

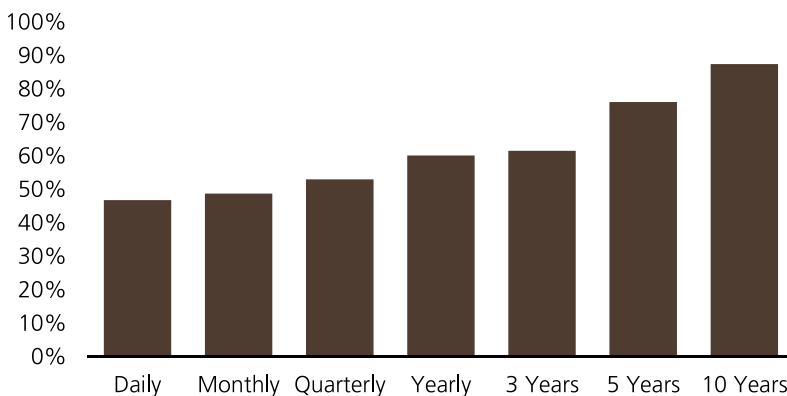
# Firing Warren Buffett

## Blog

I was recently speaking with a client in California and he mentioned really liking a chart I published in 2015 that showed how often Berkshire Hathaway had outperformed over rolling quarterly, one-, five-, and 10-year time periods since 1995. The point of the report was that even though Warren Buffett is widely considered the greatest investor of the 20<sup>th</sup> century, and had outperformed the S&P 500 by 450% between 1995-2015, his relative performance on a quarterly basis was basically a coin toss. Even on a one- and three-year basis, he had underperformed about 40% and 30% of the time, respectively. The high long-term returns achieved by Berkshire Hathaway required patience through extended underperformance. My conclusion: Since most investors would fire Warren Buffett, they are also probably too quick to sell something out of a portfolio when it hasn't worked over 1-5 years (e.g. specific stocks, asset classes, and/or managers).

It's not often that someone remembers research from four years ago, so I've updated the chart to include data from 1988 through today. The results are not that different. He's underperformed more often than not on a daily and monthly basis, and even on a five-year basis underperforms about 25% of the time. Outperformance over the entire period was about 350%.

Fig. 1: Berkshire Hathaway - frequency of outperformance



Source: Bloomberg, UBS; Data for 1/1/1988 through 3/8/2019

A question: When I published the original report Buffett had outperformed on a one-, three-, and ten-year trailing basis. A lot of investors agreed with the conclusion and said something like "this is why we need to be patient when looking at line-item performance." Today, Berkshire Hathaway has actually underperformed over the last one, three, five, and 10 years, which is something that we know should happen from time to time. Forget Warren

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Buffett's age. Does his recent performance make you more or less likely to hire him today?

Michael Crook, Head Americas Investment Strategy, UBS Financial Services Inc. (UBS FS)

## Appendix

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