

Schroeder, Alice – The Snowball Warren Buffett and the Business of Life

Bloomsbury, 2008 [Business] Grade ★★★★★

Albert Einstein once said *"Compound interest is the eighth wonder of the world. He who understands it earns it ... he who doesn't ... pays it"*. The man behind this biography, Warren Buffett, grasped that at an early age and became the world's greatest investor. *The Snowball* is a fitting title for the ultimate biography about Buffett. There are so many angles one could take to a review of this wide-covering book as it portrays the most intricate details of Buffett as an investor and businessman but also his personal life. A large part deals with his relations with family and friends. His main lessons for investors may be known for most:

1. When you have figured out the qualitative aspects of a business the numbers should hit you in the head
2. The importance of pricing power
3. Bet big when the odds are in your favor
4. Concentrate on the best ideas
5. Clone others' ideas
6. Be patient
7. Don't use leverage

But there are also a lot of personal lessons:

1. Remember that your body needs to last a lifetime
2. Adopt an inner scorecard
3. Always act with integrity

The author Alice Schroeder was a renowned security analyst who covered Berkshire Hathaway and whom Buffett took a liking to. In 2001, Buffett suggested that Schroeder should convert to writing full-time which eventually resulted in this book.

To summarize the main theme of the book; Buffett was born in 1930 and wanted to be rich from a young age. He was a successful entrepreneur who ran multiple businesses before turning eighteen. When he learned about investing and how one could make more money with less effort that was where he turned all of his focus. He went to Columbia since his hero Benjamin Graham was teaching there and Buffett embraced Graham's

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deep value investing strategy. When he started his partnership as a 26-year old, described in chapters 22 and 24, this was his main method even though he also invested in a few quality businesses. During these years, surprisingly, he sporadically also used leverage and short-selling, reasoning: *"When investors changed their minds, stocks often dropped like thwacked full of bird shot in midflight"*. Eventually, he changed his focus to a long-only strategy investing in quality businesses at the right price, which was partly due to some costly lessons, partly due to the influence of his partner Charlie Munger - but also as it worked better for his larger portfolio size. This transformation is integral to the enormous success. The preeminent businesses are those that are best adapted to change. That is certainly also true for investors of which the learning-machine Buffett is a telling example.

Another major theme of the biography deals with the challenges Buffett has met throughout his career. The near failure of Salomon Brothers, the TMT bubble when many thought Buffett's prime had passed, his biggest acquisition General RE which was a major flop during the first years, Coca-Cola which was a fantastic investment that became mediocre, 9/11, the death of his dear friend Kay Graham who contributed to bringing Buffett to the top of the social ladder - and the most important loss of all, his wife Susie. Nothing managed to stop the snowball from growing and Buffett has always managed to get out stronger from the hardship. This may be the most important lesson from the book; everybody will be put to difficult tests during a long life, it's the way you respond to hardship that decides if you will be successful or not.

For those that are not so interested in Buffett's personal life, the annual letters are enough. If you want to read about his actions on the Salomon debacle then I would recommend the Lowenstein biography. This is however the ultimate book of Buffett covering business, investments and his life. It's long but all the 830 pages are a joy.