



## Why Warren Buffett Failed in 2020

### Description

Warren Buffett didn't have a great year in 2020. For the year, **Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B) stock increased only about 2.5%, when the S&P 500 rallied 16.5%. The underlying stock portfolio probably did better, since it's heavily weighted in **Apple** stock. But as far as Berkshire itself goes, it was a year of vast underperformance. In this article, I'll explore why that was the case.

### Not enough tech

One big factor holding Berkshire Hathaway back in 2020 was a lack of tech. Yes, Buffett does have a huge stake in Apple — worth 40% of Berkshire's *public* stock portfolio. But as a percentage of *all* of Berkshire's book value, it's not that big. In 2019, Berkshire had [\\$817 billion in assets](#). As of this writing, its stock portfolio was worth \$270 billion. So, Buffett's Apple stake is actually not that big as a percentage of *all* of Berkshire's assets. And Berkshire doesn't have many large tech investments apart from Apple.

That's a problem, because tech stocks drove much of the market's gains last year. In 2020, the tech-heavy NASDAQ rose 45%. That's nearly triple the S&P 500's return. In the same period, banks, utilities, and other traditional industries barely made any gains. And Berkshire owned a lot more of that stuff than it did tech stocks.

### Some bad moves on airline stocks

Another problem for Buffett in 2020 was that he made some questionable moves on airlines. Near the end of the first quarter, he [sold out of airline stocks completely](#). I don't think that in itself was a mistake. The airlines are forecasting that it will take many years to get back to 2019 revenue levels. In the face of that knowledge, an investor would be right to sell. But Buffett actually *bought* some **Delta** shares on the dip right before he sold. *That* was a mistake.

There's no doubt that airlines had a wild year in 2020. If you're a Canadian investor, you're probably

familiar with **Air Canada** ([TSX:AC](#)), which declined 55% in value last year. Buffett wanted to avoid catastrophic losses like that, and he did. AC shares have rallied over 100% since their March lows, but they're down from January last year. It's the basically same story with the U.S. airlines that Buffett owned.

Buffett's favourite airlines haven't done *quite* as badly as Air Canada. Delta is only down 32% over the last 12 months to Air Canada's 50%. But anybody could have seen the long-term disaster coming, and Buffett didn't — at least, not soon enough.

## Foolish takeaway

Warren Buffett is legendary for his long-term track record of buying dips and coming out of bear markets bigger and better than ever. In 2020, he did indeed do that, but he underperformed the markets as a whole. At this point, Berkshire Hathaway stock has been lagging the market for a good long while. It's not clear whether Buffett will be able to recover in 2021.

### CATEGORY

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