
Exclusive

Charlie Munger invests in Aussie Berkshire Hathaway ‘soulmate’

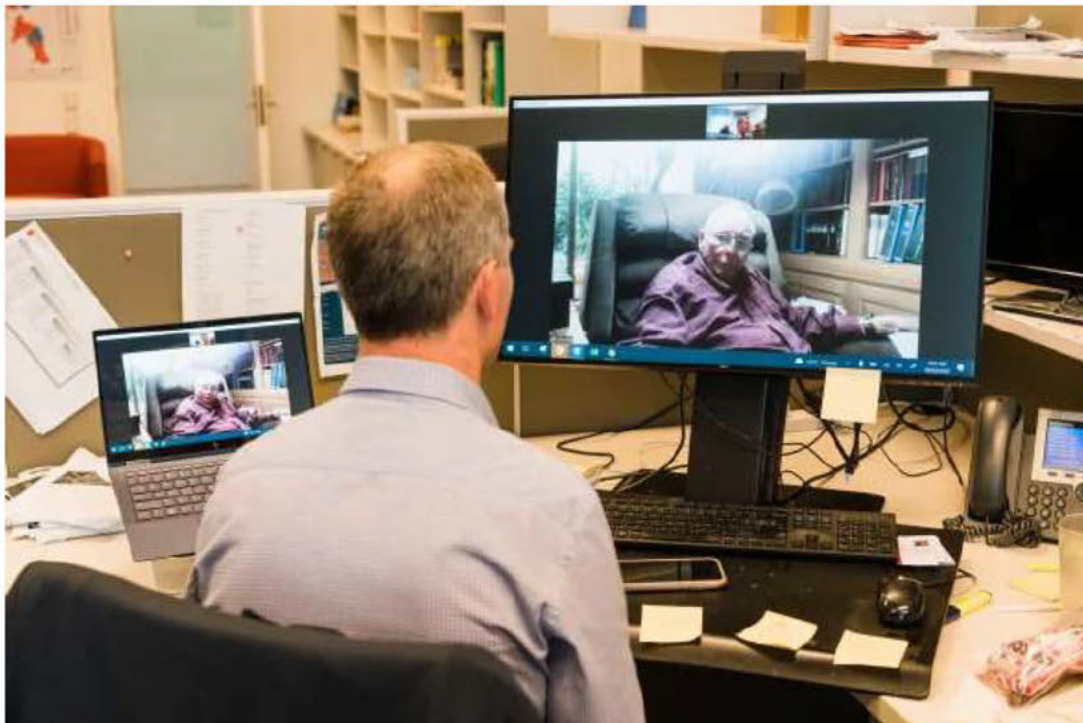
John Kehoe *Economics editor*



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Legendary investor Charlie Munger has entrusted a stake of his personal wealth to a Melbourne-based investment company and endorsed the founder as a “soulmate” of Berkshire Hathaway.

Mr Munger told *The Australian Financial Review* in an exclusive interview that the little-known Stonehouse Corporation, run by American-turned-Australian Charles Jennings, was successfully emulating the Berkshire “playbook” to acquire and manage businesses for the long term.



Charlie Munger talks to *The Australian Financial Review*'s Economics editor John Kehoe on Zoom. **James Brickwood**

“I got interested in one Australian because I think he’s very much like the kind of people that are in Berkshire,” Mr Munger said in a Zoom call from the library of his

Los Angeles home.

“Berkshire and Jennings are quite similar.

“He’s picky and manages things well. He has a mindset very much like ours. Business fundamentalism and relentless rationality and doing business in a very high-grade way.”

“If you’re relentlessly rational, you don’t make a lot of mistakes other people made.”

“It sounds so obvious. You think everybody’s willing to stay rational but of course they aren’t, the world’s full of madmen.”

Mr Munger, 98, is the vice chairman of Berkshire and the close business partner of the world’s most famous investor, Warren Buffett. Mr Munger has an estimated net worth of about \$US2 billion, according to *Forbes*.

Berkshire’s listed market capitalisation is about \$US600 billion, and it has total assets of almost \$US1 trillion, including companies such as Apple, American Express, Bank of America, Chevron, Coca-Cola, Kraft Heinz and General Motors.

Mr Munger said there were more opportunities for Stonehouse to acquire businesses in Australia than the overcrowded US market, where buyout competition is intense among venture capital, private equity and investment conglomerates such as Berkshire.

Mr Munger said he hoped his public association with Mr Jennings would help Stonehouse be on the radar for future sellers of private and family businesses in Australia.

“Berkshire often buys something because the seller wants a good home and knows that Berkshire will be a good place for his employees who are transferred with the business will be fairly treated,” Mr Munger said.

“Jennings is operating the same way. He’s seeking a good home for these Australian businesses.

“It’s the Berkshire playbook all over again.”

“You can see where I recognise the kindred spirit.”

Stonehouse has owned only three businesses since Mr Jennings founded the investment holding company in 2012. They are Goldners Horse Transport, portable cooling manufacturer and distributor EvaKool and Prestige Plants, a supplier of high-quality plants in Australia.

Before being acquired by Stonehouse, the three subsidiaries were typically family-owned businesses contending with business succession and ownership exits.

Mr Munger said the audited accounts of Stonehouse's businesses were "ridiculously good".

"He owns radically different businesses, which is a Berkshire-type thing," Mr Munger said.

"He's got just three big businesses in 12 years.

"Berkshire's top 40 deals in its whole history amount for most of our achievement."



Charlie Munger and Charles Jennings together at Mr Munger's home in California in January.

"Life is a game where you work very hard and deal only occasionally."

Mr Munger said Berkshire and Stonehouse had many similarities in their investment and management approach.

"He treats the businesses with a pretty extreme decentralisation, which is very much like Berkshire," Mr Munger said.

“It’s very hard to acquire unrelated companies, earn a higher return on capital and pay market prices for them.

“Most people who try and do that, fail.

“And the only reason that Berkshire and Stonehouse succeed is that we don’t do it very often, and we’re pretty careful.”

Mr Munger and Mr Jennings came into contact via the University of Chicago’s endowment manager who endorsed Stonehouse to the Berkshire vice chairman.

Throughout 2021 during the pandemic, Mr Munger and Mr Jennings got to know each other over Zoom calls before meeting in-person for the first time in January this year for a meal on the patio at Mr Munger’s LA home.

Mr Jennings said Mr Munger had been his “investment guru” since he was a teenager living in Virginia and attending Berkshire’s famous annual shareholder meetings since the 1990s in Mr Munger’s and Mr Buffet’s hometown of Omaha.

“Having Charlie become involved in our business has been surreal,” Mr Jennings said in a separate interview with the *Financial Review*.

“I’ve admired him my whole life, and he’s now become a business partner.”

The usually low-profile Mr Jennings met his Australian wife in Brisbane 20 years ago while studying.

They then lived in Washington DC and Boston, with Mr Jennings working in consulting and venture capital, while also completing a Master of Business Administration at Harvard University.

The couple relocated in 2010 to Melbourne. Mr Jennings set up AGL Energy’s corporate venture group, building and buying new energy assets.

Mr Jennings met the then-chairman of AGL, former Macquarie banker Mark Johnson.



Stonehouse Corporation founder Charles Jennings.

With the support of Mr Johnson, who is now a non-executive director of Stonehouse, Mr Jennings founded the Melbourne-based investment holding company and set a goal of building an Australian version of Berkshire.

Stonehouse has a relatively modest \$120 million of base capital under management for clients such as university endowments including the University of Sydney and the University of Chicago, family offices and wealthy individuals.

Its investment funds are closed to new capital until 2052.

However, Stonehouse and its existing investment partners have additional “dry powder” to deploy on potential larger future deals, Mr Jennings said.

Stonehouse reinvests the investment holding company’s earnings into its subsidiaries and also allocates the returns into new business acquisitions.

Stonehouse classifies itself as an active acquirer of businesses worth between \$20 million and \$150 million to hold indefinitely as independent and autonomous businesses.

Part of its pitch is that there is an alternative divestiture option for vendors beyond private equity or a strategic sale.

“We’re simply looking for great businesses to acquire,” Mr Jennings said.

“We want business owners to know there is a good, credible, long-term buyer available to them.”

Mr Jennings said some of the investment holding company’s best years were when no deals were done.

“You have to be prepared to be patient and focus on the long term.”

Mr Munger is a limited partner in Stonehouse.



Former AGL chairman and Macquarie banker Mark Johnson has been a backer of Mr Jennings’ investment company. **Andrew Quilty**

“The money is not all that material for the Mungers,” Mr Munger said of his personal investment with Stonehouse.

“I did it because I admired him, and he’s a rare type and I thought it would help him.”

“My experience has been that if I meet good people and get to know them and like them and help them a little bit, maybe someday it helps me or Berkshire.”

Mr Munger’s participation in Stonehouse is an uncommon personal investment outside of Berkshire.

His other known current personal investments include the Daily Journal Corporation, properties in California from his early career, Costco where he’s been a director for 22 years, with Himalaya Capital’s Li Liu and with US apartment owner Avi Mayer.

Mr Munger reduced his stake in Jack Ma’s Alibaba in April.

Mr Munger has visited Australia once, about 20 years ago, on a fishing trip to Cape York in Queensland.

“I thoroughly enjoyed my time in Australia,” Mr Munger said. “Cape York was where I was mostly fishing. Good barramundi. I like Australia.

“Americans and Australians are both a bunch of immigrants from England.”

John Kehoe is Economics editor at Parliament House, Canberra. He writes on economics, politics and business. John was Washington correspondent covering Donald Trump’s election. He joined the Financial Review in 2008 from Treasury. *Connect with John on Twitter. Email John at jkehoe@afrc.com*