

## Buffett snags 10 million shares of GM stock

By Paul A. Eisenstein, *The Detroit Bureau*

Analysts and investors alike will be watching the ticker closely this week to see how the market responds to word that the “Oracle of Omaha” has grabbed 10 million shares of General Motors (GM) stock.

According to a filing with the Securities and Exchange Commission, Warren Buffett’s investment firm Berkshire Hathaway will spend \$256.6 million for the stock, a nearly 20 percent premium over their value of \$214.2 million when trading on the New York Stock Exchange wrapped up on Tuesday.

Shares of GM soared early on Wednesday before settling. GM closed the trading day up 0.50 points, or 2.33 percent.

But that’s still well behind the \$330 million Buffett would have invested during GM’s November 2010 IPO. And the question is whether this move signals the possible turnaround in GM shares which have been lagging like most automotive stocks in recent months.

The maker has staged a modest recovery from its \$19-a-share 52-week-low, and GM stock surged by \$1 as soon as the market opened Wednesday morning before settling back slightly.

“I think he is spot-on,” wrote David Kudla, CEO of Mainstay Capital Management, which manages the portfolios for many General Motors retirees. Kudla emphasized that unlike some other high-profile investors Buffett focuses on the longer-term by buying into companies he sees as selling below their value. ...

... On the positive side, GM posted an all-time record profit of \$7.6 billion. And while European losses hurt its first-quarter performance – a \$1 billion net profit – earnings from the still-critical North American market shot to \$1.7 billion before taxes.

Specifically why Berkshire Hathaway has decided to buy GM stock now is something the investment firm won’t disclose, though some analysts have become increasingly bullish about the industry overall – and the domestics in particular – as U.S. car sales continue to outperform the overall economy.

It’s by no means Buffett’s first automotive investment. He currently holds a roughly 10% stake in BYD, a Chinese automaker focused on battery-based powertrains. Short for Build Your Dreams, the firm is also one of the world’s largest providers of cellphone and laptop computer batteries.

Buffett himself drives a Cadillac DTS, one of relatively few luxuries for a man who still lives in the same Omaha home he has owned for over half a century.