

Buffett was known to have run a special situation segment of his portfolio. During his partnership years, this is how his allocation looked like.

Buffett called them workouts - because he wasn't the father of special situations. Maybe he wanted to rebrand the term to workouts(?).

Anyways, it worked out so well for him that he kept a large portion in special situations during good and bad times. It's what helped him achieve ridiculous gains when the market and everything else was crashing around him.

If you aren't familiar with special situations, here's a quick definition:

*"The essence of a special situation is an expected corporate (not market) development, within a time period estimable in the light of past experience"*

To read an early article by the man who taught special situations to the world, [click to download this PDF of the article](#).

In the article it contains a formula to calculate the "Indicated annual return".

Being a fairly optimistic person (bad in the markets because hope and optimism is a killer), I tend to overestimate the probabilities of success.

In the formula where it says to enter the expected probability, my **max** will be 60% going forward.

Although current market conditions have made special situations tougher, the underlying lessons are the same.

Go ahead and find out the identity of the father of special situations and practical details of how to apply the methods [in the PDF](#).

Until next time :)

Jae

Category	Investment %
Controls	30%
Generals - Private Owner	20%
Generals - Relatively Undervalued	11%
Workouts	23%
Misc, US T-Bills	16%
<b>Total</b>	<b>100%</b>