

# World's best managers bet on Buffett's Berkshire legacy

**Berkshire Hathaway shares have increased in popularity with the world's best portfolio managers since the news Warren Buffett will stand down as chief executive.**

BY Algy Hall

Berkshire Hathaway was one of 12 September entrants to Citywire's Global Elite Companies index.

Since famed 95-year-old investor Warren Buffett announced in May that he'd pass his chief executive role at Berkshire Hathaway (US:BKR.B) to long-time colleague Greg Abel next year, shares in the conglomerate have fallen nearly 10%.

It may seem logical for the stock to lose its 'Buffett premium', yet Berkshire has gained in popularity with the world's best fund managers since the announcement. Berkshire is held by 15 of these individuals, all of whom are among the top 3% of managers globally out of over 10,000 monitored by Citywire.

This month, Berkshire's growing popularity with these Elite Investors saw it enter Citywire's Global Elite Companies index, which tracks the 76 very best stock ideas from about 6,000 held across the portfolios of the top

managers we track.

The biggest fan among these elite managers is Larry Pitkowsky, who holds over 17% of his top-performing GoodHaven Fund in Berkshire.

'Given Berkshire's unparalleled long-term returns, and the risk-averse way they have been accomplished, it's only fitting that they enter Citywire's Global Elite Companies index,' said Pitkowsky.

Quoting from his latest letter to GoodHaven shareholders he added: 'In another selfless act, amidst a lifetime of selfless behaviour, Mr Buffett, and subsequently the Berkshire board of directors, confirmed that Greg Abel will assume the chief executive role... Contrary to criticisms of Berkshire's succession plans, this is one of the more well-telegraphed plans we've seen.'

## Buffett baked in

Central to what Pitkowsky and other Berkshire backers are betting on is the legacy

**Berkshire has delivered over recent decades**  
Total return over 20 years



Source: Morningstar · USD total returns  
Instl share class

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of Buffett, who will remain as chair, and his business partner Charlie Munger, who died in late 2023.

There is good reason to believe the pair's wisdom is baked in at the \$1.1tn company they built from a failing New England textile business. That's because Berkshire is a company that is structured around the core principles of value creation.

The ability of any business to create value for its owners depends, at heart, on just two things: the profits made from money invested in the business, known as 'return on capital'; and the cost of those investments, known as 'cost of capital'.

While many investors obsess over the razzmatazz of companies' returns, Berkshire's biggest advantage arguably lies in Buffett and Munger's shrewd focus on cost of capital when creating Berkshire's business model and culture.

Central to Berkshire's cost advantage is its giant insurance operation, which accounts for just over half of profits. This business gives Berkshire access to what is known as a 'float', which represents premiums collected to cover future insurance claims.

Berkshire uses its float, worth \$174bn at the last count, to invest in the businesses it

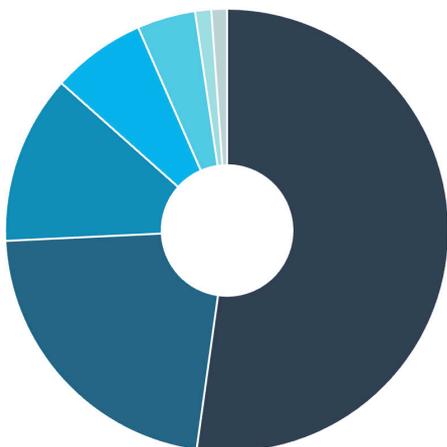
## Top three Elite backers

Elite manager	Fund	Size in fund (%)	Rank in fund
Larry Pitkowsky	GoodHaven	17.3	1/21
Brian C. Ferguson	BNY Mellon Dynamic Value	3.7	2/72
Charles J Carr	Nuveen Large Cap Value	2.4	3/78

Sources: Citywire / Morningstar, latest holdings data.

## Berkshire Hathaway's profit breakdown

● Insurance 
 ● Manufacturing 
 ● Freight rail (BNSF) 
 ● Service & retailing 
 ● Energy 
 ● McLane 
 ● Pilot Travel Centers



Source: FactSet • year to end Dec 2024

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owns, along with an unusually large and concentrated equity portfolio compared with other insurers. Because its insurance operations are profitable, this source of capital has a negative cost.

### Safety first

Cost of capital also depends on the reliability of a company's cashflows. For Berkshire, this is underpinned by the diversity of its activities, overcapitalisation of its insurance operations, and the dependable nature of the businesses it owns and invests in. These low-risk attractions are reflected in an AA- Standard & Poor's credit rating.

The company's understanding of risk also recognises that having access to low-cost capital is far more valuable

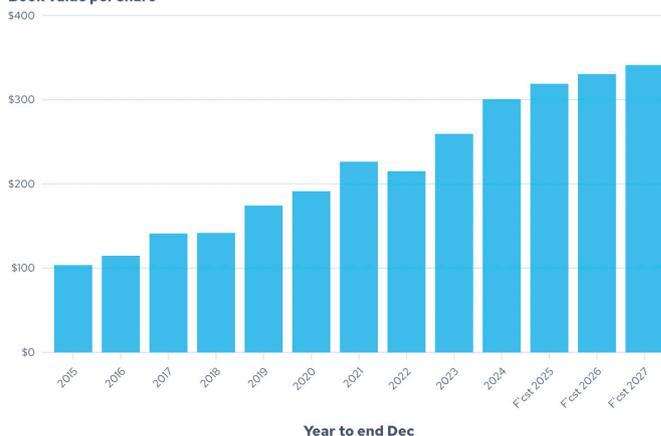
when money is scarce. Such points in the business cycle, when others have pulled in their horns, is when investments can be made at bargain prices.

This ethos is reflected in Berkshire's strategy of keeping a lot of cash on hand. The \$300bn-plus it currently sits on – about 27% of assets – has become a point of contention for some. However, Abel feels it positions Berkshire to profit from the burgeoning capital needs of certain industries, particularly energy.

Maximising return on capital is also underpins the logic of how Berkshire's operations are organised. While operational management of the conglomerate's more-than-60 subsidiaries is highly decentralised, the opposite is

## Berkshire Hathaway has a strong and reliable record for value creation

### Book value per share



Source: FactSet, consensus broker forecasts and adjustments

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true of decisions about how to spend the cash they generate.

The ability of Berkshire's top management to get the best returns from investment is helped by a forever-owner mentality. The company also has a large spread of investment options: internal; acquisitions; listed equities; and buying its own shares.

Managers of subsidiaries, meanwhile, are incentivised to focus on return on capital,

which fosters a culture steeped in a quest to create shareholder value.

The recent setback for Berkshire shares reflects some mixed trading and high cash levels, as well as Buffett's decision to step down. However, many of the world's best managers have faith in Buffett and Munger's legacy, which is a company that is structured to maximise value creation for its owners.

### Key facts - Berkshire Hathaway Inc. Class B

Market capitalisation	\$1.1tn	Price	\$493
52-week high/low	\$542 / \$438	Return on equity	14.7%
F'cst price to book	1.51	F'cst dividend yield	-
F'cst price to earnings	23.2	12-mth share price	7.2%
F'cst EPS growth	1.1%		

Source: FactSet, as of 11 Sep 2025. EPS = earnings per share. Forecasts based on next 12 months.