



GuruFocus, Contributor

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## Tom Russo Adds to BRK.A, MA, BUD, WFC in the First Quarter

Tom Russo is general partner at Gardner Russo & Gardner, overseeing \$3 billion. His updated portfolio for the first quarter 2012 reveals additions to holdings of Berkshire Hathaway ([BRK.A](#)), Mastercard ([MA](#)), Anheuser Busch ADR ([BUD](#)) and Wells Fargo ([WFC](#)), among others.

Russo beat the S&P 500 122.1% to 34.9% cumulatively over the last ten years. He typically buys positions of stable, global companies and holds indefinitely.

Russo made his tenth straight add to his **Berkshire Hathaway ([BRK.A](#))** holding in the first quarter 2012, purchasing 223 shares at an average price of \$119,135 per share and ending the quarter with a total of 4,166 shares, or 8.2% of his portfolio. He also added to his Berkshire ([BRK.B](#)) holding for the 13th straight quarter, purchasing 1,724,813 shares at an average price of \$79 a share. Year to date, Berkshire shares have climbed 7%.

Berkshire Hathaway Inc. is a holding company owning subsidiaries engaged in a number of diverse business activities. Berkshire Hathaway has a market cap of \$199.28 billion; its shares were traded at around \$122,950 with a P/E ratio of 16.9 and P/S ratio of 1.8. Berkshire had an annual average earnings growth of 17.5% over the past 10 years.

On May 4, Berkshire announced that its earnings had improved significantly compared to the previous year, when a string of disasters weighed down its insurance divisions. First quarter earnings were \$3.3 billion, compared to \$1.5 billion the previous year. Its insurance-underwriting segment saw earnings of \$54 million, compared to a net loss of \$821 million the previous year.

Russo has been adding to his holding of **MasterCard (MA)** for fifteen straight quarters. He added 38,749 shares in the first quarter at an average price of \$390 per share, the highest he has paid.

MasterCard Inc. advances global commerce by providing a critical economic link among financial institutions, businesses, cardholders and merchants worldwide. MasterCard Inc. has a market cap of \$57.43 billion; its shares were traded at around \$424.97 with a P/E ratio of 24.3 and P/S ratio of 8.6. The dividend yield of MasterCard Inc. stocks is 0.3%.

Russo detailed his thesis on MasterCard in the spring 2012 issue of Columbia's Graham and Doddsville:

***TR:*** *MasterCard and Visa together suffered because of the Durbin Amendment that was intended to regulate interchange fees for debit cards. Ironically, the real protagonist in that story was presented as the small merchant. But the truth is, for the small merchant, the benefits of a debit transaction outweigh those of a credit card or check. De-spite that, debit fees were reduced by 70%. The market reacted with a sharp share price sell-off due to a fear over the loss of revenue. Visa dropped even further than MasterCard because they were the dominant player in this area. We invested in MasterCard.*

*I thought MasterCard was the preferred alternative at the time for a few reasons. For one, it was cheaper. That valuation was 12x forward year's earnings. For a company with a capacity to grow like MasterCard, that was simply too low a valuation. MasterCard has a tremendous amount of international exposure – relatively more than Visa. Master- Card also had a recent management change. Ajay Banga, the new CEO, has a global background and is very smart. For example, he is now negotiating with the Indian government to have a state stored value card that is biometrically identified. If the government wants to transfer money to a part of the*

*country that is very poor, the risk of theft of cash is very high right now. With the biometrically identified card, you can secure your remittances from the government in a way that isn't currently available. I think MasterCard will benefit enormously from Ajay's global agility. You have to remember that eighty-five percent of the world's commerce outside of the United States still uses cash. Commerce outside of North America is also a fraction of what it will become.*

The first quarter marked the eighth that Russo added to his holding of **Anheuser-Busch (BUD)**. He bought 275,472 shares, bringing his total to 3,539,500 at quarter-end.

Anheuser-Busch Companies is the holding company parent of Anheuser-Busch Inc. and to a number of subsidiaries that conduct various other business operations. Anheuser-Busch Inc. ADR has a market cap of \$116.68 billion; its shares were traded at around \$71.55 with a P/E ratio of 17.9 and P/S ratio of 3. The dividend yield of Anheuser-Busch ADR stocks is 1.8%.

Year to date, Anheuser-Busch has climbed more than 17% amid favorable earnings. On April 30, the company announced that it had beat analysts' profit forecasts, increasing 75% to \$1.69 billion compared to \$964 million a year earlier. Revenue rose slightly to \$9.33 billion from \$9 billion. The improved results were due largely to a relatively weak quarter the previous year which included charges and high taxes that did not recur.

Russo added to **Wells Fargo (WFC)** for the seventh consecutive quarter. He bought 399,167 shares at an average price of \$31, bringing his total holding 9,611,987 shares at quarter-end.

Wells Fargo & Company is a diversified financial services company providing banking, insurance, investments, mortgage and consumer finance services through stores, its Internet site and other distribution channels across North America as well as internationally. Wells Fargo has a market cap of \$178.68 billion; its shares were traded at around \$33.17 with a P/E ratio of 11.7 and P/S ratio of 2. The dividend yield of Wells Fargo stocks is 1.2%. Wells Fargo-new had an annual average earnings growth of 2.2% over the past 10 years. GuruFocus rated Wells Fargo [the business predictability rank of 2-star](#).

Wells Fargo shares have advanced more than 20% year to date. On April 13, it announced first-quarter net income had improved 14% to \$4.2 billion from the prior year, its ninth consecutive quarter of earnings per share growth, and revenue had increased 20% to \$21.6 billion, its highest in nine quarters. The results enabled the company to increase its dividend for the second year.

See more of [Tom Russo](#)'s latest buys and sells in his equity portfolio [here](#). Also check out the [Undervalued Stocks](#), [Top Growth Companies](#) and [High Yield stocks of Tom Russo](#).

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