

## AND NOW, A LOOK AT THE OLD ONE

In the muggy summer of 1956 a 67-year-old physics professor from Vermont pulled his Jeep to a stop on a tree-lined street in Omaha. Looking for the man he thought would be one of the next great American investors: Homer Dodge had driven 1,500 miles alone in hopes of persuading 25-year-old Warren Buffett to manage his family's savings. The perspicacious Dodge had been a client of Buffett's former boss, Benjamin Graham, the father of modern financial analysis, but Graham had recently liquidated his investment company.

Recalls Buffett: "Homer told me, 'I'd like you to handle my money.' I said, 'The only thing I'm doing is a partnership with my family.' He said, 'Well, I'd like one with you.' So I set one up with Homer, his wife, children, and grandchildren." The Dodges placed \$100,000 with Buffett. When Homer Dodge died in 1983, that sum had multiplied into the tens of millions.

What did Dodge spot that most people missed? Says his son, Norton: "My father saw immediately that Warren was brilliant at financial analysis. But it was more than that." The senior Dodge recognized a uniquely talented craftsman who loved the process of investing and who had mastered all the tools.

The Dodges passed the word to friends, and by the early 1960s a small choir of limited partners was singing Buffett's praises. One man was so taken with the music he heard that he wrote the young wizard a check for \$300,000 without even having met him. The man simply enclosed a business card on which he had written, "Include me in." The trusting soul? Future billionaire Larry Tisch. "Warren's reputation was excellent. He was a believer in value and a man of integrity," says Tisch. "I didn't do it casually—\$300,000 was a lot more money then, especially to me."

Buffett was ably prepared for the craft of stock picking. He had a sound approach on which to ground his investing—buying securities on the basis of value, not popularity. His hometown offered everything he needed—family, friends, good hamburgers (of which Buffett is inordinately fond), and very few distractions. Lastly, Buffett possessed a superior intellect. Says his longtime associate, Charles Munger, now vice chairman of Buffett's con-



**Warren Buffett**  
BERKSHIRE HATHAWAY

glomerate, Berkshire Hathaway: "There were a thousand people in my Harvard law school class. I knew all the top students. There was no one as able as Warren. His brain is a superbly rational mechanism. And since he's articulate, you can see the damn brain working."

Buffett structured his partnerships to minimize unnecessary interruptions from the backers. Says he: "I told them, 'What I'll do is form a partnership where I'll manage the portfolio

and have my money in there with you. I'll guarantee you a 6% return, and I get 20% of all profits after that. And I won't tell you what we own because that's distracting. All I want to do is hand in a scorecard when I come off the golf course. I don't want you following me around and watching me shank a three-iron on this hole and leave a putt short on the next one.'" His partners accepted the conditions because they knew he was totally committed to investing. Says Omaha investment banker Charles Heider: "I told my family, 'Look, Warren is going to think about how to invest our money seven days a week.'"

Buffett dug for information where other investment managers hardly panned. Take, for instance, his work on American Express in 1963 during the Salad Oil Affair. The company's stock had tanked after it was discovered that a subsidiary might be liable for tens of millions of dollars in damage claims arising from the sale of salad oil that did not exist. Buffett and his people determined by visiting retailers that the core business of the credit cards and traveler's checks was as profitable as ever. That convinced him he should load up on the battered stock. It quintupled in five years.

Like all master craftsmen, Buffett prizes consistency. Marshall Weinberg of the brokerage firm Gruntal & Co. recalls going to dinner with him in Manhattan. "He had an exceptional ham-and-cheese sandwich. A few days later, we were going out again. He said, 'Let's go back to that restaurant.' I said, 'But we were just there.' He said, 'Precisely. Why take a risk with another place? We know exactly what we're going to get.' And that," says Weinberg, "is what Warren looks for in stocks too. He only invests in companies where the odds are great that they will not disappoint."  
— B.D.F.