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Money

Buffett's British pupil learns from the master and then beats him

Warren Buffett, the so-called sage of Omaha and the world's most successful investor, has been outperformed over the past nine years by a fund named after him that aims to replicate his investment style.

Since March 2011, the Sanford DeLand UK Buffettology fund has risen 210 per cent in price while shares in Berkshire Hathaway, Buffett's investment company, have risen 110 per cent.

Even when you take into account a rise of more than 20 per cent in the US dollar, a UK investor in Berkshire Hathaway would have made a gain of 133 per cent. To add insult to injury, the Buffettology fund hugely outperformed its local benchmark, the FTSE 100, by 210 per cent to 5 per cent, while Buffett himself underperformed his benchmark, the S&P 500, by 110 per cent to 133 per cent.

£432bn

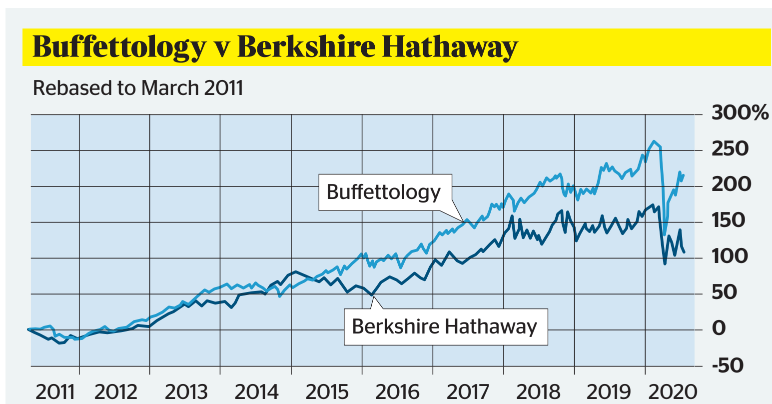
value of Warren Buffett's investment company

Keith Ashworth-Lord, manager of the UK Buffettology fund, which aims to follow Buffett's approach of buying enduring companies at attractive prices and then holding them for the long term, said that one of the key reasons for his fund's outperformance was size.

"Berkshire Hathaway (market cap £432 billion) needs to make big deals to make a difference," he said. "The Buf-fettology fund, at £1.3 billion, is smaller and more nimble.

"The other side of the coin is that unlike Buffett's company, my fund doesn't have access to the sort of "sweetheart" deals that Berkshire does, such as the bailouts of General Electric, Goldman Sachs and Bank of America during the great financial crisis of 2008-09."

Ashworth-Lord became a Buffettologist after attending the Berkshire Hathaway AGM in Omaha, Nebraska, for the first time in 1998.




The sage: Warren Buffett

He met Buffett and his right-hand man Charlie Munger, along with a group of people known as the Buffettologists because of their devotion to Buffett's approach to investment, which he shared. Like Buffett, he is looking to own slices of truly outstanding businesses, with the intention of holding them for the long term, but he will buy them only at the right price.

That still leaves the question of why the pupil has performed so much better than the master. Darius McDermott from Fund Calibre, a research com-pany, does not think we should write off Buffett just yet.

"Berkshire Hathaway is so large now that any investment it makes will take a substantial stake in a business and they would have to be large, very established ones. In contrast, many of Ashworth-Lord's best ideas come in the small and mid-cap space.

"Buffett has also arguably broken a number of his own rules, with invest-ments in airlines and big oil going badly wrong. But he has been investing ex-ceptionally well for 60 years so I would not bet against him."

Mark Atherton