

2024 Berkshire Hathaway Inc. Annual Meeting

Question and Answer with Warren Buffett, Greg Abel,
and Ajit Jain
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The insights of Warren Buffett and, in past years, Charles Munger at the Berkshire Hathaway shareholders' meeting are a delightful way to learn about business and investing generally and Berkshire Hathaway Inc., specifically. Rather than a transcript, these are my edited notes, paraphrasing, and occasional clarification of comments at the meeting. They give a glimpse of the meeting through my eyes as a longtime follower and admirer of Berkshire, Buffett, and Munger. For specific references or further study, video of the meeting can be found online <https://buffett.cnbc.com/annual-meetings/> along with Berkshire's financial filings and Buffett's letters to shareholders <https://www.berkshirehathaway.com/>.

Buffett, age 93, is the legendary investor and longtime Chairman and CEO of Berkshire Hathaway, the 7th most valuable company in the United States and the 11th largest employer with almost 400,000 employees.¹ Buffett gained control of Berkshire Hathaway in 1965 and subsequently transitioned it from a small, barely profitable textile mill to a large insurance, industrial and service-industry conglomerate, compounding Berkshire's market value at almost 20% annualized, about twice the rate of return of American stocks, since then.² Buffett was joined by Greg Abel and Ajit Jain, both Vice-Chairmen of Berkshire. Abel leads Berkshire's non-insurance operations and is Buffett's designated successor as CEO. Jain leads Berkshire's insurance operations.

I have two key takeaways from the 2024 meeting. The first, about the business of Berkshire and the transition to Buffett's successors, is that Berkshire is in very good hands with Greg Abel running Berkshire's non-insurance operations and Ajit Jain running the insurance businesses. Buffett is still active at Berkshire but has clearly passed great responsibility on to these two, and especially to Greg Abel. Berkshire's strengths should sustain for some time to

come, though it is better characterized as a stock that will keep you rich rather than make you rich given its size today.

The second key takeaway is Buffett's statement that it may or may not make a difference to the world if someone makes a lot of money, but it makes a difference if they are kind, something that is within everyone's power. It's been Buffett's great pleasure to work for partners and shareholders who have levered their kindness with the money they have made investing in Berkshire by giving huge sums back to society. He cited Ruth Gottesman, among many others, who gave \$1 billion in Berkshire stock recently to the Albert Einstein Medical School in New York, so that it can go tuition free in the future. Buffett believes Berkshire shareholders are unique in the number and size of their gifts back to society.

It was invigorating to again attend the annual shareholder meeting in person with colleagues. I've missed one annual meeting in 37 years, though I attended the last four, beginning during Covid, via webcast. The crowds were large as has been the case for the past 30 or so years, but there was one important person missing this year in Buffett's longtime friend and business partner, Charlie Munger, who passed away in November one month shy of his 100th birthday.

The meeting began with the usual movie celebrating the culture, products, and managers of Berkshire replaced by a video tribute to Charlie Munger. Buffett called Munger the architect of Berkshire Hathaway and himself the general contractor. The tribute recounted how this duo was introduced by Dr. Eddie and Dorothy Davis, an Omaha physician, and his wife, who invested a large amount in Buffett's investment partnership in 1959. Dr. Davis had not seemed to be paying much attention to Buffett's sales pitch, so Buffett asked why he was investing so much in the partnership? Dr. Davis said it was because Buffett reminded him of Charlie Munger. Buffett said he didn't know Charlie Munger, but he liked him already and a short while later the Davises introduced them. They hit it off and the rest is history! The movie captured several of Munger's zingers from past

¹ Source: <https://stockanalysis.com/list/most-employees/>. As of 07/10/2024

² Source: Berkshire Hathaway Inc. 2023 Annual Report:

meetings such as “We’ve succeeded not by brilliance but by avoiding stupidity,” and “If people weren’t so often wrong, we wouldn’t be so rich!” You can watch this tribute on YouTube at <https://www.youtube.com/watch?v=ODd2oMjcHU> to see why Munger and Buffett are so admired.

Buffett opened the meeting by introducing the board of directors of Berkshire and thanking Melissa Shapiro for arranging the meeting and Brad Underwood for producing the movie tribute to Munger. Buffett then turned to a brief report of Berkshire’s first quarter earnings with emphasis on the operating earnings of \$11.2 billion versus \$8.0 billion in 2023. Insurance underwriting and investment income were the big contributors to the earnings growth, though insurance underwriting can be volatile. Buffett noted that since Berkshire retains 100% of operating earnings from year to year, which totaled \$37 billion in the last year or \$100 million per day, its earnings should go up over time. Its goal is to grow operating earnings, deploy its retained capital well and decrease the number of shares outstanding. Berkshire may make some mistakes in deploying capital, but it will never get close to making a fatal mistake. Berkshire held \$182 billion in cash at the end of the first quarter and will likely have \$200 billion by the end of the second. Buffett then opened the meeting to questions which alternated between shareholder questions filtered by CNBC journalist Becky Quick and questions directly from the audience attendees.

Question and Answer Session:

Q1: Has Buffett or Berkshire’s investment managers changed their view on the attractiveness of Apple, noting that Berkshire sold some Apple shares in the first quarter?

Buffett answered no, his views haven’t changed about the attractiveness of the Apple business, but Berkshire has sold some stock. He referenced the investment lessons he learned from Benjamin Graham to 1) look at stocks as owning a piece of a business and 2) look at the market and changes in share prices as being there to serve the investor rather than to guide the investor. Since Buffett discovered Graham’s way of thinking he has looked at stocks as owning pieces of business and doesn’t make any attempt to predict markets or share prices. Unless something extraordinary happens, Berkshire is likely to still own large stakes in Apple, American Express and Coca-Cola when someone else takes over in the future. But he doesn’t mind selling some stock and building the cash position under current conditions. He continued that people pay a lot more attention to avoiding paying taxes by not realizing gains than they should. He noted that Berkshire pays a 21% Federal tax on capital gains currently. He thinks the future tax rate could be higher given the government fiscal conditions, so again he doesn’t mind paying the current 21% rate.

Q2: Will Berkshire invest in Hong Kong or China?

Buffett answered that Berkshire’s primary investments will always be in the United States, though they have investments in companies like Coca-Cola and American Express that do significant business outside the U.S. Buffett understands the U.S. culture and customs much better than any place else in the world. The U.S. is a large market, so Berkshire doesn’t have to go outside unless it sees something worth doing. The investment in Japanese companies was compelling at the time, though it took a long while to accumulate the stock. Buffett said Charlie Munger had only twice pounded the table about investments that Berkshire should make and that was with Chinese electric vehicle maker BYD, and Costco. Berkshire bought them both, buying a lot of BYD and should have bought more Costco. Buffett keeps aware of what happens in most markets around the world, but is unlikely to be big outside the U.S.

Q3: On Berkshire Hathaway Energy (BHE) and the possibility of a public power model in Utah and elsewhere, will BHE invest in states that can confiscate private assets?

Buffett answered briefly that he thought Utah was likely to treat BHE well. In reference to the public power model, Nebraska has been a public power state since the 1930s. BHE’s experience in neighboring Iowa would suggest there is a role for private enterprise which can be more efficient than public, i.e. state-owned, power. Enormous sums will be invested in power generation and transmission, and no one is better positioned to do this than BHE at a sensible rate of return, but BHE won’t do it at an inadequate return. Buffett noted that the costs of climate change to the power industry will be encountered by public power approaches as well.

Greg Abel, who leads BHE among other responsibilities at Berkshire, noted the enormous demand for power and the investment needed to meet that future demand. Iowa demand will double in a few years versus the 100 years it took to get to this point. Nevada demand should triple by the late 2030s. Investments to meet demand will require \$6 to \$10 billion going into the rate base. Abel noted that the costs of dealing with climate change and the wildfire situations it creates are significant. BHE’s PacifiCorp subsidiary will be involved in litigation for years over damages. PacifiCorp will fight the non-economic damage claims.

The mentality of operating systems has changed. In the past, the mindset was to keep the power systems on. Now, it is to mitigate the risks by shutting down power in certain conditions. PacifiCorp earns certain profits that will be reinvested, but it won’t deploy incremental capital without a regulatory or legislative solution. Utah is a state that they are happy to be in. Utah passed legislation that capped non-economic damages, whereas in Oregon, substantial non-

economic damages are being awarded.

Buffett summed up this discussion with a comment that earning a return on equity of X plus or minus ½% depending on your efficiency and state regulation as in the past was acceptable, but an equation of earning a return of X% or going broke based on the outcome of wildfires, litigation and regulation isn't acceptable.

Q4: How do you think about technological advances, particularly Artificial Intelligence (AI), on traditional industries?

Buffett said he doesn't know much about AI but doesn't deny its existence. Last year, he talked about the development of nuclear bombs, that we couldn't put that genie back in the bottle. Does AI have similar potential to change the future of society? Buffett noted that he had an experience that gave him pause of seeing what appeared to be himself with his voice on a screen saying things that he would in no way say, and which was undetectable to his wife and daughter. The potential for scamming is huge. There are good uses for AI too, but the bad ones are scary.

Q5: Is GEICO Insurance catching up to its competitor Progressive in its data analytics?

Buffett referred this question to Ajit Jain, Berkshire's head of insurance businesses. Jain said that GEICO had fallen behind Progressive in its ability to match price to risk appropriately in the auto insurance business. They have been working hard on the technology to do that better and are hopeful that the gap will be closed by late 2025. Buffett agreed that Progressive had done a better job recently and noted that GEICO's historical advantage was its low cost of operations. GEICO's situation is not remotely one of survival or profitability, but GEICO must do a better job of matching the right rate quote to the risk of the driver. [In insurance, if your competitor can rate the risks better than you, they attract the safer, more profitable customers at a given risk level better than you, leaving you at a disadvantage.]

Q6: Who are your most trusted advisors today and why?

Buffett answered that it depends on what they are advising on. He trusts his children and his wife totally but then he doesn't ask them what stocks to buy. Charlie Munger was great to talk to about stocks and other things. But if he didn't think he could figure that out himself, he wouldn't act on it. He stressed the importance of having people around you that you can trust. Buffett said the great thing about Charlie Munger was that Munger never lied to him or even tried to shape a story in any way. Buffett joked that Munger's aversion to lying would get Munger into trouble at dinner parties when he said things like "I really preferred the way you used to do

your hair."

Q7: How is climate change affecting the insurance business, are insurers leaving some markets?

Ajit Jain answered that climate change is a big factor but that it is mitigated by the one-year duration of the insurance policies. Climate change causes prices to go up because the storms are bigger causing more losses. Regulators make it hard when they try to tie companies down to certain businesses or geographies without letting them exit unprofitable areas. Insurance carriers won't write business in certain states now. Regulators are perhaps getting realistic in recognizing there needs to be a return on the insurer's capital for them to commit it.

Buffett added that climate change makes the insurance business bigger over time by increasing the insured risks but doing it one year at a time. Atlantic hurricanes are Berkshire's biggest risk exposure. They don't need 1,000 people measuring water temperature to do well in it. They just need one really smart guy like Ajit Jain to evaluate and price the risks correctly. Jain added that inflation in loss costs can be good for the business, if it can pass the costs along. Buffett explained that GEICO used to get \$40 per car as the insurance premium in the 1950s, but as cars became better and safer, they also became more expensive to repair, so now GEICO gets \$2,000 per car.

Q8: What are the investment prospects in Canada?

Greg Abel, who is Canadian by birth, answered that Berkshire has several businesses with operations in Canada. The Canadian economy tracks very closely with the U.S. though much smaller, and they understand the culture. They have been involved in some energy-related investments there and look at some other things that come up.

Q9: Who might one day succeed Ajit Jain in running insurance given how valuable he has been to Berkshire?

Buffett answered that one couldn't replace Ajit but fortunately he is much younger than Buffett (about 20 years) and they have institutionalized some of what Ajit does, but not all. Insurance is Berkshire's most important business, and it wouldn't be the same without Ajit Jain. Jain thanked Buffett for the comments but said no one is irreplaceable and gave the example of Tim Cook of Apple in the audience who succeeded Steve Jobs. Jain said he and the board are conscious of the succession issue not just at Buffett's level. There is a list of candidates. Buffett added that he knows what they would do and it's a good answer, but that there is no replacement for Ajit.

Q10: If Buffett had one more day with Charlie Munger, how would he spend it?

Buffett said he and Munger have lived as they liked and had lots of fun doing things and learning together. Munger had no desire to be as narrow as Buffett nor did Buffett desire to be as broad as Munger. They had fun together and, in some ways, even more fun when they failed at something. They were in the foxhole together when something failed, and they had to scramble their way out of it together. That was more fun than watching an idea they'd had ten years earlier pile up more money. Munger never thought about what he ate and never did any exercise except what was required in the army. If they had another day together, they'd just treat it like all the others. Munger was peaking at age 99.9. He was interested in the world and the world was interested in him. He loved having a podium and people coming to see him. He kept learning. People ask who you would like to have lunch with out of anyone in the last 2000 years. Munger would say he already met them through his reading and studies. If there is anyone in the world you would like to spend your last day with, Buffett suggested to figure out how you can do that now rather than wait.

Q11: As the world seems to become more insecure in terms of conflicts, what are your views on cyber security insurance?

Jain answered that cyber security insurance is a very fashionable market, at least \$10 billion currently and apparently very profitable. Berkshire is very cautious on cyber because there is very little data on losses, and it is hard to know the size and aggregation of potential losses over time. What would be the outcome of a large cloud provider having issues? Is that one event or many? Berkshire discourages writing any of it except where they must write it. They approach it as if they are losing money on it, or will lose money, no matter how much they charge.

Buffett added that just shows how important it is to have someone like Jain in charge of insurance, who understands how much you could lose in various situations. Buffett remembers the 1968 riots in the cities after the Martin Luther King, Jr., and Bobby Kennedy assassinations. Are riots in multiple cities one event, multiple events, or thousands of events? That matters in insurance, so you've got to have someone who understands aggregation of risks in charge of it. Cyber security insurance is fashionable, the agents love it for the commissions, but it just might be rat poison.

Q12: Why is Berkshire Hathaway Energy (BHE) investing in fossil fuel power plants in Nevada rather than renewable sources there?

Greg Abel answered that solar power is great and BHE will invest in it in Nevada. The transition from carbon-based to renewable

sources will happen, but renewables are intermittent, so natural gas is needed to replace dirtier coal sources to fill the gaps in solar and wind-based power generation. BHE uses batteries as well.

Buffett added that it is a vastly complicated issue. They can't do it tomorrow with just renewables. Breakthroughs in power storage are needed – four hours is the edge of economical large-scale power storage technology. They are dealing with constraints of nature and economics. Unfortunately, you can't make a baby in one month by getting nine women pregnant.

Q13: What do you think of the insurance market in Florida for car and home insurance? It seems out of control but is there an opportunity?

Ajit Jain answered that Florida is a large market that has had a few rough years. The two problems insurers face there are litigation and fraud in claims and the frequency and severity of storms. Both make it difficult to price enough to make a profit. That said, Berkshire had a good year last year in Florida. The Florida market has been subsidized by the rest of the country, which seems unlikely to continue. Florida has taken steps to rein in the fraud and does believe more in free markets than some other places with insurance market challenges. Prices will go up. Risk bearers need a decent profit expectation to deploy their capital.

Q14: What is the advice that young people in the audience need to hear?

Buffett advised that people are lucky to live now and for many in the audience, in the United States. The U.S. offers opportunities that don't exist elsewhere. For thousands of years prior to the last couple of centuries, people lived pretty much the same as their predecessors. But with the scientific and industrial revolutions (the harnessing of power and insight to do work other than manually) a world of possibilities opened. It's the best world that's ever existed.

Buffett offered Charlie Munger's advice that you should think now about how you'd like your obituary to read and then get on the path that will get you there. Find the activities and partners that interest you, the people you want to spend your life with, but you have to offer them something in return too. If you're lucky, you'll find those things early, but keep looking until you find them.

Q15: What has changed for the CEOs of Berkshire's various businesses since Greg Abel and Ajit Jain became Vice-Chairmen with their respective responsibilities?

Buffett responded that the CEOs prefer to talk to Greg and Ajit. Buffett said he has slowed down and doesn't operate at the level he

did 40 years ago, so it's better now. With more operations and more people, Buffett doesn't know them like he used to. If someone was coasting in their position, Buffett didn't always deal with it. Abel and Jain bring knowledge, interest, and energy to their discussions. Jain had a structure in place already for insurance and Abel had to create one. It has worked very well.

Jain added that credit should go to Buffett in making the transition easy. Managers might call Buffett, but he would skillfully not answer their question while still being glad to hear from them. Abel commented that Berkshire has a great cadre of exceptional managers who care about Berkshire and the culture.

Q16: Has Berkshire considered investing in India?

Buffett suspects there are opportunities in India, but questions if Berkshire has any advantage in going there. That's a question a more energetic manager could pursue. Buffett isn't the one to do it and he's not sure Berkshire would have an advantage competing for deals against folks using other people's money and getting paid a carried interest (private equity). Buffett joked that he feels fine, but he knows a lot about actuarial tables and shouldn't take on long-term contracts at this point.

Q17: If Munger was the architect and Buffett the general contractor in building Berkshire, how do you envision adding new contractors when the architect and general contractor are gone?

Buffett answered that the good news is that the board won't have to pick new general contractors very often. Old age hits people at different times but it eventually gets everyone. Unless something untoward happens, Berkshire should be set for the next 20 years with Greg Abel, but if something should happen to Greg, the board should know what his thoughts are, and the board will need to act. 99% of the job of the board is to pick the right CEO. The other 1% is to correct a mistake if they pick the wrong person. Buffett added that Berkshire has something that the right person would want to marry. Abel agreed that Berkshire's ownership mentality and culture would attract the right people at every level.

Q18: What have you and your team learned about business, capital allocation, stock picking, portfolio allocation over the COVID-19 period and the last 5 years?

Buffett answered that capital allocation is his job. He doesn't sell insurance policies or anything of the sort. He doesn't want to give individual appraisals on the team. In running a company, it's important to be totally clear on your mission and they are clear at Berkshire. Other companies he's less sure about. At Berkshire, it's the board's job to pick the CEO. Anyone that wants to retire at 65

would be disqualified from becoming CEO.

However, a great CEO won't make a terrible business good, so the key is allocating capital to the right businesses. Buffett said he stuck with Berkshire's original textile business as long as he did because he had a good manager in Ken Chace running it. But Ken couldn't make their textile business good, and it eventually was shut down. Buffett talked about his friend Tom Murphy who was a great manager in a good business (Capital Cities Broadcasting that started with one TV station and eventually passed CBS and bought ABC). Murphy took Cap Cities a long way, but despite his skills as a business manager, he couldn't have done much with Berkshire's textile business. [A good manager in a good business with a long runway is a powerful combination.]

Berkshire is much bigger now than it used to be with \$570 billion of shareholder's equity. Size limits their opportunity set, but Berkshire can do a few big things better than anyone else and sometimes Berkshire is the only one with the willingness [and cash] to act. If another financial break down like 2008-2009 or Covid in 2020 occurs, management needs to be sure that Berkshire is held in good standing by the U.S. government to take full advantage when opportunity arises.

Q19: What are you waiting for to invest Berkshire's \$182 billion in cash?

Buffett replied that he's waiting to use the cash effectively when the right opportunity comes along. In the meantime, the cash pays 5.4% which is a lot better than it paid a few years ago. But even if the rate on cash were just 1%, he wouldn't swing the bat unless he saw the right pitch. He only swings at pitches he likes. He doesn't see anything attractive now but that can change.

Q20: What are your thoughts on Berkshire's Home Services business considering its legal settlement and the other settlements in the real estate brokerage industry?

Greg Abel answered that the industry will go through some transition because of the settlements. Commissions will be negotiated, but the purchase of a home is an important transaction for which buyers and sellers need counsel and guidance. The \$250 million settlement obligation resides at Home Services, not at Berkshire. Buffett added that he's sold two houses in 93 years and still owns one. He didn't negotiate the 6% commission down on either sale, and he's cheap by nature. He got his money's worth. He likes their brokerage operations and has encouraged expansion of it. 90% of people need help buying and selling their homes.

Q21: What would be the impact of self-driving cars on GEICO's

auto insurance business?

Buffett explained that anything that reduces accidents would reduce risk and eventually would reduce prices. If accidents go down 50%, that will be good for society and insurance premiums would eventually go down. But a lot of folks have tried to get into the insurance business in new ways over the years. It looks easier than it is and is fun to start when money is coming in, but then the claims come in and it's less fun when the money is going out. The number of people killed in accidents per 100,000 miles driven has come way down over the years from about 15 when Buffett was young to under 2 today. Ralph Nader did more for the American consumer than just about anybody. Ajit Jain added that the number of accidents is down but the cost of them has soared.

Q22: Do you see any opportunities in zero-emission vehicles either in manufacturers or specific technologies now that they seem to be on the edge of mass adoption?

Buffett responded that mass adoption seems to be a moving target, but that he doesn't bring any special insight to the question of who will be the winners among the auto makers. Buffett noted the world population was 2 billion when he was born and, back then, no one would have guessed it would be 8 billion today. We've reaped benefits of advances, particularly in advanced countries, that allowed the world population to grow so high, and now we are also seeing some of the consequences through climate change. It's an interesting problem for society of asking the less developed areas to alter their development when the advanced countries created the problem.

Prior to the lunch break Buffett recognized and thanked Carol Loomis, the long-time business writer for Fortune magazine, for editing Buffett's annual letter to shareholders each year beginning in 1977.

Buffett also showed a video of the reactions to students learning that tuition would be free going forward at the Einstein School of Medicine as the result of a gift of \$1 billion in Berkshire stock by long-time shareholder Ruth Gottesman. Buffett highlighted this gift as an example of many large gifts that shareholders had made to various charitable organizations over the years. He said it was fun to work for shareholders with such generosity.

Q23: How will capital allocation and the stock portfolio be handled in the future? Will that be Greg Abel's job, or will that be delegated to Todd Combs and Ted Weschler?

Buffett answered that the decision on what to do after he is gone will be made by the board of directors, but knowing Abel, if he were

on that board – if the Ouija Board is working – Buffett would leave the responsibility with Abel. Buffett continued that if you understand how business really works, and Abel does, then you understand investing. Combs and Weschler understand business. If a manager is more interested in marketing or raising money for their next fund, they may not really understand investing. Buffett has farmed some portfolio responsibility out but has adjusted his thinking as the sums have gotten bigger. He wouldn't want 200 people around each managing \$1 billion. Buffett would leave it up to the CEO and whatever the CEO decides would be helpful in doing that.

Berkshire will have to be strategic in its thinking with the big sums they have. Abel is very capable of doing big things. As the world gets more complicated and intertwined, it is more likely to have things go wrong from time to time, every 5 or 10 years or so. So, having the cash and willingness to act when others are frozen is an advantage. Abel may have even more fun than Buffett in that role.

Abel added that the capital allocation principles that Berkshire uses today will continue. They expect their businesses to return capital when they have excess cash. They look at stocks as buying businesses or pieces of businesses. They look at the business economics over time, the risk profile or what can go wrong, and they maintain a fortress balance sheet and put excess cash in U.S. Treasuries.

Buffett joked that hearing Abel speak; he wishes he could stay around to be number 2 instead of being number 1. He continued that Berkshire isn't set up to earn extraordinary returns, but it can be better than average. If you look back at the top companies in the world at 10-year intervals, you'll realize the investment game isn't as easy as it looks at times. However, he thinks getting a decent return relative to what business on average produces shouldn't be overly difficult if you just don't get talked out of doing it. Don't get carried away with fads and don't listen to people whose interests are different than yours. [This reminds me of a Buffett saying, "You don't ask a barber if you need a haircut."]

Q24: Could you comment on the reported bid that Berkshire made for distribution business Tech Data in 2019?

Abel answered that Berkshire put a bid in when Tech Data came up for sale, but its bid was topped by another bidder. Berkshire avoids competitive auctions and didn't rebid. Berkshire owns the distribution business TTI, so they felt they understood Tech Data. TTI does \$10 billion in revenue on average parts that cost 9 cents. Distribution is not a dream business but can be a decent business. Tech Data would have been a small acquisition, but Berkshire can do those if they fit with something they already have. The alternative

to a small acquisition like Tech Data is buying more TTI which they in effect do when Berkshire buys in its own stock.

Q25: In 1999, the S&P 500 was valued at \$10.5 trillion compared to \$334 billion in earnings (a 31 P/E ratio). Today those figures are \$44 trillion compared to \$1.5 trillion (a 29 P/E). Do you see similarities between the two periods?

Buffett said he's not exactly sure about the comparisons, but he could say that there have been times when he has been awash in opportunities and could have invested all his money by nightfall and other times when a year goes by, and he doesn't see anything much. His phone is not ringing off the hook with great opportunities at the moment. He continued that he and Munger missed some great opportunities in the past, but they never regretted missing anything they didn't understand. Buffett turned to Abel to see if he had anything to add. Earlier in the day Buffett referred to Abel as Munger which produced a great laugh by all and gratitude for the compliment from Abel. Abel sheepishly quoted Munger's frequent "nothing to add."

Q26: Your favorite holding period is forever, and you've held American Express and Coca-Cola for decades, but recently there have been some fast turnarounds in a few stocks. Could you comment on your thought process when you exit positions?

Buffett answered that there are various reasons you sell something. One is you need the money for something else, but that doesn't happen much at Berkshire anymore, but when Buffett started out, he needed the money for every new thing he bought. Buffett and Munger could make decisions fast, but that was after years thinking about the parameters that would let them do that. For example, they learned a lot about consumer behavior from an unsuccessful investment in a Baltimore department store and a successful investment in See's Candies. That doesn't mean they know how to make candy or run a department store, but when it came to the investment in Apple, they understood the value of the products and the brand to the users. Buffett cited that most households would give up their second car rather than give up their Apple products.

Buffett referenced the psychology term of apperceptive mass, which the Oxford dictionary defines as the previously acquired perceptions and knowledge with which a new perception is integrated. Buffett said something crystallizes in your thinking and you act. You know a lot, you've experienced a lot, and then the light bulb comes on. He had the same feeling when Lorimar Davidson explained GEICO to him on a Saturday in 1951 and when he decided to add Occidental Petroleum common stock to the preferred stock already owned.

Buffett said he should clarify that he is 100% responsible for the purchase and the sale of Paramount stock at a loss. He had seen that attributed to Ted Weschler or Todd Combs and that was incorrect. Buffett said he had thought more about how people spend their leisure time now as a result. He's smarter now but also poorer because of the way in which he learned that.

Q27: Why is the BNSF railroad underperforming the other railroads given the strengths that Buffett mentions in the annual letter?

Abel answered that the observations re performance are correct. BNSF's performance has slipped relative to the other railroads and their internal expectations. The issue has been matching their costs relative to expected demand as demand fluctuated through the COVID period and recovery. BNSF needs to be continuous in its cost focus with the expectation of flat volume over time. They need to look at their railyards, their fleet utilization and employee resources to get their cost structure right versus their competition from both rail and truck.

Buffett added that he bought three railroad stocks in 2008 including BNSF and then the opportunity to buy 100% of the BNSF came along in the third quarter of 2009. Owing all of one is better tax wise than owning bits of three. It was a good purchase that allowed Berkshire to invest substantial capital at a time when prices were depressed. Railroads are essential to the country, and it would be cost prohibitive to build a new one. BNSF will still be valuable in 100 years.

Q28: Buffett mentioned in the past that he could make 50% per year if he were younger and working with a \$1 million portfolio instead of billions. How would he do that?

Buffett replied he'd go through 20,000 pages looking at everything small and he'd find something. He doesn't know the modern equivalent of the Moody's manuals he went through in the 1950s but he'd find them, and something would turn up. He gave some examples from his early days. When he met Munger, one of the things that impressed Munger about Buffett was that he knew about all these obscure little West Coast companies. You can't do this just for the money though, you must love what you're doing to be good at it.

Q29: Some activists make proxy proposals that are against the economic interests of the shareholders and yet proxy advisory services recommend voting in favor of them. What can be done about this negative influence in the future when Buffett isn't there to vote them down?

Buffett said Berkshire has a wonderful hand to work with, but the

board and management must be able to think their way through various challenges and political realities that will come along. Berkshire wants to be regarded as an asset to and by the country as that will open more opportunities. However, the board of directors needs to think for itself rather than bow to whatever conventional wisdom is at the time. If you have a lot of resources, people will approach you seeking to use your resources to their advantage. Munger understood the importance of psychology and incentives and how that affects people, how people can be manipulated, and how to avoid being manipulated. Buffett recommended reading the book, Poor Charlie's Almanack, which collects Munger talks on this subject. He suggested reading the book multiple times as the information in it is that important.

Q30: You've referenced your father and Benjamin Graham as personal heroes. What can you say about picking heroes and choosing friends wisely in life and maybe tell us a story about yours?

Buffett said the questioner is 100% correct. It makes a big difference in life to choose the right heroes. You don't pick them just because of what they've accomplished, but because you want to be like them. If you pick the right ones, you're off to a great start in life. Buffett said he and his sister both had the same hero in their father, even though as they grew older, they didn't agree with all his ideas, but they appreciated his motivation and his values. Buffett told of running away from home as a child with some friends and being gone for several days which created a commotion. When he got home, his mother asked why he came back so soon, but his father said I know you can do better. Buffett and his sister gravitated toward their father.

Q31: The final purchase for the Pilot Company acquisition ended in litigation over price and misdealing accusations. What can you say about dealing with possibly cunning sellers?

Buffett said a couple of directors had expressed doubts about that deal, but it is working very well now. Buffett quoted a friend who says about certain situations "all's well that ends." Abel added that Adam Wright, the new CEO of Pilot is terrific, an American success story. Wright, a native of Omaha, was an All-American running back on the University of Nebraska at Omaha football team while majoring in civil engineering. He played briefly for the New York Giants before being injured. He joined Berkshire Hathaway Energy (BHE) and climbed the ranks there to a top position before becoming COO at Pacific Gas & Electric, a subsidiary of PG&E Corp. (PCG-NYSE, not part of BHE) in 2021. Wright was named CEO of Pilot in 2023. Pilot has great assets with 800 truck-stop travel centers across the U.S. highway system. Buffett likes the business created by Jim Haslam and has great confidence in what

Adam Wright can do with it.

Q32: What are your secrets to maintaining a sharp mind and physical condition into your 90s?

Buffett said he had been lucky. Of all the things that can happen, he is sure that his great "skill" has been avoiding bad luck. He would not have been a heavy favorite of all the people in his high school class to live to be 93. You have to make the most of your luck, which sometimes he has and others he hasn't. It's interesting how many mistakes you can make if you just keep going, just soldier through as Munger says. Nobody does it all themselves. At the time he was born, being male was a huge advantage versus his sisters who were just as smart and loved just as much by their parents. But they were born just a few years after women got the right to vote in the U.S. and women's opportunities had been limited for thousands of years before. The message given to males and females at the time was completely different. He was told he could be whatever he wanted, but females were expected to marry and raise a family – a totally different opportunity set. You've got to feel so much better about the opportunities your children have today versus 100 years ago.

Q33: Buffett has said his wife's inheritance should be invested 90% in an S&P 500 index fund and 10% in short-term U.S. Treasuries. Has that recommendation changed now that the S&P has become so tech-heavy at the top with 7 stocks accounting for 25% of the index? Would putting some portion in an equal-weighted index fund make sense?

Buffett said he has revised his will several times since he first made that statement, but that is one part that he hasn't changed. His wife will never have to worry about money, and it won't make any difference whether she beats the S&P or not, and her trustee can just focus on administration. Buffett said if you decide to change your will, just write another new will entirely and tear up the old one. Don't keep adding codicils to the original will, which just gets confusing later.

The subject of wills is interesting to Buffett. He's been around as many rich people as anyone. It's interesting that you can leave people money, making them rich and they end up liking each other less. He talked about J. Paul Getty, once the richest man in the country, who used a lot of codicils to write people in and people out of his will, bluntly explaining why. He opened his will with "I'm writing this will while I'm riding in the economy section of Eastern Airlines flight such and such. Another guy left his wife a lot of money on the condition that she remarry – so at least one man would mourn his passing! Buffett said four of our 45 presidents had died without wills, including Lincoln. Buffett said human beings are full of weaknesses, peculiarities, and such. Don't be too hard on yourself if

you have some of those but don't be too forgiving either.

Q34: Now that the Artificial Intelligence (AI) genie is out of the bottle, as someone put it earlier today, what businesses in Berkshire are most at risk?

Buffett replied it's a wonderful question, but he doesn't know that much about AI. He thinks things that are labor intensive can be simplified and that may create more leisure time, but he doesn't know. He mentioned that Keynes wrote an essay in 1930 predicting the next 100 years (Economic Possibilities for our Grandchildren). Keynes got the incredible rise in output roughly right but totally missed how people would spend their time. [Keynes thought the workday might drop to 3 hours per day and workers would enjoy more leisure, rather than pursuing more income beyond their basic living needs.]

Buffett said Berkshire has smart people running their businesses who would figure AI out. As noted earlier, AI has tremendous benefits in a prosocial way, but we should be wary of the anti-social uses too.

Q35: The U.S. Treasury market is six times bigger than in the 2008-2009 crisis. Do you worry that the world market won't be able to absorb all the U.S. debt being offered?

Buffett answered that he really didn't know but his expectation was that U.S. debt will be acceptable to the world for a long time to come as there really isn't an alternative as a reserve currency. It won't be the quantity of the debt that causes trouble but whether inflation will get going. Buffett praised Paul Volcker for what he did as head of the Federal Reserve in 1979 to wrestle inflation down and recommended reading about Volcker. Volcker wasn't popular at the time for doing it and even got death threats. Buffett isn't a worrier, but he can't help but think about the fiscal deficit which drives the debt issuance. Jay Powell, the current head of the Federal Reserve, is very smart and will occasionally drop hints for Congress to pay attention to the deficit.

Q36: If you had the chance to do life over again, would you set your priorities or achievements any different?

Buffett said that he could figure out all kinds of things that should have been done differently. But so what? He's not perfect. He doesn't go overboard with self-criticism or beating yourself up over what's happened in the past. It happens and then you've got to live the rest of your life and you don't know how long it's going to be. You try to do the things that are important to you. If Buffett were in a different profession, he might do some things differently. But he enjoys managing money for people who trust him. He doesn't

have to do it for financial reasons. He isn't running a hedge fund or getting an override or anything. He just likes the feeling of being trusted. Buffett continued that Charlie Munger felt the same way. He isn't really looking to change much. If he is very lucky, he gets to play a lot for six or seven years, but it could end tomorrow.

Buffett believes in trying to find what you're good at, what you enjoy. He thinks the one thing that anyone can aspire to be, because it can be done by anybody and it doesn't have anything to do with money, is to be kind. The world is better off when people are kind. He's not sure that the world is better off when someone just gets richer.

Q37: In Charlie Munger's will, he left an ethical request to give priority not to property but to duties of righteousness and service. If you were to make an ethical request to Berkshire shareholders, what would it be?

Buffett, respecting that the time for the meeting was running out, gave a very fitting close. He said 1) we should study Charlie Munger, 2) we should be kind, and 3) if we're lucky in life to make sure that a bunch of other people are lucky too.

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