



Is Warren Buffet Betting on Disruptive Technologies?

SciVestor Opinion

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The Oracle of Omaha is known for his conservative investment strategies and hands off management style. Much to my surprise, I was recently exposed to a contrarian viewpoint on Buffet's investment strategy.

Peter Thiel, PayPal co-founder, and Principal of Clarium Capital, recently gave a great talk about considering when and how to lay down bets on Disruptive Technologies. His basic premise was that along the bell curve of plausible outcomes, the most likely scenarios eventually migrate toward the tails: very wonderful or very catastrophic. And of these two possible outcomes, either is acceptable to investors.

On the "wonderful" hand, the coming waves of technologies – artificial intelligence, nanotech, life extension etc. create the biggest investment boom in the history of humanity, and the positive results yield a world of never-ending promise. On the "catastrophic" hand, advanced AI or nanotech gone awry causes humanity to disappear in a cloud of [insert your favorite existential risk scenario here] dust. In that scenario, the investor has bigger problems than the lack of return anyway.

Thiel believes that we may already be experiencing economic upheaval that is paving the way for the long boom. He asks, "What if the peak of insanity in March 2000 was really a peak of clarity? But those technologies were not the decisive sets of technologies?" What if the gyrations in the markets since then represent the global investment community lining up behind possible scenarios that they hope will produce "wonderful results"?

To illustrate his point, he discussed the investment strategies of Warren Buffet. He asked the intriguing question: Is Warren Buffet betting on Disruptive Technologies? Buffet's portfolio was traditionally focused on value stocks. But this has shifted in the last decade toward insurance and catastrophic reinsurance products. Thiel believes this is a classic adoption of the *wonderful vs. catastrophic* philosophy of disruptive technology investors. For Buffet, Thiel sees 4 possible outcomes for his investments:

1. Nothing bad happens: Buffet happily collects the premiums from his policy holders and maybe even lives to 1000.
2. A Mild disaster like 9/11 occurs: This helps the insurance industry in that it allows them to raise rates and drives more policy purchases.
3. A big catastrophe happens (Thiel showed a rendering of nukes exploding over Manhattan): In this scenario, the rules get changed. The Government steps in and makes things whole for the insurance industry.
4. [Again, insert your favorite Existential Risk scenario] – No one is around to collect.

The Oracle of Omaha is once again looking beyond the vision of most investors, and laying the groundwork for asymmetrical returns in the coming decades. I have always been a fan of "riskless profit". That's why I love investing in casino companies and insurance firms. They are as riskless as they come. As long as the people show up, there is profit to be had. Now Buffet is brining a new dimension to this perspective. There is profit to be had in disruptive technologies or there isn't. Either way, it's a safe bet.