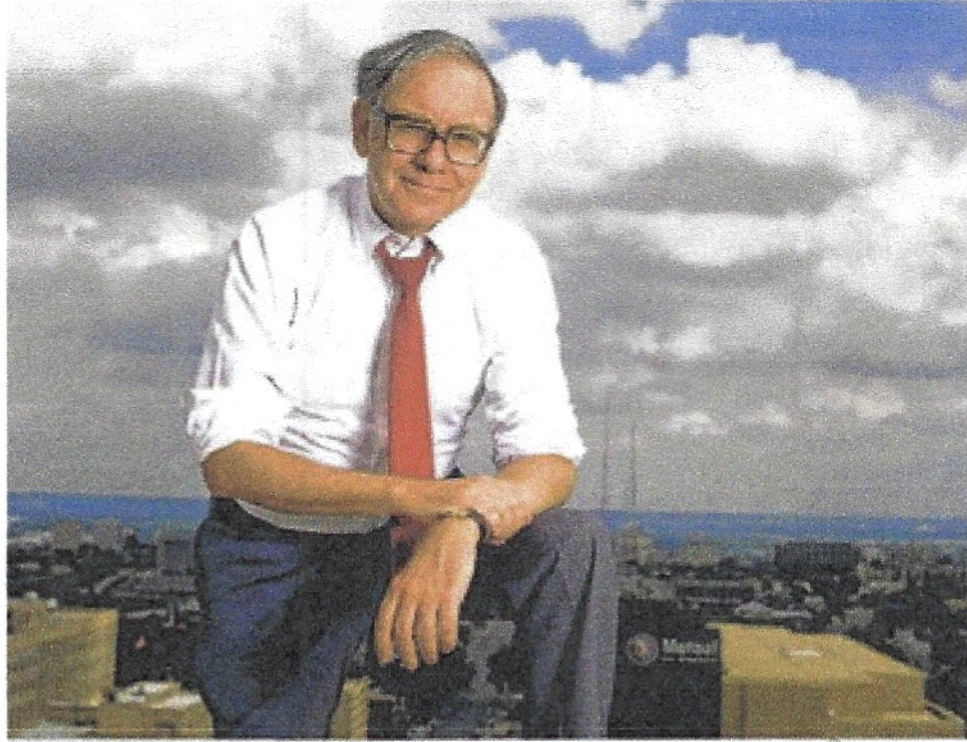


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Warren Buffett posed for a portrait in his hometown of Omaha, Neb., circa 1984. BONNIE SCHIFFMAN/ GETTY IMAGES



Buffett Invests, and Lives, Like No Other

THE INTELLIGENT INVESTOR |

JASON ZWEIG

There's only one Warren Buffett, and there will never be another.

On Saturday, Buffett announced that he will step down as chief executive of **Berkshire Hathaway**, the conglomerate he has built into one of the most successful investments in history. There are three reasons why he has no equal and never will: the person, the period and the package.

Let's start with the person. Buffett is not only brilliant, but he has also spent nearly his entire long lifetime obsessed with the stock market. Especially in his early years as an investor, his unparalleled success depended on an unbearable sacrifice: forgoing a normal social and family life.

A writer called the great 17th-century philosopher Baruch Spinoza "the god-intoxicated man." Buffett is the stock-intoxicated man.

Ever since 1942, when he bought his first stock at age 11, he has devoured information about companies, reading corporate reports the way most people listen to music.

As a young investment manager, Buffett would wander through his house with his nose in a corporate annual report. While his kids played at an amusement park, he would sit on a bench and read financial statements. Buffett was there physically, but mentally and emotionally he was off in a world of his own, fixated on tax-loss carryforwards and amortization schedules.

Imagine being that obsessed. Imagine enjoying it.

Now imagine enjoying it almost every waking moment ever since Harry Truman was in the White House. That's how unusual Buffett is.

Expertise is rooted in pattern recognition, and Buffett has seen every conceivable pattern. Given what I know about his work habits, I estimate—conservatively, I believe—that Buffett has read more than 100,000 financial statements in his more-than-seven-decade career.

And his memory is almost supernatural. Years ago, winding up a phone interview with Buffett, I mentioned a book I was reading. He exclaimed that he had also read it—more than a half-century earlier. As he began describing a passage, I grabbed the book, found the page and realized to my astonishment that Buffett recalled almost every sentence verbatim.

His unparalleled exposure to financial information, combined with his prodigious memory, made Buffett into a human form of artificial intelligence. He could answer almost any query out of his own internal database.

That has given him an unparalleled ability to identify the kernel of significance in any new bit of information—and a durable advantage over other investors. Now that AI is universally available, a person with Buffett's massive command of data won't even have an advantage in the future.

Then there's the period—the time over which Buffett has exercised his investing prowess. As he has said many times, he won "the ovarian lottery" by being born when and where he was.

Had Buffett been born in Omaha in (say) 1880 instead of 1930, he would have had to invest in livestock instead of stocks. Had he been born in 1930 in Omsk instead of Omaha, he wouldn't have owned railways; he probably would have worked on the Trans-Siberian Railway.

And Buffett happened to come of age just in time to study under Benjamin Graham, the pioneer of security analysis and one of the greatest investors of the past century. Buffett also began his career before trillions of dollars had poured into the stock market from index funds and other giant institutional investors.

He built his phenomenal early track record by fishing where no one else was even looking to catch anything. He fed on the tiniest plankton of the stock market.

He bet big on these small fry. At various points, his investment partnerships had 21% of their total assets in Dempster Mill Manufacturing, a maker of agricultural equipment based in Beatrice, Neb., and 35% in Sanborn Map, a New York-based cartography company whose investment portfolio alone was worth more than its stock price.

From 1957 through 1968, such obscure bets helped produce an average return of 25.3% annually, compared with 10.5% for the S&P 500.

Finally, Buffett placed his investments in a package like none other.

Berkshire Hathaway operates as a publicly traded holding company, a receptacle for whatever he has thought worth owning: other publicly traded stocks, Treasury bonds, private companies.

Berkshire isn't a hedge fund, mutual fund, exchangetraded fund or any other conventional investment vehicle. By design, it charges no management fees that would subtract from its returns and no performance-incentive fees that would encourage excessive risk-taking.

Berkshire's only cash flows are internal. Money comes in from (or goes out to) the assets it owns. Cash can't come pouring in from new investors, or get yanked out by fleeing investors, at the worst possible times—because you can invest in Berkshire only by buying shares from someone else in the secondary market.

This package has given Buffett a structural advantage that has enabled him to pursue opportunities wherever and whenever he has perceived them. That's a luxury almost no other professional investor has—or even wants.

So long as most fund managers can earn a lavish living for underperforming the market, the real risk for them will be trying anything different. Pigs will sprout feathers before anybody has the daring to try truly emulating Warren Buffett.

2 pages only