

## The Last Innings for Buffett?

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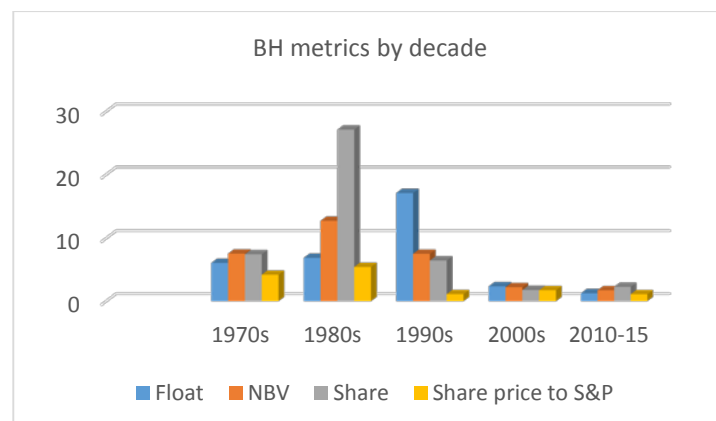
In the latest MBMG Investment Advisory Research Paper, *The Last Innings*, I've commented on last weekend's Berkshire Hathaway AGM and the excitement of investors' annual pilgrimage to Omaha to worship at the shrine of the insurance company's iconic leader, Warren Buffett. This was the 50<sup>th</sup> anniversary, of Golden Jubilee of Buffett's acquisition of Berkshire. A time to look back, reflect and be grateful for the wit and wisdom of Warren Edward Buffett.

It's also a time to be grateful for the fact that I haven't owned, recommended or endorsed Berkshire Hathaway for several years – its stock price and net book value (Buffett's own preferred measure) having underperformed the broad US blue chip stock since 2009. As the Research Paper concluded:

[...] the share price has become increasingly removed from NBV. [...] Even by Warren Buffett's own preferred measure, Berkshire stock is approaching an overvaluation of 100% (i.e. a 50% fall in share price is implied to get Berkshire back to the right place relative to the sum of the parts).

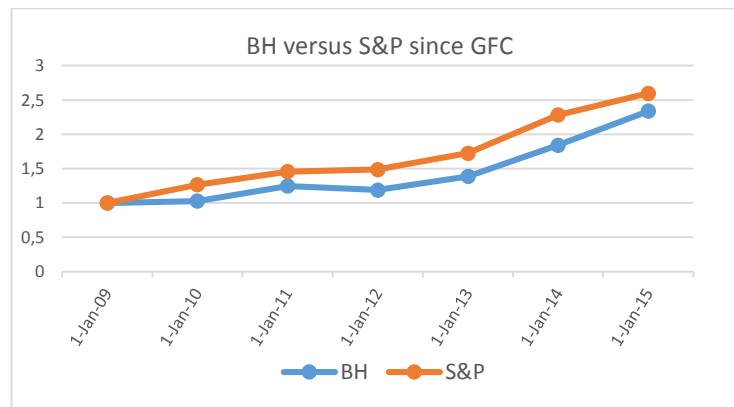
An era has ended. But in many ways it really ended quite a few years ago already.

In fact the stock price over the last 25 years has failed to outperform the broad index in the way that it did in the 1970s and 1980s, despite its huge leverage:



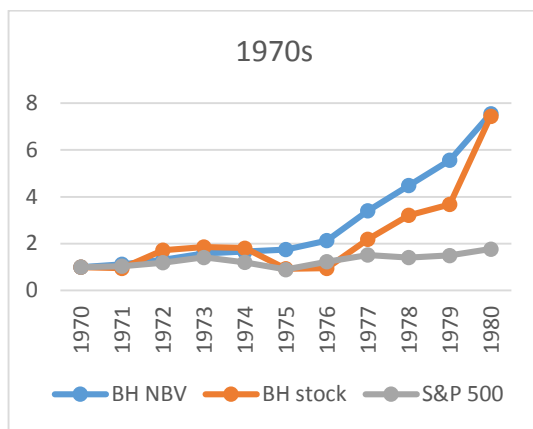
Sources: Author (chart) & Berkshire Hathaway Inc. (figures)

On a risk-adjusted basis, Berkshire Hathaway's star has steadily fallen until it's become just another stock:

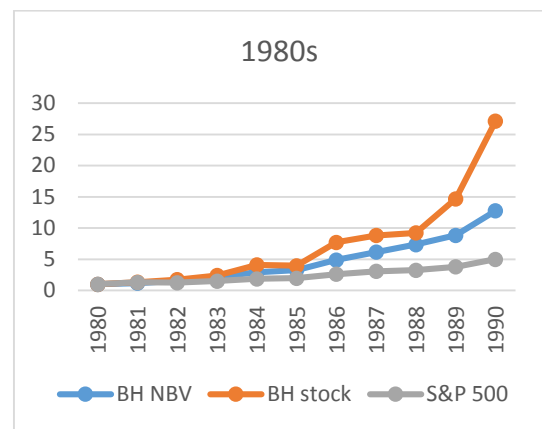


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The annual Berkshire Hathaway newsletter also lamented this, highlighting some real structural challenges for the business in the years ahead and dropped the heaviest hints yet that Buffett might not remain at the helm too much longer. I'd personally like to see the 'Sage of Omaha' take his professional bow now and exit the stage with head held high. I don't see too many bright days ahead for a model that now has to run hard just to stand still and while I think that Berkshire's fate is unlikely to be any better with or without Warren Buffett, I'd hate to see his remarkable and widely misunderstood achievements of the 1970s and 1980s tarnished.



Sources: Author (chart) & Berkshire Hathaway Inc.



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Using a cricketing analogy my report concludes:

It's time for the Sage to leave the crease and leave the media and the biographers barking up the wrong tree, forever lamenting that after Warren closed the door for the last time the company was never the same again.

It won't be. But there wouldn't have been anything that America's favourite octogenarian investor could have done either, had he stayed.

The times, they have a-changed.

The full Research Paper is available to MBMG Blue Riband members. For further information, please contact us by e-mail on [info@mbmg-investment.com](mailto:info@mbmg-investment.com) or call +66 2 665 2536.

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