

Buffett Left Him \$380 Billion. Now Greg Abel Has to Figure Out What to Do With It.

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Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Reading Passage

When Greg Abel walked onstage in Omaha for his first annual meeting as CEO of Berkshire Hathaway, shareholders wanted one thing: a plan for the money. Specifically, the roughly \$380 billion in cash and US Treasuries that Warren Buffett, his legendary predecessor, had piled up before handing over the keys. The 63-year-old Canadian did not provide one. Investors left the meeting with what reporters called 'unanswered questions' about how the new chief executive intends to deploy the largest war chest in corporate history.

What Abel did make clear is that he is in no rush. Berkshire disclosed it had sold another \$8.1 billion of stock during his first quarter in charge — the 14th straight quarter the company has trimmed its equity portfolio. Like Buffett, Abel told the audience, he sees little worth buying at today's prices. The S&P 500 is trading at record highs even as the Iran war has pushed oil prices sharply higher and rattled global supply chains. 'It's not that we don't see exceptional companies out there today,' Abel said. 'But... we're not interested in acquiring those companies at that price.'

Still, several investors detected subtle shifts. Under Buffett, Berkshire almost never sold its wholly-owned subsidiaries — businesses ranging from the railroad BNSF to the car insurer Geico. Abel signaled he would be willing to 'divest out of businesses if they need to' if operations could be improved. Darren Pollock of Cheviot Value Management said Abel did not seem eager to sell off whole divisions, but the door was no longer closed. 'It clearly means that there is going to be more scrutiny,' said Christopher Rossbach of Berkshire investor J Stern & Co.

Here is the catch with Berkshire's giant cash pile: at this scale, even doing 'something' is hard. Abel acknowledged that most of Berkshire's stock portfolio sits in a small number of very large positions, meaning the active management of those holdings is 'really limited.' The company is, as Pollock put it, a giant tanker — capable of shifting a degree or two, but not of making sharp turns. Buying or selling a few billion dollars' worth of any one stock can move the market itself. Cash, meanwhile, isn't sitting idle: parked in Treasuries, it earns a steady return while Abel waits for the kind of market dislocation Buffett spent decades exploiting.

Abel reassured some skeptics by demonstrating fluency in the operating details of Berkshire's hundreds of subsidiaries, diving into margins at BNSF and Geico in a way Buffett rarely did. 'As far as operating these businesses, it does seem like Greg is more hands-on than Buffett,' Pollock said. Abel also seemed to share Buffett's investing 'DNA': the discipline of refusing to act when prices are wrong. The tightrope is that he is following a man widely considered the greatest investor of all time, whose strategies helped Berkshire outpace the S&P 500 by more than six million percentage points. Match that and shareholders will be thrilled. Stumble — by overpaying for an acquisition, or by sitting on cash so long that returns lag — and the comparisons will be brutal. For now, the message from Omaha is patience: keep looking, wait for turbulence, and pounce only when the market hands Berkshire a bargain worth its size.

2. Explanation

Imagine inheriting nearly \$380 billion in cash and being told: don't blow it. That's the awkward inheritance Greg Abel just received from Warren Buffett – and shareholders want a plan.

What's Going On?

Greg Abel, the 63-year-old Canadian who replaced Warren Buffett as CEO of Berkshire Hathaway, just held his first annual shareholder meeting in Omaha. The big question hanging over the event: what is he going to do with the roughly \$380 billion sitting in cash and US Treasuries that Buffett built up before stepping down?

Abel's answer was, essentially, not much yet. Berkshire sold another \$8.1 billion of stock in his first quarter as chief executive – the 14th straight quarter the company has trimmed its equity portfolio. He told investors that, like Buffett, he isn't excited about jumping into a stock market trading near record highs.

How To Think About It

Picture Berkshire as something between a giant investment fund and a holding company that owns dozens of whole businesses (railroads, insurance, utilities). Abel's challenge is unusual: he has too much cash, not too little.

- It's like a pitcher with a 3-0 count: he can keep taking pitches because he doesn't *have* to swing. Cash in Treasuries earns ~4-5% risk-free, so waiting isn't free money lost – it's getting paid to be patient.
- Or think of a chef whose pantry is overflowing but every ingredient at the market is overpriced. Cooking anyway means a worse meal; waiting for prices to drop means a better one – but the diners (shareholders) are getting hungry.

Key Things To Know

- Berkshire's cash and Treasury pile sits around \$380 billion, the largest war chest in corporate history.
- The company sold \$8.1 billion of stocks in Abel's first quarter – its 14th consecutive quarter of net selling.
- The S&P 500 is trading at a record despite the Iran war pushing oil prices higher and threatening supply chains, making bargains scarce.
- Abel hinted at a subtle shift: under Buffett, Berkshire almost never sold its wholly-owned subsidiaries, but Abel said he is willing to 'divest out of businesses if they need to.'
- What people miss: Berkshire is so huge that even active management of its concentrated stock portfolio is, by necessity, 'really limited' – it can't move quickly without moving the market itself.

Why It Matters

Berkshire is a kind of national barometer. When the most respected investing operation on earth refuses to deploy cash, it's telling you something about how expensive markets are right now. If you're

thinking about investing your first paycheck, putting money in an index fund, or choosing a career in finance, watch how Abel handles this – patience versus action is the central dilemma of investing, and he's about to demonstrate it on the biggest stage there is.

The Bigger Picture

Buffett ran Berkshire for 60 years and beat the S&P 500 by more than 6 million percentage points – a record nobody is going to match. The interesting question isn't whether Abel can be Buffett (he can't), but whether he can preserve the *system* Buffett built: discipline, patience, and the willingness to look boring for years until a crisis hands you a bargain. Watch for the first big deal Abel actually pulls the trigger on – its size, its sector, and its timing will define his era.

3. Key Terms Glossary

Berkshire Hathaway

A massive American conglomerate built by Warren Buffett that owns whole companies (like railroad BNSF and insurer Geico) and also holds large stock investments in others (like Apple and Coca-Cola).

War chest

A large reserve of cash a company keeps ready to spend on big opportunities, like acquisitions, when they appear.

US Treasuries

Bonds issued by the US government. Considered the safest investment in the world; they pay modest interest and are essentially equivalent to cash for big investors.

Equity portfolio

The collection of stocks (shares of public companies) that an investor or company owns.

Wholly-owned subsidiary

A business that is 100% owned by a parent company. Berkshire owns Geico, BNSF, Dairy Queen and dozens of others outright.

Market valuations

How expensive stocks are relative to the profits or assets of the underlying companies. High valuations mean investors are paying more for each dollar of earnings.

Market dislocation

A period when prices move sharply or irrationally — often a crisis — creating bargains for buyers with cash on hand.

S&P 500

An index tracking 500 of the largest US public companies; a standard benchmark for the overall American stock market.

Operating margin

The percentage of a company's revenue left over as profit after paying the costs of running the business. Higher margins generally signal a stronger business.

4. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. The passage primarily argues that Greg Abel's first shareholder meeting:

- A) revealed a clear strategy for spending Berkshire's cash quickly
- B) left investors uncertain about how he plans to deploy Berkshire's cash
- C) showed Abel breaking sharply from Warren Buffett's investing style
- D) confirmed that Berkshire would soon issue its first-ever dividend

Q2. According to the passage, Berkshire has continued to trim its equity portfolio because:

- A) the company is required by regulators to reduce stock holdings
- B) Abel disagrees with Buffett about the value of public stocks
- C) current stock prices are seen as too high to justify buying more
- D) Berkshire needs the cash to fund a major acquisition it has announced

Q3. Which choice best states the central idea of the passage?

- A) Abel signaled patience and continuity rather than bold new action
- B) Abel intends to sell off most of Berkshire's wholly-owned businesses
- C) Berkshire's stock portfolio is performing poorly under new leadership
- D) Shareholders are demanding that Abel resign and bring back Buffett

Q4. As used in the passage, the word 'deploy' most nearly means:

- A) to defend
- B) to put to use
- C) to advertise
- D) to hide

Q5. As used in the passage, the word 'subtle' most nearly means:

- A) secretive
- B) slight
- C) clever
- D) dishonest

Q6. The passage suggests that Berkshire's enormous size makes:

- A) active trading of its stock portfolio difficult to do meaningfully
- B) small acquisitions especially attractive to its management team
- C) the company immune to changes in the broader stock market
- D) regulators less likely to approve any of its future deals

Q7. Which statement about Abel's approach can most reasonably be inferred from the passage?

- A) He plans to grow Berkshire mainly by issuing new shares
- B) He is more open than Buffett to selling underperforming businesses
- C) He believes Treasuries will outperform stocks for the next decade
- D) He intends to spin off Berkshire's insurance arm within the year

Q8. The author's tone in describing Abel's first meeting is best described as:

- A)** openly hostile and dismissive
- B)** measured and mildly skeptical
- C)** celebratory and admiring
- D)** confused and disorganized

Q9. Which of the following can most reasonably be inferred about the comparison between Abel and Buffett?

- A)** Abel is expected to abandon Buffett's framework entirely
- B)** Abel is following Buffett's playbook with small adjustments of his own
- C)** Abel has already outperformed Buffett's investing record
- D)** Abel has refused to take any advice from Buffett

Q10. Which choice provides the best evidence for the answer to the previous question?

- A)** 'It was the 14th consecutive quarter that the group had trimmed its equity positions.'
- B)** 'Berkshire is a giant tanker and it's only moving a degree or two different in each direction if it does move at all.'
- C)** 'They'll keep looking, the macro environment will get a little turbulent, it will produce some opportunities.'
- D)** 'Greg is more hands-on than Buffett.'

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage primarily argues that Greg Abel's first shareholder meeting:

Answer: B

The passage opens by saying shareholders left with 'unanswered questions' about the war chest and emphasizes that Abel offered few specifics. A is the opposite (Trap A: right scope, wrong direction). SAT Tip: For 'primary argument' questions, the answer almost always echoes the opening or closing paragraph – start there before checking the middle.

Q2. According to the passage, Berkshire has continued to trim its equity portfolio because:

Answer: C

The passage explains Abel and Buffett both find the market unattractive at current valuations and that the S&P 500 is at record highs. D is unsupported – no acquisition is mentioned (Trap C: plausible real-world claim, not in passage). SAT Tip: 'According to the passage' questions reward literal reading. If the text doesn't say it, eliminate it – even if it sounds reasonable.

Q3. Which choice best states the central idea of the passage?

Answer: A

The piece repeatedly stresses that Abel echoed Buffett's caution and made only subtle shifts, not dramatic moves. B exaggerates the 'divest if they need to' line into a sweeping plan (Trap B: passage vocabulary, wrong combination). SAT Tip: Central-idea answers are usually the most moderate option. Beware choices that turn a hedged statement into an absolute one.

Q4. As used in the passage, the word 'deploy' most nearly means:

Answer: B

'Deploy capital' means to put cash to work in investments – its standard finance meaning. 'Defend' (A) is the common military meaning of deploy and is the trap (Trap B: passage vocabulary used in the wrong sense). SAT Tip: On vocab-in-context, plug each option back into the sentence. The right one preserves the original meaning of the sentence; the wrong ones change it.

Q5. As used in the passage, the word 'subtle' most nearly means:

Answer: B

Investors noticed 'subtle shifts' – meaning small, not-dramatic differences from Buffett's approach. 'Clever' (C) is a common meaning of subtle but doesn't fit shifts in strategy (Trap B). SAT Tip: Words like 'subtle,' 'qualify,' or 'compromise' carry multiple meanings. The surrounding sentence – not your first instinct – picks the right one.

Q6. The passage suggests that Berkshire's enormous size makes:

Answer: A

Abel notes the portfolio is concentrated in a few large stocks, so 'active management' is 'really limited' – the implication is that Berkshire is too big to move in and out quickly. C is unsupported (Trap C: sounds plausible but never claimed). SAT Tip: 'Suggests' questions test inference, not memory. The answer must follow logically from the passage but won't be stated in those exact words.

Q7. Which statement about Abel's approach can most reasonably be inferred from the passage?

Answer: B

Rossbach observes that under Buffett, Berkshire 'rarely' sold subsidiaries, but Abel said he would divest 'if they need to' – implying greater openness. C overstates and isn't claimed (Trap C). SAT Tip: Inference answers should be one logical step beyond the text. If a choice requires multiple unsupported leaps, it's wrong.

Q8. The author's tone in describing Abel's first meeting is best described as:

Answer: B

The piece reports that investors had 'unanswered questions' and notes 'few insights' were offered, while still giving Abel credit for grasping the businesses – a tempered, slightly doubtful tone. C ignores the skepticism (Trap A: wrong direction). SAT Tip: Look at the *adjectives* a writer chooses. Words like 'unanswered,' 'few insights,' and 'shockingly' reveal attitude even when the prose looks neutral.

Q9. Which of the following can most reasonably be inferred about the comparison between Abel and Buffett?

Answer: B

The passage shows Abel echoing Buffett's caution on valuations while also being slightly more hands-on operationally and more open to divestitures – small, not sweeping, changes. A is the opposite direction (Trap A). SAT Tip: When two choices are extremes (abandon entirely / no changes at all) the answer is usually the moderate middle option.

Q10. Which choice provides the best evidence for the answer to the previous question?

Answer: B

The 'giant tanker' line directly captures the idea of small, gradual adjustments rather than sharp turns – exactly the inference in Q9. D supports a different point about management style, not investing approach (Trap B: relevant words, wrong target). SAT Tip: On evidence-pairing questions, lock in your previous answer first, then find the line that uses the same logic – not just the same topic.