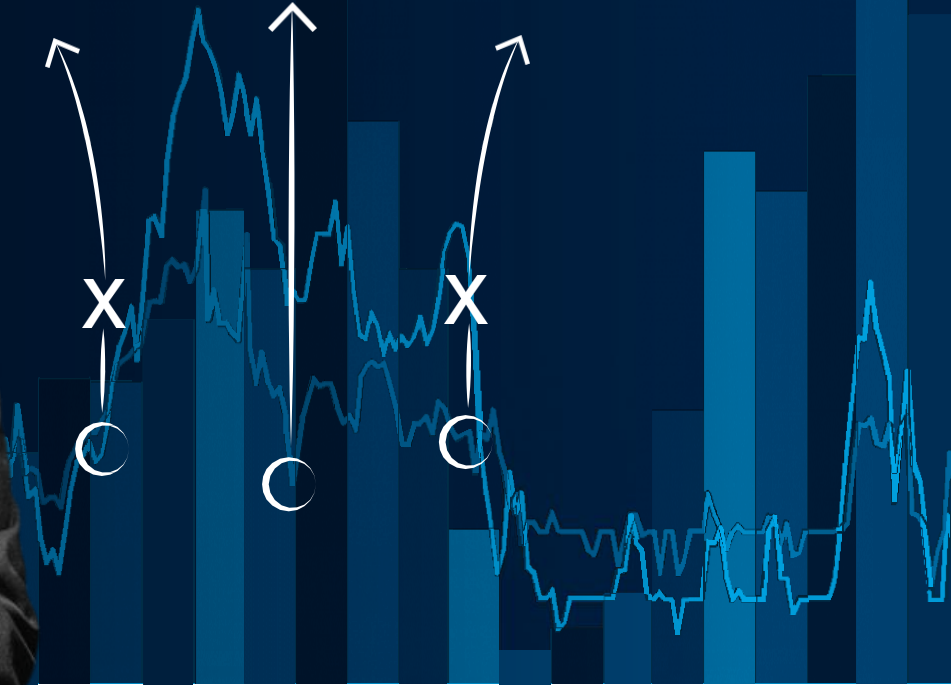


Inside Warren Buffett's playbook | Private companies serve as a cornerstone in Berkshire Hathaway's portfolio

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Warren Buffett, one of America's most legendary investors, has a significant stake in private companies. Contrary to common belief, the majority of Berkshire Hathaway's securities portfolio is invested in private companies, accounting for approximately 53% of holdings as of December 31, 2024, compared to 47% in public equities (excluding cash).¹

A widespread misconception is that Buffett and his team at Berkshire Hathaway primarily focus on public markets. This perception likely arises from the media's emphasis on high-profile holdings in companies like Apple, American Express, Coca-Cola, and Chevron.

However, this narrative does not fully reflect Berkshire's investment strategy. From 1980 to 2017, an average of 65% of Berkshire's investment portfolio (excluding cash) was allocated to private companies, compared to 35% in public equities.² Over that period, the private allocation grew steadily from under 20% in the early 1980s to as much as 80% by 2017.³

Currently, Berkshire Hathaway holds investments in 67 private companies and 41 public stocks.⁴

¹ Source: Fintel, Composition of Holdings, 1/21/2025; and companiesmarketcap.com, September 2024.

² Source: Financial Analysts Journal, Buffett's Alpa, Frazzini, Kabiller, Pedersen (2019).

³ Ibid.

⁴ Source: Forbes, All 41 Stocks Warren Buffett Has In Berkshire Hathaway's Portfolio, 1/7/2025; and www.berkshirehathaway.com.

Private Companies Represent a Larger Investable Universe

Buffett, widely regarded as one of the most successful investors in history, built Berkshire Hathaway into a powerhouse with a market capitalization exceeding \$970 billion and total assets of approximately \$1.15 trillion, according to its latest audited financial statements.⁵

Having purchased his first stock at age 11 and launched Buffett Associates in 1956 (which later became Berkshire Hathaway), Buffett has built a reputation for generating consistent investment performance and delivering insightful financial wisdom. While Berkshire's public investments garner the most attention, its significant allocation to private companies underscores the value of private market investing.

When you consider the overall investable universe, this makes perfect sense. There's a significant long-term secular trend that's been underway for the past three decades: The number of US public companies peaked at over 8,000 in 1996 but has since declined to approximately 4,700 as of 2024.⁶ Meanwhile, mid-to-large companies increasingly remain private. In fact, 87% of all companies with at least \$100 million in trailing 12-month revenue are private, totaling around 19,000, compared to just 2,800 public firms.⁷ The 10 largest private companies alone generated over \$605 billion in revenue in 2023.⁸

⁵ Source: Berkshire Hathaway 10-Q 3rd Quarter 2024 SEC Filing.

⁶ Source: The World Federation of Exchanges Database and CRSP, as of August 2024.

⁷ Source: University of Florida, Warrington College of Business, Initial Public Offerings: Updated Statistics, as of May 23, 2023.

⁸ Source: Statista Research Department, Top 20 largest private companies in the United States in 2024, by revenue, 12/4/2024.

57%
reduction in
the number
and 6x
increase in
size
of public
companies
over last 25
years

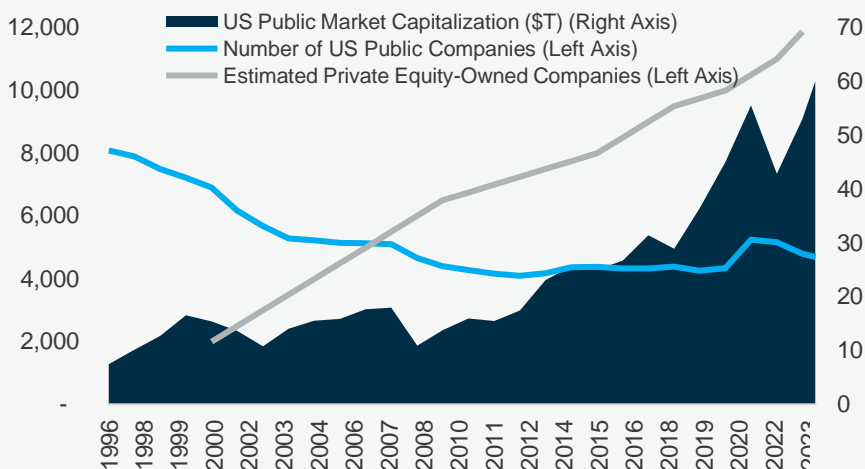


FIGURE 1
Number and Size of US Public Companies

Source: Bloomberg, Stock count from NASDAQ, New York Stock Exchange (NYSE), and New York Stock Exchange American.

Capitalizing on the Private Market Opportunity

Many private companies are well-established, profitable, and asset-rich, offering essential products and services that reflect the broader economy. These businesses often represent compelling investment opportunities, as private markets have historically outperformed public markets.⁹ Institutional investors have long recognized this advantage, allocating significant capital to private market assets.

⁹ Source: McKinsey Global Private Markets Review 2022, McKinsey & Company.

Retail investors have historically been unable to access private markets easily. Minimum investments were as high as \$5 million to \$10 million, and investors had to meet accreditation standards. Additionally, the process to invest in private companies (through private equity funds) is fairly cumbersome and time consuming.

6.6x more private company investment opportunities in the overall equity market



13% Public Companies

87% Private Companies

FIGURE 2
US Companies with Revenue Greater than \$100 Million

Source: S&P Capital IQ, for companies with last 12-month revenue greater than \$100 million, 2023.

However, innovative investment structures have transformed accessibility. Interval funds, for example, allow investors to gain exposure to private markets with lower investment minimums and “point-and-click” access. These funds feature a ticker symbol, daily pricing, and 1099 tax reporting, making private market investing almost as seamless as public market investing.

A key differentiator of interval funds is their quarterly liquidity structure.¹⁰ Unlike traditional mutual funds, interval funds do not trade on an exchange. Instead, they permit share redemptions only at scheduled intervals, typically quarterly, and are subject to a maximum redemption amount. Redemptions are available only at intervals because these are long-dated, long-term assets, and best suited for the long-term investor.

¹⁰ Subject to certain limitations.

Don't Overlook the Future of Investing

For investors with with the appropriate risk and liquidity profile, private markets present an exciting opportunity. Today's investors now have access to the same investment landscape that institutions have leveraged for decades. As investors align their investments to the foundation of the future economy, they may want to consider whether private investments can be a viable tool for their portfolios.

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Past performance is no guarantee of future results, and the opinions presented cannot be viewed as an indicator of future performance. Private market investments are complex, speculative investment vehicles and are not suitable for all investors. An investment in a private market investment entails a high degree of risk and no assurance can be given that any private market investment objectives will be achieved or that investors will receive a return of their capital.

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