

WARREN E. BUFFETT

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April 15, 1994

To the Lantana Group:

Eighteen years ago, I sent you the attached memo that recounted the results Walter Schloss had achieved since starting his partnership in 1955.

The other day I received Walter's 1993 tabulation which is also attached. Accompanying these performance figures is a financial statement that should inspire Ben Graham Productions to film Citizen Schloss. Please note that Walter's total office expense is about \$11,000 as compared to net income of \$19 million. Fixed assets are carried at \$2,605 (000's not omitted), but Walter would like me to mention that the cost was \$6,569 new.

I think Walter's operational style should be a lesson for us all (one Charlie has already mastered). In effect, Walter is running his office for a year on what it costs Berkshire to start the engines on The Indefensible.


Meanwhile, Walter continues to outperform managers who work in temples filled with paintings, staff and computers. And he accomplishes this feat by rummaging among the cigar butts on the floor of capitalism: It's quite a 38-year record, a tribute to Ben as a teacher, Walter as a student, and to the advantage of a free puff.

Best regards,

  
Warren E. Buffett

WEB/db

Enclosures

Walter - Please put me  
in the partnership - retroactively  
to 1955 - 

WARREN E. BUFFETT

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February 3rd, 1976

To the Hilton Head Group

Dear Gang,

Normally, when you get a letter from the wife, partner or secretary of Joe Glutz saying, "Of course, Joe is too modest to tell you about this himself, but I know you would want to hear that...," it means that Joe is standing over the writer with a gun at his head, telling him not to look up from the xerox machine until the mailing has been completed.

This one is for real.

Today I received the 1975 annual letter of Walter J. Schloss Associates, which included a twenty-year compilation of Walter's record since he left Graham-Newman. You may remember that I went to work for Graham-Newman in 1954. Walter left in 1955. And then Graham-Newman closed up in 1956. I would prefer not to dwell on the implications of this sequence.

In any event, armed only with a monthly stock guide, a sophisticated style acquired largely from association with me, a sub-lease on a portion of a closet at Tweedy, Browne and a group of partners whose names were straight from a roll call at Ellis Island, Walter strode forth to do battle with the S & P.

On the following page is a re-cap of his yearly performance and calculations I have made regarding compounded results. The difference between the gross results and the limited partners' results is accounted for by the fact that, as General Partner, he takes 25% of the profits - a quaint and easy-to-calculate method of tribute not entirely foreign to many of you.

Walter has had five down years compared to seven for the S & P. His superiority in such down years would indicate that not only is he a man for all seasons, but that he has special strength when facing a head wind. Maybe all of you had better watch Ben Graham on Wall Street Week this Friday.

As for me, I'm going right out and buy some Hudson Pulp & Paper.

Best,



WEB/glk

# Walter & Edwin Schloss Associates, L.P.

52 VANDERBILT AVENUE • NEW YORK, NY 10017

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## Results of Walter & Edwin Schloss Associates

Compared to

The Standard & Poors Industrial Average

years 1956-1995

| Year<br>Ended<br>Dec. 31st | ASSOCIATES   |  | INDUSTRIAL   |                                       | AVG.<br>Ind.<br>Avg.<br>at<br>Yr. |
|----------------------------|--|--|--|---------------------------------------|-----------------------------------|
|                            | Net Asset Value<br>After Yearly<br>Payments on<br>1 Unit | Total<br>Distributed<br>Annually<br>Per Unit | Ltd Partners<br>Overall Gain<br>Per Year<br>in Percent | Associates<br>Overall<br>Gain<br>in % |                                   |
| 1955                       | \$5,082.50   |  |  |                                       |                                   |
| 1956                       | 5,034.85   | \$ 306.28                                    | +5.1%  | +6.0%                                 | +7.5%                             |
| 1957                       | 4,423.30   | 377.10                                       | -4.7%  | -4.7%                                 | -10.5%                            |
| 1958                       | 5,667.90   | 617.85                                       | +42.1%   | +54.6%                                | +42.1%                            |
| 1959                       | 5,954.50   | 704.04                                       | 17.5%  | 23.3%                                 | 12.7                              |
| 1960                       | 5,909.33   | 463.50                                       | 7.0%   | 9.3%                                  | -1.65%                            |
| 1961                       | 6,012.30   | 1,170.90                                     | 21.6%  | 28.8%                                 | +26.4%                            |
| 1962                       | 6,185.93   | 323.50                                       | 8.3%   | 11.1%                                 | -10.2%                            |
| 1963                       | 6,272.18   | 846.66                                       | 15.1%  | 20.1%                                 | +23.3%                            |
| 1964                       | 6,440.56   | 902.06                                       | 17.1%  | 22.8%                                 | 16.5%                             |
| 1965                       | 6,905.14   | 1,263.38                                     | 26.8%  | 35.7%                                 | 13.1%                             |
| 1966                       | 6,192.35   | 749.78                                       | 0.5%   | 0.7%                                  | -10.4%                            |
| 1967                       | 6,695.30   | 1,094.66                                     | 25.8%  | 34.4%                                 | +26.8%                            |
| 1968                       | 7,372.94   | 1,103.60                                     | 26.6%  | 35.5%                                 | 10.6%                             |
| 1969                       | 6,103.80   | 606.20                                       | -9.0%  | -9.0%                                 | -7.5%                             |
| 1970                       | 5,483.85   | 119.90                                       | -8.2%  | -8.2%                                 | +2.4%                             |
| 1971                       | 6,426.60   | 453.00                                       | +25.5%   | +28.3%                                | 14.9%                             |
| 1972                       | 6,761.94   | 407.52                                       | 11.6%  | 15.5%                                 | 19.8%                             |
| 1973                       | 5,728.52   | 492.12                                       | -8.0%  | -8.0%                                 | -14.8%                            |
| 1974                       | 4,978.37   | 391.96                                       | -6.2%  | -6.2%                                 | -26.6%                            |
| 1975                       | 6,640.00   | 461.80                                       | +42.7%   | +52.2%                                | +36.9%                            |
| 1976                       | 7,799.00   | 793.03                                       | 29.4%  | 39.2%                                 | 22.4%                             |
| 1977                       | 9,074.00   | 734.34                                       | 25.8%  | 34.4%                                 | -8.6%                             |
| 1978                       | 11,166.00  | 1,233.40                                     | 36.6%  | 48.8%                                 | +7.0%                             |
| 1979                       | 11,462.00  | 3,036.36                                     | 29.8%  | 39.7%                                 | 17.6%                             |
| 1980                       | 10,200.00  | 3,932.00 *                                   | 23.3%  | 31.1%                                 | 32.1%                             |
| 1981                       | 10,026.00  | 2,046.00                                     | 18.35%   | 24.5%                                 | -6.7%                             |
| 1982                       | 10,718.00  | 1,728.00                                     | 24.1%  | 32.1%                                 | +20.2%                            |
| 1983                       | 12,512.00  | 2,322.00                                     | 38.4%  | 51.2%                                 | 22.8%                             |
| 1984                       | 11,480.00  | 1,820.00                                     | 6.3%   | 8.4%                                  | 4.1%                              |
| 1985                       | 11,336.00  | 2,380.00                                     | 19.5%  | 25.0%                                 | 30.0%                             |
| 1986                       | 10,362.00  | 2,306.60                                     | 11.9%  | 15.9%                                 | 18.5%                             |
| 1987                       | 10,348.00  | 1,632.00                                     | 20.2%  | 26.9                                  | 9.1                               |
| 1988                       | 11,916.00  | 2,161.00                                     | 29.8%  | 39.7%                                 | 15.8%                             |
| 1989                       | 10,548.00  | 1,334.00                                     | 2.2%   | 2.9%                                  | 29.1%                             |
| 1990                       | 9,332.00   | 206.00                                       | -12.8%   | -12.8%                                | -3.4%                             |
| 1991                       | 10,518.00  | 1,714  | +31.1%   | +37.3%                                | +29.1%                            |
| 1992                       | 10,650.00  | 840.00                                       | 9.2%   | 12.3%                                 | 4.6%                              |
| 1993                       | 11,828.00  | 974.00                                       | 20.2%  | 26.9%                                 | 9.0%                              |
| 1994                       | 12,434.00  | 746.00                                       | 11.4%  | 15.2%                                 | 3.8%                              |
| 1995                       | 13,438.00  | 1,626.00                                     | 21.2%  | 28.3%                                 | 34.3%                             |

\* In 1980, \$1,500. of our distribution was a return of capital.

For the 40 year period ended December 31, 1995, the compound rate of return for the Limited Partners was 337.0% or 15.7% per year compared to a gain for the Standard & Poors Industrial Average of 52.03% or a compound rate of return of 10.4% a year.

It should be noted that most of our distributions are in the form of long term capital gains.