

Warren Buffett biography by Roger Lowenstein (1995)

He was born 30Aug1930. He was the son of Howard & Leila. His great-granddad & granddad opened a general store in Omaha in 1869 & 1915 respectively. He was a paperboy when he was young. At age 14 he had saved \$1200 and bought 40-acres of Nebraska farmland. He went to Columbia grad school and met Ben Graham (look for undervalued stocks). Ben was the chairman of Government Employees Insurance Company (GEICO) which stock then sold for one-third the value of its net working capital.

In '52 he married Susie Thompson & took Dale Carnegie public speaking classes. In '62 he bought share of Berkshire Hathaway (suit liners mfg). The stock (\$9) was at one-half of the working capital per share (\$18). Dec68 the market showed signs of weakness (high volume & some funds failing). He liquidated his portfolio (except BH) in May 69 (& stayed out for a few years). It dropped 10% in 69 & another in 70. He took over BH & was only concerned with profit as a % of capital invested.

He bought National Indemnity Insurance, Blue Chip Stamp Company (redeem stamps for toasters) & Rockford Bank to create cash (float) to invest. '71 he setup the Buffett Foundation for scholarships. '74 was a bear market (recession with inflation (11% interest rate). Charlie Munger was his best friend and partner in many deals. A company book value is the physical & financial assets, but it's worth also includes brand name (Coca Cola). In 71 he bought See's Candies for \$25 million.

'74 he bought 10% of Washington Post (he mentored the chairmen, Kate Graham). '85 he left (\$10m invested grew to \$205m). '77 he bought the Buffalo Evening News for \$32.5m. It lost \$2m/yr until the competitor failed in '82 then it gained \$20/yr. He memorized numbers & his mind was always preoccupied with business (aloof). Susie left him in '77 and found a friend (Astrid) to take care of him. '79 was a bear market & stocks were ripe for buying. '83 he bought Nebraska Furniture Mart (largest in the US) for \$60m & Borsheim's Jewelry (2nd largest in the US). '85 he bought 18% of Capital Cities for \$500m & Scott Fetzer (World Books Publishing) for \$315m & saved them from a takeover.

'87 was a bull market (trading at 20x earnings & rising [danger zone]) & he sold everything (except BH, Cap Cities, Geico & Wa Post). Insurance brought him lots of cash, but no cheap stocks to buy so he bought municipal bonds. '87 he bought 14% of Solomon Brothers for \$700m to save them from a takeover. 19Oct87 the DJIA fell 508 points (22.6%) & WB net worth dropped \$342m (BH fell 25%). '88 he bought 7% of Coca Cola for \$1b (in 3 yrs it went to 3.75b). '89 he bought stocks in RJR Nabisco, Gillette, US Air & Champion Paper (last 2 were bad). '90 was a bear market & bank crisis so he bought 10% of Wells Fargo for \$290m (5x earnings). '92 he bought 14% of General Dynamics at 11 (it soon went to 43).

Quotes: "To squander seed money is a sin." (WB)

"Be greedy when others are fearful & very fearful when others are greedy." (Warren Buffett)

"It takes 20 years to build a reputation & 5 minutes to ruin it." (WB)

"Most social programs cannot measure results." (WB)

"The best thing I did was to choose the right heroes." (WB)

Successful people have energy, discipline, integrity, instinct & confidence. (WB)
 “A sustained demonstration of good faith is apt to be returned in kind, provided it is not undermined by conflicting behavior.” (WB)

Books: Intelligent Investor (Ben Graham)

Year	BH stock	WB net-worth	DJIA	WB
50		9800		
56		140,000		
57			-8	10
58			39	41
59			20	26
60			-6	23
61			22	46
62	9	1,000,000	-8	14
63			21	39
64		4 million	19	28
65	18		14	47
66			-16	20
67		10 mil	19	36
68			9	59
69		25 mil	14	47
70				
71				
72				
73	87			
74	40			
75				
76				
77	132	70m		
78				
79	290	140m		
80	375			
81	470	(1 million shares)		
82	750			
83	1310	620m		
84				
85	2600			
86	3000			
87	4270			
88				
89	8750	3.8b		
90	5500			
91	8800			
92	10000			
93	16325			
94	20400	9.7b		
95				