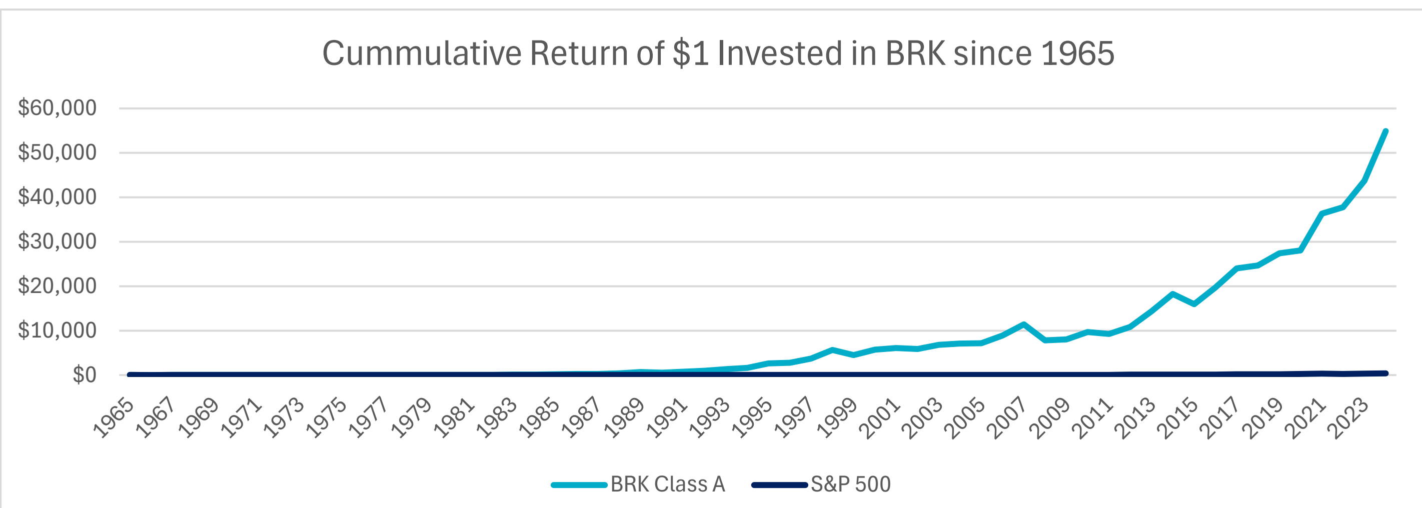
# Thinking Man 109: The Oracle of Omaha Announces Retirement

*May 2025*

Berkshire Hathaway hosted its 2025 Shareholder Meeting in Omaha, Nebraska over the weekend where Warren Buffet revealed that he would be stepping down as CEO at the end of the year. As had been announced in May 2021, Greg Abel, who is Vice Chairman of Berkshire's non-insurance businesses, and Chairman and CEO of Berkshire Hathaway Energy, will succeed Buffet as CEO effective January 1, 2026. Abel has been part of the Berkshire family for more than 25 years, following Berkshire's acquisition of MidAmerican Energy in 2000. Buffet will stay on as Chairman of Berkshire's board.

Though this was a widely anticipated transition, it nonetheless represents an end to a singular era in investment management history; not only because of how central Buffet was in creating the vision for Berkshire, but also because of the countless investors he inspired, both with his investment philosophy, as well as with his famously simple lifestyle. Buffet (alongside his longtime partner Charlie Munger) demonstrated that through patience and the discipline to resist the herd mentalities that lead to excessive fear and greed, *anyone, anywhere* could achieve outsized returns. From 1965, when Buffet took control of an ailing New England textile manufacturer to the end of 2024, Buffet presided over a return of 5,502,284%, which translates to an average annual compounded growth rate of ~20%, nearly twice the performance of the S&P 500 in the same period. When you compound that rate of return for 60 years, BRK's return makes the S&P 500's return look like a flat line.




To mark the end of this era we will provide (1) an overview of what makes Buffet's investing style so special, (2) a brief history of Berkshire's investments over the decades, (3) what worked in the best investments / learnings from the worst investments, and (4) our view on Berkshire's positioning under new leadership, and similarities/differences between Abel and Buffet.

## The Buffet Playbook

Buffett's investment philosophy is a blend of value investing, long-term compounding, discipline, and simplicity, rooted in principles taught by Benjamin Graham (Buffet's teacher and mentor at Columbia Business School) but evolved through decades of experience. We here at BigSur Partners take pride in our effort to emulate this investment framework when we analyze and own companies for our clients:

**1. Intrinsic Value:** buy businesses trading at a significant discount to their intrinsic value—the present value of expected future cash flows. *"Price is what you pay; value is what you get."*

**2. Simplicity and Patience:** only invest in businesses you fully understand—their products, economics, competitive dynamics, and risks. *"Risk comes from not knowing what you're doing."*

**3. Economic Moats:** focus on businesses with durable competitive advantages, i.e. brand, network effects, cost advantages, regulation.

**4. High-Quality Businesses:** prefer companies with strong, predictable cash flows, high return on invested capital (ROIC), minimal need for reinvestment to grow, and strong management. *"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."*

**5. Long-Term Ownership:** multi-decade holds which minimizes taxes and trading costs through low turnover. This applies both to portfolio companies as well as to the shareholder base of Berkshire itself.

**6. Margin of Safety:** give oneself a margin of safety to protect against errors in judgment or unexpected sources of risk.

**7. Use of Insurance Float:** leverages the "float" from insurance operations (premium dollars not yet paid out) as a low-cost, long-duration source of capital. Promotes higher compounding of returns without having to use short-term liabilities.

**8. Avoidance of Debt and Leverage:** avoids using leverage, especially at the holding company level. Prioritizes financial strength and flexibility over aggressive returns.

**9. Capital Allocation:** compounding capital by not paying dividends / buying back stock unless it is trading below intrinsic value. The duty of the money manager is to either invest or hold cash, but not to just throw back capital to investors.

**10. Independent Thinking:** largely ignores market forecasts, macroeconomic predictions, or Wall Street sentiment, i.e. the opinions of the herd.

## Investment History: 60 Years of Compounding

**1960s – Foundation and First Big Bet**

1965: Warren Buffett takes control of Berkshire Hathaway, a failing textile company

1967: Acquires National Indemnity Company, Berkshire's first insurance business—sets the model for using insurance float to fund future investments

**1970s – Building the Insurance Empire**

1970: Berkshire's annual report published directly by Buffett for the first time

1973: Starts buying shares in The Washington Post Company

1976: Begins accumulating shares of GEICO after its near-collapse

**1980s – Expansion into Consumer Brands**

1983: Acquires Nebraska Furniture Mart, started by Rose Blumkin

1985: Closes the textile operations

1986: Acquires Scott Fetzer (includes World Book and Kirby)

1988: Buys 10% of Coca-Cola for ~$1 billion—one of Buffett's most iconic investments

**1990s – Scale and Financial Firepower**

1991: Invests in Salomon Brothers helping stabilize the firm

1996: Acquires GEICO outright

1998: Buys General Re, expanding into global reinsurance

1999: Acquires MidAmerican Energy Holdings (later renamed Berkshire Hathaway Energy)

**2000s – Diversification & Mega Deals**

2000: Buys Ben Bridge Jeweler, Justin Boots, and other retail/consumer companies

2003: Buys McLane Company (logistics business) from Walmart

2006: Acquires Iscar (Israeli metal cutting tools manufacturer)

2007: Buys Kraft Foods shares and raises stake in railroad companies

**2010s – Transformative Infrastructure & Tech Exposure**

2010: Acquires BNSF Railway for ~$44 billion—one of Berkshire's largest deals

2011: Invests $5 billion in Bank of America preferred shares and warrants during the euro crisis

2016: Acquires Precision Castparts (aerospace components) for ~$37 billion

2016–2018: Starts building a massive stake in Apple, which becomes its largest holding

2018: Berkshire Hathaway Energy acquires Dominion Energy's gas transmission assets

**2020s – Tech, Energy, and Succession Planning**

2020: Invests in Japanese conglomerates, *i.e. kereitsus* (Itochu, Mitsubishi, Marubeni, Mitsui, Sumitomo)
2022: Takes a ~$12 billion stake in Occidental Petroleum and invests in TSMC but exits quickly in 2023
2023: Continues to grow stake in Apple, BofA, Chevron, and Occidental
2024: Reports record cash holdings and operating profit; trims Apple; poised for next era under Greg Abel

## Lessons Learned from the Best & Worst Investments

### *Buffett's Best Investments*

**1. Apple (AAPL)**
Initial Investment: 2016 (~$36 billion total cost)
Value by 2024: Over $170 billion at its peak
Return: ~5x; generated billions in dividends as well
Why it was great: Despite coming late to tech, Apple became Buffett's largest equity holding due to its brand, customer loyalty, and cash flow.

**2. Coca-Cola (KO)**
Initial Investment: 1988 (~$1.3 billion)
Value Today: ~$25+ billion, not including decades of dividends
Return: ~20x+
Why it was great: Buffett saw KO as a consumer monopoly with global reach. He still owns the stake and collects hundreds of millions in annual dividends.

**3. GEICO**
Initial Investment: Early 1970s (partial); full acquisition in 1996
Value: One of Berkshire's core insurance operations
Return: Multibillion-dollar value plus critical insurance float
Why it was great: GEICO became a cash engine, helping Buffett fund countless other investments.

**4. See's Candies**
Acquisition Price: $25 million in 1972
Lifetime Earnings: Over $2 billion in pre-tax profits
Why it was great: Demonstrated the power of brand loyalty, pricing power, and capital-light businesses.

**5. BNSF Railway**
Acquisition Price: ~$44 billion in 2010
Value: Major infrastructure asset with stable cash flow
Why it was great: Generates $5–6 billion in annual earnings, a bedrock of Berkshire's earnings.

## *Buffett's Worst Investments*

**1. Berkshire Hathaway (the textile business)**
Acquisition: 1965
Buffett called it his "worst investment", saying it tied up capital in a dying industry. He later used the shell as the holding company that went on to become the investment firm we know today.

**2. Dexter Shoe**
Investment Size: $433 million
Paid in BRK stock which would today be worth $19.3 billion
Buffet overestimated brand durability and global cost pressures, overpaid using a very valuable currency, Berkshire's own stock.

**3. Tesco (UK based global grocery and retail chain)**
Investment Size: ~$2 billion stake
Buffett held on too long as accounting issues and poor strategy unfolded. He admitted the delay in selling cost over $400 million.

**4. IBM**
Investment Size: ~$10–15 billion between 2011–2016
Outcome: Sold at a loss
Buffett misjudged IBM's competitive position in cloud and services. Eventually admitted he "didn't understand it well enough."

**5. Airlines**
Investment Size: ~$4 billion in Delta, United, American, and Southwest
Buffett sold out early in the COVID crisis at a steep loss. In hindsight, airlines rebounded, and the sale missed the upside recovery.

Below we summarize the most important learnings from Berkshire investments that didn't work out:

1. **Sell when thesis breaks:** do not double down into deteriorating businesses unless there is a very high line of sight into how that business will recuperate; don't throw good money after bad.
2. **Avoid anchoring bias:** do not let what a business once was, have too much sway over your judgement of what the business will be in the future.
3. **Stay within your circle of competence:** don't stray into areas without the required expertise, "*whereof one does not know, thereof one must not opine.*"
4. **Opportunity costs matter:** whether it's holding cash in moments when Treasury yields are attractive or paying in cash as opposed to stock, in the world of investing, relative value is everything.
5. **People matter:** you are not acquiring financial assets only, you are also acquiring culture.

## Warren vs. Greg

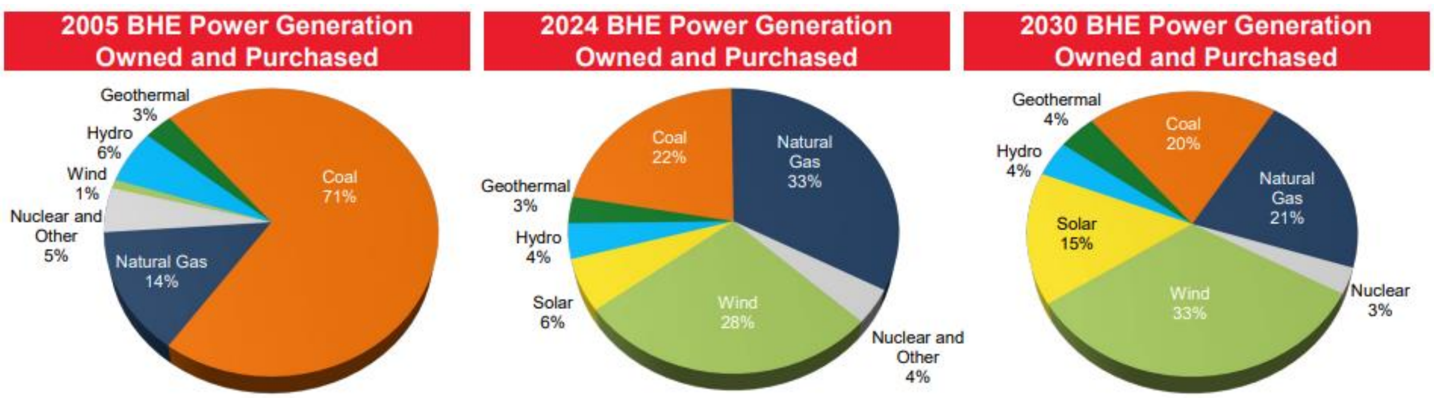
As Berkshire enters a new era at the helm of Greg Abel, we think it is important to point out the ways in which Abel is likely to represent both a continuation of the things that have made Berkshire great, with important (but relatively marginal shifts) to Berkshire's investment style. We can confidently say that Greg Abel "gets it" at least with respect to the understanding of what makes great business great, as well as with respect to his track record as a leader and world-class operator.

Abel maintains a reputation similar to Buffet's in that he maintains a low profile, is highly data-driven, and is often described as supporting a strong culture which focuses on execution over politics. He faces the unique challenge of assuming the helm at a time when the world economic order is being reshaped by the Trump administration, while also having the benefit of the largest cash pile in Berkshire's history (~$350 billion or 30% of Berkshire's assets). Though he no doubt faces pressure to deploy that capital, Berkshire's shareholder base understands that the name of the game is patience and discipline, especially in periods of elevated uncertainty and macro shifts. It is for that reason that the market tends to credit Berkshire cash as the future opportunity to buy good companies at discounts, rather than as a "cash drag" that hurts performance.

**Operating Businesses vs. Public Equities**

Buffett: focused on both public stocks as well as private operating businesses

Abel: focused more on operating businesses, especially in infrastructure-heavy, capital-intensive sectors like energy, utilities, and transportation (Berkshire Hathaway Energy and BNSF). As BHE CEO Abel has been the driving force behind BHE's push into renewables, overseeing more than $35 billion in renewable investments. To quote Abel directly, "*We want to lead, not follow, in creating a sustainable energy future.*"




*Source: 2025 Berkshire Hathaway Investor Presentation*

**Time Horizon and Capital Deployment**

Buffett: extremely patient; willing to sit on cash for long periods waiting for the "perfect pitch" and prefers buying at a discount to intrinsic value

Abel: more inclined toward deploying capital into long-term infrastructure projects with stable, regulated cash flows—even if the initial return isn't a bargain in the Buffett sense

**Risk Tolerance and Leverage**
Buffett: very conservative on leverage
Abel: more comfortable managing businesses that use regulated, prudent leverage

**Hands-On Management vs. Delegation**
Buffett: leaves acquired businesses mostly alone, trusting management as long as they perform
Abel: willing to be more operationally involved. Works directly with leadership at subsidiaries

**Deal-Making Approach**
Buffett: known for making large, often contrarian, moves during market dislocations
Abel: less of a "market opportunist" and more focused on structured acquisitions

**Relationship with Technology**
Buffett: historically avoided tech due to lack of "predictable moats" (until Apple)
Abel: his focus industries (e.g., renewables, grid modernization) are more technologically intensive

## BRK's Future is Bright

Though there will surely be style changes to Berkshire under Abel, we are as confident as ever that Berkshire's best days are still ahead. Abel is a world-class operator who combines the best of manager and capital allocator, and is someone who fundamentally understands all of Berkshire's businesses. Leadership transitions in companies with key men are always a challenge. In the case of Berkshire, it is a transition that has been in the works for the better part of a decade, such that we see Abel as an exciting continuation of the Buffet / Munger legacy. We would also note that since Buffet will continue as Chairman of the board, Abel will continue to have the benefit of Buffet's mentorship as he makes the transition to CEO.

*Thank you Warren, for your category-defining stewardship, authenticity, transparency, and insight. You've taught us all very much about life and investing, and for that we are eternally grateful. To Greg, we wish you the best in this new phase of growth. We have every confidence that you will propel Berkshire to new heights.*

***-BigSur Partners***

**Berkshire's Performance vs. the S&P 500**

| Year | Annual Percentage Change in Per-Share Market Value of Berkshire | Annual Percentage Change in S&P 500 with Dividends Included |
|---|---|---|
| 1965 | 49.5% | 10.0% |
| 1966 | (3.4) | (11.7) |
| 1967 | 13.3 | 30.9 |
| 1968 | 77.8 | 11.0 |
| 1969 | 19.4 | (8.4) |
| 1970 | (4.6) | 3.9 |
| 1971 | 80.5 | 14.6 |
| 1972 | 8.1 | 18.9 |
| 1973 | (2.5) | (14.8) |
| 1974 | (48.7) | (26.4) |
| 1975 | 2.5 | 37.2 |
| 1976 | 129.3 | 23.6 |
| 1977 | 46.8 | (7.4) |
| 1978 | 14.5 | 6.4 |
| 1979 | 102.5 | 18.2 |
| 1980 | 32.8 | 32.3 |
| 1981 | 31.8 | (5.0) |
| 1982 | 38.4 | 21.4 |
| 1983 | 69.0 | 22.4 |
| 1984 | (2.7) | 6.1 |
| 1985 | 93.7 | 31.6 |
| 1986 | 14.2 | 18.6 |
| 1987 | 4.6 | 5.1 |
| 1988 | 59.3 | 16.6 |
| 1989 | 84.6 | 31.7 |
| 1990 | (23.1) | (3.1) |
| 1991 | 35.6 | 30.5 |
| 1992 | 29.8 | 7.6 |
| 1993 | 38.9 | 10.1 |
| 1994 | 25.0 | 1.3 |

**Note:** Data are for calendar years with these exceptions: 1965 and 1966, year ended 9/30; 1967, 15 months ended 12/31.

**Berkshire's Performance vs. the S&P 500**

| | Annual Percentage Change | |
|---|---|---|
| Year | in Per-Share Market Value of Berkshire | in S&P 500 with Dividends Included |
| 1995 | 57.4% | 37.6% |
| 1996 | 6.2 | 23.0 |
| 1997 | 34.9 | 33.4 |
| 1998 | 52.2 | 28.6 |
| 1999 | (19.9) | 21.0 |
| 2000 | 26.6 | (9.1) |
| 2001 | 6.5 | (11.9) |
| 2002 | (3.8) | (22.1) |
| 2003 | 15.8 | 28.7 |
| 2004 | 4.3 | 10.9 |
| 2005 | 0.8 | 4.9 |
| 2006 | 24.1 | 15.8 |
| 2007 | 28.7 | 5.5 |
| 2008 | (31.8) | (37.0) |
| 2009 | 2.7 | 26.5 |
| 2010 | 21.4 | 15.1 |
| 2011 | (4.7) | 2.1 |
| 2012 | 16.8 | 16.0 |
| 2013 | 32.7 | 32.4 |
| 2014 | 27.0 | 13.7 |
| 2015 | (12.5) | 1.4 |
| 2016 | 23.4 | 12.0 |
| 2017 | 21.9 | 21.8 |
| 2018 | 2.8 | (4.4) |
| 2019 | 11.0 | 31.5 |
| 2020 | 2.4 | 18.4 |
| 2021 | 29.6 | 28.7 |
| 2022 | 4.0 | (18.1) |
| 2023 | 15.8 | 26.3 |
| 2024 | 25.5 | 25.0 |
| Compounded Annual Gain – 1965-2024 | 19.9% | 10.4% |
| Overall Gain – 1964-2024 | 5,502,284% | 39,054% |

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