Warren Buffett and Charlie Munger took questions for five hours Sunday and gave no indication of any plans to retire.

AFP via Getty Images

A year after Warren Buffett first warned that Robinhood was exploiting new investors’ gambling instincts, he and his right-hand man Charlie Munger all but said “we told you so” at Berkshire Hathaway’s annual meeting on Saturday.

With tens of thousands of shareholders gathered in person in Omaha, Nebraska for the first time since 2019, Buffett again likened the stock market to a casino or gambling parlor and cautioned that large companies have become “poker chips” during a five-hour question and answer session. Munger couldn’t help but feel some schadenfreude now that many traders are watching their portfolios crash and Robinhood’s stock is down 70% since its IPO, referring to its payment for order flow business as “hidden kickbacks.”.

“Look what happened to Robinhood from its peak to its trough. Wasn’t it pretty obvious that something like that was going to happen?” Munger said. “It was disgusting. Now it’s unraveling. God is getting just.”

The 98-year-old Munger, Berkshire’s vice chairman, was direct with his rebukes on stage – he called bitcoin “stupid because it’s very likely to go to zero” and “evil” at one point late in the day. Buffett, 91, compared its lack of tangible value in his view to investments he could justify in farmland or apartment buildings.

Buffett generally offered more meandering and diplomatic critiques but reserved plenty of blame for market-makers on Wall Street that generate more profits as trading volume in stocks increases, regardless of whether they rise or fall.

“Wall Street makes money catching the crumbs that fall off the table of capitalism,” he said. “They make a lot more money when people are gambling than when they’re investing.”

Buffett and Munger both boasted that the trading frenzy makes their job of buying mispriced stocks easier, and Berkshire eagerly strolled through the casino in the first quarter, buying up $51 billion in equities. $41 billion of that sum came in just a three-week span between February 21 and March 15, Buffett said.

The Oracle of Omaha expressed amazement that the market was so liquid Berkshire was even able to build a 14.6% stake in Occidental Petroleum worth more than $7 billion in such a short time frame, saying it would be impossible to do the same with Berkshire's own stock. Berkshire also significantly increased its stake in Chevron to $25.9 billion from $4.5 billion during the first quarter.

Buffett hinted in his annual letter in February that he would be looking for opportunities to spend some of Berkshire's $144 billion pile of cash and U.S. Treasurys, calling such a cash-heavy position "never pleasant" and "never permanent." That cash figure shrunk to $103 billion after the first-quarter stock-buying spree, not including its agreement to buy insurance company Alleghany for $11.6 billion.

But don't expect Berkshire to empty the piggy bank – Buffett's annual letter pledged that the firm will always hold more than $30 billion in cash, and he reinforced his belief in cash's value Saturday, even in a high-inflation environment.

"We believe in having cash. There were times in history when if you don't have it, you can't play the next day," Buffett said. "Some of our companies have bank lines – I don't know why they have the bank lines. We're better than the banks. We'll give them the money if they need it."

Berkshire's moves have been received well by the market, and its stock's 7.5% gain this year has far outperformed the S&P 500's 13% decline. Its 20.1% compounded annual gain from 1965 through 2021 has trounced the S&P 500's 10.5% annualized return, and Buffett's estimated $117 billion net worth makes him the sixth-richest person in the world.

The conglomerate's first-quarter earnings did provide some reasons for concern – its operating earnings were flat at $7 billion, though a 38% decline in insurance profits were offset by gains in its other businesses. Vice chairman Ajit Jain lamented that Berkshire subsidiary Geico has fallen behind Progressive in car insurance and needs to catch up in using telematics, technology that can track a car’s movements and offer customers lower rates.

Jain and Greg Abel, Buffett’s successor-in-waiting as CEO who managers Berkshire’s energy business, joined the nonagenarians on stage for the morning half of the Q&A, but neither Buffett nor Munger gave any indication that they plan on stepping away from the business. Calpers, the nation’s largest pension fund, said in April that it would support a proposal that would prohibit Buffett from serving as both chairman and CEO of Berkshire, a motion that appears highly unlikely to pass.

“It’s the most ridiculous criticism I ever heard,” Munger said. “It’s like Odysseus would come back from winning the battle of Troy and so forth and some guy would say, ‘I don’t like the way you were holding your spear.’”

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