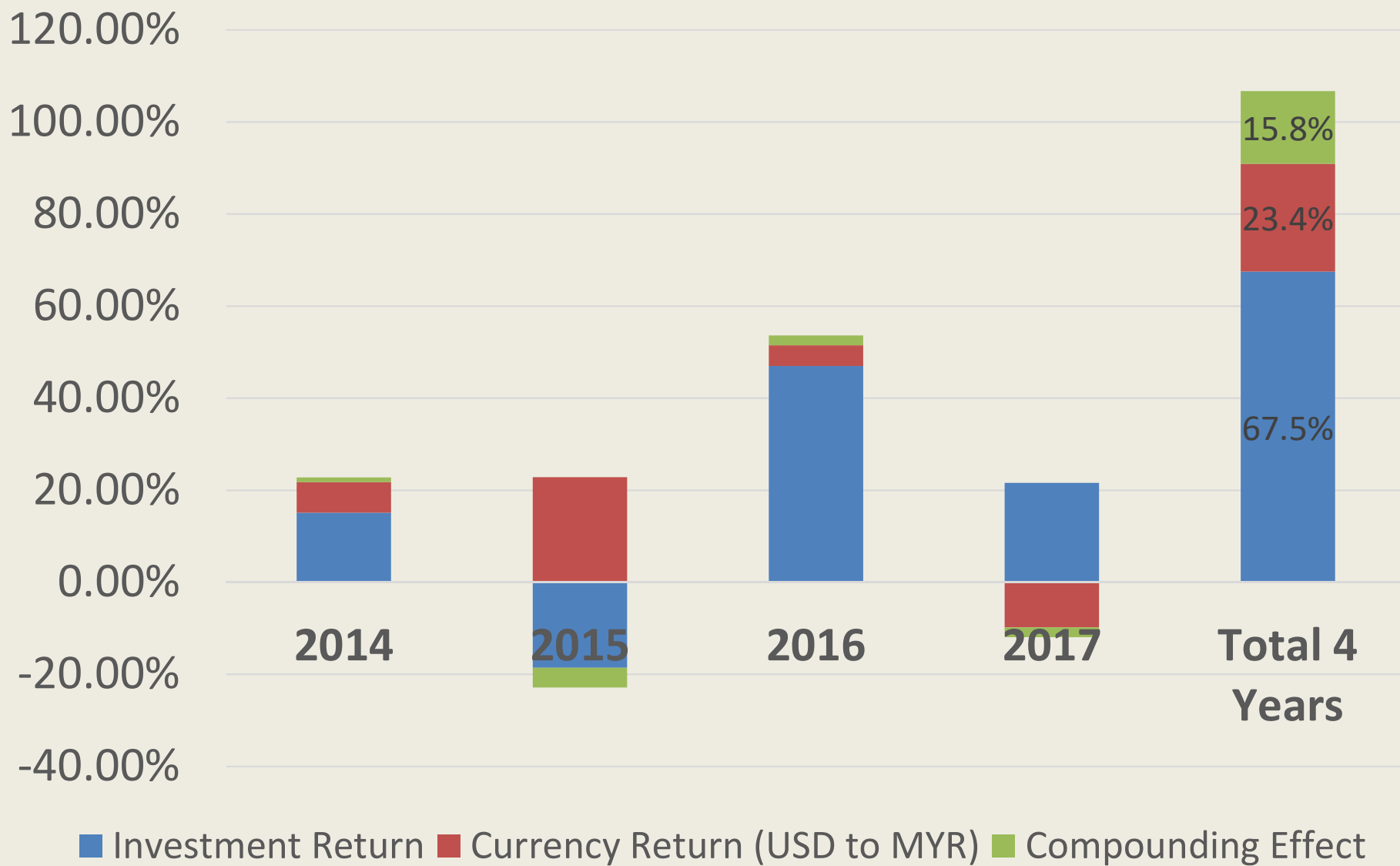
Year	Percentage Change (%)			
	Partnership's return (in IB)		S&P 500 ETF	Relative Results
	Before fee	After fee		
		(1)	(2)	(1) – (2)
2014	17.7	15.1	13.5	1.6
2015	-18.6	-18.6	1.2	-19.8
2016	47.2	47.0	12.0	35.0
2017	25.5	21.6	21.1	0.5
Total Return	77.0	67.5	55.8	11.7
Annualised Return	15.3	13.8	11.7	2.1

# USD to MYR Currency Rate

(From 31<sup>st</sup> Dec 2013 to 31<sup>st</sup> Dec 2017)



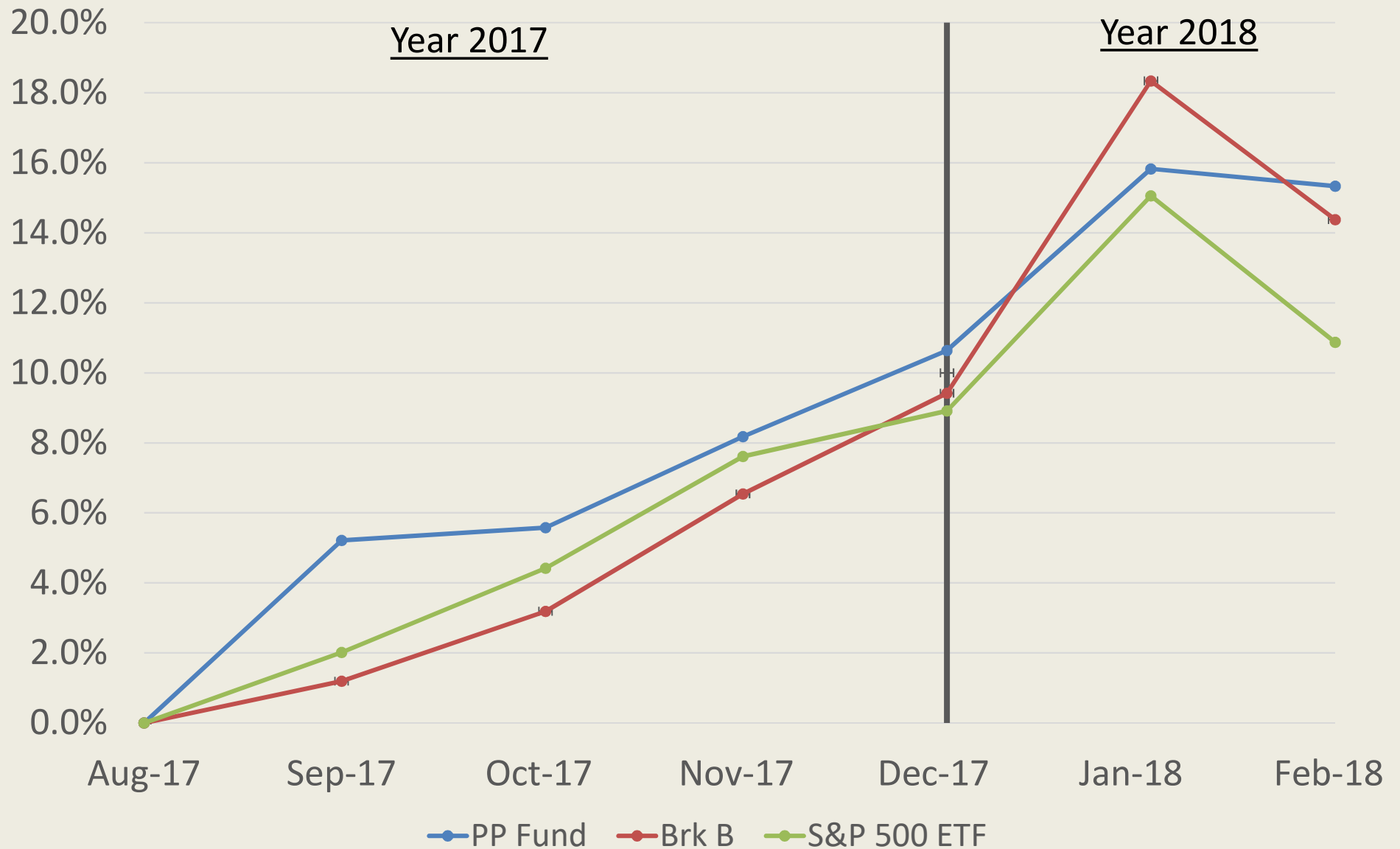
## Contribution of Returns in Peter Partnership (from 2014 to 2017, in RM to RM)



## Peter Partnership's results (in IB) vs. Berkshire's Stock Price Return (USD to USD)

Year	Percentage Change (%)			
	Partnership's return (in IB)		Berkshire's Stock Price Return	Relative Results
	Before fee	After fee		
		(1)	(2)	(1) – (2)
2015	-18.6	<b>-18.6</b>	-12.1	-6.5
2016	47.2	<b>47.0</b>	23.4	23.6
2017	25.5	<b>21.6</b>	21.6	0.0
3 Years Total Return	50.4	<b>45.5</b>	32.0	13.5
Annualised Return	14.6	<b>13.3</b>	9.7	3.6

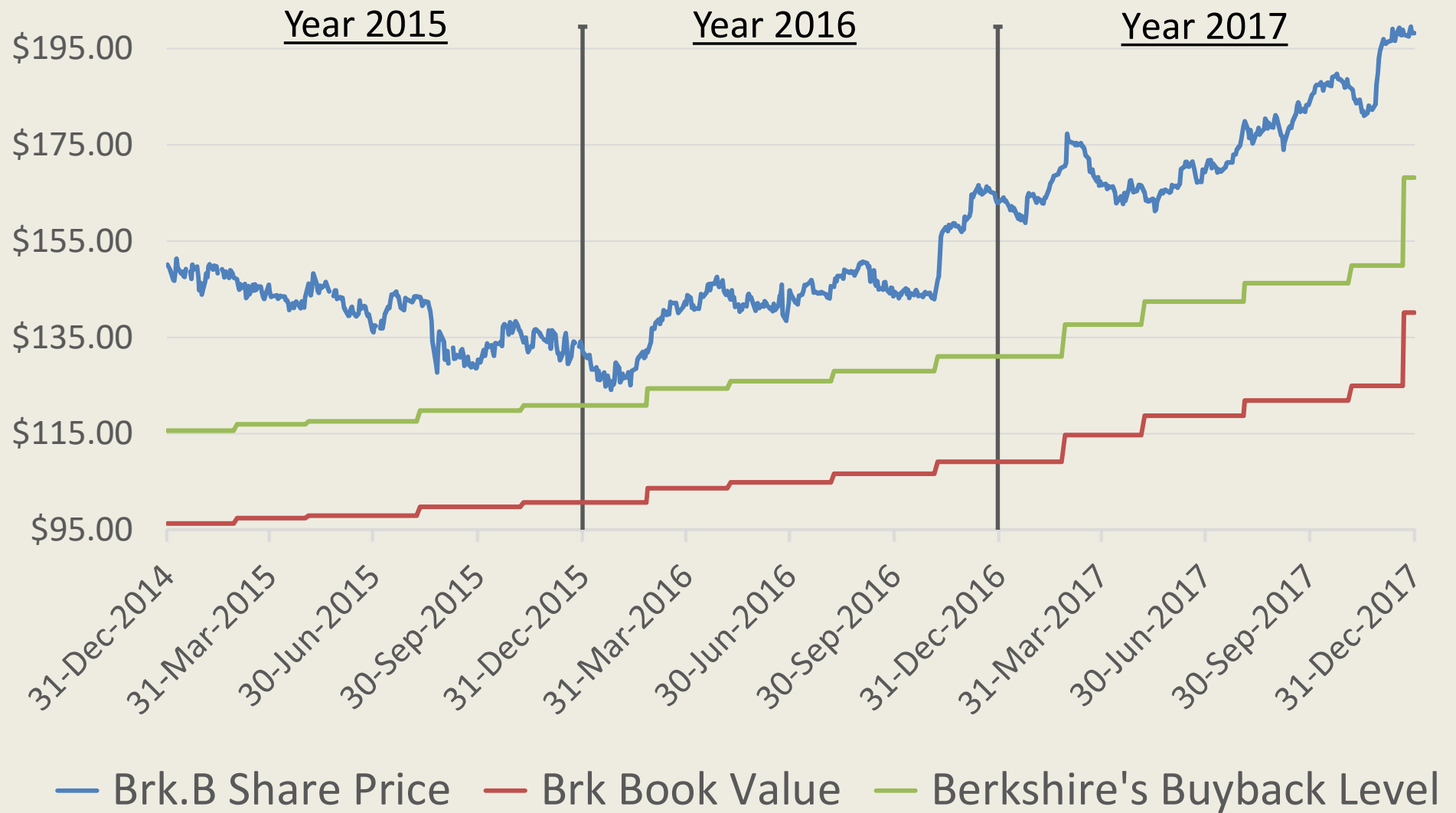
# PP Fund's Performance vs. Benchmarks



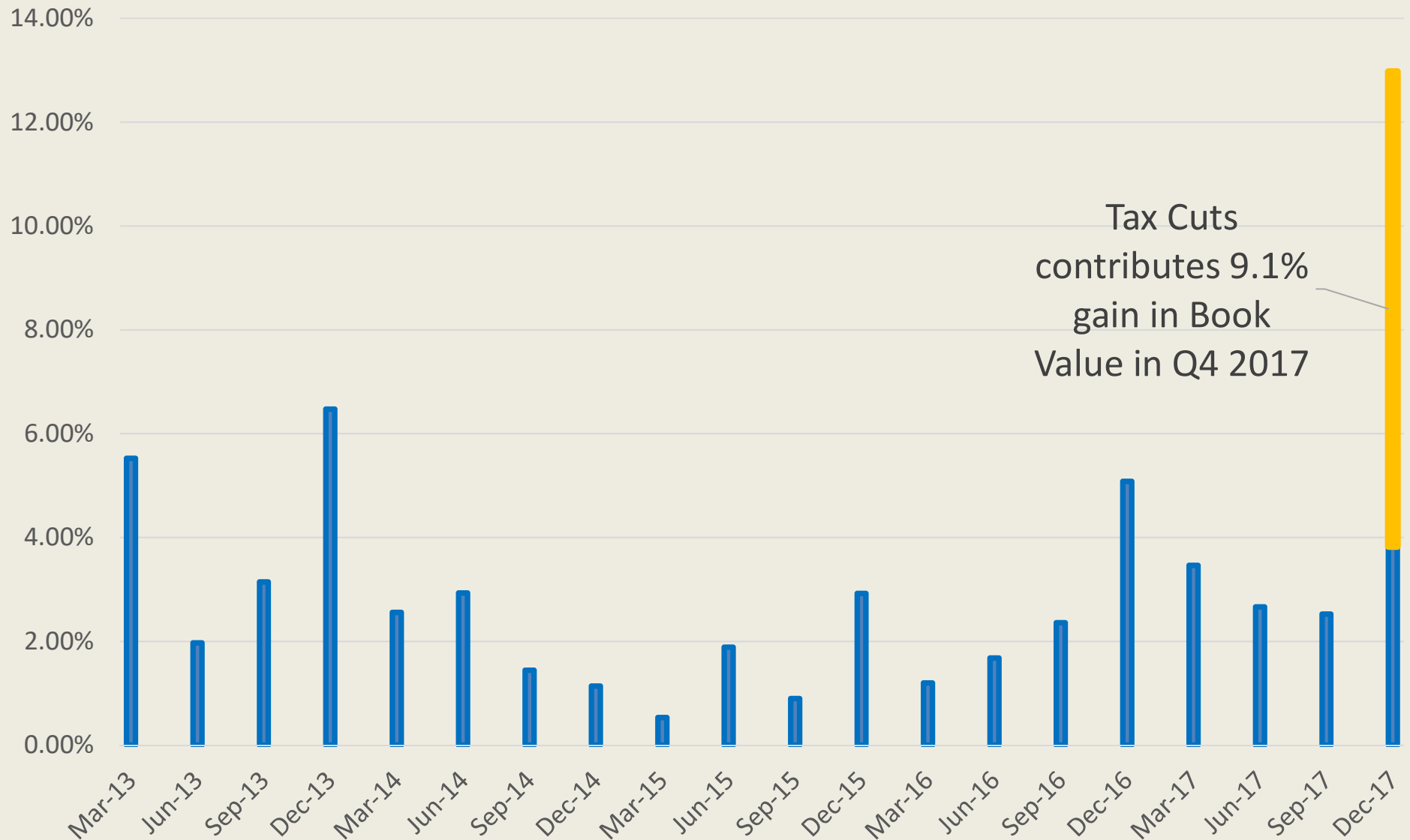


# Berkshire's Stock Price vs. its Book Value

## from the year 2015 to 2017



## Quarterly Changes of Berkshire's Book Value (2013 to 2017)



# US Tax is cut from 35% to 21%, thus companies will earn more money

## Corporate tax in the United States

From Wikipedia, the free encyclopedia

**Corporate tax** is imposed in the United States at the federal, most state, and some local levels on the income of entities treated for tax purposes as corporations. Since January 1, 2018, the effective corporate tax rate in the United States of America is a flat 21 percent due to the passage of the "Tax Cuts and Jobs Act" on December 20, 2017. State and local taxes and rules vary by jurisdiction, though many are based on federal concepts and definitions. Taxable income may differ from book income both as to timing of income and **tax deductions** and as to what is taxable. Corporations are also subject to a federal **Alternative Minimum Tax** and alternative state taxes. Like individuals, corporations must file **tax returns** every year. They must make quarterly estimated tax payments. Controlled groups of corporations may file a consolidated return.

Some corporate transactions are not taxable. These include most formations and some types of mergers, acquisitions, and liquidations. Shareholders of a corporation are taxed on **dividends** distributed by the corporation. Corporations may be subject to foreign income taxes, and may be granted a **foreign tax credit** for such taxes.

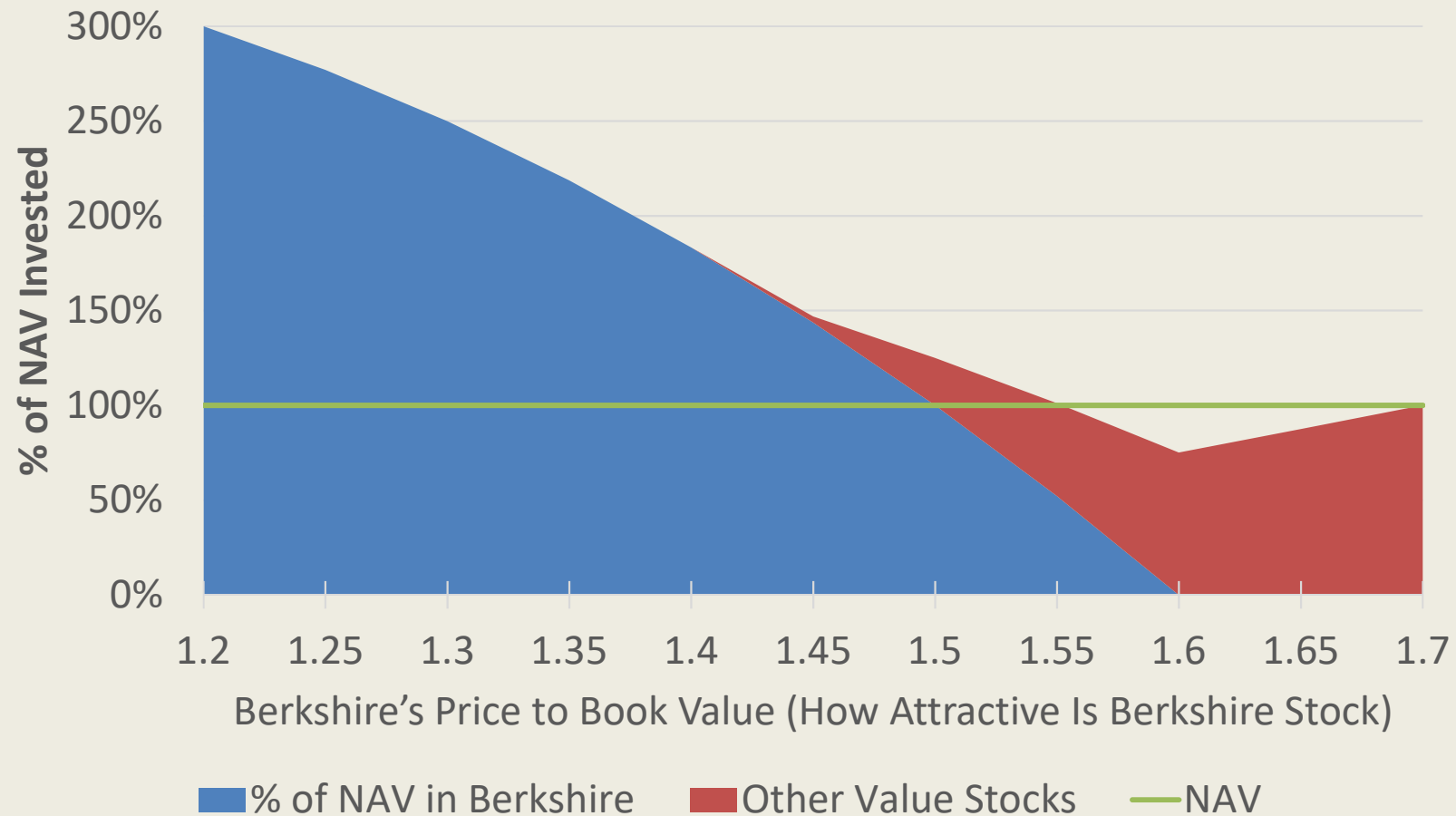
Shareholders of most corporations are not taxed directly on corporate income, but must pay tax on **dividends** paid by the corporation. However, shareholders of S corporations and **mutual funds** are taxed currently on corporate income, and do not pay tax on dividends.

On December 20, 2017, the US Senate and House of Representatives passed the Tax Cut and Jobs Act, setting a flat and effective corporate tax rate of 21% on all businesses that was implemented on January 1, 2018.



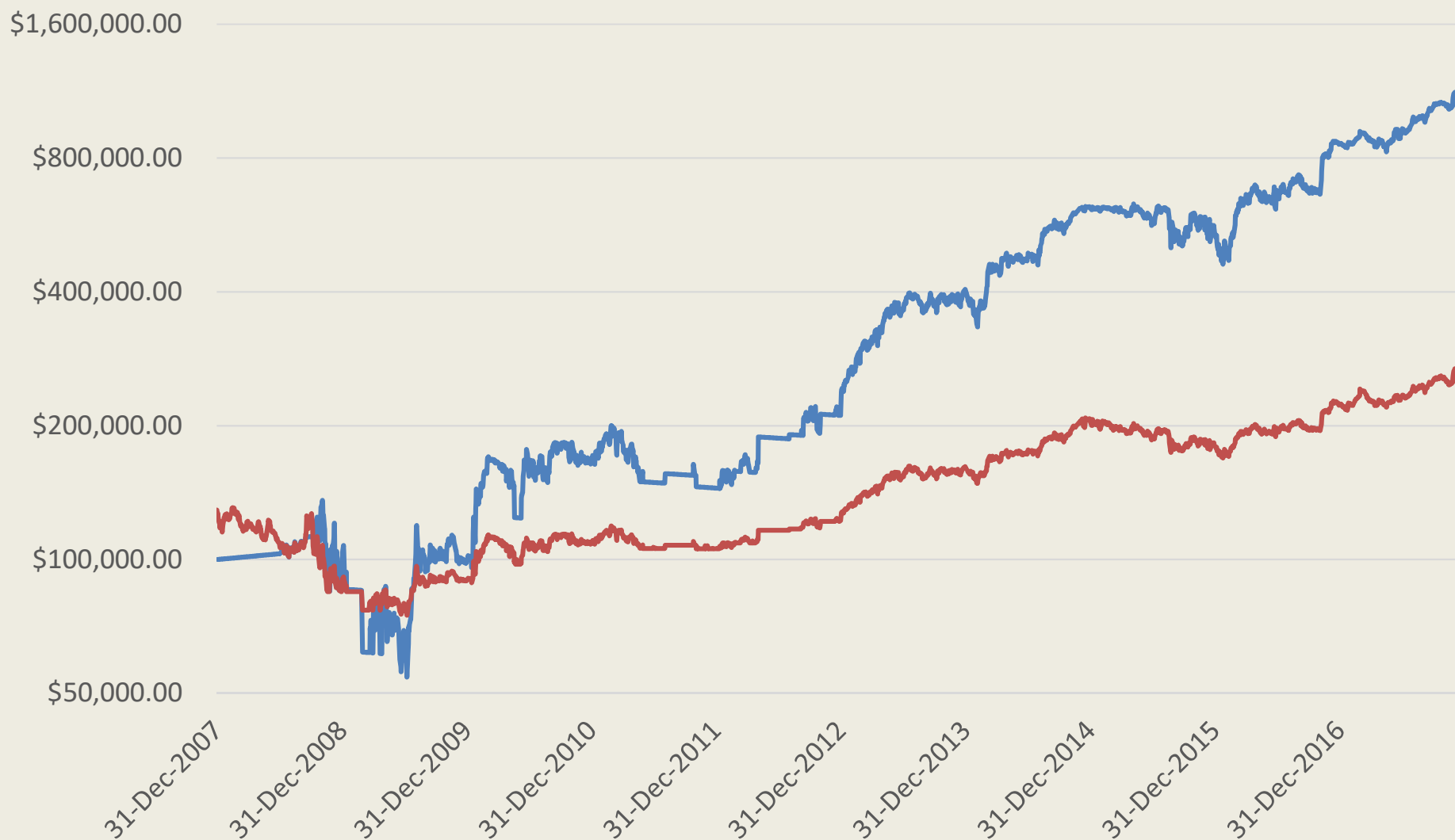
Source: [https://en.wikipedia.org/wiki/Corporate\\_tax\\_in\\_the\\_United\\_States](https://en.wikipedia.org/wiki/Corporate_tax_in_the_United_States)

## How Peter Partnership Fund will be invested (increase exit from Berkshire to P/B 1.6 due to Tax cuts)



# Simulated Return of PP Fund's Strategy vs. Berkshire's Stock Return

— Berkshire + CFD — Stock Return



## Berkshire's Current Valuation

- Latest Book Value per share (on Dec 31 2017) : \$ 211,750
  - On a Class B equivalent: \$ 141.17
- Stock Price (brk.b) : \$ 206.99
- P/B Ratio : 1.47
- Allocation of Partnership Funds to Berkshire : ~ 115%
- All other value stocks: ~ 30%.

At Current Valuation, I do not think Berkshire's price is Over valued (and neither do I think its Under valued).

## The fund currently owns Berkshire Class A

- Buying USD 10 Million worth Of Berkshire's Stock (assuming Brk.B is USD 200 per share, while Brk.A is USD 300,000 per share) :
  - a) Brk. B = USD 250
  - b) Brk. A = USD 1
- By changing to Berkshire Class A Stock, the Fund would SAVE a few thousands of brokerage fees a year. However.....

## Lowest Price of the day (March 1<sup>st</sup> 2018) : USD 301,405.00





Bought at the lowest price of the day  
(which is a bad news)

Trades File Edit Trades View Settings Help

Account Filter  
Account: All

Show trades for: Today

Trades Summary

Enter symbol filter More options

+/- Action	Quantity	Undr... ^	Description	Price	Crrncy	Exch.	Time	Ordr Rf.	Account
SLD	89.9K	AUD	AUD.USD Cash	0.77545	USD	FXCONV	12:01:56	Rebalance All	
BOT	2	BRK A	CFD	301425.00	USD	SMART	04:03:04	Rebalance U9571503	
BOT	3	BRK A	CFD	301418.33 <sup>3</sup>	USD	SMART	04:03:04	Rebalance U9571503	
BOT	1	BRK A	CFD	301425.00	USD	SMART	04:03:04	Rebalance U9571503	
BOT	1	BRK A	CFD	301425.00	USD	SMART	04:03:04	Rebalance U9571503	
BOT	1	BRK A	CFD	301405.00	USD	SMART	04:03:04	Rebalance U9571503	
BOT	6,251	BRK B	CFD	201.10	USD	SMART	03:14:57	Rebalance PPL	

Underlying (Ascending) + Time (Descending)

Windows taskbar: WhatsApp - G..., Downloads, Brk Research, All IB Trader W..., All Trades, Berkshire CFD ... 6:43 PM 2/3/2018

## Missed gain of USD 500k (in less than 10 days)

- The dollar volume of Berkshire Class A is very low, causing the fund's buy order didn't get thru completely.
- Had the buy order was in Berkshire Class B the other day, all the orders would have gone thru (and would have sold off about a week later, at a [huge] gain).
- The above loss, caused the fund to lost about 2.5% in potential gains (for USD 20 Million Fund, that's a LOSS of USD 500k !)
- Moving forward, the Fund will split its orders into BOTH Class A and Class B to enjoy the benefit of easier filled orders, and lower brokerage fees (compared to buying Class B only).

The longer you own Berkshire (or PP Fund),  
the lower your Risk is



# Same goes to Berkshire Class B

**Berkshire Hathaway Inc. (BRK-B)** [★ Add to watchlist](#)

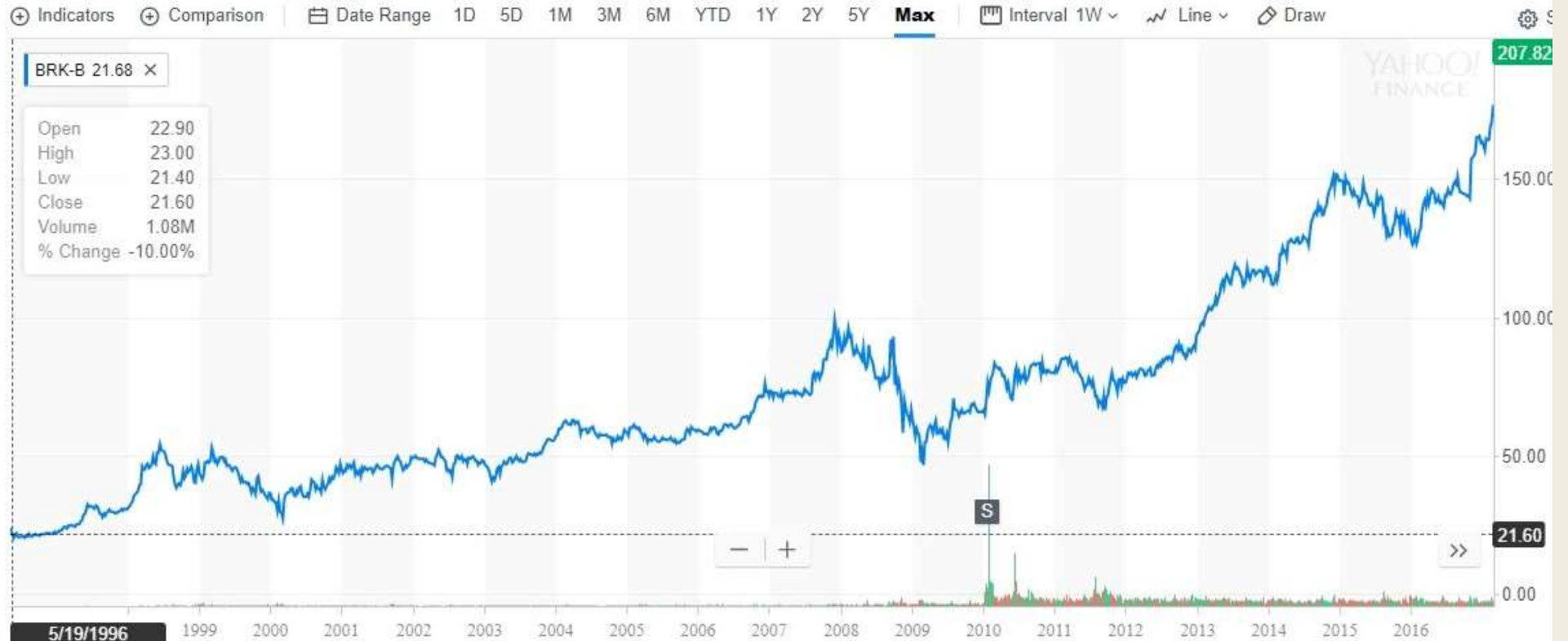
NYSE - NYSE Delayed Price. Currency in USD

**207.82** **+0.83 (+0.40%)**

**207.82** 0.00 (0.00%)

At close: 4:00PM EDT

Pre-Market: 4:37AM EDT



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## Some of the Value stocks owned by the Fund

Company Name	Country	Business Type
Urbana Corporation	Canada	Closed Ended Fund.
Guardian Capital Group	Canada	Fund Management Company.
Stalexport Autostrady SA	Poland	Managing motorways.
Klovern AB	Sweden	Real Estate Company [Collects rents].

## Peter Partnership Fund

- 2 main advantage compared to individual accounts

### 1) No longer have estate tax

- ✓ Savings between 21.7% to 40% of estate.
- ✓ Benefits the big investors more.

### 2) Higher returns to all investors due to lower interest charged on leverage.

- ✓ Reduction of interest rate charged by 0.8% to 1.2% a year.
- ✓ Our returns would be increased by about 1% to 1.6% a year (before expenses of the fund).
- ✓ Benefits the small investors more.

## US Estate Tax for Non Resident Alien

Taxable Estate	Tentative Tax
not over \$10,000	18% of such amount
\$10,000-\$20,000	\$1,800 + 20% of excess over \$10,000
\$20,000-\$40,000	\$3,800 + 22% of excess over \$20,000
\$40,000-\$60,000	\$8,200 + 24% of excess over \$40,000
\$60,000-\$80,000	\$13,000 + 26% of excess over \$60,000
\$80,000-\$100,000	\$18,200 + 28% of excess over \$80,000
\$100,000-\$150,000	\$23,800 + 30% of excess over \$100,000
\$150,000-\$250,000	\$38,800 + 32% of excess over \$150,000
\$250,000-\$500,000	\$70,800 + 34% of excess over \$250,000
\$500,000 - \$750,000	\$155,800 + 37% of excess over \$500,000
\$750,000 - \$1,000,000	\$248,300 + 39% of excess over \$750,000
Over \$1,000,000	\$345,800 + 40% of excess over \$1,000,000

Source: Congressional Research Service



# Banks' fund managers slammed for high fees and poor performance

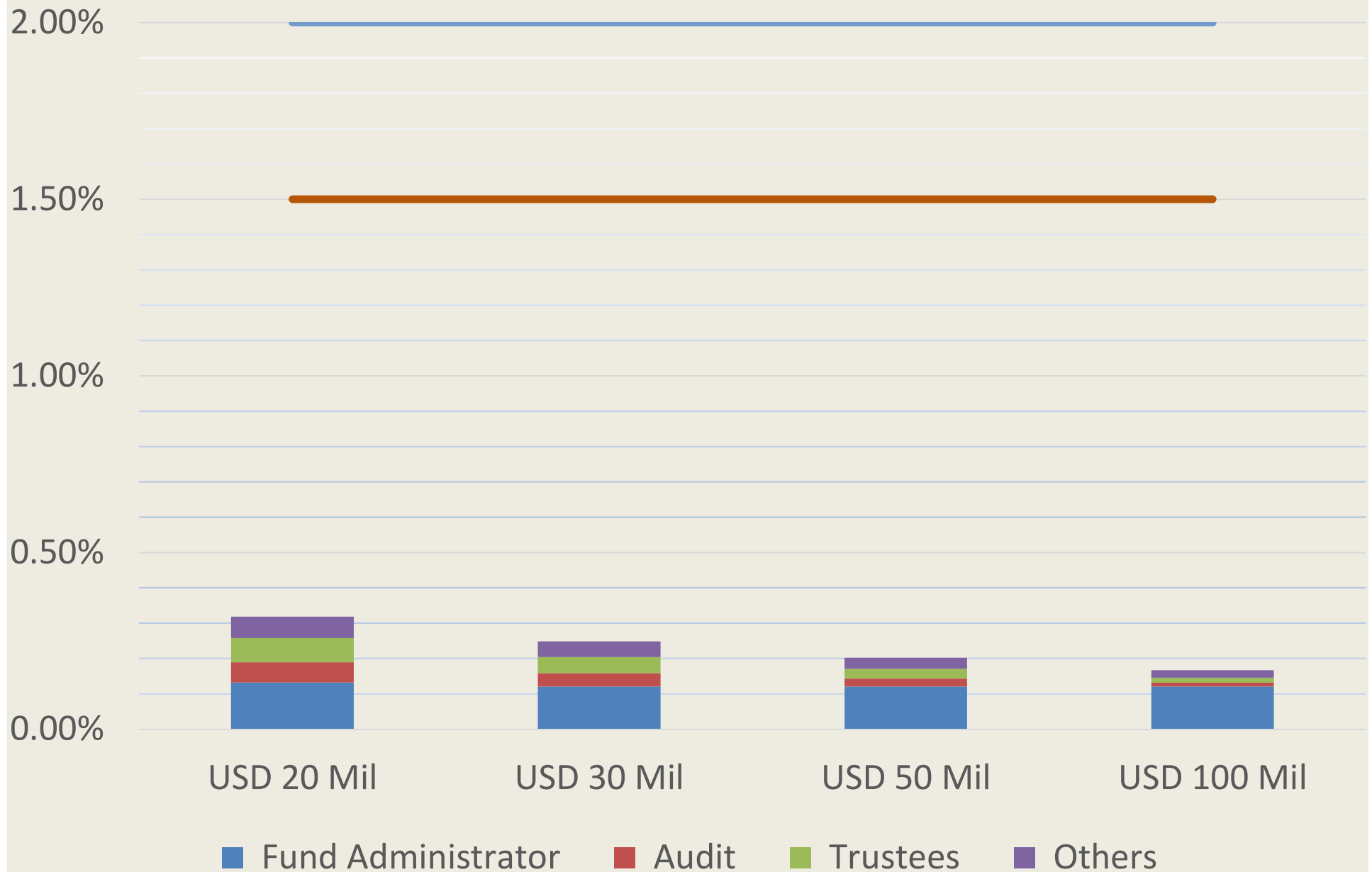
Managed assets are acting more like index trackers, according to research



Source: <https://www.ft.com/content/79f9597a-6632-11e7-9a66-93fb352ba1fe>



## Annual operating cost of PP Fund vs Typical Equity Funds



# As the fund gets Bigger, the interest financing gets lower

Balance

20000000	USD ▼	CALCULATE BLENDED RATE
----------	-------	------------------------

	Debit Balance	Interest Rate	Interest Charged* (no surcharge)	Interest Charged* (surcharge)
Up to Tier I Cutoff	100,000	2.920%	2,920.00	2,920.00
Above Tier I Up To Tier II Cutoff	900,000	2.420%	21,780.00	21,780.00
Above Tier II Up To Tier III Cutoff	2,000,000	1.920%	38,400.00	38,400.00
Above the Tier III Up To Tier IV Cutoff	17,000,000	1.720%	292,400.00	292,400.00
Above the Tier IV Cutoff	0	1.720%*	0.00	0.00
Total	20,000,000		355,500.00	355,500.00

Your blended rate for

USD

1.778%

## Referral Fee for Referrer of Elite Investors (USD 1 Million and above)

- USD 1,000 per year will be given to referrer of Elite investors for each year the Elite investor earns above 10% annualised return, up to a maximum of USD 3,000 per referral.
- The Elite investor still enjoys the same reduced performance fees. (16% vs. 20% for Ordinary investors), and pays nothing extra.
- The referrer of an Ordinary investor who become an Elite Investor within 36 months (3 years) after he invested would be counted as if he is referring an Elite investor too.
- A token of appreciation (RM 100) will be given for non-Elite Investors referrals too.

# Entry fee in Malaysia's fund management industry among highest in the world

## BUSINESS NEWS

Saturday, 9 Jul 2016



By Yvonne Tan



Source: <https://www.thestar.com.my/business/business-news/2016/07/09/fund-fees-too-high/>

## Reduction in Subscription/ Top-up Fees for all currencies

### USD Subscription Fees for the fund.

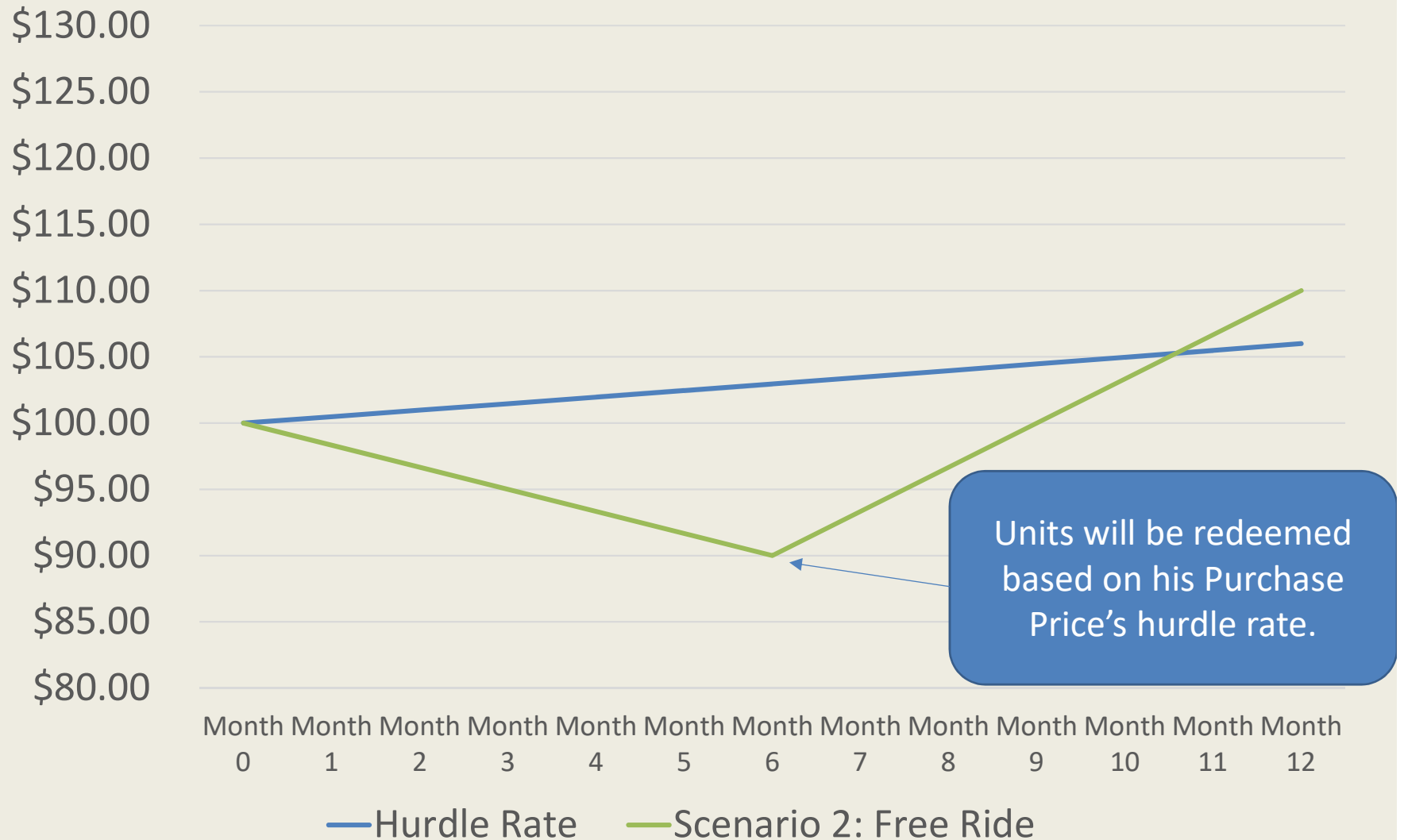
- At fund launched : SGD 270 (about USD 200)
- On 1<sup>st</sup> Nov 2017 : Reduced to USD 130
- On 1<sup>st</sup> Feb 2018 onwards: **Reduced to USD 50**

### In Summary:

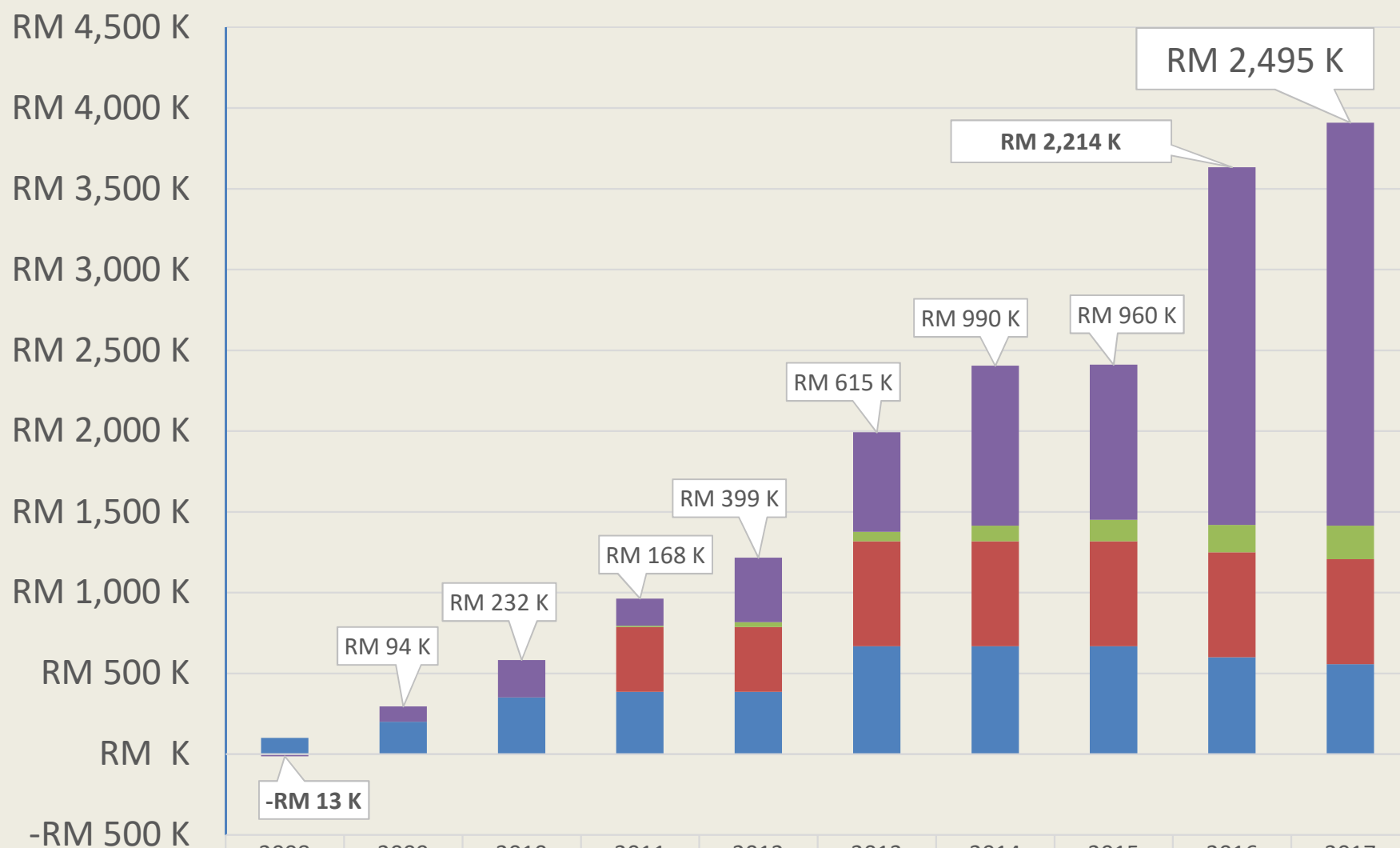
Subscription, Top-up or Redemption Fee:

- **In USD or SGD** or Acceptable Listed Stocks: **USD 50** plus Bank Charges
- In other currencies: USD 120 plus Bank Charges

Equalisation:  
Redeeming units to pay for performance fees



## Real Case of how an investor builds wealth thru Peter Partnership



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Profits / (Loss)	-RM 13 K	RM 94 K	RM 232 K	RM 168 K	RM 399 K	RM 615 K	RM 990 K	RM 960 K	RM 2,214	RM 2,495
Housing Loan Installments	RM K	RM K	RM K	RM 9 K	RM 32 K	RM 59 K	RM 96 K	RM 133 K	RM 170 K	RM 208 K
Refinance Housing Loan	RM K	RM K	RM K	RM 400 K	RM 400 K	RM 650 K	RM 650 K	RM 650 K	RM 650 K	RM 650 K
Own Capital and Fees Paid	RM 100 K	RM 200 K	RM 351 K	RM 386 K	RM 386 K	RM 668 K	RM 668 K	RM 668 K	RM 599 K	RM 556 K

# Q&A Session

“If you like Warren Buffett/ Berkshire, then you’ll love Peter Partnership Fund.”

~ Peter Lim.