

BUSINESS AND INVESTING

Greg Abel's 2026 Letter to Shareholders

Greg Abel's first letter to Berkshire Hathaway shareholders emphasized the need to keep the company's unique culture.



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“We concentrate on quality, not frequency. If a significant issue arises, you will hear from me, but it will not be through quarterly commentary, given our long-term horizon.”

— Greg Abel, [2026 Letter to Berkshire Hathaway Shareholders](#)

I often say that Berkshire Hathaway is a “low maintenance” investment because all a longtime shareholder needs to do in order to stay abreast with the business is to dedicate one weekend each year to careful study of the annual report. Those who like to get “into the weeds” might spend an additional day with each quarterly report, although that is not strictly required. It takes a long time to understand Berkshire at first, but ongoing “maintenance” of this understanding is not very demanding.

Berkshire is often criticized for failing to hold quarterly conference calls and provide “guidance” to analysts. Those who were anticipating a change in this policy had their hopes dashed when Greg Abel reaffirmed his commitment to maintaining Berkshire’s traditional policy of annual communications from the CEO. Reading an annual letter from Mr. Abel should be sufficient, and if there are serious adverse developments, he will likely issue press releases as Warren Buffett has done on rare occasions over the years. Demanding quarterly letters from the CEO along with conference calls only serves as a massive distraction.

While I am always interested in Berkshire’s business results, this year I was even more focused on the tone that Mr. Abel set in his letter regarding the company’s culture. When I wrote about Mr. Abel’s [unique challenge](#) last year, I focused on [culture](#) before turning my attention to quantitative matters. This is because Berkshire’s historical success was founded on a [seamless web of deserved trust](#), and an evaporation of that culture would, over time, erode the company’s foundation. I doubt that anyone would

seriously question Mr. Abel's abilities as an executive capable of managing the business, but the big unknown has been whether he has the unquantifiable ability to maintain something as amorphous as culture.

The truth is that we cannot know for sure whether Mr. Abel has the capacity to maintain Berkshire's culture over the two decades that he hopes to serve as CEO. That will only be apparent in the fullness of time, perhaps not until a full decade has passed. A good culture is like a large bank balance and can continue for some time in a progressively depleted state before the "account" is fully exhausted. Few people who have been willing to comment publicly know Mr. Abel well enough to opine on whether he has what it takes to keep the culture, but Charlie Munger certainly thought so in 2021 when he [inadvertently disclosed](#) Berkshire's succession plan. That was obviously a huge vote of confidence.

As I read the letter, I was happy to see that Mr. Abel chose to focus on "Culture and Foundational Values" **before** he discussed the business. This section took the form of excerpts from a letter he had sent to Berkshire's employees emphasizing the importance of culture. His intent was obviously to communicate a sense of continuity to make sure that Berkshire's nearly 400,000 employees realize that a management transition will not be accompanied by a radical change in how the business has operated in the past.

I have not engaged in enough "scuttlebutt" to know what the typical Berkshire employee thought of Warren Buffett's leadership or Berkshire's partnership model with owners. I suspect that Berkshire's employee base, given its large size, is reflective of society as a whole and plenty of cynical people read Mr. Abel's letter with eye rolls and indifference, if they read it at all. But Berkshire could not have achieved its financial results over decades without a core group within the operating businesses who bought into the vision articulated by Warren Buffett and Charlie Munger and, for that core group, I think Mr. Abel's words resonated.

Berkshire under Mr. Abel's leadership will operate much as it has in the past with a decentralized model for running operating businesses, but one in which autonomy is "grounded in deserved trust." This is a key point: decentralization can only work when accompanied by accountability. Mr. Buffett often spoke, I believe somewhat facetiously, about delegating almost to the point of "abdication." Clearly, Mr. Abel

intends to be a more hands-on CEO, but he strives to retain the decentralized model whenever possible.

When it comes to capital allocation, however, Berkshire's model is one of centralization. The job of the operating businesses is to maximize their long-term earnings power, consistent with acting with integrity. Often, this might include capital allocation within the operating business, but one of Berkshire's key advantages is the ability to allocate capital *between* operating businesses in a tax-efficient manner. To facilitate this, operating managers must seek approval for large capital expenditures.

On the subject of capital discipline, Mr. Abel reiterated Berkshire's long-standing goal of expansion through acquisition of new operating businesses and expansion of existing businesses if it makes sense to do so. He mentioned that share repurchases could be another important capital allocation option when shares trade "below our estimate of intrinsic value, conservatively determined." Mr. Abel must consult with Mr. Buffett when it comes to share repurchases, something that I previously assumed but has now been codified as policy by Berkshire's board. I believe that the same will go for declaration of cash dividends, although Mr. Abel implies that dividends are unlikely to be paid anytime soon.

The buck stops with Mr. Abel when it comes to risk, as he definitively affirmed that he is the Chief Risk Officer and that no other duty is more important. This is reassuring given Berkshire's large insurance operations. While Mr. Abel gives Ajit Jain due credit for his masterful handling of risk within the insurance business, the ultimate responsibility now resides with Mr. Abel. The same is true for managing Berkshire's large portfolio of marketable securities. Aside from the 6% of investments managed by Ted Weschler, Mr. Abel now takes sole responsibility for Berkshire's securities. However, given that Mr. Buffett continues to go to the office five days per week, I suspect that Mr. Abel will have Mr. Buffett's help if he asks for it.

Mr. Abel did not ignore the need to improve Berkshire's business operations, another factor that I considered when writing about the CEO succession last year. I was happy to read that the CEOs of operating businesses are expected to relentlessly pursue operational excellence and close performance gaps. While operational excellence is a subjective term, closing performance gaps can be quantified. For example, Mr. Abel is not happy with BNSF's performance and believes that it should be able to close the gap with Union Pacific. Specifically, he notes that each percentage point improvement

in operating margin generates approximately \$230 million of incremental operating cash flow for shareholders.

There are many opportunities for improvement within Berkshire's sprawling Manufacturing, Service, and Retailing group and I am actually more confident that Greg Abel will address these issues than I would be if Warren Buffett had continued serving as CEO. While Mr. Buffett is almost certainly a superior capital allocator, Mr. Abel is almost certainly a stronger operating manager. With Mr. Buffett continuing to actively serve as Chairman, shareholders might enjoy the best of both worlds, hopefully for several years to come.

Berkshire is complex but can be understood by intelligent investors with some effort. Better yet, it is not particularly difficult to project where the company might be several years in the future. Ten years ago, I wrote an [article](#) predicting that Berkshire would exceed a trillion dollar market cap by 2026. I say this not to brag, but to point out that Berkshire's businesses are, for the most part, relatively predictable. There is no way I could know what Berkshire's book value or earnings will look like at the end of 2026, but I have a rough idea of where things are likely to be five or ten years down the road, assuming continued expansion of the U.S. economy (and no massive catastrophes like nuclear war that would decimate all businesses.)

Mr. Abel strongly alludes to the hope that he will have a multi-decade run at Berkshire, and I look forward to observing how his management of the business evolves over time. He passed the first test of his leadership quite well with this letter and watching him as the main figure on stage at the upcoming annual meeting will be interesting. I suspect that in 2040, Berkshire shareholders will likely view Mr. Abel's tenure with the same admiration that Apple shareholders no doubt view Tim Cook's strong record. In fact, I can think of no one better to take a board seat at Berkshire Hathaway than Tim Cook, although maybe Berkshire's large ownership of Apple shares would complicate such an appointment.

At this point, I'll let others comment on Berkshire's 2025 results in greater depth. My basic takeaway is that the company continues to compound intrinsic value at a satisfactory rate when measured by book value and operating earnings growth. Berkshire's shares trade at a fuller valuation than at most times since the 2008-2009 financial crisis, but not at an unreasonable level. Over five or ten years, returns to shareholders will depend much more on how quickly intrinsic value grows than on

whether the current share price is modestly below intrinsic value, approximates intrinsic value, or is modestly above intrinsic value.

Berkshire shares represent a solid way to **stay rich**, but not a quick way for those with limited capital to **get rich**. I trust that Mr. Abel is fully attuned to the wishes of Berkshire's longtime shareholders and will resist temptations to cater to those who will attempt to alter Berkshire's conservative and defensive qualities.

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