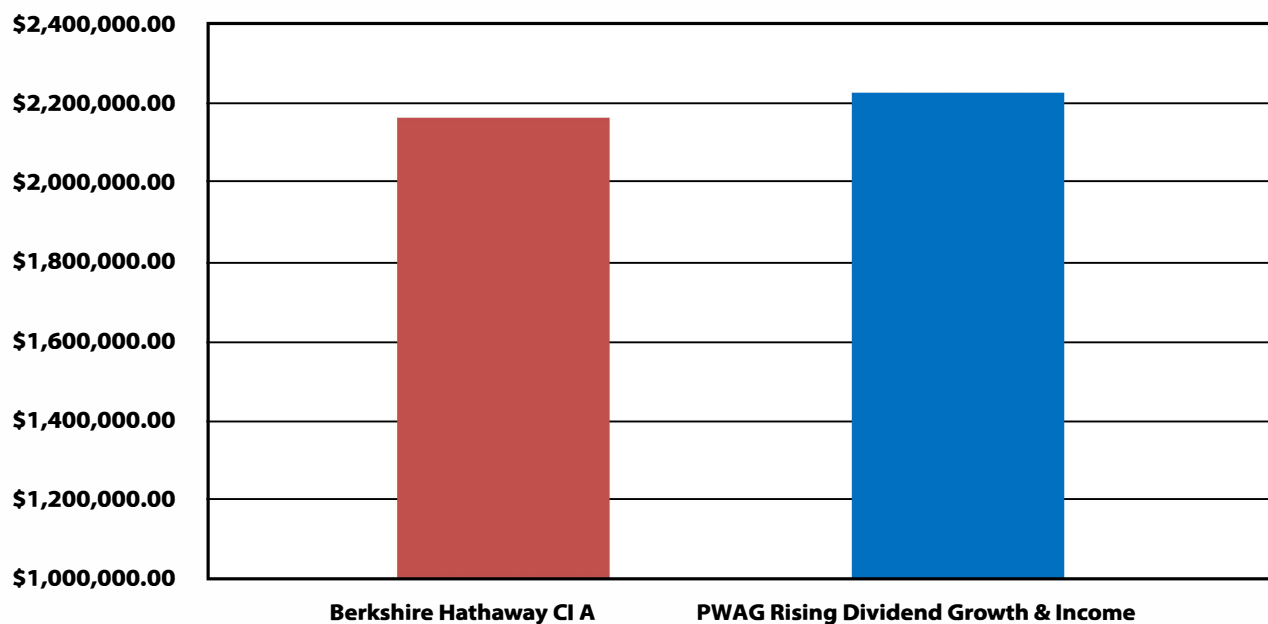


Are You a Better Investor Than Warren Buffett (revisited)?

Two years ago, I raised this exact question "Are you a better investor than Warren Buffett?". We answered the question then, and the answer remains the same. We've outperformed Berkshire Hathaway Class A shares over the last eleven years with our Rising Dividend Growth and Income strategy, net of our management fees. For the record, our Rising Dividend Growth and Income strategy has a baseline of 60% stocks and 40% bond. We will increase that percentage to a maximum of 80% if we feel risk levels have dropped enough to give us a strong risk vs. reward to take on additional exposure to the stock market. Here are the results.

Had you invested \$1 million with Polaris Wealth, in our Rising Dividend Growth and Income strategy and were invested on January 1st, 2008 your portfolio would have grown to \$2,228,269.79 by the end of 2019, net of all fees for managing your account. Had you taken that same money and bought Berkshire Hathaway Class A shares, it would have grown to \$2,160,850.17. In other words, we have outperformed Warren Buffett by over \$67,000 over the past eleven years.

How a \$1 Million Investment Performed



Initial investment made on January 1, 2008, ending December 31, 2018. Results are net of fees.

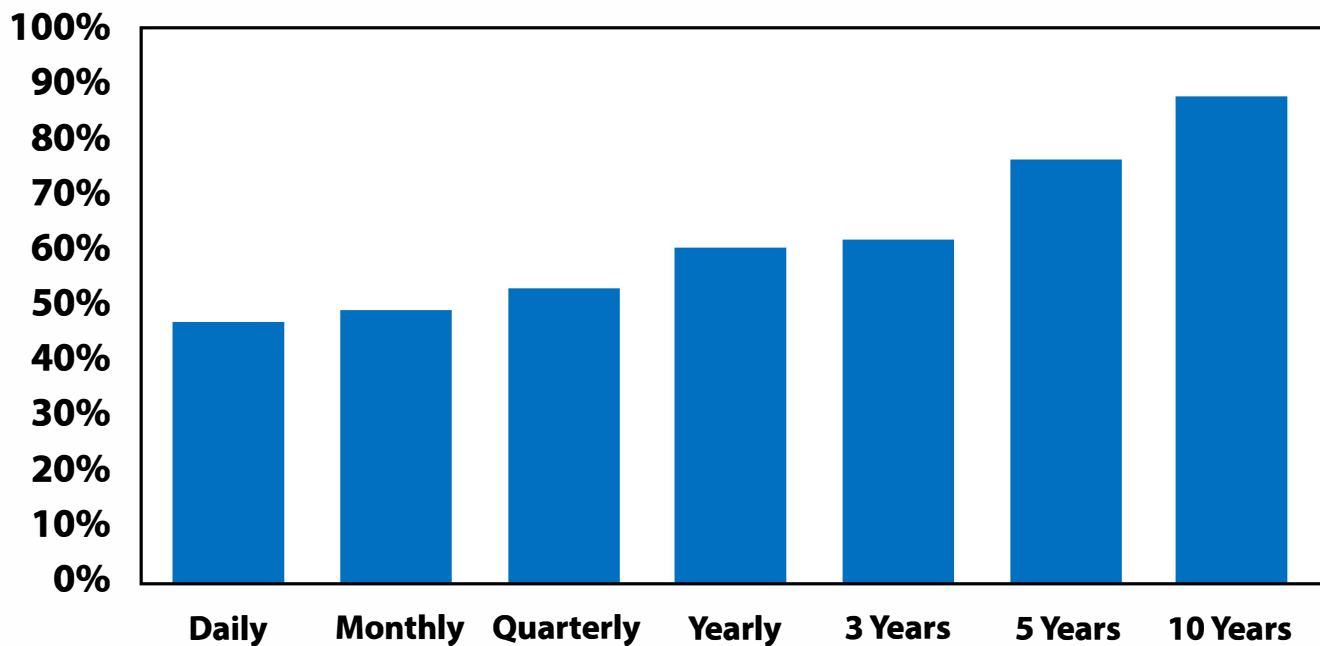
Source: Morningstar, TD Ameritrade, Polaris Wealth Advisory Group. Performance data quoted represents past performance and does not guarantee future results.

Would it surprise you that we have only outperformed Berkshire Hathaway Class A shares four years out of the last eleven? It's true. Yet we still outperform him over time. Warren Buffet and his investment team outperformed the S&P 500, beating the benchmark seven of the eleven years of this study. It was the consistency of our performance and the way we limited our clients' losses in bad markets that helped us outperform Warren Buffet and the S&P 500.

Warren Only Really Outperforms When Looking Long-Term

In this day and age, it would be tough for Warren Buffett to keep a job if he were just getting Berkshire Hathaway up and running and didn't have the reputation he holds. According to analysis done by UBS, Warren Buffett barely beats the market during short and intermediate time periods. Only if you let him do his job for more than five years would he provide any consistency of outperforming the markets (see chart below).

Buffett Frequency of Outperformance



Source: Bloomberg, UBS; Data for 1/1/1988 through 3/8/2019

Most investors, when hiring a new manager, will give them a quarter or two, maybe even one year to evaluate their performance to see if they will keep them. Very few investors will give that manager a three-year window. You might as well flip a coin to decide if you're going to keep or fire your manager.

Most Investors are “Chasing Unicorns”

This is the term given to investors who are looking for an investment manager who is able to outperform their benchmark in all market conditions. Every six months, S&P Dow Jones publishes a “persistence scorecard” that measures the consistency of active mutual funds. Their most recent scorecard was published in December 2018, with the study being completed in September.

Of the 561 top quartile funds, only 1.43% were able to remain in the top quartile, each year, for the past five years. Less than 1% of large-cap funds, 0% of mid-cap and small-cap funds were able to remain in the top quartile all five years. Multi-cap funds pulled up the numbers slightly, with 3.08% of them remaining in the top quartile for five straight years (see below).

Mutual Fund Category	Fund Count at Start (September 2014)	Percentage Remaining in Top Quartile			
		September 2015	September 2016	September 2017	September 2018
Top Quartile					
All Domestic Funds	561	21.03	3.57	1.60	1.43
All Large-Cap Funds	220	21.36	2.27	0.91	0.91
All Mid-Cap Funds	83	15.66	2.41	0.00	0.00
All Small-Cap Funds	128	17.19	3.12	0.78	0.00
All Multi-Cap Funds	130	25.38	6.15	4.62	3.08

Source: S&P Dow Jones Indices LLC and CRSP

Even remaining in the top half of your peers is difficult. Of the 1,120 domestic funds that qualified, only 9.46% remained in the top half of their peer group for five straight years (see below).

Mutual Fund Category	Fund Count at Start (September 2014)	Percentage Remaining in Top Half			
		September 2015	September 2016	September 2017	September 2018
Top Half					
All Domestic Funds	1120	43.75	20.36	11.25	9.64
All Large-Cap Funds	440	46.82	18.86	10.91	9.09
All Mid-Cap Funds	165	41.21	22.42	13.33	11.52
All Small-Cap Funds	256	43.75	19.53	11.33	5.08
All Multi-Cap Funds	259	46.72	23.94	15.06	11.97

Source: S&P Dow Jones Indices LLC and CRSP



The Polaris Perspective

For more information or to schedule an introductory consultation contact us at: info@polariswealth.com | (800) 268-9046 | www.polariswealth.com

The greatest takeaway for investors is that NO ONE, and I do mean NO ONE has all the answers. Most investors are very impatient and expect far too much from their investment advisor. Those of us at the top of our field will make mistakes. We can only manage money with the information at hand. No investment ideology or philosophy works in every market condition. What you should be looking for is an investment advisor who has an investment ideology that you believe in, an investment advisor who demonstrates a great aptitude to manage your portfolio effectively and an advisor who works with you to accomplish your long-term financial goals.

Answering the Question

Are we better investors than Warren Buffett? I think it's a tough question to answer. If simply asked if we've outperformed him over the past eleven years... Yes, we've outperformed him, net of fees to our investor. And since we are not fully invested in stocks at any time, we've taken less risk than him to accomplish similar results. But better than him? I have far too much respect for Warren Buffett and perhaps I am a bit too humble to say "Yes." Let's just say that we've held our own with Warren Buffett and we are extremely proud to even be able to compare ourselves with the Oracle of Omaha.

As always, I welcome your questions and comments.



Sincerely,

Jeffrey J. Powell
Managing Partner