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# Meet Ted Weschler: Buffett auction winner, Berkshire's new hire

6 comments

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The newest addition to the Berkshire Hathaway investing team came to Warren Buffett's attention in a surprising way.

By Carol J. Loomis, senior editor-at-large

FORTUNE -- It is surely unprecedented for a person to spend \$5,252,722 to get a job, but in a funny way, that is precisely what Ted Weschler, of Charlottesville, Virginia, did. The details, in all their improbability:



Ted Weschler, center

PHOTO: JANIS JAQUITH/Flickr

Warren Buffett announced this morning that Weschler, 50, the highly successful managing partner of hedge fund Peninsula Capital Advisors, will soon join Berkshire Hathaway to run a portion of its investments. That move, added to the hiring of Todd Combs last year, is aimed at preparing investment-rich Berkshire for a day when Buffett, who just turned 81, will no longer be running the company's investments.

And how did Buffett get to know Weschler? It's here that fact becomes stranger than fiction.

Every year, Glide, a San Francisco church and mission, is the beneficiary of an auction in which the prize for the top bidder is a private lunch with Buffett.

In the first year of the lunch, 2000, the winner donated \$25,000 to Glide. The auction price then proceeded to skyrocket, and in 2010, an anonymous bidder won with an amazing \$2,626,311 bid.

Then, this year, a bidder also wishing to be anonymous won by upping that bid by \$100, to \$2,626,411.

So here, in a state of affairs being disclosed publicly for the first time, is the fact: Weschler was the winning bidder in both years.

In neither year, since he was trying to stay under the radar, did he wish to have lunch in New York, whose Smith & Wollensky steakhouse has usually hosted the lunch -- and given generously to Glide itself.

The lunch (or dinners, as they turned out to be) were instead held in both years, at Weschler's request, in Omaha. Buffett picked the site, one of his favorite restaurants, Piccolo's (whose ambiance is pervasively casual).

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Meeting in July, 2010 for the \$2,626,311 dinner, the two men liked each other right away. Buffett learned about Weschler's investment success and how he achieved it—the 'how' being as important to Buffett as the gains themselves.

At Buffett's invitation, Weschler later came to the 2011 Berkshire Hathaway (BRKA) annual meeting, held last spring. At a large private dinner on the night of the meeting, he introduced himself to this reporter, made an impression as smart and friendly, and described himself as having a great time.

And then, at this year's Glide dinner, held July 26th, Buffett almost apologetically sounded out Weschler about the possibility of his joining Berkshire. "I very much wanted him to do it, but I didn't expect to get very far with the idea," Buffett told *Fortune*. "Ted will no doubt make a lot of money at Berkshire. But he was already making a lot of money with his fund -- you can get an idea of that from the size of his Glide bids -- so money wasn't a reason for him to come."

Even so, Weschler said right away he'd think it over -- and within weeks came to the conclusion that he wanted to accept Buffett's offer. For the moment, Weschler isn't explaining his reasons to the press. But this reporter can speculate that Weschler's long-time admiration for Buffett made this an offer he just couldn't refuse.

Certainly his saying yes has rocked many a boat. He is closing his fund, and that, for a lot of happy partners in it, cannot be good news.

Weschler started his fund 12 years ago after getting an undergraduate degree from Wharton, working for six years at W.R. Grace, and helping to start a Virginia private equity fund, Quad-C. While that fund worked its way toward buyouts, it held the cash of its partners, and Weschler invested it, doing well in the job.

Deciding in 1999 to strike out on his own, he started Peninsula. The fund's first 13F filing with the SEC, for yearend 2000 -- Weschler had by then opened the fund twice to investments -- shows it owned about \$150 million of stocks.

His latest filing, for the second quarter of 2011, gives his long position in stocks as almost \$2 billion. (That amount would no doubt be higher, were it not that Weschler closed the fund to new money in the 2004-2005 period).

But that \$2 billion in long positions only partly tells the story, because in true hedge-fund style, Weschler shorts stocks (positions that do not have to be reported in 13Fs) and also borrows money to leverage the fund's capital.

At Berkshire, Weschler's shorting is likely to cease and certainly leveraging will. Charlie Munger, Berkshire's vice-chairman, has long said that most of the world's ills are caused by "liquor and leverage."

In any case, Weschler has in Peninsula's history produced a dazzling record, which in his letters to partners he compares to four benchmarks -- not only to the standard comparatives like the Dow Jones Industrial Average and the S&P 500, but also to none other than Berkshire B stock.

For partners who invested with Peninsula in early 2000, the fund at the end of 2011's first quarter had delivered a total gain of 1236% (a percentage so large it looks like a typo, but isn't). In contrast, Berkshire B had gained a mere 146%.

Weschler's investment style has been to own only a few stocks and to stay with them -- a modus operandi sure to have endeared him to Buffett, whose style is the same. Peninsula's latest 13F filing, for the quarter ended in June, showed the fund holding 9 stocks.

The three biggest positions were W.R. Grace (GRA) (\$412 million), DaVita (DVA) (\$368 million), and DirectTV (DTV) (\$328 million). DaVita runs kidney dialysis centers. W.R. Grace is in bankruptcy, but its stock trades actively in the market.

The parameters of Weschler's about-to-be position at Berkshire were in effect spelled out in Buffett's letter in this year's annual report. Weschler (as is the case with Todd Combs) will have the opportunity to invest \$1 billion to \$3 billion of Berkshire's money. Buffett, meanwhile, will continue to be Berkshire's major domo investor.

Buffett expects Weschler to begin working at Berkshire in several months, perhaps in February. Weschler has told Buffett he will keep his home (just built) in Charlottesville, but will secure an apartment in Omaha and plan to be at Berkshire several days a week.

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General Electric Com...	16.08	0.44	2.81%
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Yahoo! Inc	14.89	0.34	2.34%

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So private meetings with Buffett are likely to be the new norm for Weschler. Maybe that means he won't be bidding this year in the Glide auction -- or does it?

*The writer of this article, a FORTUNE senior editor-at-large, is a Berkshire Hathaway shareholder, a long-time friend of Warren Buffett's and the pro bono editor of his annual chairman's letter.*

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