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Meet Buffett's \$2.1 million lunch partner

Hong Kong hedge fund manager Zhao Danyang says the Omaha sage is "so famous, but he's just like your friend"

By Beth Kowitt, reporter

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NEW YORK (Fortune) -- Plunking down \$2.11 million for a steak lunch might seem a tad bit excessive, even to a successful hedge fund manager.

But for Zhao Danyang it was a small price to pay to dine with Warren Buffett, the man whose strategy Zhao studied to make sense of the investing world.

The manager of Hong Kong-based Pure Heart Asset Management won the lunch date in an annual online charity auction a year ago. The money goes toward the Glide Foundation, an organization that fights poverty and homelessness in the San Francisco area.

The three-hour meal of steak and seafood at Manhattan's Smith & Wollensky steakhouse, which picked up the tab, puts Zhao in the same company as the likes of David Einhorn of hedge fund Greenlight Capital. Einhorn won the lunch for a bargain \$250,100 in 2003.

Buffett joined Zhao and seven of his friends and family members, but the Oracle of Omaha wasn't the only savvy investor at the table. Zhao says his fund has had a 600% return over six years. Even Buffett had to be impressed.

But Zhao, 37, pointed to the iconic investor as the influence behind his strategy: "Over the last few years I made money," he told Fortune the day after the lunch, "I contribute my success to Warren."

A decade ago Zhao owned a small consumer-electronics



Hedge fund manager Zhao Danyang, who paid \$2.11 million for lunch with Warren Buffett

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company in China and had some money in the stock market. But when the Asian financial markets collapsed in the late 1990s, Zhao lost a significant amount of money.

"I was very angry with myself," he says. "I said to myself, I'm never going to buy stock anymore."

That all changed after he read a book that outlined Buffett's investment strategy. It made him understand stocks in a way he never had before, Zhao says, and he became committed to the idea of value investing. In 2000 he got back into the market and soon launched his own hedge fund.

This was not the first time Zhao had seen Buffett in person. The CEO of Berkshire Hathaway (BRK.A) invited him out to his annual shareholders meeting in May in Omaha. But this time around he actually had the chance to pick his brain.

"He's so famous, but he's just like your friend," Zhao said.

Buffett has been closed-mouthed about the lunchtime conversation. "That guy just paid \$2 million [for] my advice," Buffett told the *New York Daily News*. "I'm not going to give it to you for free."

Zhao recounted that he and Buffett did not talk about the short-term outlook, saying that as long-term investors it's irrelevant to them. But they did discuss economic cycles, a concept Zhao said was relatively new to him and to China.

They talked too about Buffett's philanthropic work. Zhao wanted to know why Buffett gave his money to the Gates Foundation instead of starting an organization of his own. Buffett told him that for the same reason people gave Buffett their money to invest because they believed he could allocate capital effectively, the billionaire gave his money to Gates because Buffett thinks Gates can do the same thing in the philanthropic world.

Zhao's 5-year-old son also was at the lunch, and Buffett told him he was fortunate to be born in China today. Both the U.S. and China will do well in the next 20 years, he said, but China will grow more quickly and provide serious opportunities.

"He said if he had a choice, he would like to be my son, lucky just like when he grew up in the U.S.," Zhao said.

Zhao was in the U.S. for 10 days on business in addition to the lunch, but in between his full schedule he managed to put down an offer on a New York City apartment. He's also thinking about opening up an office in the U.S. down the road.

"I want to live here and study everything here to learn more about America," he says. "[The U.S.] will do well in the future so it's a good time to invest now."

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The bidding for next year's lunch runs through today. But not just anyone can join Buffett for a steak. All bidders must pre-qualify and have at least \$25,000 lying around for the opening bid. Hours before the close, the bidding had reached \$350,000. ■

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