

Matthews, Jeff – Pilgrimage to Warren Buffett's Omaha

McGraw-Hill, 2009, *[Equity Investing]* Grade ★★☆☆

The author Jeff Matthews, hedge fund manager at Ram Partners and blogger, is also one of the characters in the text as it almost has the form of a diary. The main character is not Matthews however, it's not even Warren Buffett. The spotlight instead falls on the Woodstock of capitalism, the AGM of Berkshire Hathaway. Matthews travelled to the 2006 and 2007 AGMs and wrote about the experience on his blog and gave all the rest of us, who probably never will, a seat on the front row. The blogs then turned into this book and the experience turned Matthews into a devotee to what even Charlie Munger has called "somewhat of a cult".

On the surface this is almost a sociological study of the yearly 30.000 person event. The AGM is part of Buffett's attempt to gain a high quality ownership base through constant communication of his values and philosophy. The highlight is the Q&A-session that goes on almost a full Saturday and anyone can ask anything apart from what Buffett is investing in next. Beside the Q&A-session there are furthermore exhibition halls for the Berkshire companies' products, private dinners and lunches with Buffett and other Berkshire dignitaries, cocktail parties etc. Matthews takes the reader to what is a combination of a sports event, a country fair and a revival meeting to meet with countless of white couples nearing retirement age and groups of men in their middle ages who are there to see the Buffett and Munger show.

The good thing is that the author apart from an amateur sociologist also is a fund manager. This enables him to pick up and comment on all the nuggets in Buffett's investment philosophy. Concepts like staying within your circle of competence, being in Omaha to get out of the jitter on Wall Street, the value of versatility, flexibility and preparedness in investing and the

scepticism towards academic finance is all there. Matthews discusses Buffett's search for companies with durable competitive advantages, high return on invested capital, trustworthy management and the focus on avoiding mistakes, "I put a heavy weight on safety", as Warren puts it.

Many of the questions put to Buffett regards how to succeed with investments. The answer to read everything on the subject, to sit and think a lot and to develop an investment style that suits yourself is perhaps not the quick way to riches that many wanted as an answer but it contains tons of wisdom. On less generic advice is however given and that is that all an investor needs to know about investing is to be found in chapters 8 and 20 of Ben Grahams book *The Intelligent Investor* - the chapters that discuss how to think about market fluctuations and why you should have a margin of safety between price and value when you invest.

The combination of curiousness of the event and understanding of the investment philosophy that Buffett's comments relate to makes Matthews an ideal guide and the book a nice read. The blog format is easily digestible and it's easy to just continue with the next chapter. Even though Matthews is a value investor from start its apparent how the event is affecting him. I enjoyed being able to follow him around into the midst of rural US. However I'm not sure that this is a book suitable for those who want to learn about how Buffett invests. The investment philosophy is much too wrapped up in other reflections and not really spelled out clearly. The books by Mary Buffett or Robert Hagstrom will do a better job.

In May 1956 a young Buffett invested \$100 into Buffett Partnership. Half a century later he is not only the richest man in the world but also leader of a cult. This book is a chance to get a better understanding of a phenomenon of our time.

Mats Larsson, October 20, 2011