Polaris Greystone Financial Group, LLC

Polaris Greystone Educational Series

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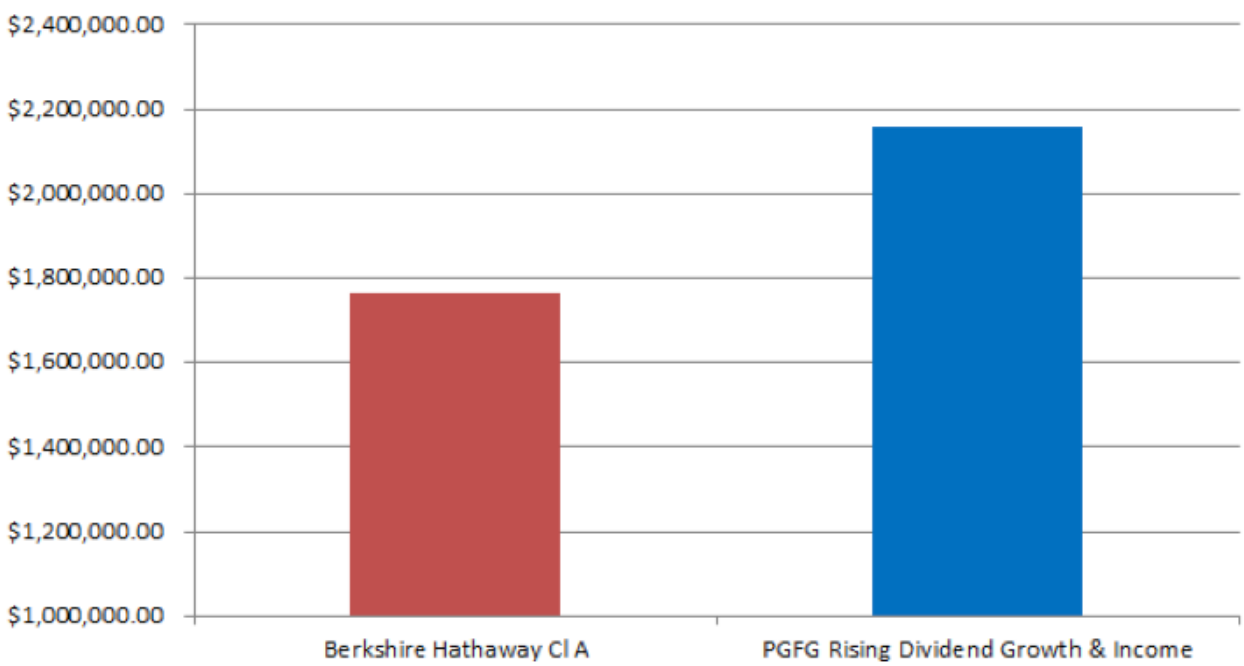
Are You A Better Investor than Warren Buffett?

Warren Buffett, the Oracle of Omaha, is considered to be one of the best investors of all time. This self-made billionaire is the third richest American with a net worth over $73 billion (Forbes Magazine), and unlike many others in the billionaire's club, Warren Buffett made his billions through years of wise and thoughtful investing.

Do you think that you could personally manage your portfolio better than the Oracle of Omaha? We decided to find out if we did by comparing Berkshire Hathaway class A shares to the Polaris Greystone Rising Dividend Growth and Income strategy, which is our strategy with the longest performance track record. Here's how a $1 million initial investment in each would have fared:

Growth of a Hypothetical $1 Million from 1/1/08 to 12/31/16*



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

A million dollars invested in Berkshire Hathaway on January 1, 2008 would have grown to $1,764,393.99 on December 31, 2016. The Polaris Greystone Rising Dividend Growth and Income strategy would have grown to $2,157,961.69, net of all management fees. Polaris Greystone would have provided our client more than $390,000 of total return than Warren Buffett's Berkshire Hathaway!

*PGFG Rising Dividend Growth and Income strategy's actual inception date was August 1, 2007. Its performance results are presented net of all fees and transaction costs and include the reinvestment of all income. Net performance is calculated using actual management fees.

Berkshire Hathaway's actual inception date was in 1964. Berkshire Hathaway reinvests dividends from its underlying holdings.

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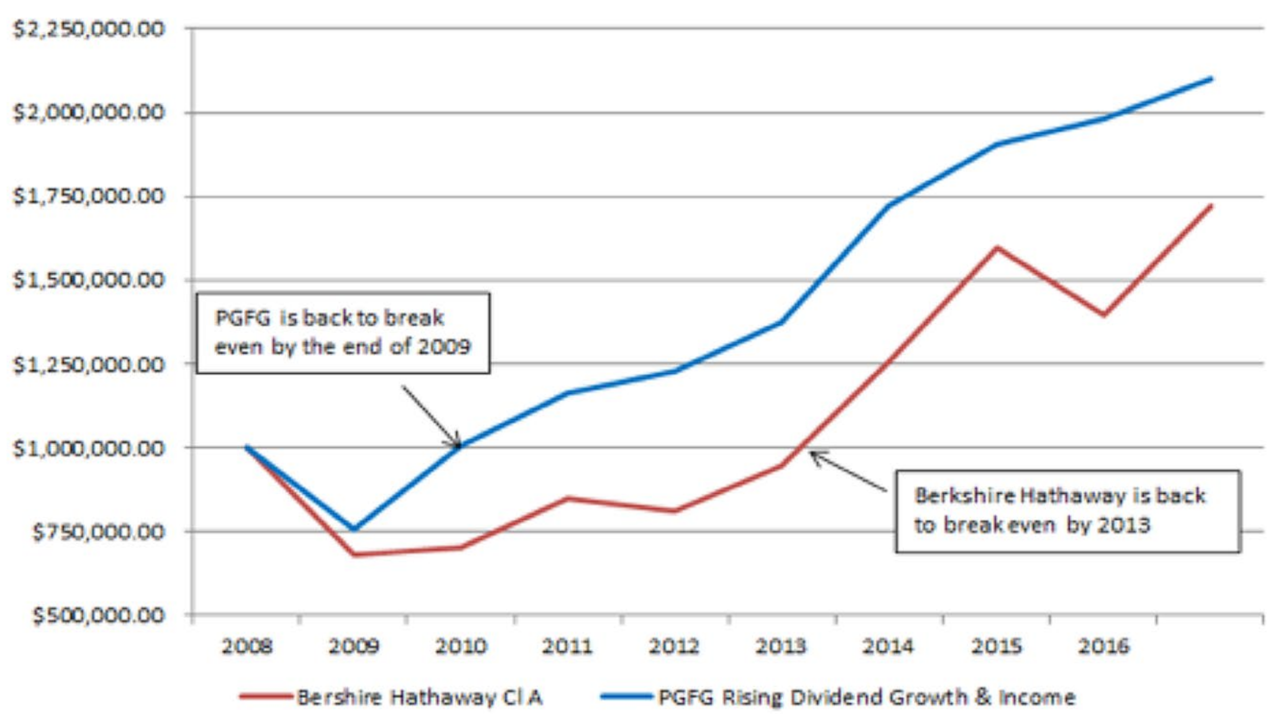
How Did Polaris Greystone Beat Berkshire Hathaway Cl A?

So how did we do it? How did Polaris Greystone more than double the performance that the Oracle of Omaha provided his investors? It's not by taking more risk. In fact, it is the exact opposite. It's all about managing downside risk. As you can see from the chart below, Polaris Greystone was back to breakeven by the end of 2009. It took Berkshire Hathaway four more years just to get back to where it was in 2008.

PGFG Rising Dividend Growth & Income vs. Berkshire Hathaway Cl A*



Source: Morningstar, TD Ameritrade, Polaris Greystone Financial Group
Based on the hypothetical investment of $1 million on January 1, 2008. Performance data quoted represents past performance and does not guarantee future results.

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If we don't lose money, we don't have to make it back. And if we can manage losses, then it is easier to get to a breakeven point. As you can see below, Berkshire Hathaway experienced three downturns over the past nine years. PGFG's Rising Dividend Growth and Income strategy experienced one negative year.

Berkshire Hathaway Cl A vs. PGFG Rising Dividend Growth & Income Performance*

	Berkshire Hathaway Cl A		PGFG RD Growth & Income	
2016	23.42%	$ 1,723,882.75	6.08%	$ 2,100,001.64
2015	-12.48%	$ 1,396,761.26	3.98%	$ 1,979,639.56
2014	27.04%	$ 1,595,933.80	10.64%	$ 1,903,865.70
2013	32.70%	$ 1,256,245.12	25.40%	$ 1,720,775.22
2012	16.82%	$ 946,680.57	11.88%	$ 1,372,229.04
2011	-4.73%	$ 810,375.43	5.41%	$ 1,226,518.63
2010	21.42%	$ 850,609.24	15.42%	$ 1,163,569.52
2009	2.69%	$ 700,551.18	33.12%	$ 1,008,117.76
2008	-31.78%	$ 682,200.00	-24.27%	$ 757,300.00
		$ 1,000,000.00		$ 1,000,000.00

Source: Morningstar, TD Ameritrade, Polaris Greystone Financial Group
Based on the hypothetical investment of $1 million on January 1, 2008. Performance data quoted represents past performance and does not guarantee future results.

As you can see by comparing our results to Warren Buffett's results, we didn't outperform him in all years. It's less than half of the time. The reason why we outperformed him during the period under examination is that we employed strategies to minimize downside risk and were able to recoup losses more quickly.

In our example above, a million dollar Berkshire Hathaway investment lost over $300,000 in 2008. This meant that Berkshire Hathaway had to get a 46.61% return for an investor just to get back to breakeven. Polaris Greystone's strategy, on the other hand, was down only 24.27%. We only had to make a 32.05% return to make back our $242,700 loss sustained during the Great Recession. We broke even in 2009. Polaris Greystone took a 40%+ lead over Berkshire Hathaway during 2008 and the recovery in 2009 by playing defense in order to minimize losses and then having a willingness to step back into the market in 2009 when the risk subsided. Two other examples were 2015 and 2011. The S&P 500 Index was up 1.38% in 2015 when Buffet lost 12.48%. In 2011, Buffet was down 4.73% while the S&P 500 squeezed out a 2.11% return. In both cases Polaris Greystone shined, returning 3.98% and 5.41% respectively.

*PGFG Rising Dividend Growth and Income strategy's actual inception date was August 1, 2007. Its performance results are presented net of all fees and transaction costs and include the reinvestment of all income. Net performance is calculated using actual management fees.

Berkshire Hathaway's actual inception date was in 1964. Berkshire Hathaway reinvests dividends from its underlying holdings.

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Dissecting Berkshire Hathaway's Returns

Warren Buffett deserves every accolade bestowed upon him. He is a tremendous investor and has made many of his investors wealthy over the long run. As you can see below, he has outperformed the S&P 500 over the past decade.

Berkshire Hathaway Cl A vs. S&P 500 Index*

	Berkshire Hathaway Cl A		S&P 500	
2016	23.42%	$ 2,219,326.65	11.96%	$ 1,956,808.29
2015	-12.48%	$ 1,798,190.45	1.38%	$ 1,747,774.46
2014	27.04%	$ 2,054,605.17	13.69%	$ 1,723,983.49
2013	32.70%	$ 1,617,289.97	32.39%	$ 1,516,389.74
2012	16.82%	$ 1,218,756.57	16.00%	$ 1,145,395.98
2011	-4.73%	$ 1,043,277.32	2.11%	$ 987,410.33
2010	21.42%	$ 1,095,074.34	15.06%	$ 967,006.49
2009	2.69%	$ 901,889.59	26.46%	$ 840,436.72
2008	-31.78%	$ 878,264.28	-37.00%	$ 664,587.00
2007	28.74%	$ 1,287,400.00	5.49%	$ 1,054,900.00
		$ 1,000,000.00		$ 1,000,000.00

Source: Morningstar, Standard and Poors
Based on the hypothetical investment of $1 million on January 1, 2007. Performance data quoted represents past performance and does not guarantee future results.

Yet this does not mean that Buffet hasn't had missteps. As you can see from the highlighted returns above, he has underperformed the S&P 500 three times over the past decade. He has also lost money in three years, whereas the S&P 500 was only down one year.

It's very easy to forgive or overlook these missteps, given the name and the long-term track record. But if you didn't know who Warren Buffett was or how successful he has been, would you have fired him in 2015 when he lost 12.58% during a year that the S&P 500 scraped out a positive return? Would you have fired him in 2009, when he delivered a meager 2.69% return while the S&P 500 soared up 26.46%, especially after he lost you almost 32% the prior year? I raise these questions only to emphasize the importance of a long-term perspective.

*S&P 500 Index returns are provided for illustrative purposes only. Its performance includes the reinvestment of dividends. Investors cannot invest directly in an index.

Berkshire Hathaway's actual inception date was in 1964. Berkshire Hathaway reinvests dividends from its underlying holdings.

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We know that all investing involves risk, and every portfolio or investment strategy, including Polaris Greystone's, will at some point underperform their benchmarks. Sometimes this can be psychologically difficult and can even lead investors to make unwise decisions. This is why we encourage you to know your risk appetite, to focus on your own financial goals within your time horizon, and to stay the course.

As you already know, Polaris Greystone runs four stock and four ETF strategies. Every one of them uses the same technical indicators to help us manage risk. Regardless of how much risk you are willing to take in your personal portfolio, the same care is given to all strategies in an attempt to protect your portfolio against losing money. We balance protecting our clients' portfolios against loss with providing upside potential when our technical indicators show us opportunity.

Please feel free to arrange a time to meet with your Polaris Greystone wealth advisor to make sure you fully understand the strategy in which you are invested as to make sure that you are in the appropriate strategy based upon your risk tolerance.

As always, I welcome your questions and comments.

Sincerely,

Jeffrey J. Powell
Managing Partner