The Buffet Bet - Basket of Funds vs. All Passive

Stats 107 Final Project

David Wihl

December 6, 2016

Abstract

Ten years ago, Warren Buffett made a famous : the ultimate passive investment, the Vanguard S&P 500 Index Fund Admiral (VFIAX), vs. a basket of funds determined by a team of hedge fund experts. Whoever had a lower return after ten years would donate $1 million to the charity of choice of the winner. After eight years, it looks increasingly likely that Buffett will win the bet.

Type: Simulating a trading strategy.

Introduction

Yahoo only has data on VFIAX starting 2000-11-13.

Quantmod does not use adjusted price to calculate returns. So, basically, it is wrong. I found this going through the quantmod sources and then confirmed it at http://stackoverflow.com/questions/34772616/r-function-periodreturn-not-computing-returns-using-adjusted-closing-prices

Methods

Importing List of Vanguard Mutual Funds

```
loadRData = function(filename) {
  # Source: http://stackoverflow.com/questions/5577221/how-can-i-load-an-object-into-a-variable-name-th
  load(filename)
  get(ls()[ls()!="filename"])
}
library(quantmod)
fromDate = "2010-11-13"
toDate   = "2016-11-13"
funds    = read.csv("data/vanguard.csv",header = T, stringsAsFactors = F)
# Load from previously cached download
stockDataEnv= loadRData("data/stockData.RData")
fundData = mget(funds$Ticker,stockDataEnv)
```

Results

Conclusions and Discussions

References

This entire project code including source data can be found on GitHub (https://github.com/wihl/stats107-project)

Appendix A

The following is the code used to prepare this report:

```
# Code goes here
loadRData = function(filename) {
  # Source: http://stackoverflow.com/questions/5577221/how-can-i-load-an-object-into-a-variable-name-th
  load(filename)
  get(ls()[ls()!="filename"])
}
library(quantmod)
fromDate = "2010-11-13"
toDate   = "2016-11-13"
funds    = read.csv("data/vanguard.csv",header = T, stringsAsFactors = F)
# Load from previously cached download
stockDataEnv= loadRData("data/stockData.RData")
fundData = mget(funds$Ticker,stockDataEnv)

##
```