

## THE BERKSHIRE FUNDS ANNUAL REPORT

December 31, 2019

**Berkshire  
Funds**

### BERKSHIRE FOCUS FUND (BFOCX)

**IMPORTANT NOTE:** Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund or your financial intermediary electronically by calling or sending an email request.

You may elect to receive all future reports in paper free of charge. You can inform the Fund or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by calling or sending an email request. Your election to receive reports in paper will apply to all funds held with the fund complex/your financial intermediary.

This report is provided for the general information of the Berkshire Funds shareholders. It is not authorized for distribution unless preceded or accompanied by an effective Prospectus, which contains more complete information about the Berkshire Funds. Please read it carefully before you invest.

In recent years, returns have sustained significant gains and losses due to market volatility in the technology sector. Due to market volatility, current performance may be lower than the figures shown. Call **877.526.0707** or visit **[www.berkshirefunds.com](http://www.berkshirefunds.com)** for more current performance information. Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Total return includes reinvestment of dividends and capital gain distributions.

The Dow Jones Industrial Average is a measurement of general market price movement for 30 widely-held stocks primarily listed on the New York Stock Exchange. The S&P 500® Index is a registered trademark of Standard & Poor's Corporation and is a market-weighted index of common stock prices for 500 large U.S. companies. The Nasdaq Composite Index is a capitalization-weighted index of over 5,000 common stocks listed on the Nasdaq Stock Market. Each index represents an unmanaged, broad-based basket of stocks. These indices are typically used as benchmarks for overall market performance.

Portfolio composition is subject to change at any time and references to specific securities, industries and sectors are not recommendations to purchase or sell any particular security.

## FUND OVERVIEW

DECEMBER 31, 2019 (UNAUDITED)

### PERFORMANCE COMPARISON (AVERAGE ANNUAL TOTAL RETURNS AS OF 12/31/19)

	1 YEAR	3 YEAR	5 YEAR	10 YEAR
BERKSHIRE FOCUS FUND	40.63%	30.63%	20.29%	19.15%
S&P 500® INDEX	31.49%	15.27%	11.70%	13.56%
DOW JONES INDUSTRIAL AVERAGE	25.34%	15.73%	12.59%	13.40%
NASDAQ COMPOSITE INDEX	36.69%	19.86%	14.93%	16.05%

### NET ASSETS

12/31/19 \$327.7 MILLION

### NET ASSET VALUE

NET ASSET VALUE PER SHARE \$27.54

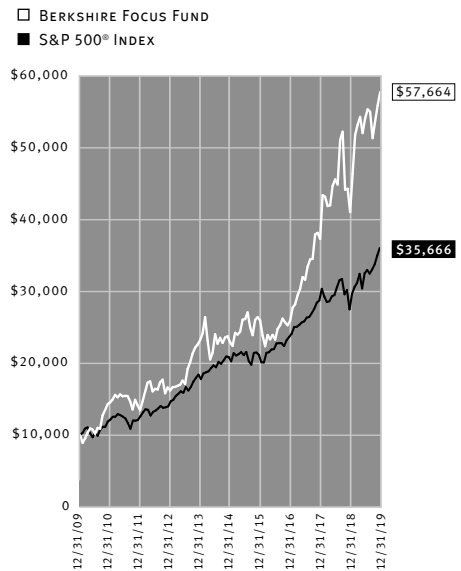
### TOP TEN STOCK HOLDINGS<sup>(1)</sup>

ALIBABA GROUP HOLDING LTD. – ADR	8.89%
APPLE, INC.	7.07%
MICROSOFT CORP.	7.04%
ADVANCED MICRO DEVICES, INC.	6.96%
NVIDIA CORP.	6.41%
SHOPIFY, INC. (CLASS A)	6.02%
FACEBOOK, INC. (CLASS A)	5.94%
MASTERCARD, INC.	4.98%
TAIWAN SEMICONDUCTOR MFG. CO. LTD. – ADR	4.91%
ASML HOLDING N.V. – ADR	4.85%

### TOP SECTORS<sup>(3)</sup>

SEMICONDUCTOR	34.65%
BUSINESS SOFTWARE & SERVICES	22.41%
INTERNET SERVICES	10.04%
CHINA INTERNET SERVICES	9.87%
CONSUMER ELECTRONICS	7.07%
INTERNET SOCIAL MEDIA	5.94%
IT FINANCIAL SERVICES	4.98%
SEMICONDUCTOR EQUIPMENT	4.86%
MEDICAL DEVICES	0.00%
EXCHANGE TRADED FUNDS	0.00%
CYBERSECURITY EQUIPMENT & SERVICES	0.00%

### GROWTH OF \$10,000<sup>(2)</sup>



(1) STATED AS A PERCENTAGE OF TOTAL NET ASSETS AS OF 12/31/19. THE HOLDINGS INFORMATION PROVIDED SHOULD NOT BE CONSTRUED AS A RECOMMENDATION TO PURCHASE OR SELL A PARTICULAR SECURITY AND MAY NOT BE REPRESENTATIVE OF THE FUND'S CURRENT OR FUTURE INVESTMENTS.

(2) THIS CHART ASSUMES AN INITIAL INVESTMENT OF \$10,000 MADE ON 12/31/09. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO THAT SHARES, WHEN REDEEMED, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. ALL RETURNS REFLECT REINVESTED DIVIDENDS BUT DO NOT REFLECT THE IMPACT OF TAXES.

(3) STATED AS A PERCENTAGE OF TOTAL NET ASSETS AS OF 12/31/19. THE HOLDINGS BY SECTOR ARE PRESENTED TO ILLUSTRATE EXAMPLES OF THE SECTORS IN WHICH THE FUND HAS BOUGHT SECURITIES AND MAY NOT BE REPRESENTATIVE OF THE FUND'S CURRENT OR FUTURE INVESTMENTS.

THIS FUND CONCENTRATES ITS INVESTMENTS IN THE TECHNOLOGY INDUSTRY. AS A RESULT, THE FUND IS SUBJECT TO GREATER RISK THAN MORE DIVERSIFIED FUNDS BECAUSE OF ITS CONCENTRATION OF INVESTMENTS IN FEWER COMPANIES AND CERTAIN SEGMENTS OF A SINGLE INDUSTRY.

---

■

**BERKSHIRE FOCUS FUND**  
PERFORMANCE AND PORTFOLIO DISCUSSION  
**12/31/2019**

---

■



Dear Fellow Shareholders,

For the twelve month period ended December 31, 2019, the Berkshire Focus Fund outperformed its primary benchmark index. The Fund generated a total return of +40.63% while the S&P 500® Index—which we consider to be the Fund’s primary benchmark index—produced a total return of +31.49% over the same period. For comparative purposes, the Dow Jones Industrial Average posted a return of +25.34% and the Nasdaq Composite Index generated a return of +36.69% for the year. A \$10,000 investment in our Fund over 10 years starting on December 31, 2009 grew to **\$57,664**.

This was a **+19.15%** average annual compounded return. A \$10,000 investment in the S&P 500® over the same period grew to **\$35,666**. This was a **+13.56%** average annual compounded return.

We are pleased to report the Berkshire Focus Fund delivered a year of truly exceptional performance. While we met our goal of delivering superior returns to our shareholders, we also outperformed all of our equity market benchmarks. As a result, we hope you enjoyed the rewards for your patience as a long-term investor in the Fund. Even though we won the sprint in 2019 our goal will always remain the same, that we will continue to win the marathon—just as is reflected in our long-term record of outperformance over the past 10 years.

After equity markets sold-off sharply from their peak in late-September 2018, every major U.S. stock market index rebounded strongly in 2019—posting sharp double-digit gains for the year. During the third quarter, stocks extended their winning ways into July with U.S. equity markets hitting new all-time highs. Underpinning the market’s advance was weakening economic data which set investors’ expectations that the Federal Reserve would cut interest rates later in the month. Also providing fuel for the rally was news U.S. and China agreed to a tariff ceasefire and a resumption in trade talks. U.S. equity markets experienced considerable intra-period volatility for the balance of the quarter as a result of the Trump administration’s aggressive trade tactics in the back-and-forth tariff battle with China. Also adding to investor angst was an inversion of the U.S. yield curve which often precedes an economic recession, China’s surprise devaluation of the yuan, an attack on Saudi Arabia’s oil refineries knocking 5.7 million barrels per day out of production, and a violent rotation out of the year’s best-performing stocks into value stocks. The Fed acted as expected during the period by cutting interest rates by 25 basis points both in July and September. Against this backdrop, U.S. stock markets finished little changed for the quarter.

After an initial dip in early October, stocks underwent a strong reversal of sentiment in the fourth quarter and rallied furiously, propelling U.S. equity markets to multiple all-time highs. The Fed lowered interest rates by 25 basis points to a range of 1.50% to 1.75% in late-October—the third rate decrease of the year. Stocks continued their relentless climb higher in anticipation of “phase one” of a trade deal between the U.S. and China, news of a Brexit deal between the United Kingdom and the European Union, and congressional approval of the U.S.-Mexico-Canada (USMCA) trade agreement. The Presidential impeachment was a non-factor during the period as the markets believed getting two-thirds vote in the Senate for conviction and removal was near impossible. On December 31, the Trump administration announced “phase one” of the trade deal would be signed at the White House on January 15, 2020. Stocks ended the year in upbeat fashion with the trifecta of the Dow Jones Industrial Average, Standard & Poor’s 500® Index and the Nasdaq Composite Index all near record highs.

Looking at the portfolio, our investments in Apple (AAPL), Mastercard (MA), Microsoft (MSFT), NVIDIA (NVDA) and Shopify (SHOP) were all contributors to the Fund’s performance. Some of our investments hindered the Fund’s performance—these included Okta (OKTA) and Zendesk (ZEN). New significant additions to the portfolio in the second-half were ASML Holding (ASML), Ring Central (RNG), Skyworks Solutions (SWKS), Taiwan Semiconductor (TSM) and The Trade Desk (TTD).

Thank you for your confidence and continued investment in the Berkshire Focus Fund.

Malcolm R. Fobes III  
Chairman and Chief Investment Officer

---

▪

---

**AUDITED FINANCIAL STATEMENTS**  
**12/31/2019**

---

▪

# PORTFOLIO OF INVESTMENTS

DECEMBER 31, 2019

SHARES		VALUE
	<b>COMMON STOCKS – 99.82%</b>	<b>\$ 327,067,515</b>
	(Cost \$300,302,326)	
	<b>BUSINESS SOFTWARE &amp; SERVICES – 22.41%</b>	<b>73,423,085</b>
47,290	ADOBE, INC.*	15,596,715
10	COUPA SOFTWARE INC.*	1,463
146,370	MICROSOFT CORP.	23,082,549
10	MONGODB, INC. (CLASS A)*	1,316
44,760	PAYCOM SOFTWARE, INC.*	11,850,658
50,190	RINGCENTRAL, INC. (CLASS A)*	8,465,547
10	SALESFORCE.COM, INC.*	1,626
10	SERVICENOW, INC.*	2,823
55,510	THE TRADE DESK, INC. (CLASS A)*	14,420,388
	<b>CHINA INTERNET SERVICES – 9.87%</b>	<b>32,349,146</b>
137,360	ALIBABA GROUP HOLDING LTD. – ADR*	29,134,056
91,260	JD.COM – ADR*	3,215,090
	<b>CONSUMER ELECTRONICS – 7.07%</b>	<b>23,176,197</b>
78,920	APPLE, INC.	23,174,858
10	ROKU, INC. (CLASS A)*	1,339
	<b>CYBERSECURITY EQUIPMENT &amp; SERVICES – 0.00%</b>	<b>1,154</b>
10	OKTA, INC. (CLASS A)*	1,154
	<b>INTERNET SERVICES – 10.04%</b>	<b>32,885,382</b>
10	ALPHABET, INC. (CLASS A)*	13,394
10	AMAZON.COM, INC.*	18,478
142,600	CARVANA Co. (CLASS A)*	13,126,330
10	NETFLIX, INC.*	3,236
49,610	SHOPIFY, INC. (CLASS A)*	19,723,944
	<b>INTERNET SOCIAL MEDIA – 5.94%</b>	<b>19,474,120</b>
94,880	FACEBOOK, INC. (CLASS A)*	19,474,120
	<b>IT FINANCIAL SERVICES – 4.98%</b>	<b>16,307,078</b>
10	FISERV, INC.*	1,156
10	GLOBAL PAYMENTS, INC.	1,826
54,600	MASTERCARD, INC.	16,303,014
10	PAYPAL HOLDINGS, INC.*	1,082
	<b>MEDICAL DEVICES – 0.00%</b>	<b>4,045</b>
10	EDWARDS LIFESCIENCES CORP.*	2,333
10	INSULET CORP.*	1,712

\*NON-INCOME PRODUCING  
ADR – AMERICAN DEPOSITARY RECEIPT

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

■

---

## PORTFOLIO OF INVESTMENTS (CONTINUED)

DECEMBER 31, 2019

SHARES		VALUE
	<b>SEMICONDUCTOR – 34.65%</b>	<b>\$ 113,537,797</b>
497,120	ADVANCED MICRO DEVICES, INC.*	22,797,923
100	INPHI CORP.*	7,402
10	INTEL CORP.	599
10	LATTICE SEMICONDUCTOR CORP.*	191
595,170	MARVELL TECHNOLOGY GROUP LTD.	15,807,715
183,530	MICRON TECHNOLOGY, INC.*	9,870,243
89,310	NVIDIA CORP.	21,014,643
56,400	QORVO, INC.*	6,555,372
108,210	QUALCOMM, INC.	9,547,368
98,100	SKYWORKS SOLUTIONS, INC.	11,858,328
276,730	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. – ADR	16,078,013
	<b>SEMICONDUCTOR EQUIPMENT – 4.86%</b>	<b>15,909,511</b>
10	APPLIED MATERIALS, INC.	610
53,745	ASML HOLDING N.V. – ADR	15,905,295
10	LAM RESEARCH CORP.	2,924
10	TERADYNE, INC.	682
	<b>EXCHANGE TRADED FUNDS – 0.00%</b>	<b>3,540</b>
	(Cost \$2,128)	
10	INVESCO QQQ ETF	2,126
10	VANECK VECTORS <sup>®</sup> SEMICONDUCTOR ETF	1,414
	<b>TOTAL INVESTMENT SECURITIES – 99.82%</b>	<b>327,071,055</b>
	(Cost \$300,304,454)	
	<b>OTHER ASSETS IN EXCESS OF LIABILITIES – 0.18%</b>	<b>598,062</b>
	<b>NET ASSETS – 100.00%</b>	<b>\$ 327,669,117</b>
	EQUIVALENT TO \$27.54 PER SHARE	

\*NON-INCOME PRODUCING

ADR – AMERICAN DEPOSITARY RECEIPT

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)



# STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 2019

<b>ASSETS</b>	
INVESTMENT SECURITIES:	
AT COST	\$ 300,304,454
AT VALUE	\$ 327,071,055
CASH	157,460
RECEIVABLE FOR DIVIDENDS	119,764
RECEIVABLE FOR SECURITIES SOLD	18,641,332
RECEIVABLE FOR CAPITAL SHARES SOLD	1,210,723
TOTAL ASSETS	347,200,334
<b>LIABILITIES</b>	
PAYABLE FOR SECURITIES PURCHASED	
	18,332,750
PAYABLE FOR CAPITAL SHARES REDEEMED	
	672,021
PAYABLE TO AFFILIATE (NOTE 5)	
	526,446
TOTAL LIABILITIES	19,531,217
<b>NET ASSETS</b>	<b>\$ 327,669,117</b>
NET ASSETS CONSIST OF:	
PAID-IN CAPITAL	
	\$ 301,142,675
TOTAL DISTRIBUTABLE EARNINGS	
	26,526,442
NET ASSETS	\$ 327,669,117
SHARES OF BENEFICIAL INTEREST ISSUED AND OUTSTANDING (UNLIMITED NUMBER OF SHARES AUTHORIZED, WITHOUT PAR VALUE)	
	11,896,239
NET ASSET VALUE AND OFFERING PRICE PER SHARE	\$ 27.54
MINIMUM REDEMPTION PRICE PER SHARE*	\$ 26.99

\*THE FUND WILL IMPOSE A 2.00% REDEMPTION FEE ON SHARES REDEEMED WITHIN 90 CALENDAR DAYS OR LESS OF PURCHASE.

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

■

---

**STATEMENT OF OPERATIONS**  
FOR THE YEAR ENDED DECEMBER 31, 2019

<b>INVESTMENT INCOME</b>	
DIVIDENDS (NET OF FOREIGN WITHHOLDING TAXES OF \$29,384)	\$ 1,059,034
TOTAL INVESTMENT INCOME	1,059,034
<b>EXPENSES</b>	
INVESTMENT ADVISORY FEES (NOTE 5)	4,095,037
ADMINISTRATION FEES (NOTE 5)	1,215,284
INTEREST EXPENSE	14,130
TOTAL EXPENSES	5,324,451
<b>NET INVESTMENT LOSS</b>	<b>(4,265,417)</b>
<b>NET REALIZED AND UNREALIZED GAINS ON INVESTMENTS</b>	
NET REALIZED GAIN FROM SECURITY TRANSACTIONS	60,863,379
NET CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS	13,708,186
<b>NET REALIZED AND UNREALIZED GAINS ON INVESTMENTS</b>	<b>74,571,565</b>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 70,306,148</b>

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

■

---

**STATEMENTS OF CHANGES IN NET ASSETS**  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

	YEAR ENDED 12/31/19	YEAR ENDED 12/31/18
<b>FROM OPERATIONS:</b>		
NET INVESTMENT LOSS	\$ (4,265,417)	\$ (1,741,762)
NET REALIZED GAINS FROM SECURITY TRANSACTIONS	60,863,379	1,654,291
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS	13,708,186	(2,071,792)
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	70,306,148	(2,159,263)
<b>FROM DISTRIBUTIONS:</b>		
DISTRIBUTIONS	(40,819,831)	(8,159,022)
<b>FROM CAPITAL SHARE TRANSACTIONS:</b>		
PROCEEDS FROM SHARES SOLD	247,758,129	154,695,390
PROCEEDS FROM REINVESTED DISTRIBUTIONS	40,585,870	8,121,645
PROCEEDS FROM REDEMPTION FEES (NOTE 6)	597,247	462,440
PAYMENTS FOR SHARES REDEEMED	(142,724,273)	(75,558,864)
NET INCREASE IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS	146,216,973	87,720,611
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>175,703,290</b>	<b>77,402,326</b>
<b>NET ASSETS:</b>		
BEGINNING OF PERIOD	151,965,827	74,563,501
END OF PERIOD	\$ 327,669,117	\$ 151,965,827
<b>CAPITAL SHARE ACTIVITY:</b>		
SHARES SOLD	8,591,618	5,928,962
SHARES REINVESTED	1,455,212	368,998
SHARES REDEEMED	(4,956,267)	(2,964,543)
NET INCREASE IN SHARES OUTSTANDING	5,090,563	3,333,417
SHARES OUTSTANDING, BEGINNING OF PERIOD	6,805,676	3,472,259
SHARES OUTSTANDING, END OF PERIOD	11,896,239	6,805,676

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

## FINANCIAL HIGHLIGHTS

SELECTED PER SHARE DATA AND RATIOS FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD

	YEAR ENDED 12/31/19	YEAR ENDED 12/31/18	YEAR ENDED 12/31/17	YEAR ENDED 12/31/16	YEAR ENDED 12/31/15
<b>NET ASSET VALUE, BEGINNING OF YEAR</b>	\$ 22.33	\$ 21.47	\$ 18.11	\$ 18.19	\$ 17.58
<b>INCOME FROM INVESTMENT OPERATIONS:</b>					
NET INVESTMENT LOSS <sup>(A)</sup>	(0.45)	(0.31)	(0.35)	(0.23)	(0.36)
NET REALIZED AND UNREALIZED GAINS ON INVESTMENTS	9.51	2.36 <sup>(B)</sup>	8.37	0.16	2.69
TOTAL FROM INVESTMENT OPERATIONS	9.06	2.05	8.02	(0.07)	2.33
PROCEEDS FROM REDEMPTION FEES	0.06	0.08	0.00 <sup>(F)</sup>	0.01	0.01
<b>LESS DISTRIBUTIONS:</b>					
DISTRIBUTIONS FROM NET REALIZED GAINS	(3.91)	(1.27)	(4.66)	(0.02)	(1.73)
TOTAL DISTRIBUTIONS	(3.91)	(1.27)	(4.66)	(0.02)	(1.73)
<b>NET ASSET VALUE, END OF YEAR</b>	\$ 27.54	\$ 22.33	\$ 21.47	\$ 18.11	\$ 18.19
<b>TOTAL RETURN<sup>(C)</sup></b>	40.63%	10.02%	44.07%	(0.31%)	13.32%
<b>SUPPLEMENTAL DATA AND RATIOS:</b>					
NET ASSETS AT END OF YEAR (THOUSANDS)	\$ 327,669	\$ 151,966	\$ 74,564	\$ 52,379	\$ 68,945
RATIO OF EXPENSES TO AVERAGE NET ASSETS <sup>(D)</sup>	1.95%	1.97%	2.02%	2.01%	1.99%
RATIO OF NET INVESTMENT LOSS TO AVERAGE NET ASSETS	(1.56%)	(1.20%)	(1.54%)	(1.37%)	(1.88%)
PORTFOLIO TURNOVER RATE <sup>(E)</sup>	980.3%	595.6%	385.0%	442.8%	455.6%

(A) NET INVESTMENT LOSS WAS CALCULATED USING THE AVERAGE SHARES OUTSTANDING METHOD.

(B) NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS PER SHARE IS A BALANCING AMOUNT NECESSARY TO RECONCILE THE CHANGE IN NET ASSET VALUE PER SHARE FOR THE PERIOD, AND MAY NOT RECONCILE WITH THE NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS IN THE STATEMENT OF OPERATIONS.

(C) TOTAL RETURN REPRESENTS THE RATE THAT THE INVESTOR WOULD HAVE EARNED OR (LOST) ON AN INVESTMENT IN THE FUND ASSUMING REINVESTMENT OF DIVIDENDS.

(D) THE RATIO OF EXPENSES TO AVERAGE NET ASSETS INCLUDES FEDERAL EXCISE TAX AND INTEREST EXPENSE. THE RATIOS EXCLUDING FEDERAL EXCISE TAX AND INTEREST EXPENSE WOULD BE 1.95%, 1.96%, 1.99%, 2.00% AND 1.99%, RESPECTIVELY.

(E) PORTFOLIO TURNOVER IS GREATER THAN MOST FUNDS DUE TO THE INVESTMENT STYLE OF THE FUND.

(F) LESS THAN \$0.005 PER SHARE.

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

---

■

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 1. Organization

The Berkshire Focus Fund (the “Fund”) is a non-diversified series of The Berkshire Funds (the “Trust”), an open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Trust was organized as a Delaware business trust on November 25, 1996. The Fund commenced operations on July 1, 1997. The Fund’s investment objective is to seek long-term growth of capital primarily through investments in equity securities.

### 2. Significant Accounting Policies

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946 *Financial Services – Investment Companies*. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

The following is a summary of the Trust’s significant accounting policies:

*Cash* — The Fund maintains cash at its custodian which, at times, may exceed United States federally insured limits.

*Securities valuation* — The Fund’s portfolio securities are valued as of the close of the regular session of trading on the New York Stock Exchange (the “NYSE”), normally 4:00 p.m., Eastern time. Securities which are traded on stock exchanges or are quoted by Nasdaq are valued at the last reported sale price as of the close of the regular session of trading on the NYSE, or, if not traded, at the most recent bid price. Securities which are traded in the over-the-counter market, and which are not quoted by Nasdaq, are valued at the most recent bid price, as obtained from one or more of the major market makers for such securities. Generally, if the security is traded in an active market and is valued at its last sales price, the security is categorized as a Level 1 security (described below), and if an equity security is valued by the pricing service at its last bid, it is generally categorized as a Level 2 security. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith in accordance with consistently applied procedures established by and under the general supervision of the Board of Trustees and are categorized in Level 1, 2, or level 3 when appropriate.

The Trust has adopted accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion of changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is organized into three levels based upon the

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

assumptions (referred to as “inputs”) used in pricing the asset or liability. These standards state that “observable inputs” reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and “unobservable inputs” reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets for identical securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
<i>Common Stocks</i>				
Semiconductor	\$ 113,537,797	–	–	\$ 113,537,797
Business Software & Services	73,423,085	–	–	73,423,085
Internet Services	32,885,382	–	–	32,885,382
China Internet Services	32,349,146	–	–	32,349,146
Consumer Electronics	23,176,197	–	–	23,176,197
Internet Social Media	19,474,120	–	–	19,474,120
IT Financial Services	16,307,078	–	–	16,307,078
Semiconductor Equipment	15,909,511	–	–	15,909,511
Medical Devices	4,045	–	–	4,045
Cybersecurity Equipment & Services	1,154	–	–	1,154
Total Common Stocks	327,067,515	–	–	327,067,515
<i>Exchange Traded Funds</i>	3,540	–	–	3,540
Total Investment Securities	\$ 327,071,055	–	–	\$ 327,071,055

The Fund did not hold any Level 3 securities during the fiscal year ended December 31, 2019. The Fund did not hold any derivative instruments during the reporting period.

*Investment income* — Dividend income is recorded on the ex-dividend date. Interest income, if any, is accrued as earned.

*Distributions to shareholders* — Distributions to shareholders arising from net investment income and net realized capital gains, if any, are distributed at least once each year. Distributions to shareholders are recorded on the ex-dividend date. The Fund may utilize earnings and profits distributed to shareholders on redemptions of shares as part of the dividends paid deduction.

---

■

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Dividends from net investment income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

*Security transactions* — Security transactions are accounted for on the trade date for financial reporting purposes. Securities sold are determined on a specific identification basis.

*Estimates* — The financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

*Federal income tax* — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code (the “Code”) necessary to qualify as a regulated investment company. As provided therein, in any fiscal year in which the Fund so qualifies and distributes at least 90% of its taxable net income, the Fund (but not the shareholders) will be relieved of federal income tax on the income distributed. Accordingly, no provision for income taxes has been made.

As of and during the during the year ended December 31, 2019, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as other expense on the statement of operations. During the year, the Fund did not incur any tax-related interest or penalties.

In order to avoid imposition of the excise tax applicable to regulated investment companies, it is also the Fund’s intention to declare as dividends in each calendar year at least 98% of its net investment income and 98.2% of its net realized capital gains plus undistributed amounts from prior years.

*Other* — The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment income or net realized capital gains may differ from their ultimate treatment for federal income tax purposes. These differences are caused primarily by differences in the timing of the recognition of certain components of income, expense or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassifications will have no effect on net assets, results of operations or net asset value per share of the Fund. Effective September 30, 2019, the Fund has elected a tax year-end of September 30. For the tax period ended September 30, 2019 and the fiscal year December 31, 2019, the following permanent adjustments were recorded. Such adjustments were attributed to the usage of equalization for tax purposes:

Paid-in capital	\$ 8,367,815
Total distributable earnings	(8,367,815)

---

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 3. Investment Transactions

Purchases and sales of investment securities (excluding short-term instruments) for the year ended December 31, 2019 were \$2,736,240,763 and \$2,633,703,374, respectively. There were no purchases or sales of U.S. Government securities for the Fund.

### 4. Tax Information

For Federal income tax purposes, as of December 31, 2019, the cost of investments, and gross appreciation/depreciation was as follows:

Federal income tax cost	\$ 308,549,939
Gross unrealized appreciation	\$ 27,887,834
Gross unrealized depreciation	(9,366,718)
Net unrealized appreciation	18,521,116

The cost basis of investments for tax and financial reporting purposes differed primarily due to wash sales.

There was a long-term capital gains distribution and a short-term capital gains distribution paid in the amounts of \$5,493,687 and \$35,326,144, respectively, during the year ended December 31, 2019. Also, there was a long-term capital gains distribution and a short-term capital gains distribution paid in the amounts of \$7,968,783 and \$172,239, respectively, during the year ended December 31, 2018. Short-term capital gain distributions are considered ordinary income distributions for tax purposes.

As of the tax period ended September 30, 2019, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 35,326,146
Undistributed long-term gains	5,493,682
Net unrealized depreciation	(9,856,228)
Total distributable earnings	\$ 30,963,600

### 5. Related Party Transactions, Investment Advisory and Administrative Fees

Certain Officers and Trustees of the Trust are also Officers and Directors of Berkshire Capital Holdings, Inc. ("Berkshire Capital"). The non-interested Trustees of the Fund were paid \$40,668 in Trustee fees and expenses directly by Berkshire Capital during the fiscal year ended December 31, 2019.

The Fund has an Investment Advisory Agreement (the "Advisory Agreement") and a separate Administration Agreement with Berkshire Capital. Under the Advisory Agreement, Berkshire Capital will determine what securities will be purchased, retained or sold by the Fund on the basis of a continuous review of the portfolio. For the services it provides under the Advisory Agreement, Berkshire Capital receives a fee accrued each calendar day (including weekends and holidays) at a rate of 1.50% per annum of the daily net assets of the Fund.



---

■

---

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Under the Administration Agreement, Berkshire Capital renders all administrative and supervisory services of the Fund, as well as facilities furnished and expenses assumed except for interest and taxes. For these services, Berkshire Capital receives a fee at the annual rate of 0.50% of the Fund's average daily net assets up to \$50 million, 0.45% of average net assets from \$50 million to \$200 million, 0.40% of average net assets from \$200 million to \$500 million, 0.35% of average net assets from \$500 million to \$1 billion and 0.30% of average net assets in excess of \$1 billion. Such fee is computed as a percentage of the Fund's daily net assets and is accrued each calendar day (including weekends and holidays). For the year ended December 31, 2019, Berkshire Capital was paid an investment advisory fee of \$4,095,037 and an administration fee of \$1,215,284 from the Fund. The amount due to Berkshire Capital for these fees at December 31, 2019 totaled \$526,446.

### 6. Redemption Fee

The Fund may impose a redemption fee of 2.00% on shares held for 90 days or less. For the year ended December 31, 2019, proceeds from redemption fees were \$597,247.

### 7. Beneficial Ownership

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the Fund, under Section 2(a)(9) of the Investment Company Act of 1940. At December 31, 2019, National Financial Services Corp. beneficially owned, in aggregate, 56.21% of the Fund.

### 8. Concentration of Sector Risk

If a Fund has significant investments in the securities of issuers in industries within a particular sector, any development affecting that sector will have a greater impact on the value of the net assets of the Fund than would be the case if the Fund did not have significant investments in that sector. In addition, this may increase the risk of loss of an investment in the Fund and increase the volatility of the Fund's NAV per share. From time to time, circumstances may affect a particular sector and the companies within such sector. For instance, economic or market factors, regulation or deregulation, and technological or other developments may negatively impact all companies in a particular sector and therefore the value of a Fund's portfolio will be adversely affected. As of December 31, 2019, the Fund had 34.65% of the value of its net assets invested in stocks within the Semiconductor sector.

### 9. Subsequent Events

In preparing these financial statements, management has performed an evaluation of subsequent events after December 31, 2019 through the date these financial statements were issued and determined that there were no significant subsequent events that would require adjustment to or additional disclosure in the financial statements.

■

---

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**TO THE SHAREHOLDERS OF BERKSHIRE FOCUS FUND AND  
BOARD OF TRUSTEES OF THE BERKSHIRE FUNDS**

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Berkshire Focus Fund (the “Fund”), a series of The Berkshire Funds, as of December 31, 2019, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, including the related notes, and the financial highlights for each of the five years in the period then ended (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2019, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019, by correspondence with the custodian and brokers. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Fund’s auditor since 2004.

  
COHEN & COMPANY, LTD.

Cleveland, Ohio  
February 26, 2020

---

■

---

**ADDITIONAL INFORMATION**  
(UNAUDITED)

**EXPENSE EXAMPLE**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, and (2) ongoing costs, including advisory fees, administrative fees and interest expense. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested in the Fund on July 1, 2019 and held through December 31, 2019.

**Actual Expenses**

The first line of the table on the following page provides information about actual account values and actual expenses. Although the Fund charges no sales load or transaction fees, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by Mutual Shareholder Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently a \$20.00 fee is charged by the Fund's transfer agent. IRA accounts will be charged an \$8.00 annual maintenance fee. If shares are redeemed within 90 days of purchase from the Fund, the shares are subject to a 2% redemption fee. To the extent the Fund invests in shares of other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of the underlying funds are expected to vary among the various underlying funds. These expenses are not included in the example. The example includes advisory fees, administrative fees and other Fund expenses. However, the example does not include portfolio trading commissions and related expenses and other extraordinary expenses as determined under generally accepted accounting principles. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes**

The second line of the table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5%

■

---

**ADDITIONAL INFORMATION**  
(UNAUDITED)

hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees or the charges by Mutual Shareholder Services, LLC as described above, or the expenses of the underlying funds. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value <u>July 1, 2019</u>	Ending Account Value <u>December 31, 2019</u>	Expenses Paid During the Period* July 1, 2019 to <u>December 31, 2019</u>
Actual	\$1,000.00	\$1,067.37	\$10.16
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,015.38	\$9.91

\*Expenses are equal to the Fund's annualized expense ratio of 1.95%, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

**OTHER INFORMATION**

**Proxy Voting Guidelines**

Berkshire Capital Holdings, Inc., the Fund's Adviser, is responsible for exercising the voting rights associated with the securities held by the Fund. A description of the policies and procedures used by the Adviser in fulfilling this responsibility and a record of the Fund's proxy votes for the most recent twelve month period ended June 30, are available without charge, upon request, by calling toll free 1-877-526-0707. They are also available on the Securities and Exchange Commission's ("SEC") website at [www.sec.gov](http://www.sec.gov).

**Quarterly Filing of Portfolio Holdings**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov). Copies of the Fund's Forms N-Q are also available, without charge, by calling the Fund toll free 1-877-526-0707.

## ADDITIONAL INFORMATION

(UNAUDITED)

### Trustee and Officer Information

The business and affairs of the Fund are managed under the direction of the Fund's Board of Trustees. Information pertaining to the Trustees and Officers of the Fund is set forth below. The SAI includes additional information about the Fund's Trustees and Officers and is available without charge, upon request, by calling toll-free 1-877-526-0707.

#### Interested Trustees and Officers

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH TRUST	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION DURING PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEE AND OFFICER
MALCOLM R. FOBES III* 475 MILAN DRIVE SUITE#103 SAN JOSE, CA 95134 Age: 55	TRUSTEE, PRESIDENT, TREASURER, SECRETARY, CHIEF INVESTMENT OFFICER, CHIEF FINANCIAL OFFICER AND CHIEF COMPLIANCE OFFICER	INDEFINITE; SINCE 1996	CHAIRMAN AND CEO; BERKSHIRE CAPITAL HOLDINGS, INC. (1993 – PRESENT)	1	INDEPENDENT DIRECTOR; UNITED STATES COMMODITY FUNDS, LLC

\* TRUSTEES WHO ARE CONSIDERED "INTERESTED PERSONS" AS DEFINED IN SECTION 2(A)(19) OF THE INVESTMENT COMPANY ACT OF 1940 BY VIRTUE OF THEIR AFFILIATION WITH THE INVESTMENT ADVISER.

#### DISINTERESTED TRUSTEES

NAME, ADDRESS AND AGE	POSITION HELD WITH TRUST	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION DURING PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEE
LELAND F. SMITH 475 MILAN DRIVE SUITE#103 SAN JOSE, CA 95134 Age: 81	INDEPENDENT TRUSTEE	INDEFINITE; SINCE 1997	CHAIRMAN AND CEO; ELESKO LTD.* (1989 – PRESENT)	1	NONE
ANDREW W. BROER 475 MILAN DRIVE SUITE#103 SAN JOSE, CA 95134 Age: 54	INDEPENDENT TRUSTEE	INDEFINITE; SINCE 1998	MANAGER; DATA CENTER TOOLS AND MONITORING; APPLE, INC. (2014 - PRESENT)  SENIOR MANAGER; DATA CENTER OPERATIONS; BOX, INC. (2013 – 2014)  MEMBER OF TECHNICAL STAFF; CISCO SYSTEMS, INC. (1996 - 2013)	1	NONE

\* ELESKO LTD. PROVIDES CONSULTING SERVICES FOR CORPORATIONS AND GOVERNMENT AGENCIES IN THE FIELD OF LAND-USE MANAGEMENT.

---

■

---

**ADDITIONAL INFORMATION**  
(UNAUDITED)

**APPROVAL OF INVESTMENT ADVISORY AGREEMENT**

The Board of Trustees (the “Trustees” or the “Board”), including a majority of the Trustees who are not “interested persons” of the Trust (the “Independent Trustees”), approved the continuation of the Investment Advisory Agreement (the “Advisory Agreement”) with Berkshire Capital Holdings, Inc. (the “Adviser”) at a meeting on held December 14, 2019.

The Trustees were assisted by experienced independent legal counsel throughout the contract review process. The Independent Trustees discussed the proposed continuance in executive session with such counsel at which no representatives of the Adviser were present. The Independent Trustees relied upon the advice of independent legal counsel and their own business judgment in determining the material factors to be considered in evaluating the Advisory Agreement and the weight to be given to each such factor. Among other factors, the Trustees considered the Fund’s performance; the nature, extent and quality of the services provided; the costs of the services provided; any profits realized by the Adviser; the extent to which economies of scale will be realized as the Fund grows; and whether fees reflect those economies of scale. The conclusions reached by the Independent Trustees were based on a comprehensive evaluation of all of the information provided and were not the result of any one factor. Moreover, each Independent Trustee may have afforded different weight to the various factors in reaching his conclusions with respect to the Advisory Agreement.

At the December 14, 2019 Board meeting, a representative of the Adviser referred the Trustees to the materials that had been provided to them for purposes of their consideration of the Advisory Agreement. He summarized the services provided by the Adviser to the Fund and he reported that there were no material changes in the structure or relationships of the Adviser. The representative next reviewed with the Trustees the average total returns of the Fund through September 30, 2019 (year-to-date, 1-year, 3-years, 5-years, 10-years and 15-years), and the expense ratios and management fees of the Fund in comparison with funds in the Morningstar Technology Fund category (the “Category”), and a group of no-load Morningstar Technology Funds with net assets ranging from \$100 million to \$500 million (the “Peer Group”). He also reviewed comparisons of the Fund’s performance with its benchmark indices, as well as the Category and Peer Group. He noted that he had reviewed the Adviser’s balance sheet and income statement with the Trustees prior to the meeting. He then led a discussion regarding the Adviser’s profitability, indicating a profit margin at the time of analysis.

**Investment Performance**

The Trustees then considered the investment performance of the Fund over various periods of time ended September 30, 2019 as compared to its benchmark indices and the Category and Peer Group. The Trustees noted that the Fund had outperformed its benchmark indices over the year-to-date, 3-year, 5-year, 10-year and 15-year periods ended September 30, 2019, remarking in particular that the performance of the Fund for every period relevant to the benchmark indices had been outstanding, except in the 1-year period where the Fund underperformed its benchmark indices. The data also showed that the Fund outperformed its Category and Peer Group averages for the 3-year, 5-year and 10-year periods; and underperformed in the 1-year period. Based on this review, the Trustees concluded that the current and historical performance of the Fund, as managed by the Investment Adviser, was satisfactory.

---

■

---

**ADDITIONAL INFORMATION**  
(UNAUDITED)

**Nature, Extent and Quality of Services Provided by the Investment Adviser**

The Trustees then reviewed the nature, quality and scope of current and anticipated services provided by the Adviser under the Advisory Agreement. The Trustees discussed the Adviser's experience and the capabilities of the Adviser's portfolio manager. For example, the Trustees reviewed and discussed the Adviser's Form ADV and internal compliance policies, as well as the experience of the Adviser as investment adviser or sub-adviser to other investment companies. In addition to the above considerations, the Trustees reviewed and considered a description of the Adviser's portfolio and brokerage transactions, noting that the Adviser received no soft dollars. Based on this review, the Trustees concluded that the range and quality of services to be provided by the Adviser to the Fund were appropriate and continued to support its original selection of the Adviser.

**Costs of Services Provided**

The Trustees next reviewed the terms of the Advisory Agreement and the Administration Agreement, concluding after discussion with independent counsel that it was appropriate to consider them together, given that the Adviser was performing all services under the agreements and that the Administration Agreement called for the Adviser to pay substantially all of the Fund's expenses (except for the investment advisory fee). The Trustees concluded that it would be putting form over substance to treat the two agreements separately. The representative of the Adviser then reviewed the advisory fee and expense ratio for the Fund and compared the fee and expense ratio with the advisory fees and expense ratios of the Fund's Category and Peer Group. He noted that the expense ratio was more meaningful than the actual advisory fee ratio because the agreements have a "universal fee" structure where the Adviser pays substantially all of the expenses of the Fund and is compensated with a higher fee. The representative further noted that most of the funds in the comparative data do not share this structure.

After discussion, the Trustees agreed that, instead of comparing actual advisory fees, it was more appropriate to compare net expense ratios, due to the universal fee structure. The Trustees further noted that some of the funds in the comparative data were one class of a fund that had many classes and, thus, benefit from economies of scale provided by the other classes. The Trustees noted that the Fund's net expense ratio was at the top of the Peer Group and near the top of the Category, but within the range of the Category.

At this point, the representative added that the work involved in running the Fund was significantly higher than for most other funds because of the extreme volatility of high-growth and technology stocks. He stated that he is actively managing the Fund's portfolio every day, using a time-intensive process to follow news regarding each of the stocks in the portfolio and stocks that he is considering for the portfolio. He estimated that a net positive performance of the Fund is generated by his doing trading "on the edges," which he believes allows the Fund to take advantage of short-term movements in particular stock prices. The Trustees recognized the benefit of the Adviser's active management of the Fund and, based on their review, concluded that the cost of services provided by the Adviser was appropriate.

---

■

---

**ADDITIONAL INFORMATION**  
(UNAUDITED)

**Profitability of the Adviser**

The Trustees next considered an analysis of the profitability of the Adviser from the fees payable under the Advisory Agreement and the Administration Agreement. In addition, the Trustees reviewed the financial condition of the Investment Adviser for 2018 and through June 2019, as well as information from a Management Practice, Inc. (“MPI”) 2019 profitability analysis of 16 publicly-reported asset managers. A representative of the Adviser reviewed the profitability analysis of the Adviser with the Trustees, noting that as no rent expenses and no payroll expenses were deducted through June 2019, the Adviser’s profitability was significantly overstated. The Trustees remarked that the Adviser’s level of profitability was above the average pre-tax operating margins reported in the MPI analysis before considering certain expenses. They also note that the profitability for equity funds was generally significantly higher and that after including the Adviser’s expected payroll expense for 2019 the Adviser’s profitability was in the acceptable range.

**Economies of Scale**

The Trustees next considered whether the Fund has appropriately benefitted from any economies of scale, and whether there is potential for realization of any further economies of scale. The representative of the Adviser reminded the Trustees that the Adviser’s fees under the Administration Agreement contain breakpoints and noted that the Fund was already receiving the benefit of the fee reduction at the second break point, compared to the first break point last year. The Trustees acknowledged that the Adviser was entitled to reasonable profits and indicated that the existing breakpoints are, and should continue to pass on the benefits of economies of scale to shareholders.

**Conclusion**

At this point, the Trustees indicated that it was their consensus that the information presented and the discussion of the information were adequate for making a determination regarding the renewal of the Advisory Agreement. As to the nature, extent and quality of services provided by the Adviser, the Trustees expressed their common opinion that the Adviser provides excellent services to the Fund and that the extent of the services is consistent with the Board’s expectations. They complimented the Adviser on the Fund’s outstanding relative performance over the last fifteen years. The Trustees then concluded that, based on their review of the fees and overall expense comparisons, as well as all information relating to the profitability of the Adviser, that the advisory and administration fees were reasonable and that the arrangements were not generating excessive profits to the Adviser. The Trustees further concluded that the existing fee breakpoints would make the Adviser’s fees reflective of economies of scale.

After further discussion, and based upon all of the above-mentioned factors and their related conclusions, with no single factor or conclusion being determinative and with each Trustee not necessarily attributing the same weight to each factor, the Trustees unanimously determined that the continuation of the Advisory Agreement for an additional year was in the best interests of the Fund and its shareholders.



**The Berkshire Funds**

475 Milan Drive  
Suite #103  
San Jose, CA 95134  
(Toll-Free) 1-877-526-0707

**Board of Trustees**

Malcolm R. Fobes III, Chairman  
Leland F. Smith  
Andrew W. Broer

**Investment Adviser**

Berkshire Capital Holdings, Inc.  
475 Milan Drive  
Suite #103  
San Jose, CA 95134

**Counsel**

Thompson Hine LLP  
312 Walnut Street  
14th Floor  
Cincinnati, OH 45202

**Independent Registered  
Public Accounting Firm**

Cohen & Company, Ltd.  
1350 Euclid Avenue  
Suite #800  
Cleveland, OH 44115

**Transfer Agent**

Mutual Shareholder Services, LLC  
8000 Town Centre Drive  
Suite #400  
Broadview Heights, OH 44147

**Distributor**

Arbor Court Capital, LLC  
8000 Town Centre Drive  
Suite #400  
Broadview Heights, OH 44147

**Custodian**

Huntington National Bank  
41 South High Street  
Columbus, OH 43287

**Website**

[www.berkshirefunds.com](http://www.berkshirefunds.com)