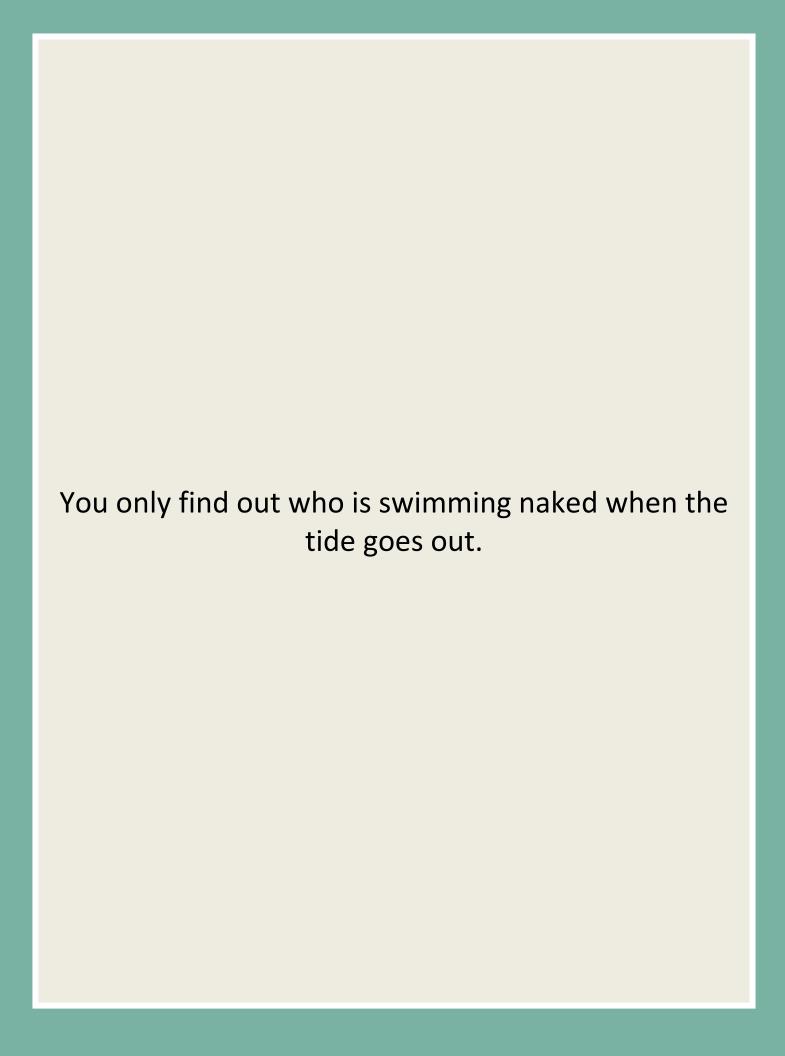


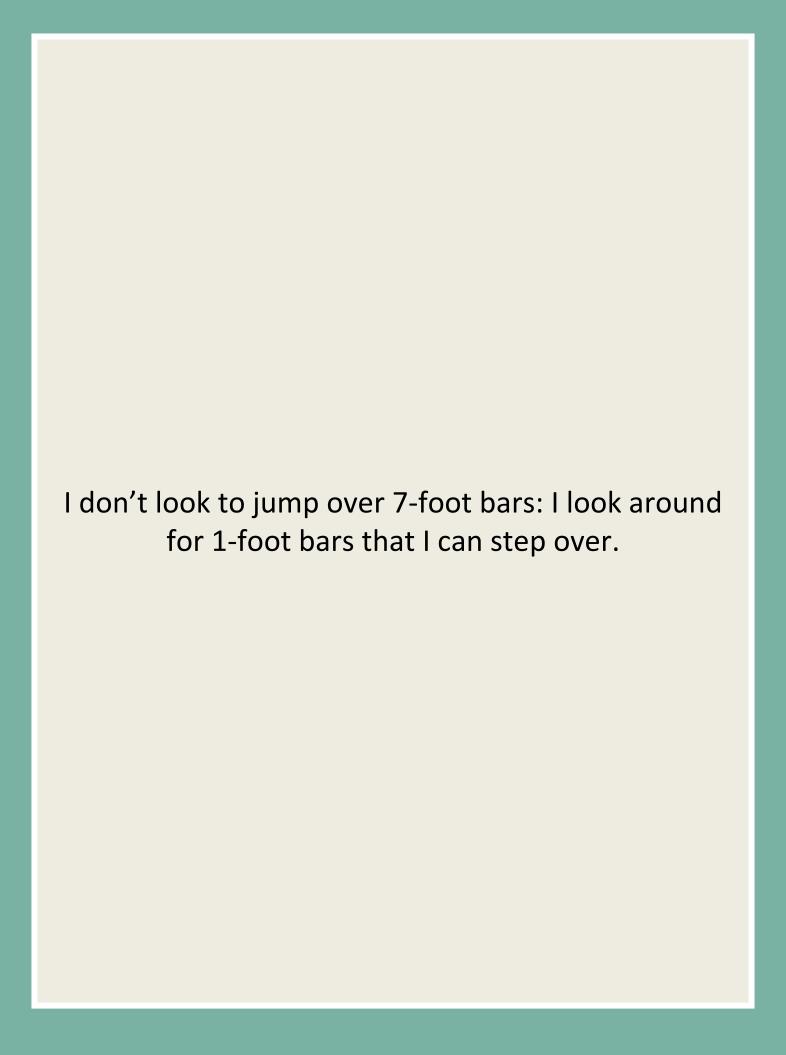




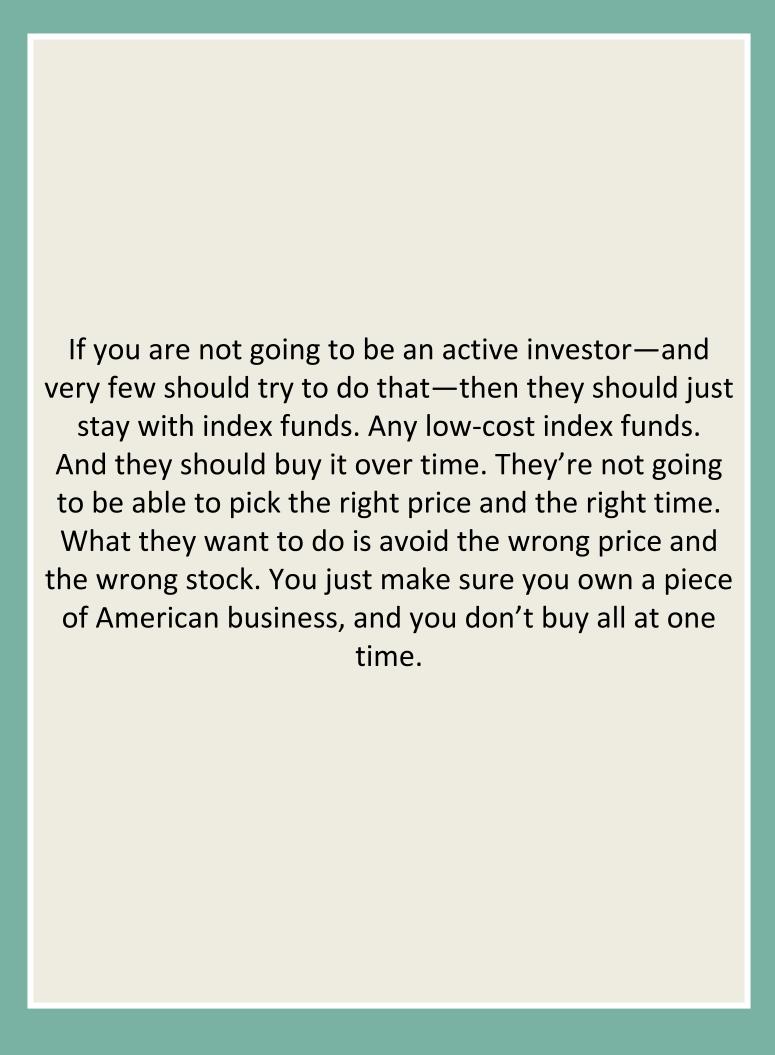


When I buy a stock, I think of it in terms of buying a whole company, just as if I were buying the store down the street. If I were buying the store, I'd want to know all about it. I mean, look at what Walt Disney was worth on the stock market in the first half of 1966. The price per share was \$53, and this didn't look especially cheap; but on that basis, you could buy the whole company for \$80 million when "Snow White," "Swiss Family Robinson," and some other cartoons, which had been written off the books, were worth that much; and then you had Disneyland and Walt Disney, a genius, as a partner.

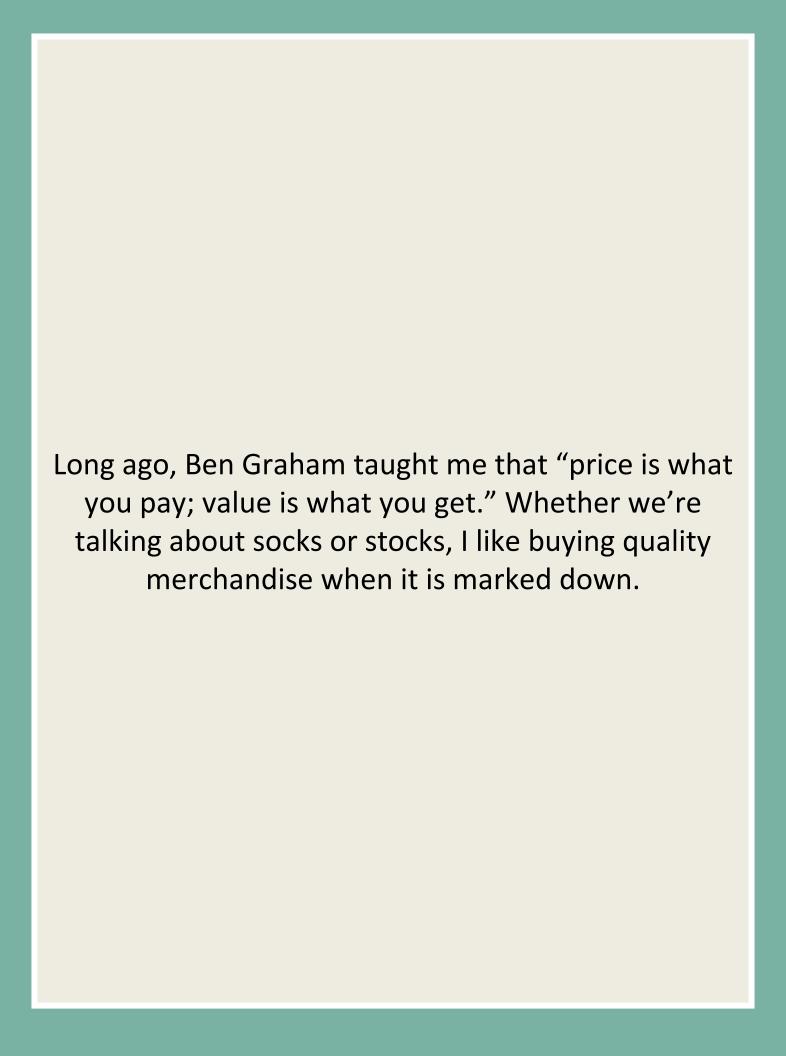


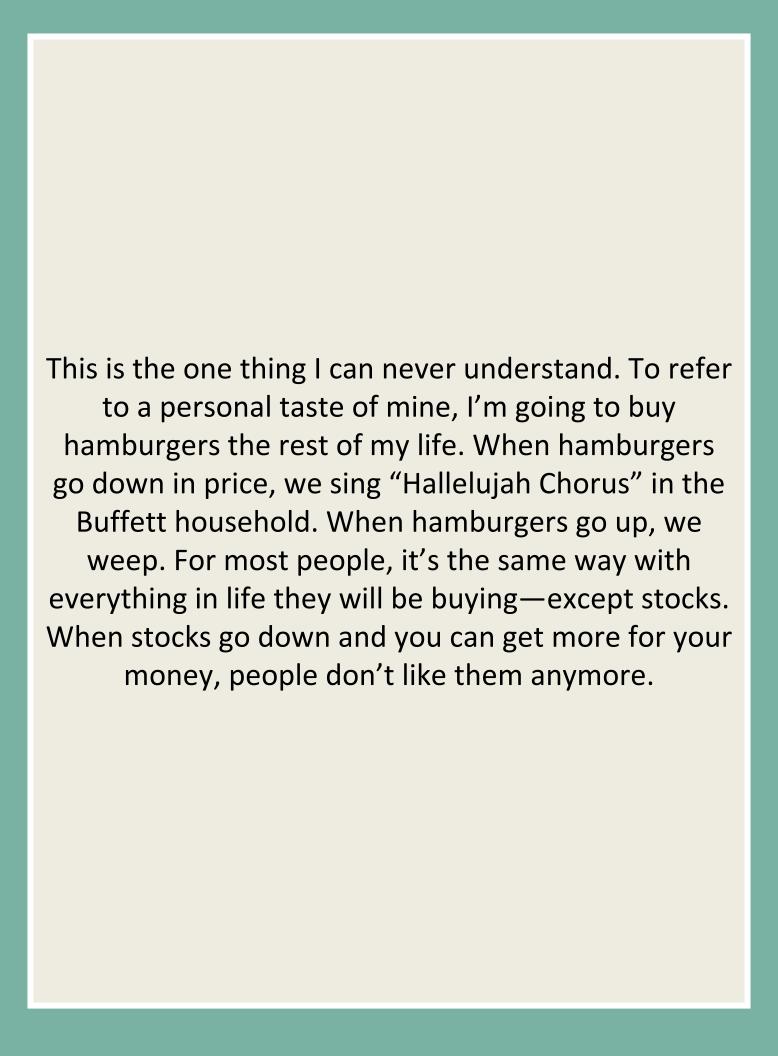


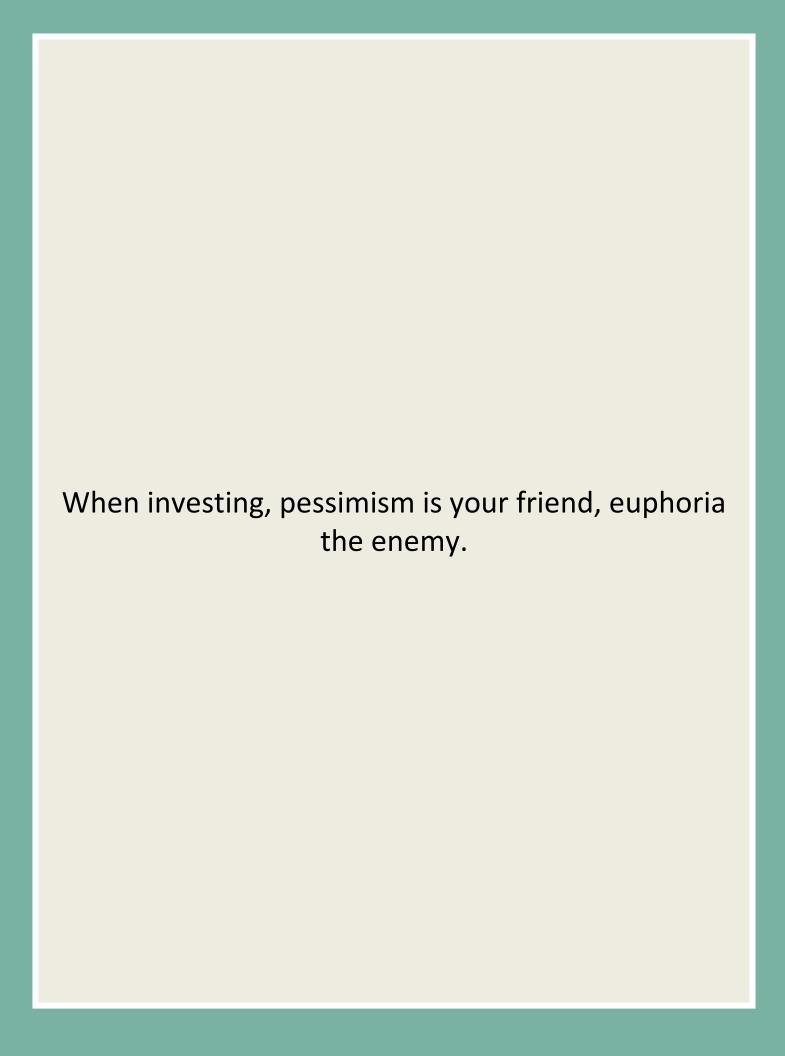


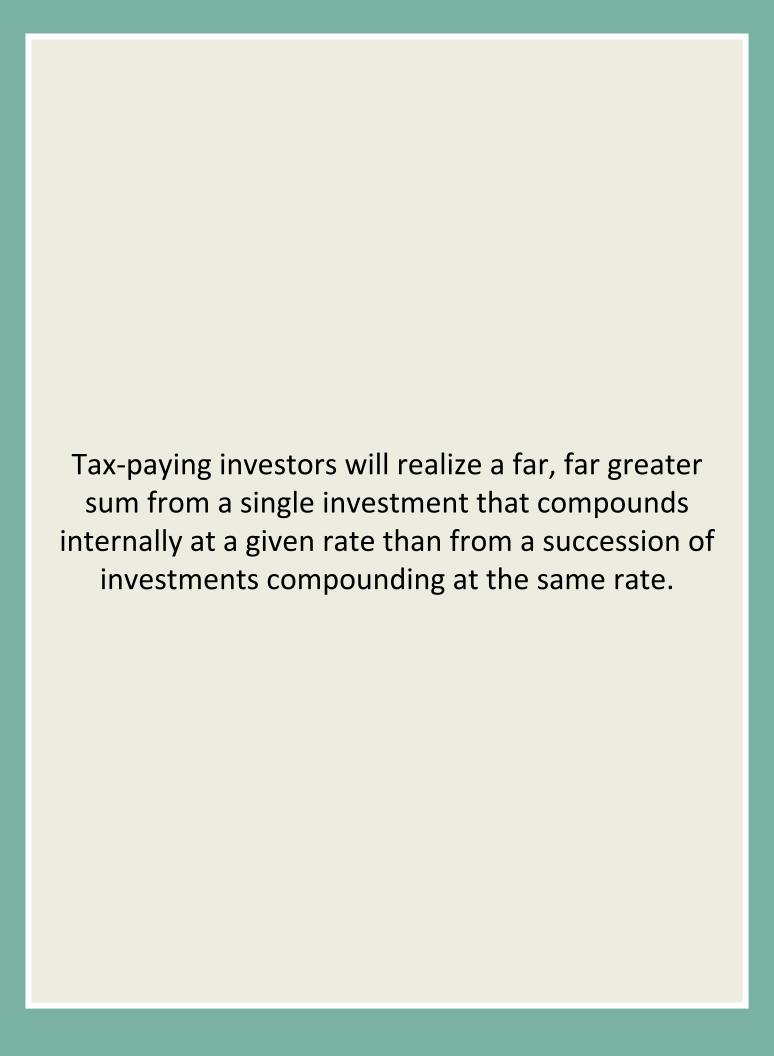


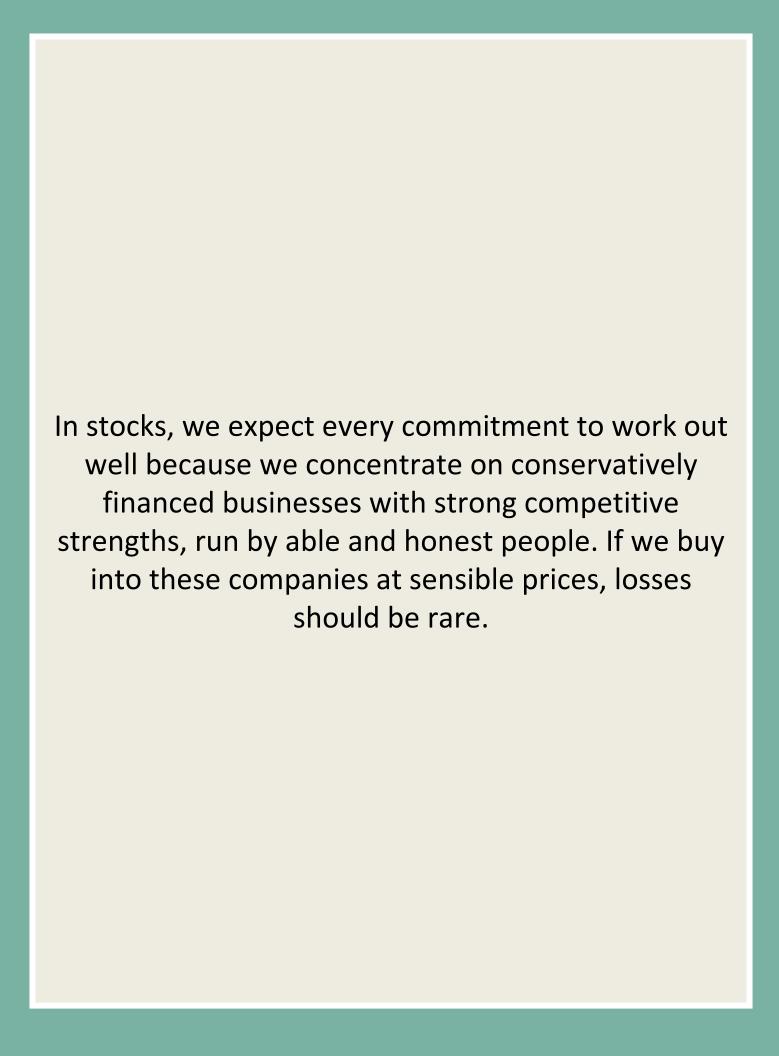
The business schools reward di behavior more than simple beha behavior is more effe	avior, but simple

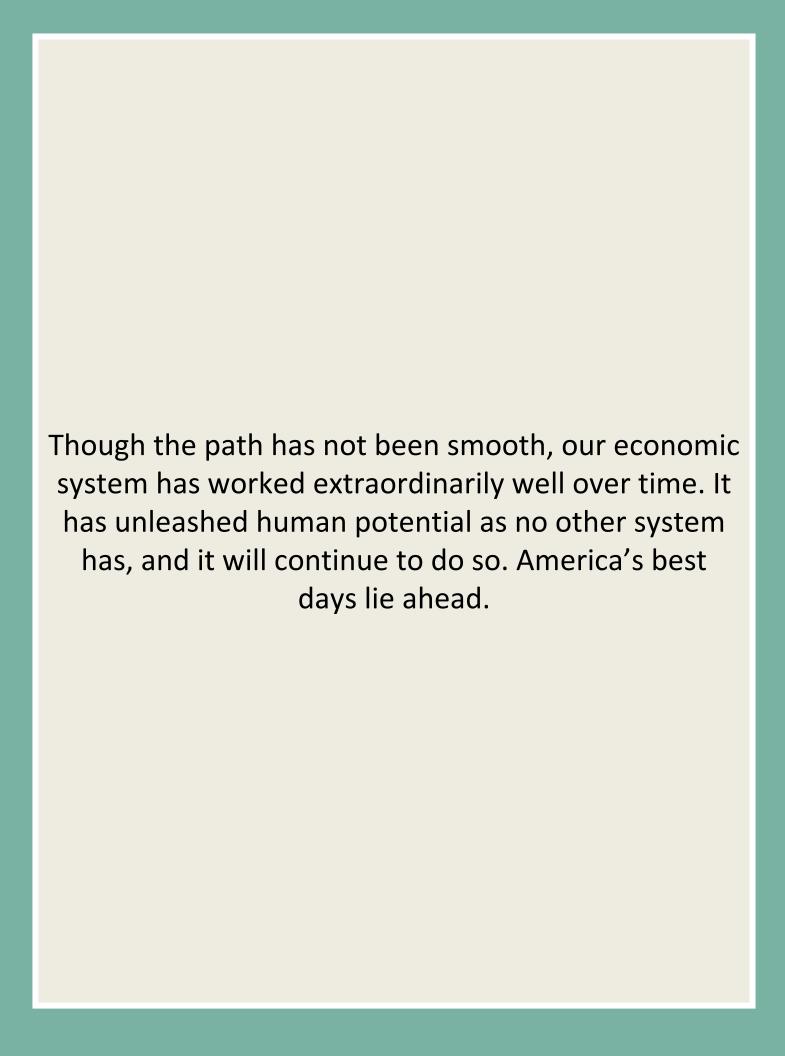






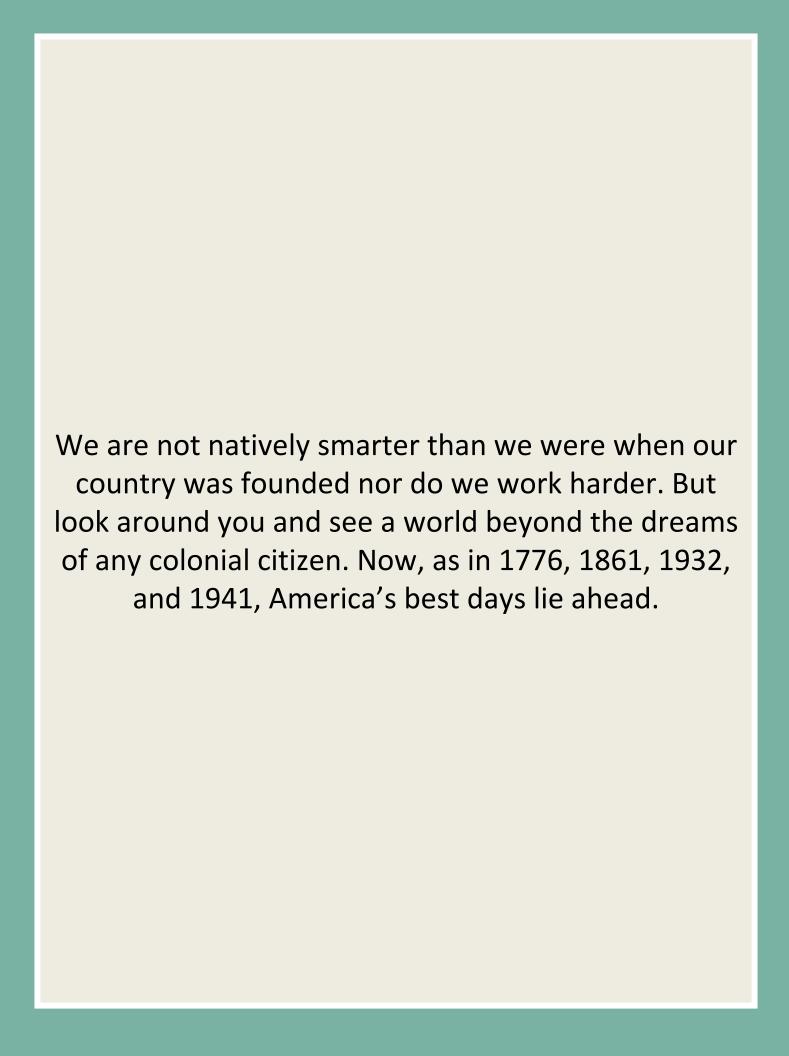






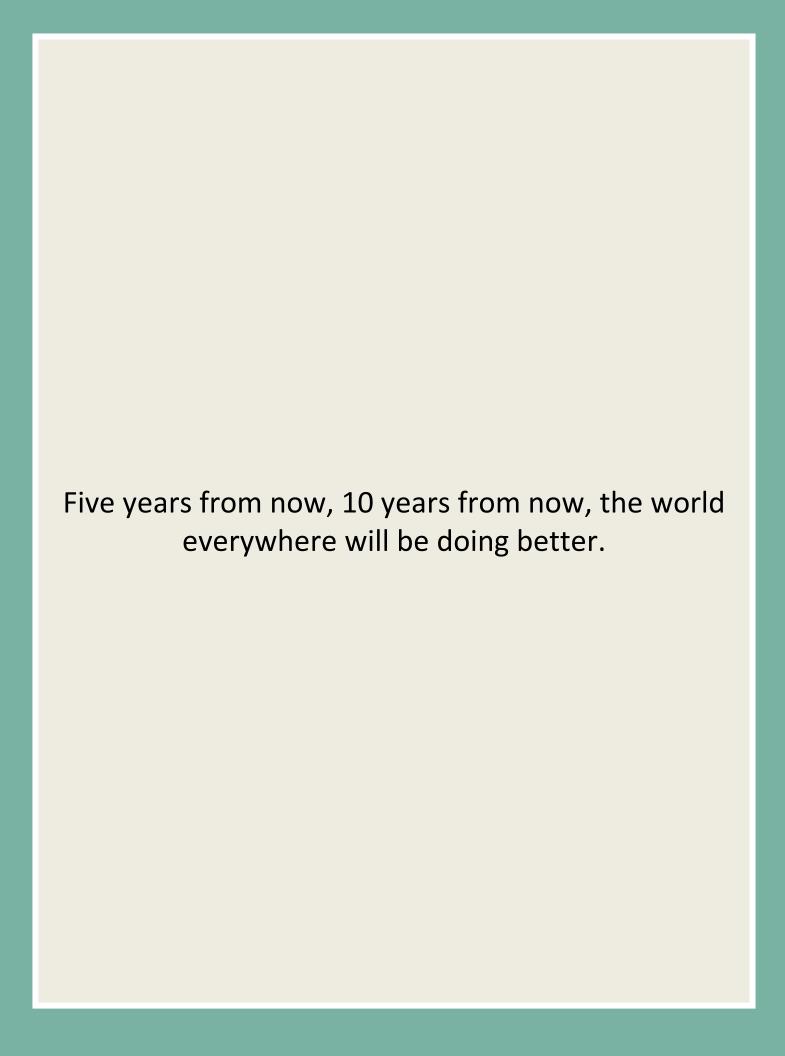


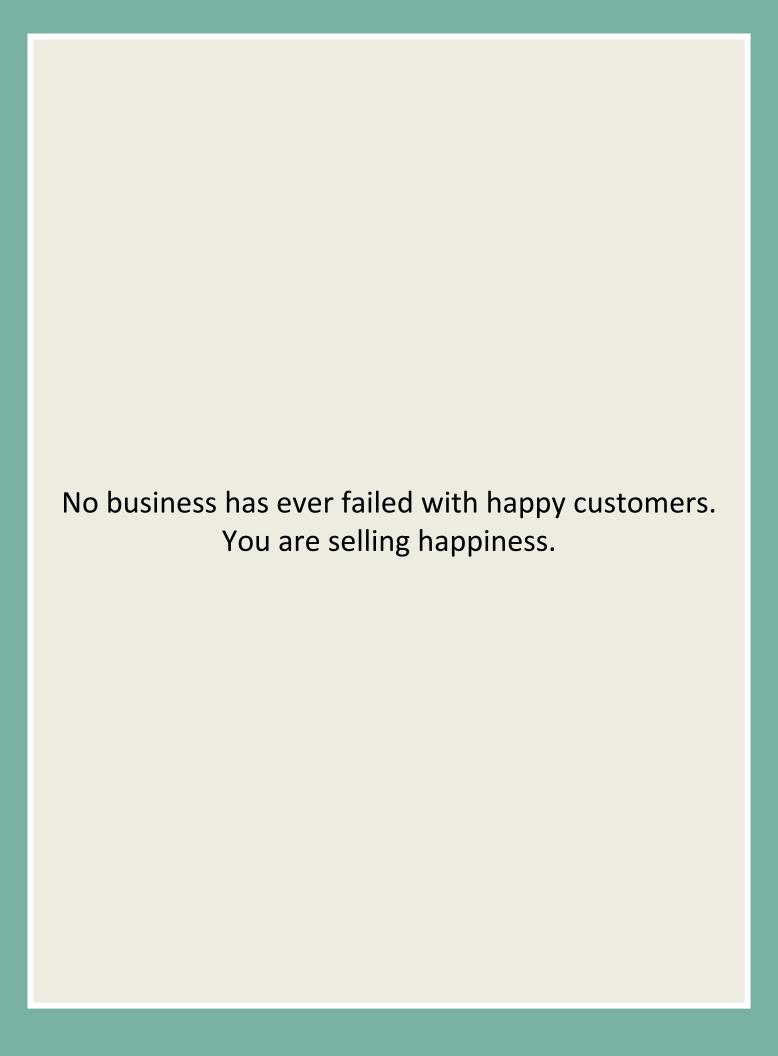


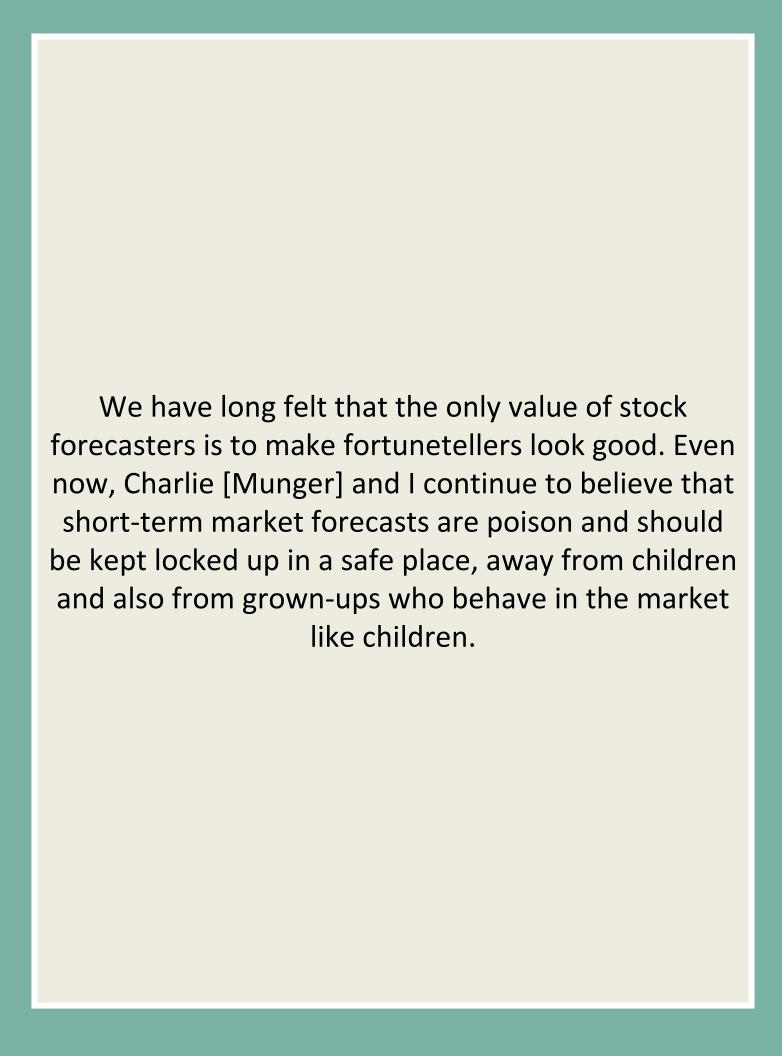


There are speed handicappers and class handicappers. The speed handicapper says you try and figure out how fast the horse can run. A class handicapper says a \$10,000 horse will beat a \$6,000 horse. [Ben] Graham says, "Buy any stock cheap enough, and it will work." That was the speed handicapper. And other people said, "Buy the best company, and it will work." That's class handicapping.

A prediction about the direction of the stock market tells you nothing about where stocks are headed, but a whole lot about the person doing the predicting.





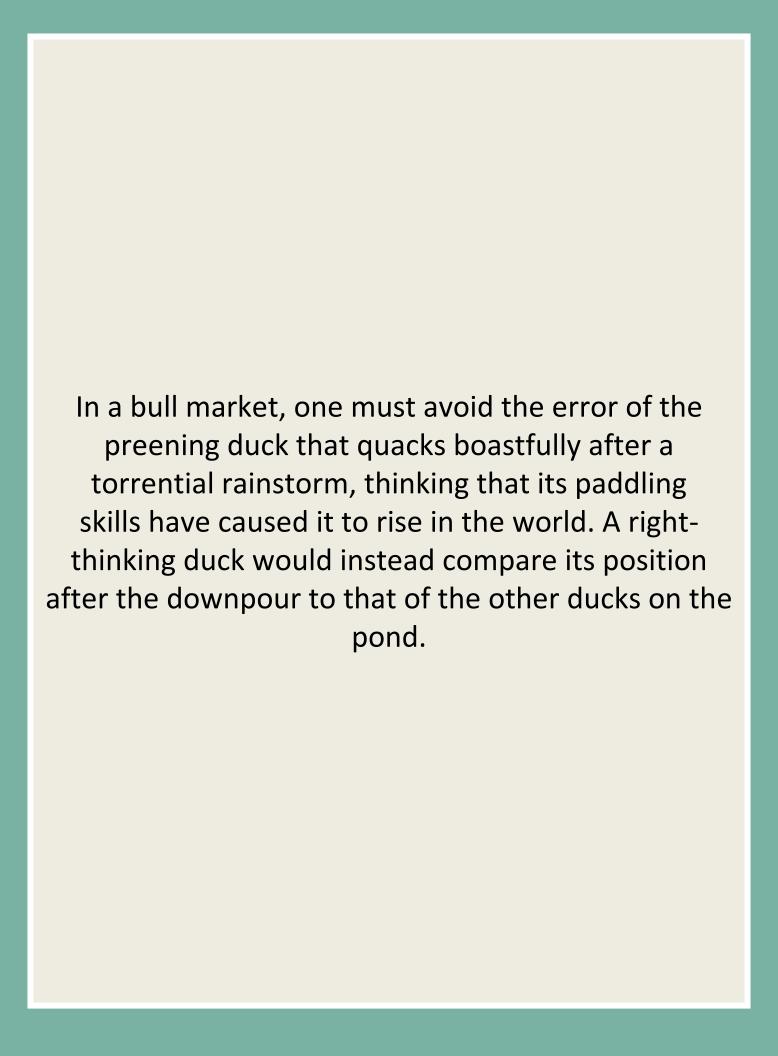


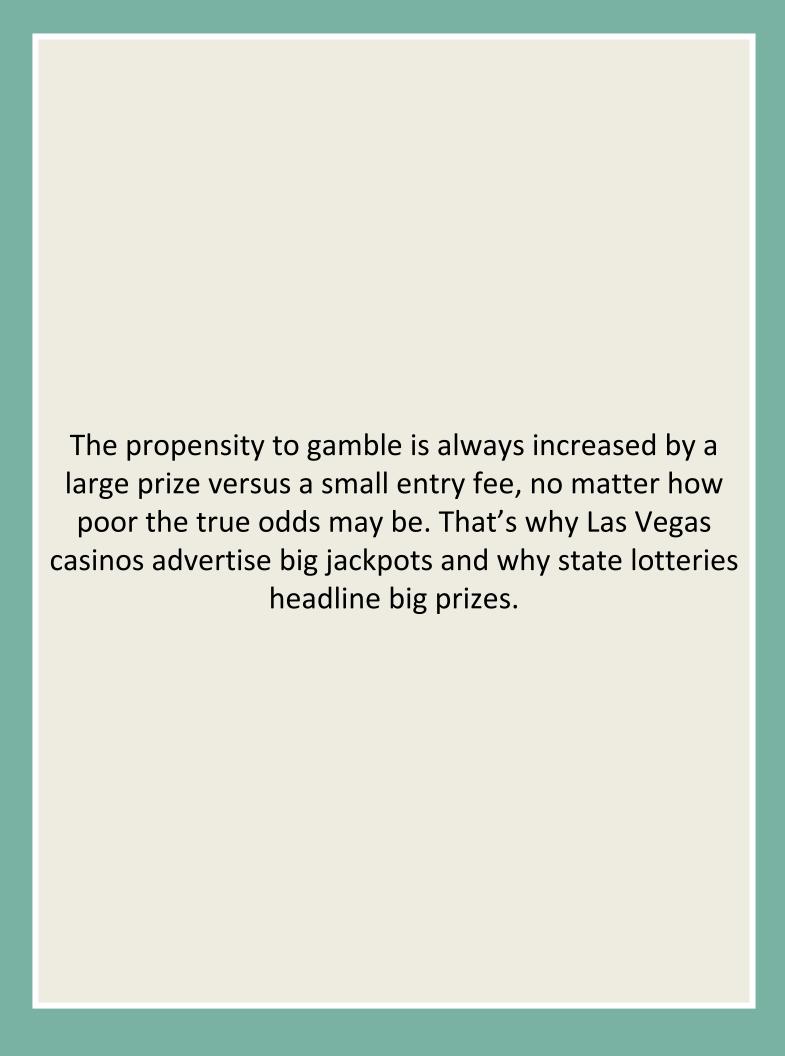
In any business, there are going to be all kinds of factors that happen next week, next month, next year, and so forth. But the really important thing is to be in the right business. The classic case is Coca-Cola, which went public in 1919. They initially sold stock at \$40 a share. The next year, it went down to \$19. Sugar prices had changed pretty dramatically after World War 1. So you would have lost half of your money one year later if you'd bought the stock when it first came public; but if you owned that share today—and had reinvested all of your dividends—it would be worth about \$1.8 million. We have had depressions. We have had wars. Sugar prices have gone up and down. A million things have happened. How much more fruitful is it for us to think about whether the product is likely to sustain itself and its economies than to try to be questioning whether to jump in or out of the stock?



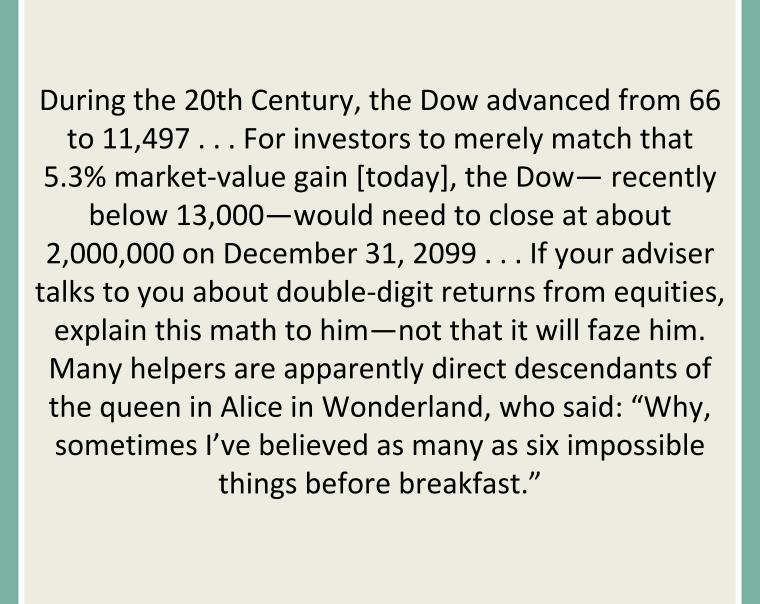
Overwhelmingly, for people that can invest over time, equities are the best place to put their money. Bonds might be the worst place to put their money. They are paying very, very little, and they're denominated in a currency that will decline in value.

The market is there only as a reference point to see
The market is there only as a reference point to see if anybody is offering to do anything foolish. When we invest in stocks, we invest in businesses.



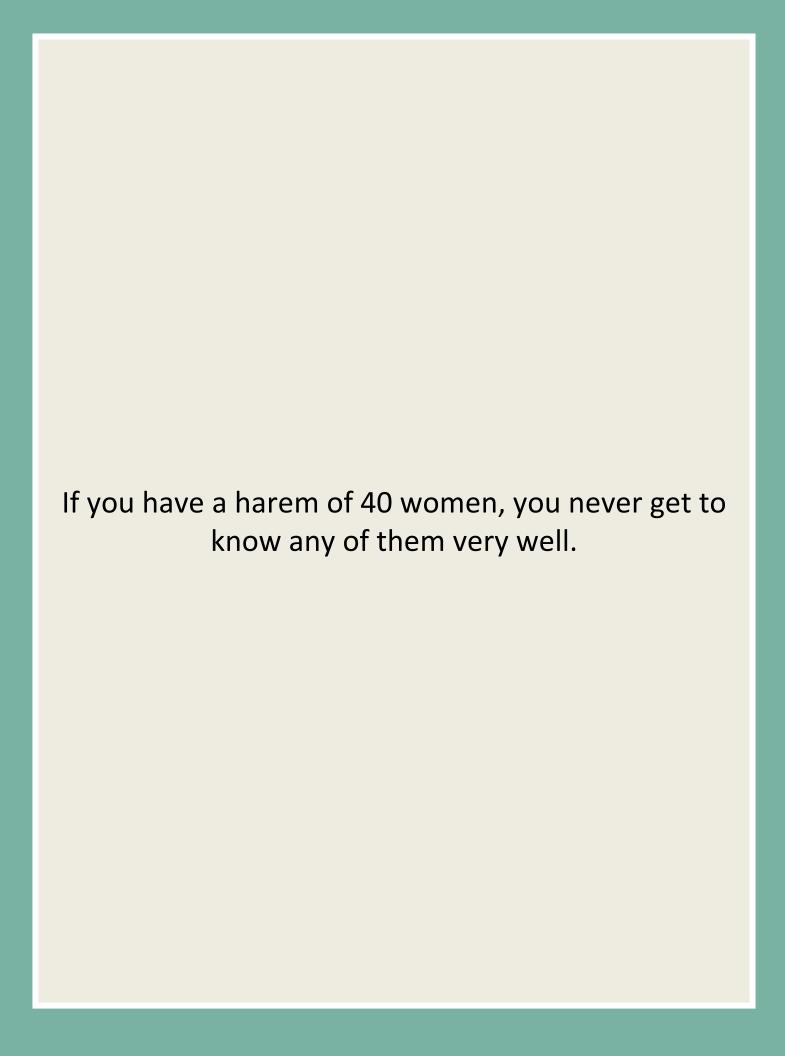


I read annual reports of the company I'm looking at, and I read the annual reports of the competitors—that is the main source of material.



I always picture myself as owning the whole place. And if management is following the same policy that I would follow if I owned the whole place, that's a management I like.
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I like a business that, when it's not managed at all, still makes lots of money. That's my kind of business.



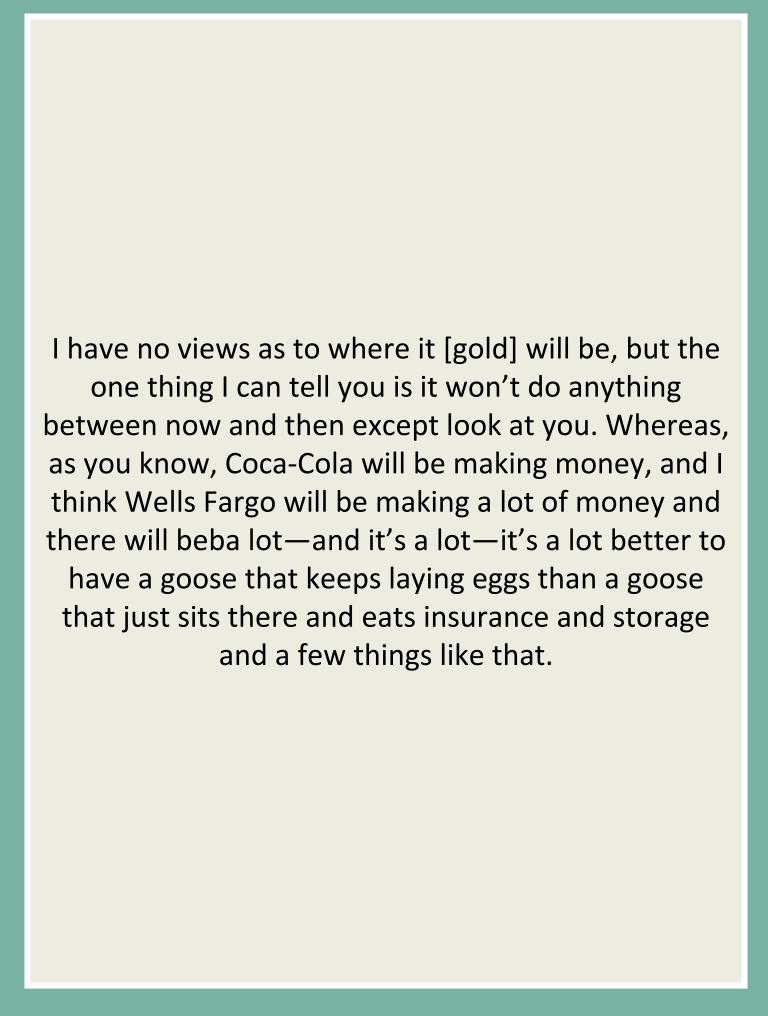
Investors making purchases in an overheated market
need to recognize that it may often take an extended period for the value of even an outstanding company to catch up with the price they paid.

Don't pass up something that's attractive too because you think you will find something m attractive tomorrow.	_

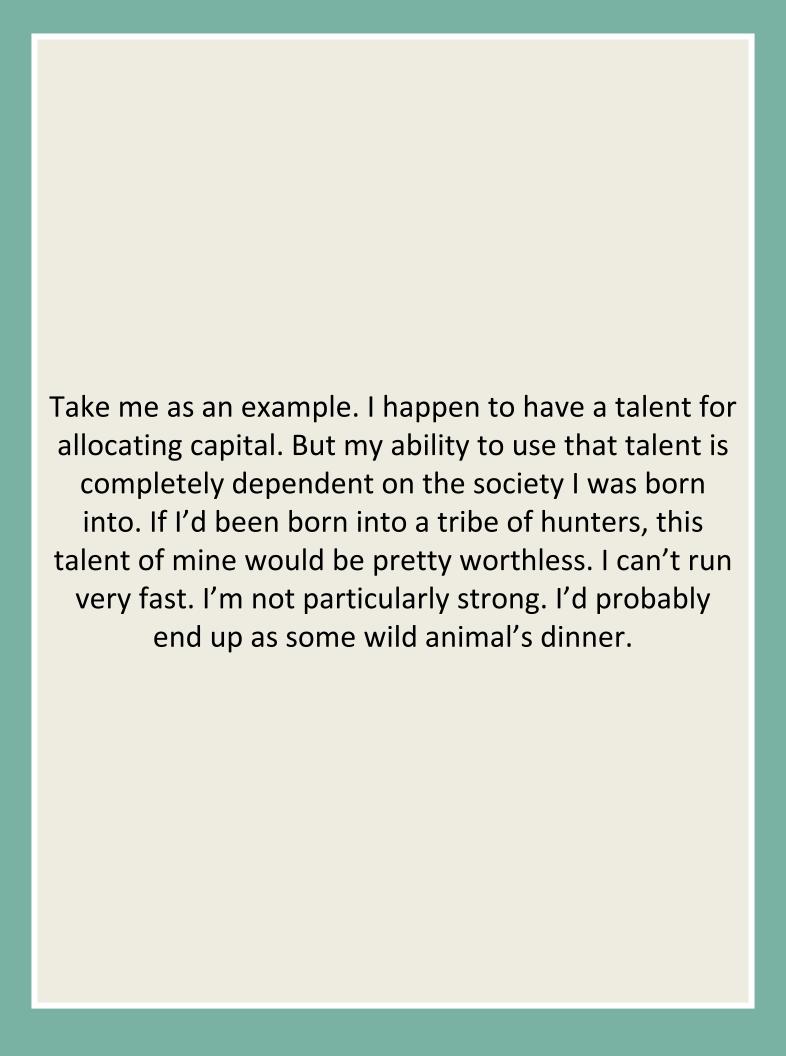


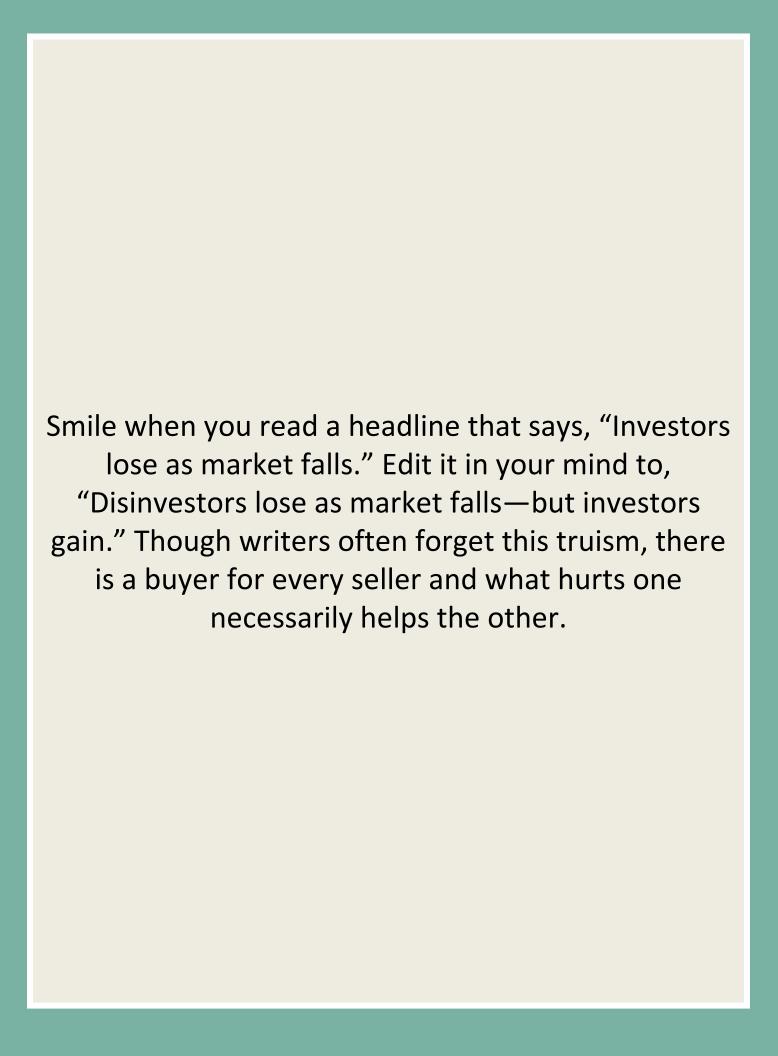
Stop trying to predict the direction of the stock market, the economy, interest rates, or elections.	

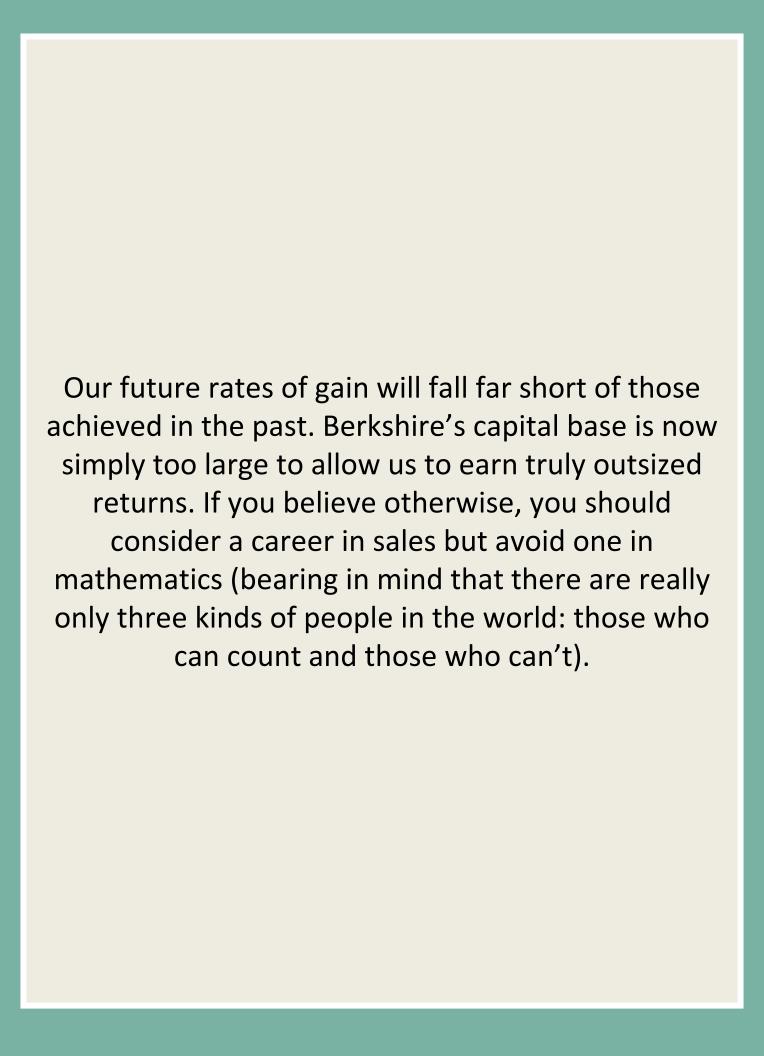
If you are not happy being in the top one tenth of one percent wealthiest people on earth, being in the top one hundredth of one percent isn't going to do anything for you.
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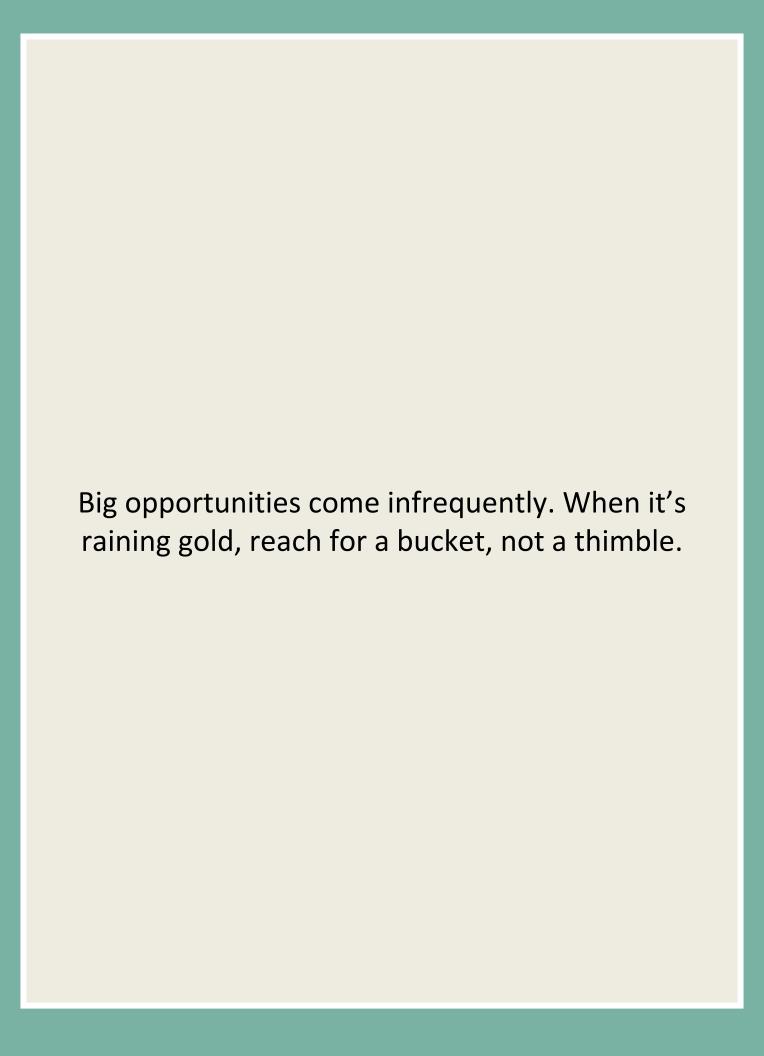


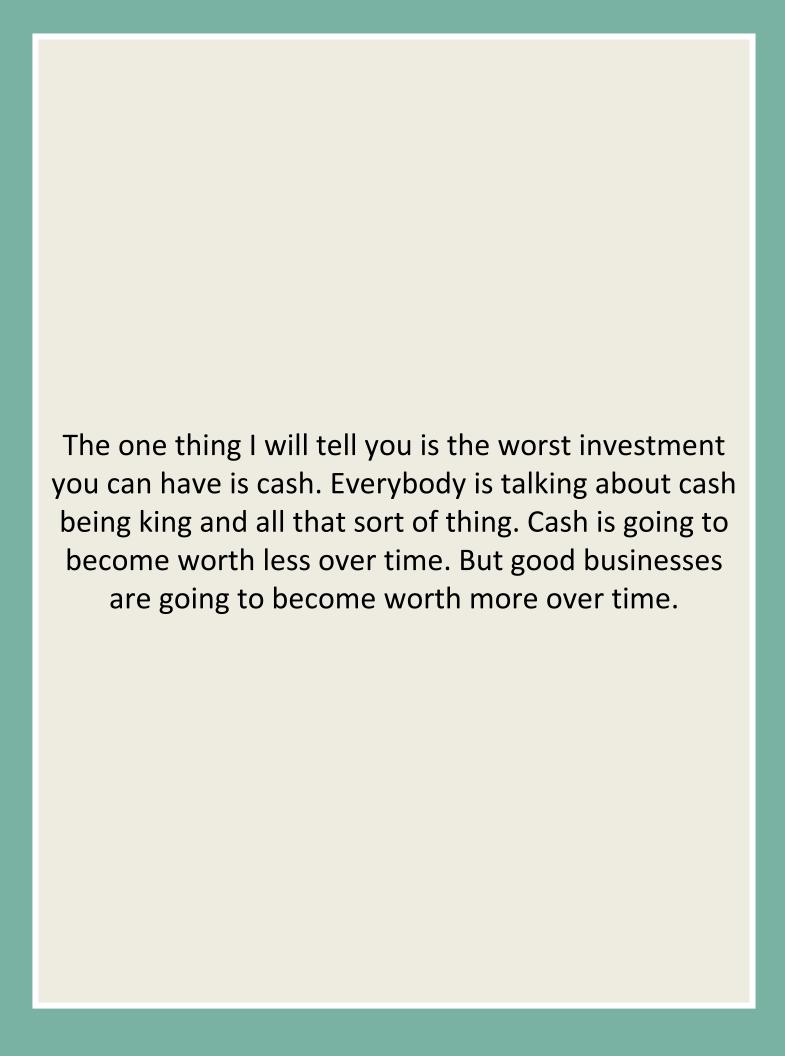
Can you really explain to a fish what it's like to walk on land? One day on land is worth a thousand years of talking about it, and one day running a business has exactly the same kind of value.

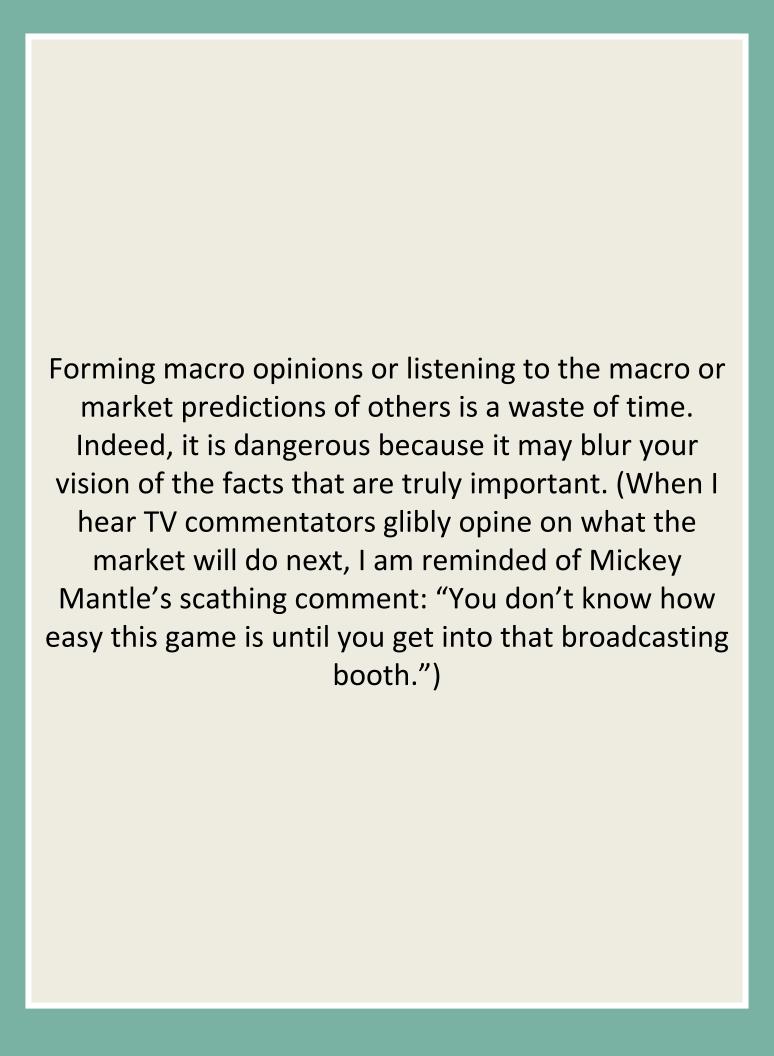


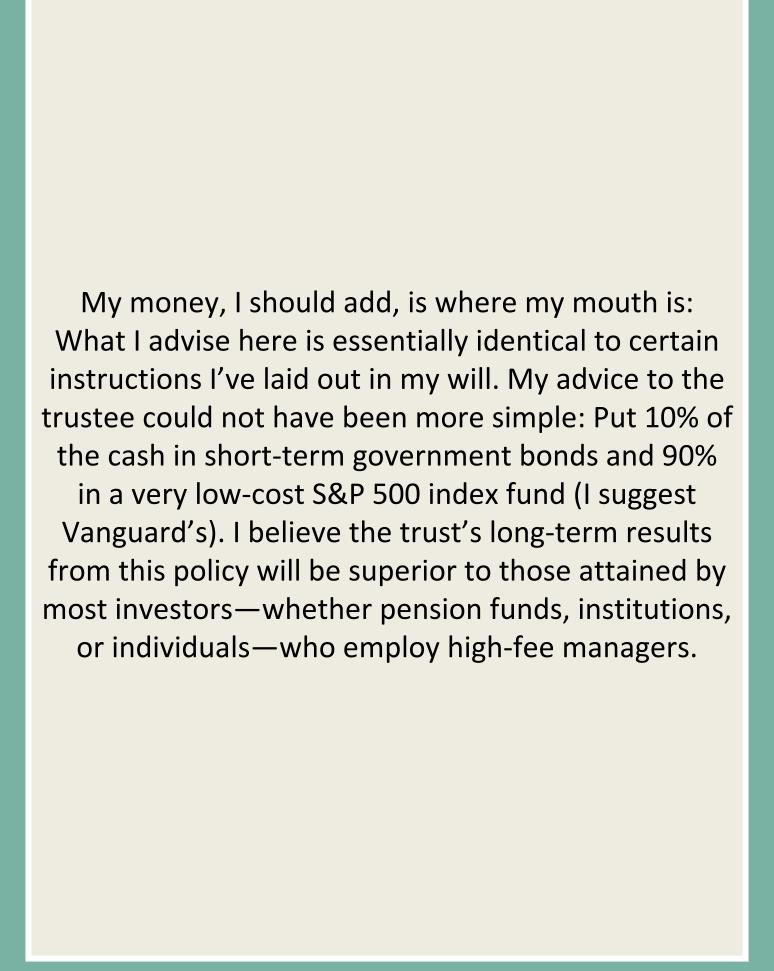






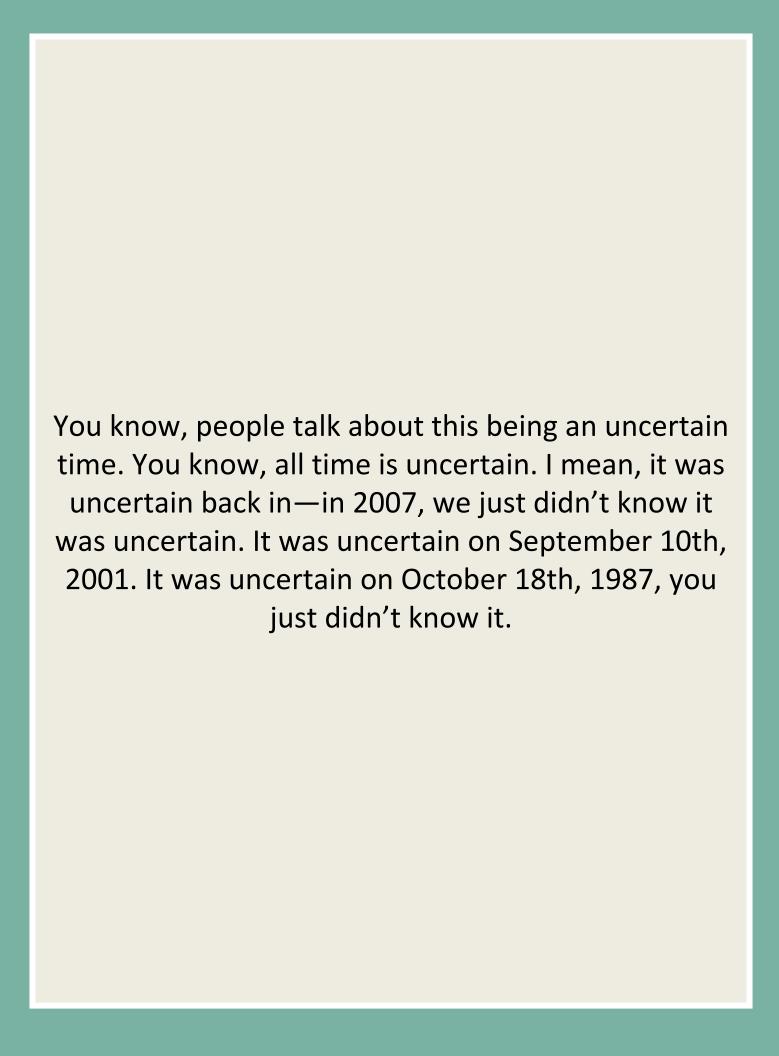




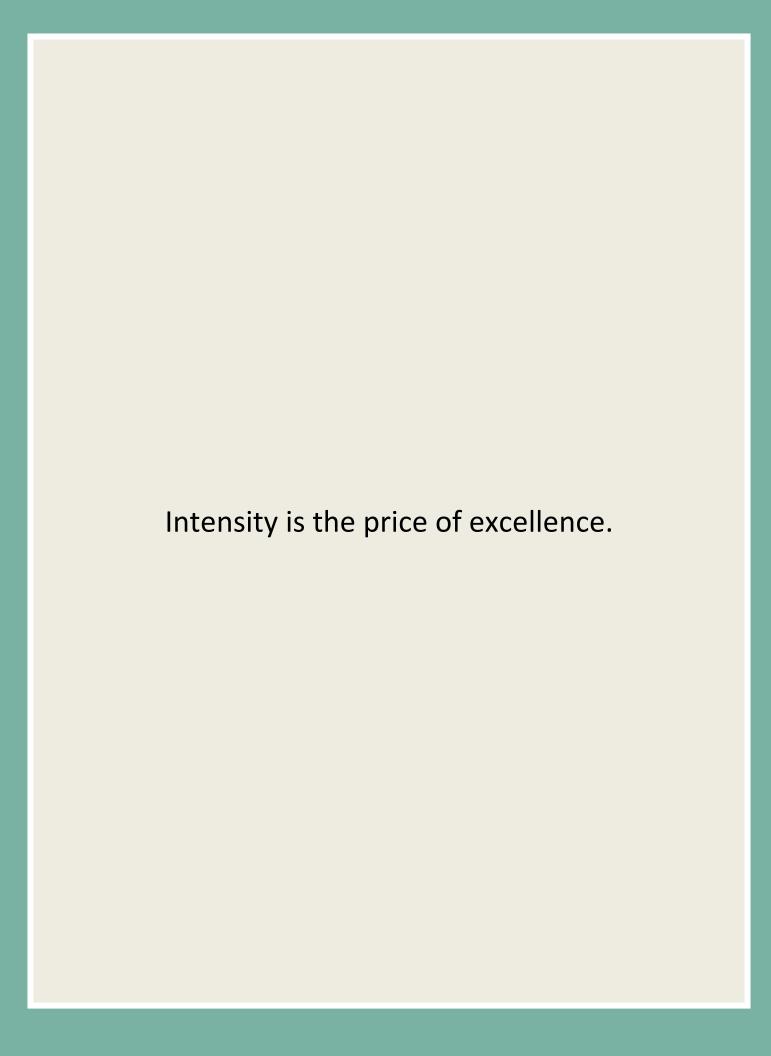


It's simply to say that managers and investors al must understand that accounting numbers are to beginning, not the end, of business valuation.	he

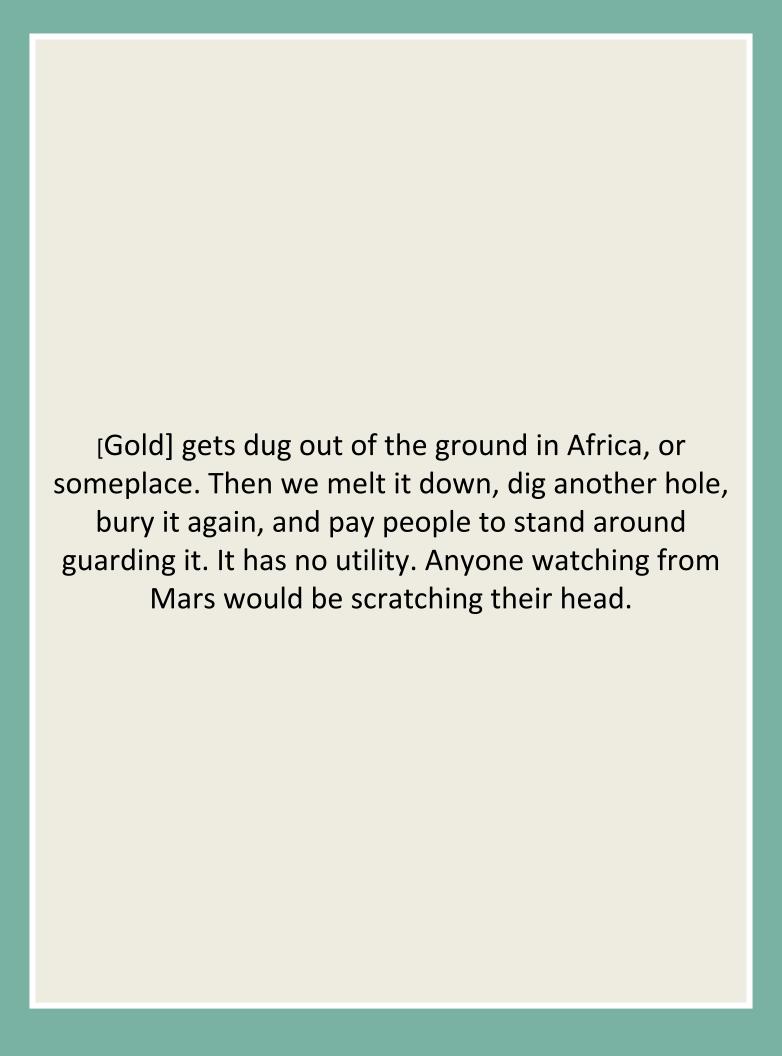
The smarter the journalists are, the better off society is. For to a degree, people read the press to inform themselves—and the better the teacher, the better the student body.



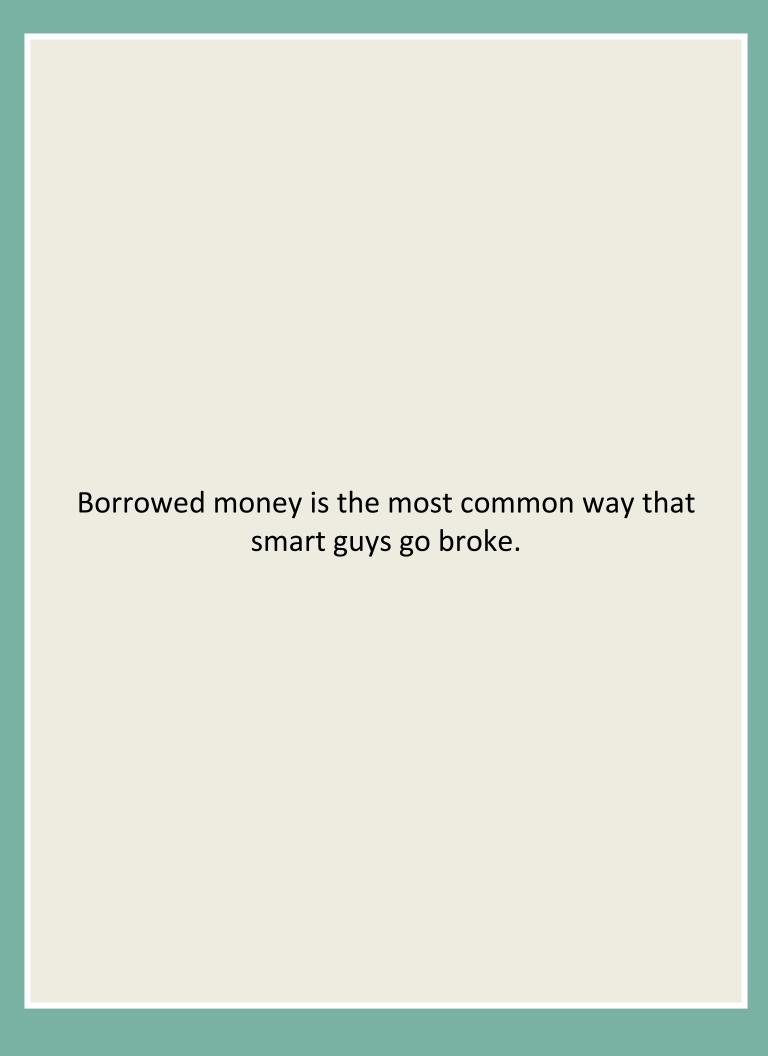
When you combine ignorance and leverage, you get some pretty interesting results.

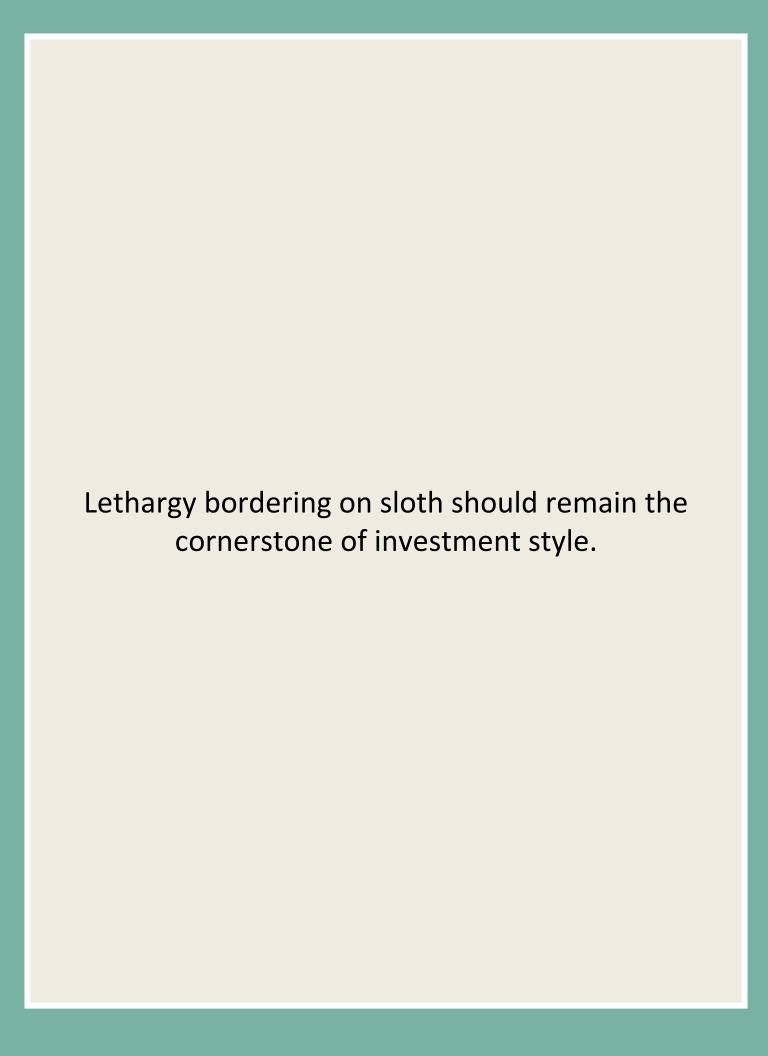


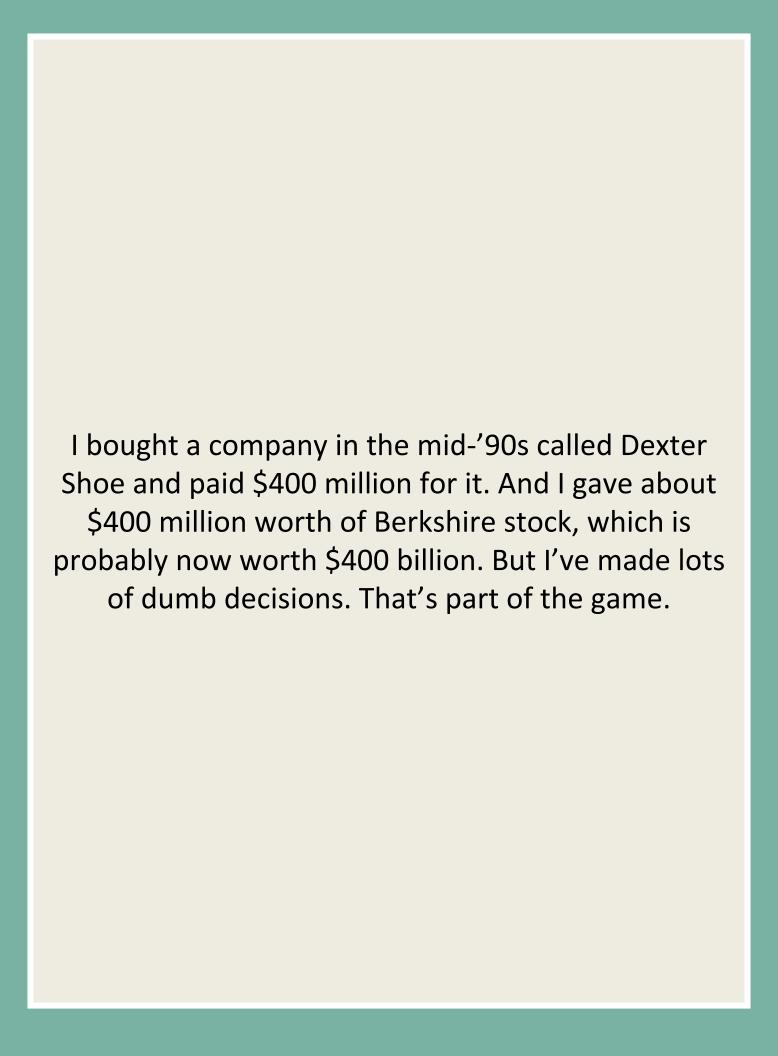
It's like choosing the 2020 Olympic team by picking the children of all the winners at the 2000 Games.



Managements that say or imply during a public offering that their stock is undervalued are usually being economical with the truth or uneconomical with their existing shareholders money.	

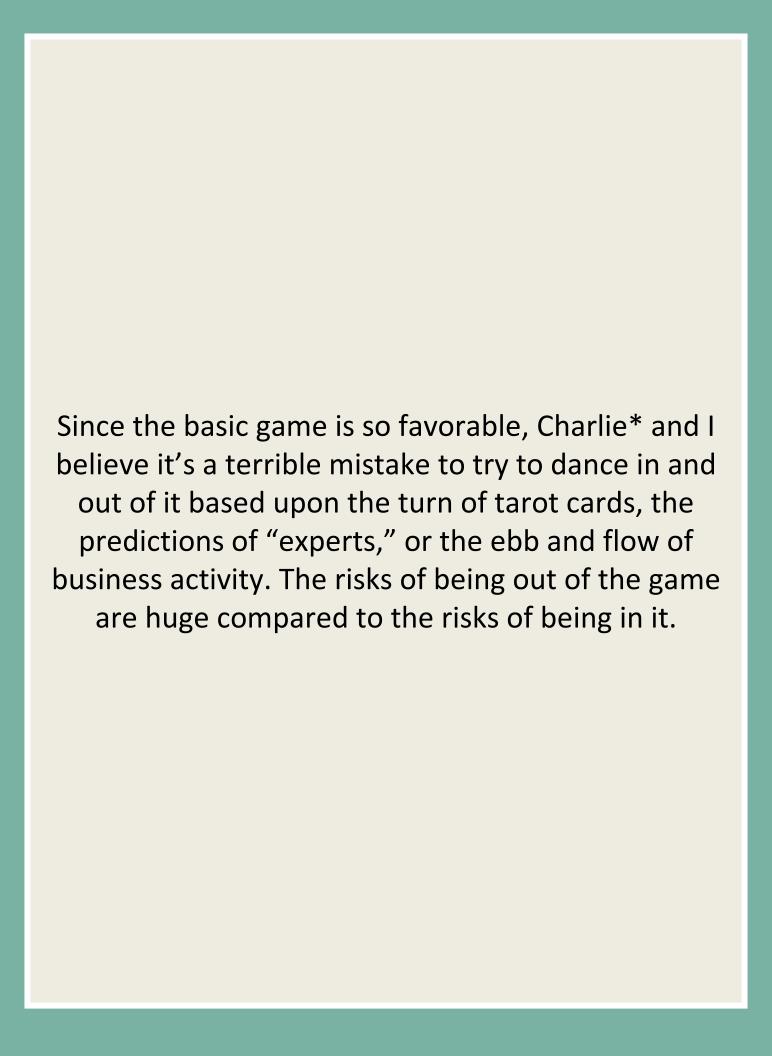






Money to some extent sometimes lets you be in more interesting environments. But it can't change how many people love you or how healthy you are.	

American business will do just fine over time. And stocks will do well just as certainly, since their fate is tied to business performance. Periodic setbacks will occur, yes, but investors and managers are in a game heavily stacked in their favor. (The Dow Jones Industrials advanced from 66 to 11,497 in the twentieth century, a staggering 17,320% increase that materialized despite four costly wars, a Great Depression, and many recessions. And don't forget that shareholders received substantial dividends throughout the century as well.)



Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it.

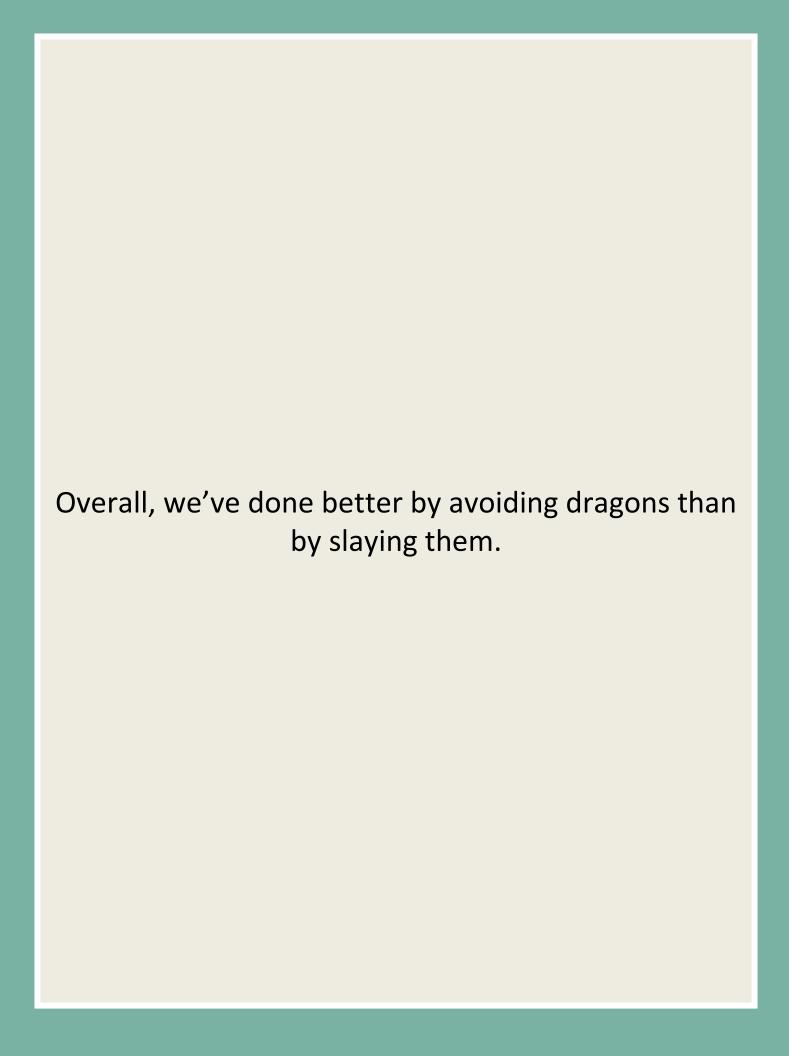
Wall Street is the only place that people ride to in a Rolls-Royce to get advice from those who take the subway.

Rule No. 1: Never lose money.

Rule No. 2: Don't forget No. 1.

You don't want a capital market that functions perfectly if you're in my business. People continue to do foolish things no matter what the regulation is, and they always will.
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A great investment opportunity occurs whe marvellous business encounters a one-tin huge, but solvable problem.	

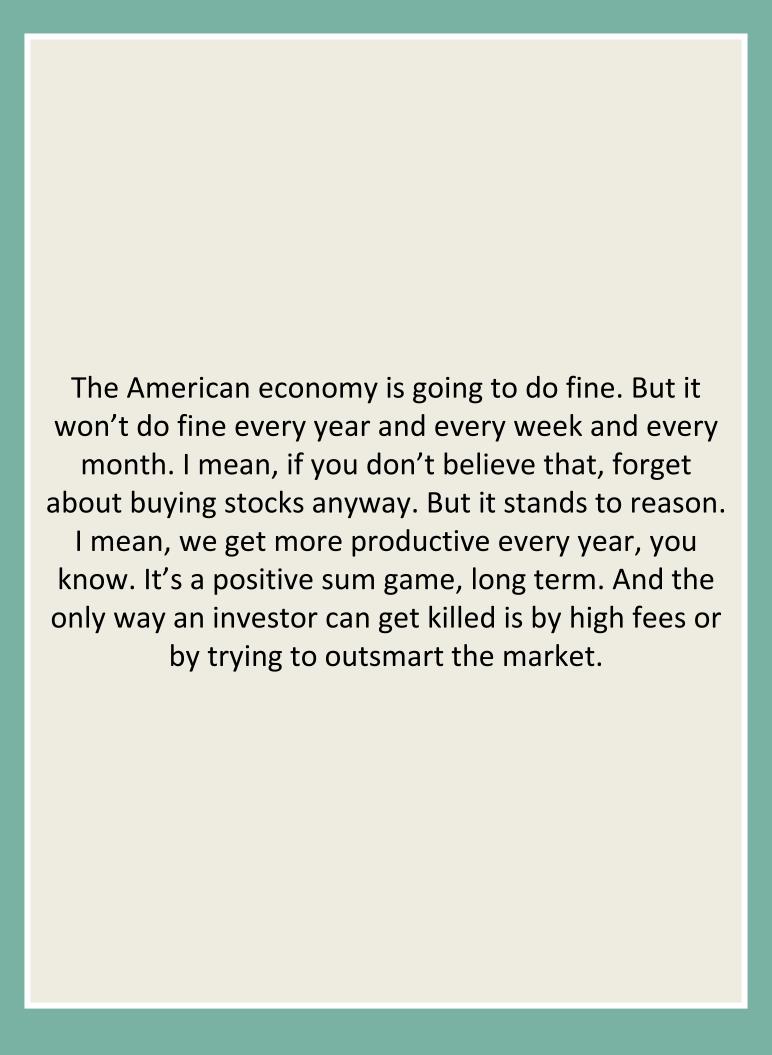


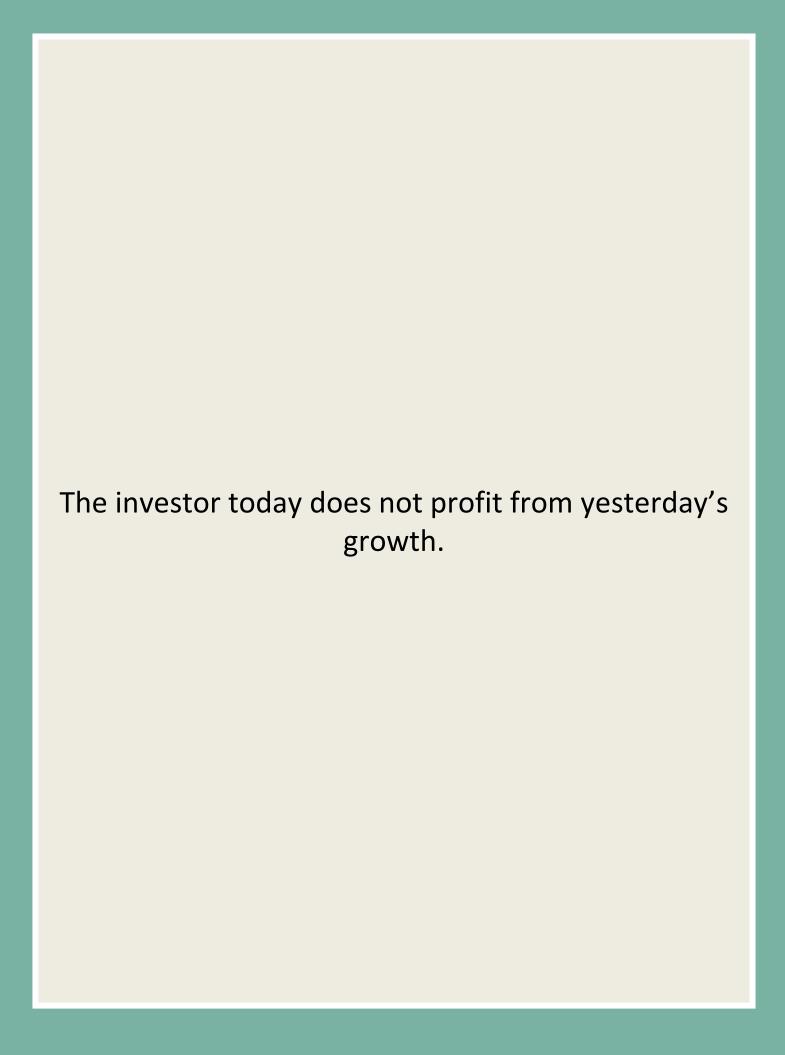
People who buy [stocks] for non-value reasons are likely to sell for non-value reasons. Their presence in the picture will accentuate erratic price swings unrelated to underlying business developments.
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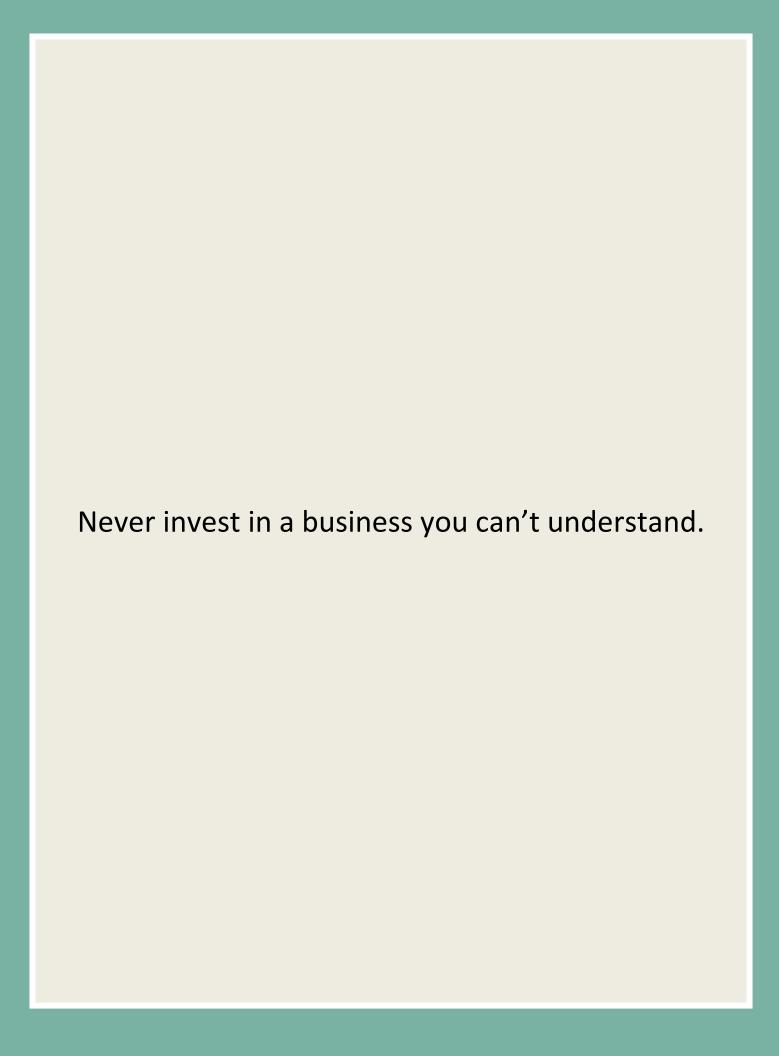


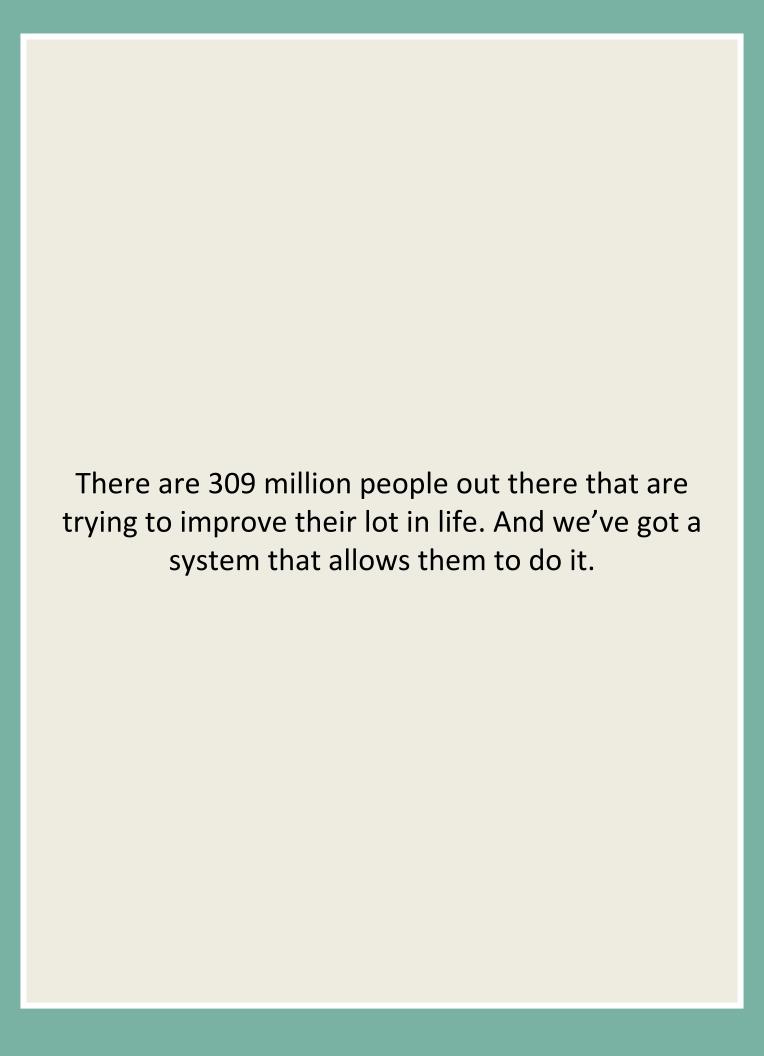
I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful.

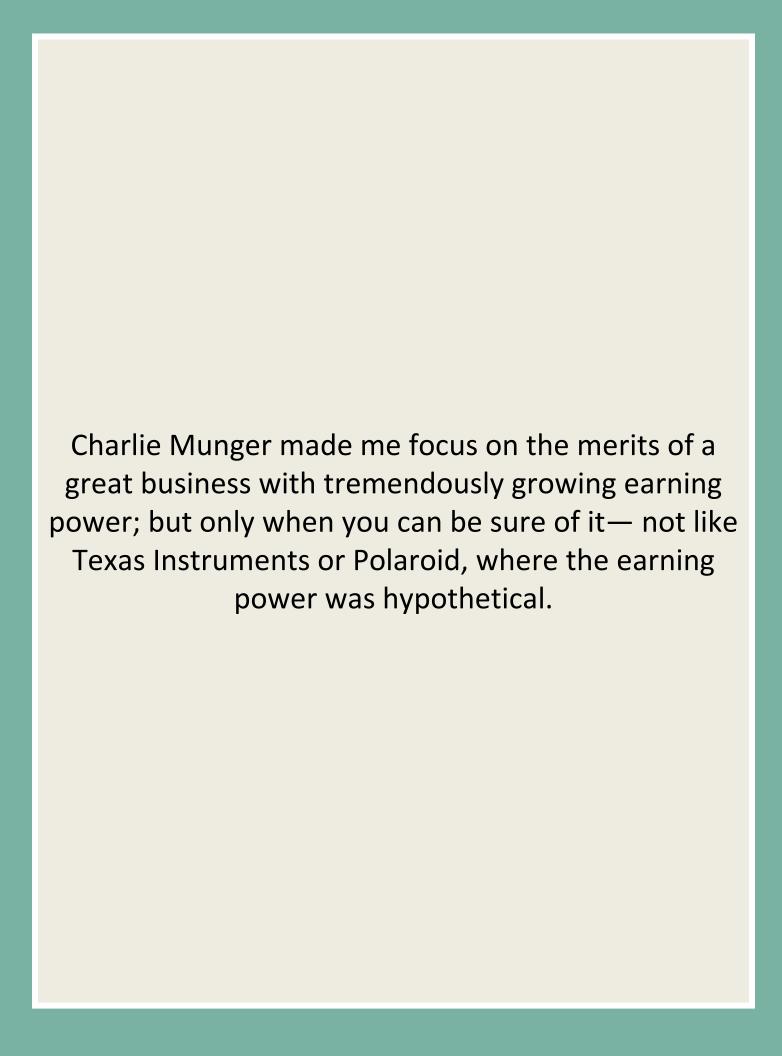
Before looking at new investments, we consider
Before looking at new investments, we consider adding to old ones. If a business is attractive enough to buy once, it may well pay to repeat the process.





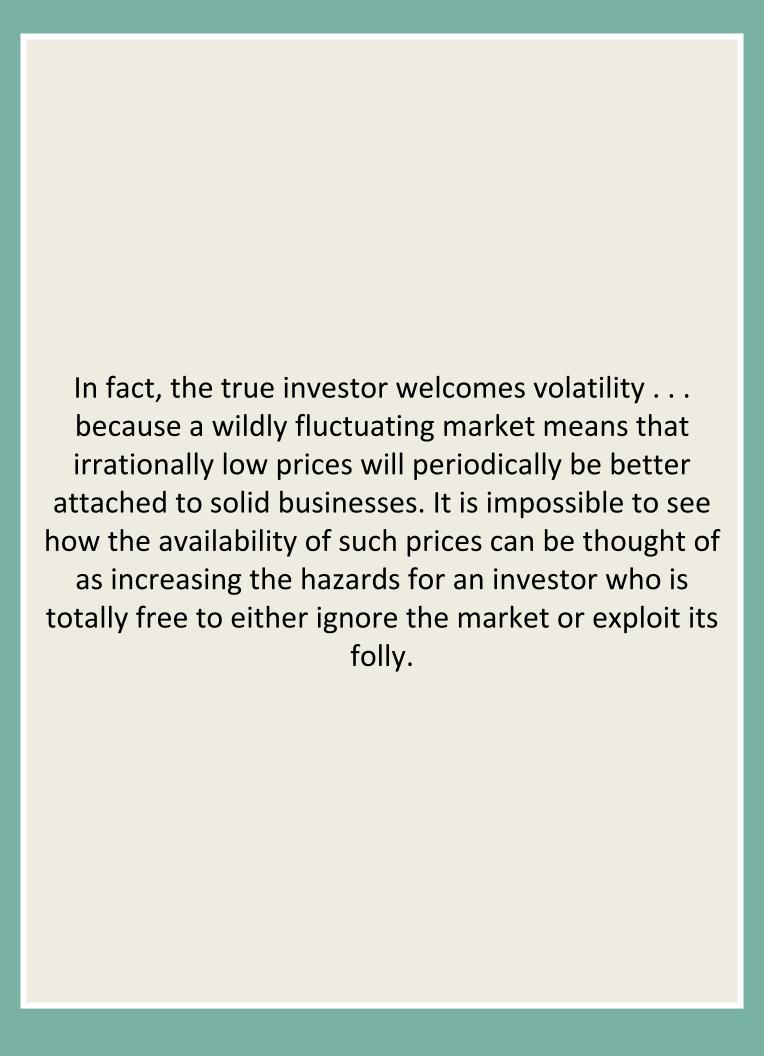




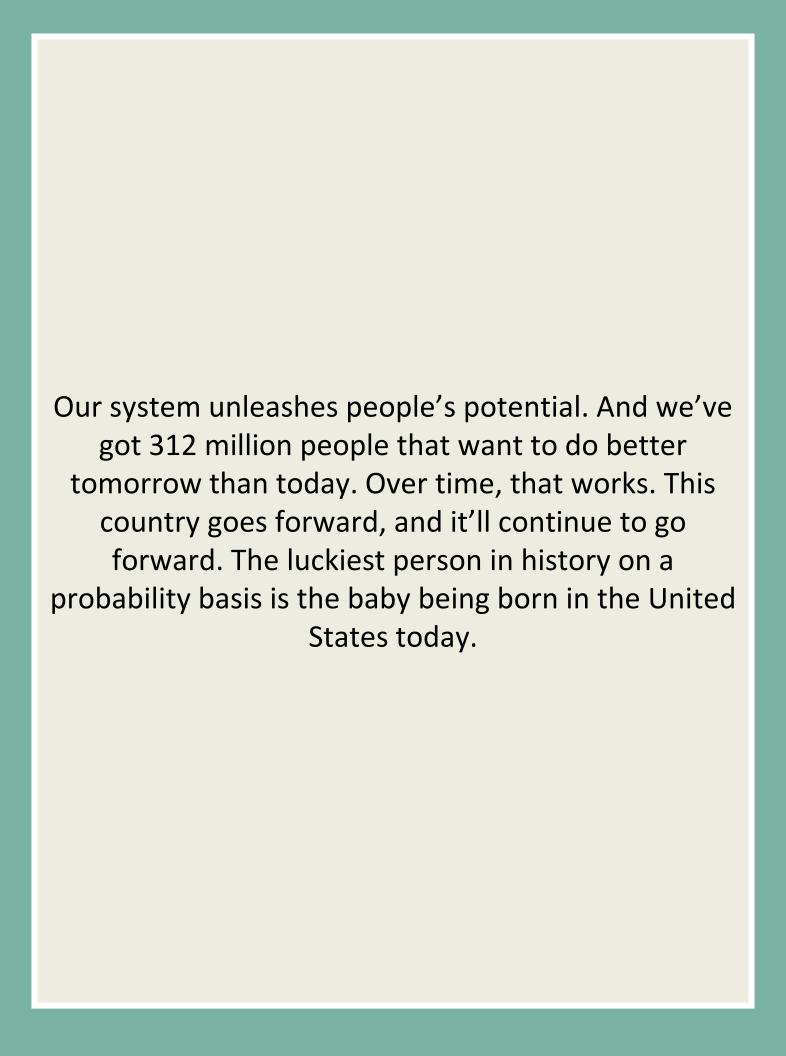


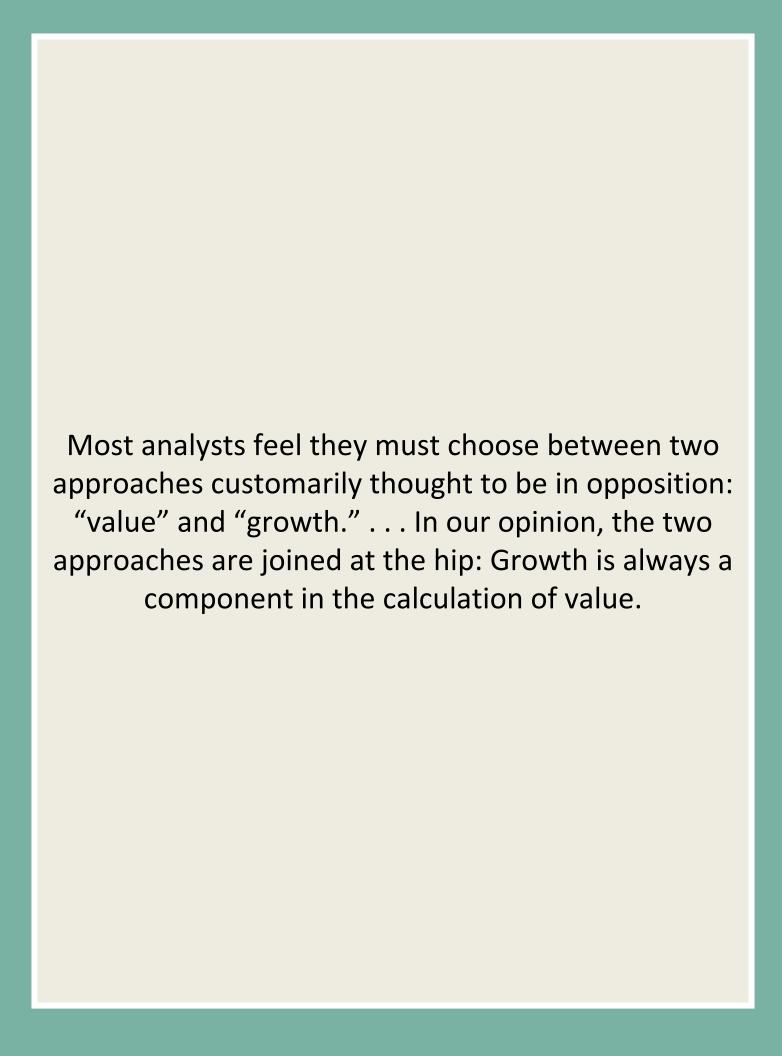
Tomorrow is always uncertain. Don't let that reality spook you. Throughout my lifetime, politicians and pundits have constantly moaned about terrifying problems facing America. Yet our citizens now live an astonishing six times better than when I was born. The prophets of doom have overlooked the allimportant factor that is certain: Human potential is far from exhausted, and the American system for unleashing that potential—a system that has worked wonders for over two centuries despite frequent interruptions for recessions and even a Civil War remain alive and effective.



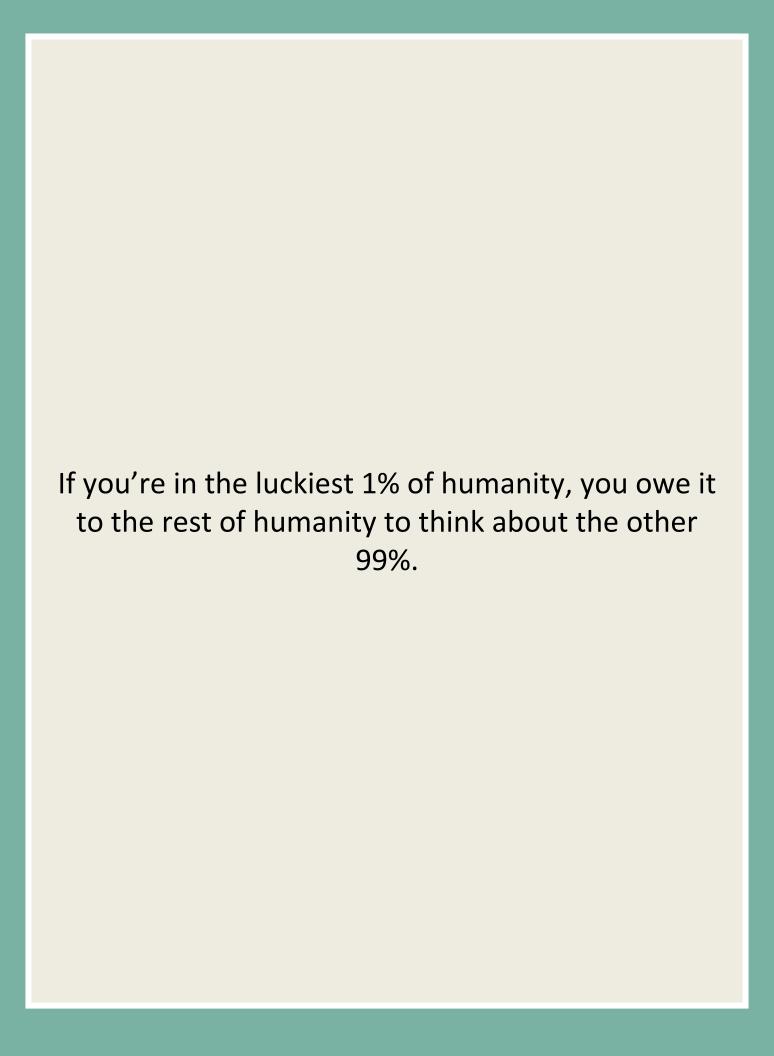


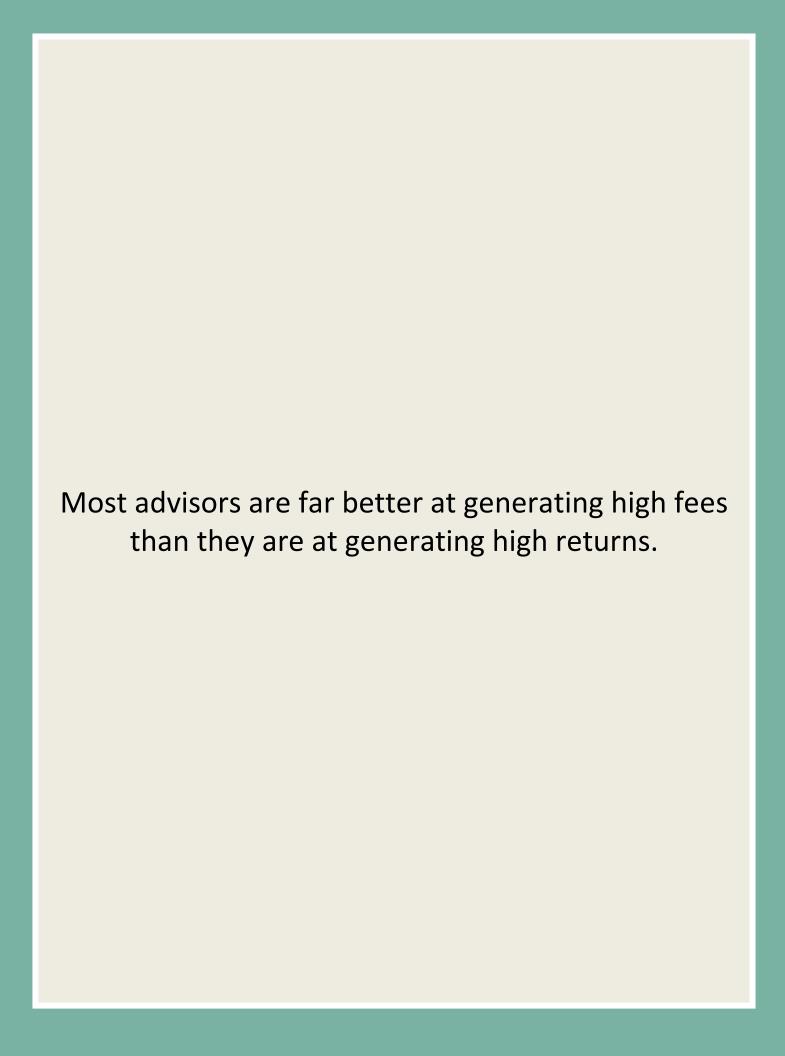
We always live in an uncertain world. What is certain is that the United States will go forward over time.

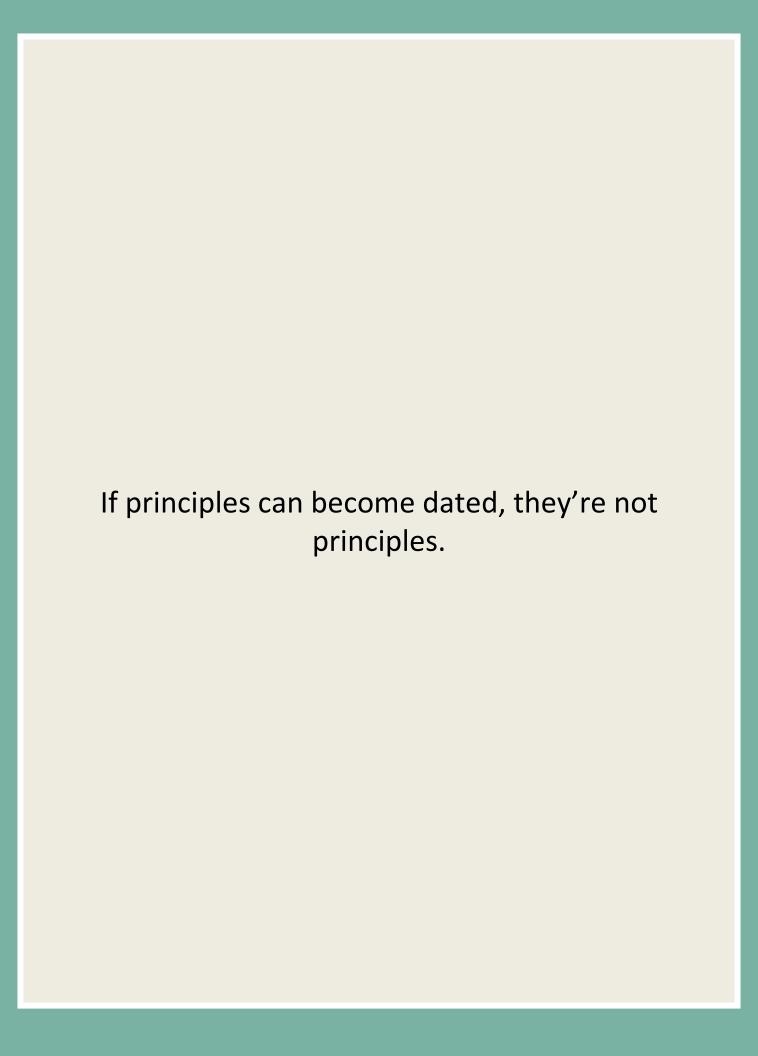


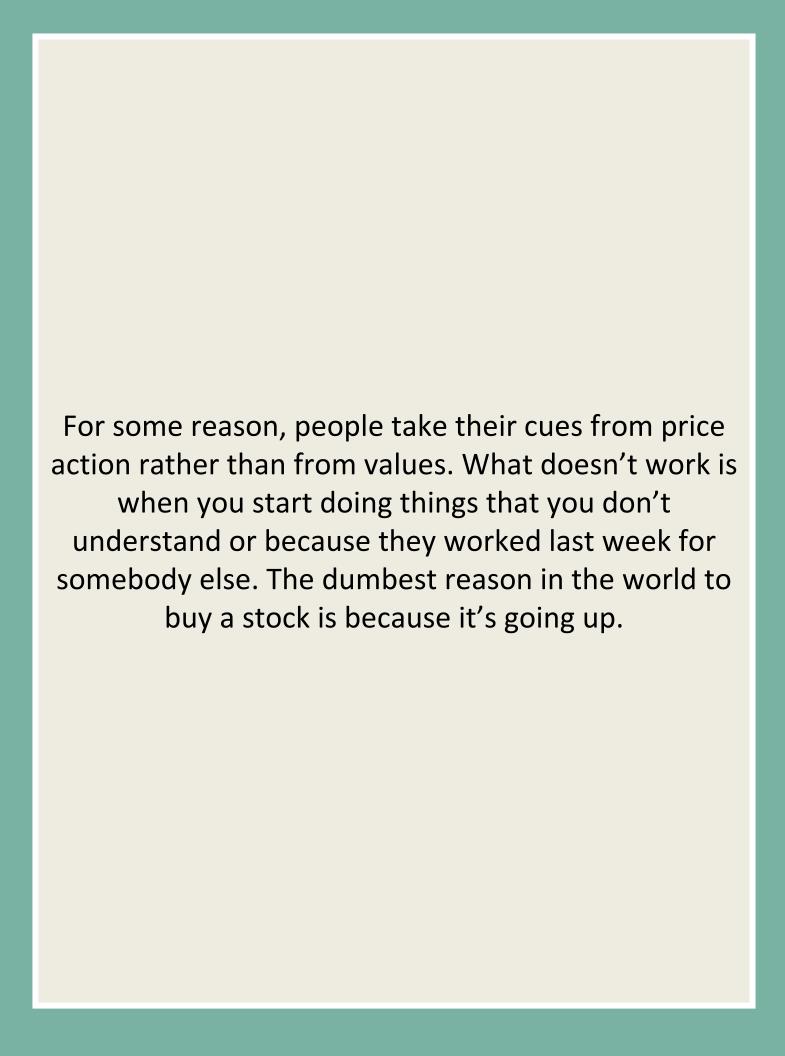






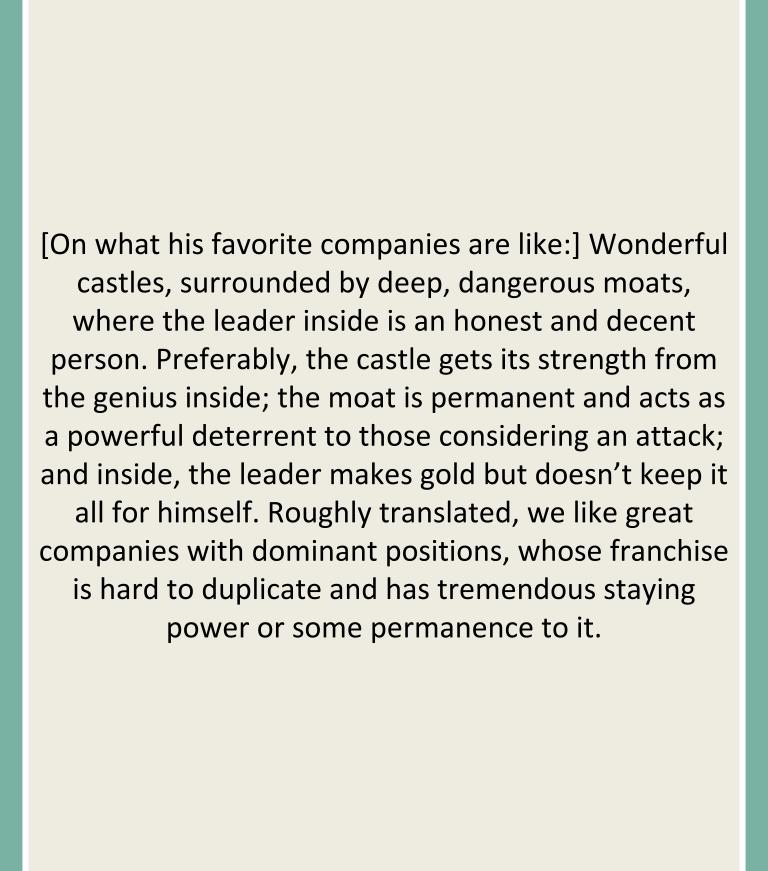






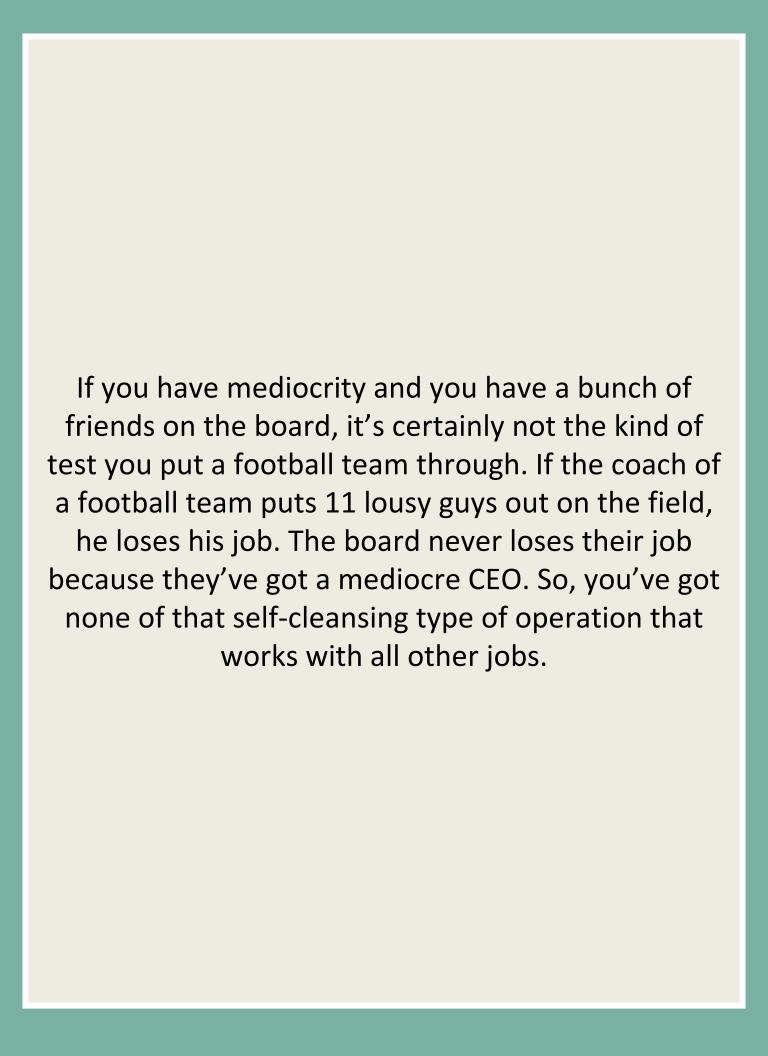
Most people get interested in stocks when everyone else is. The time to get interested is when no one else is. You can't buy what is popular and do well.

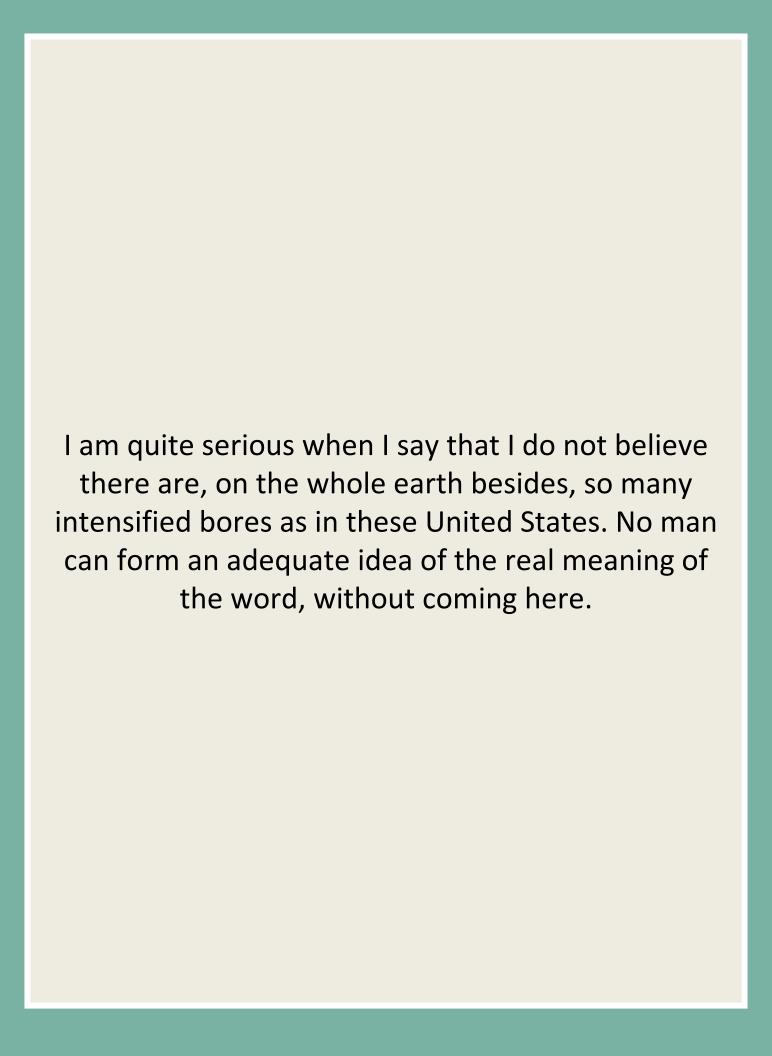
Great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be misappraised.

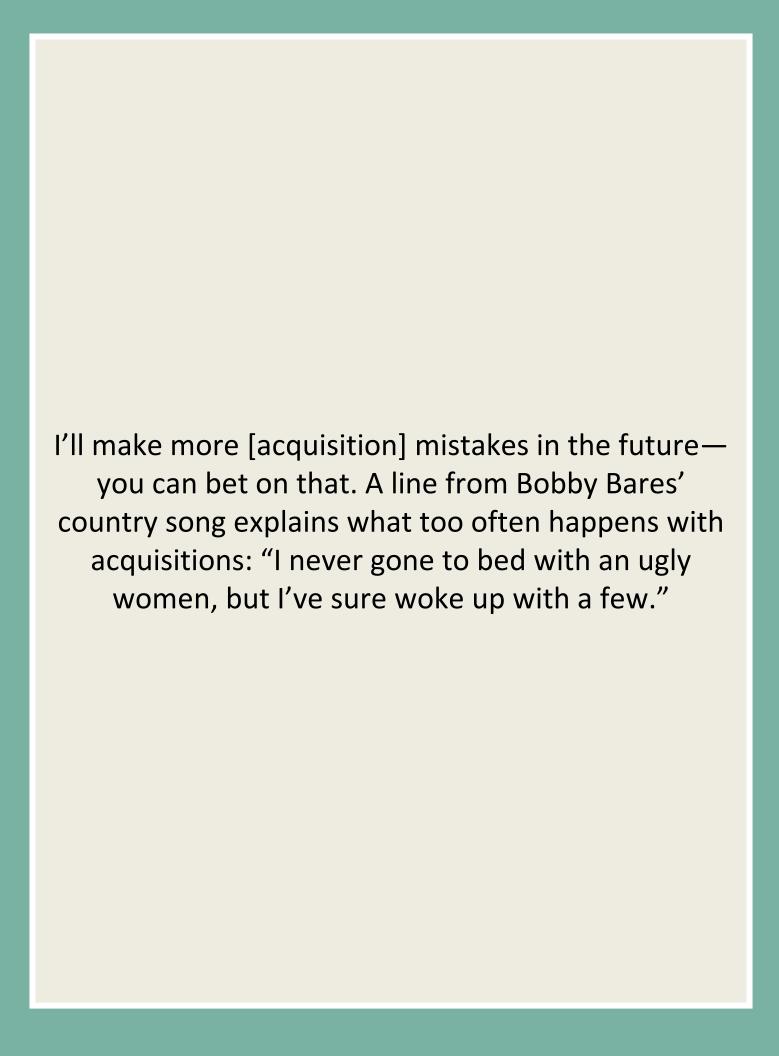


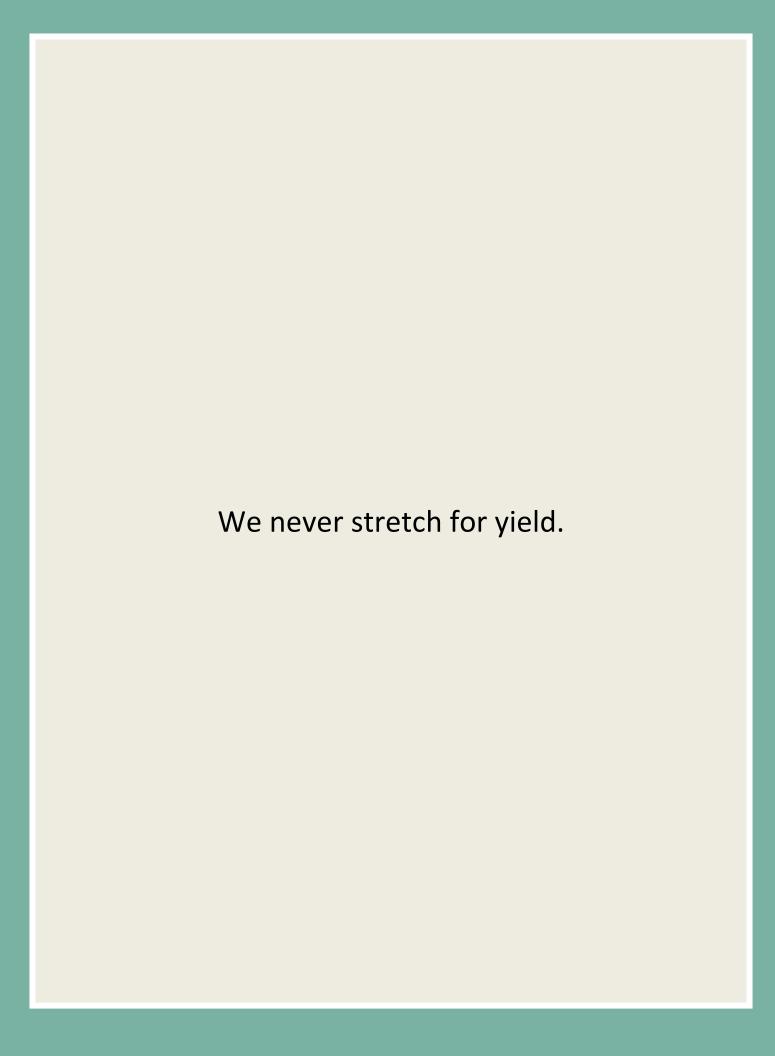


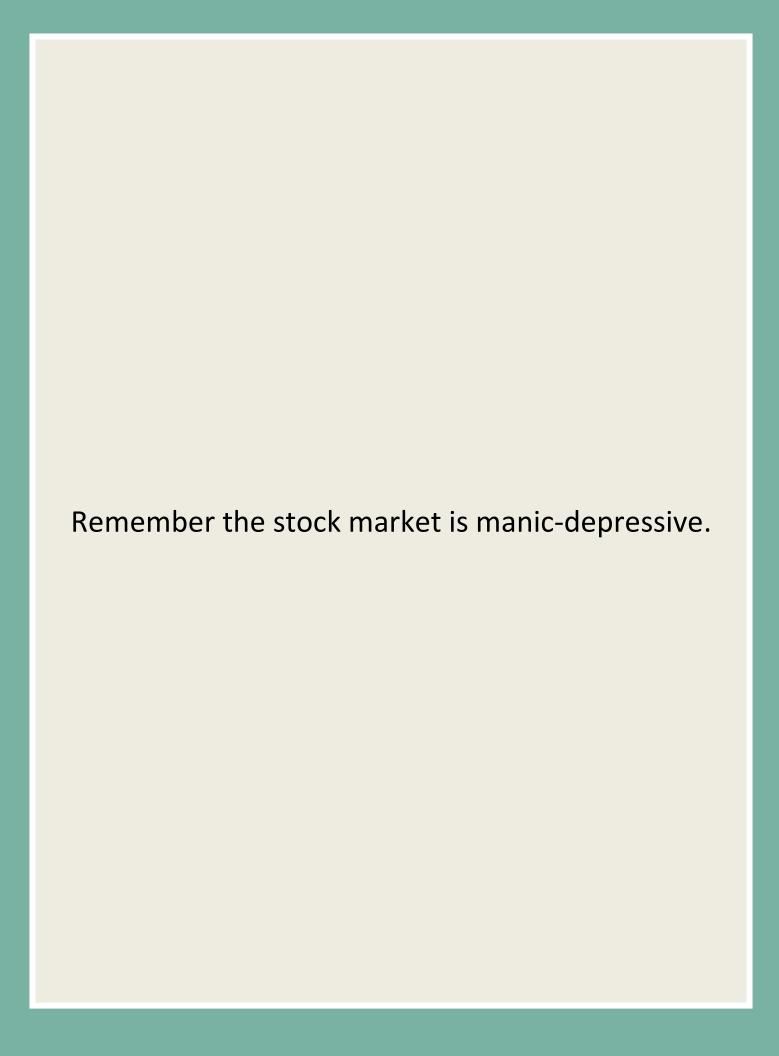
I am a huge bull on this country. We will not have a double-dip recession at all. I see our businesses coming back almost across the board.

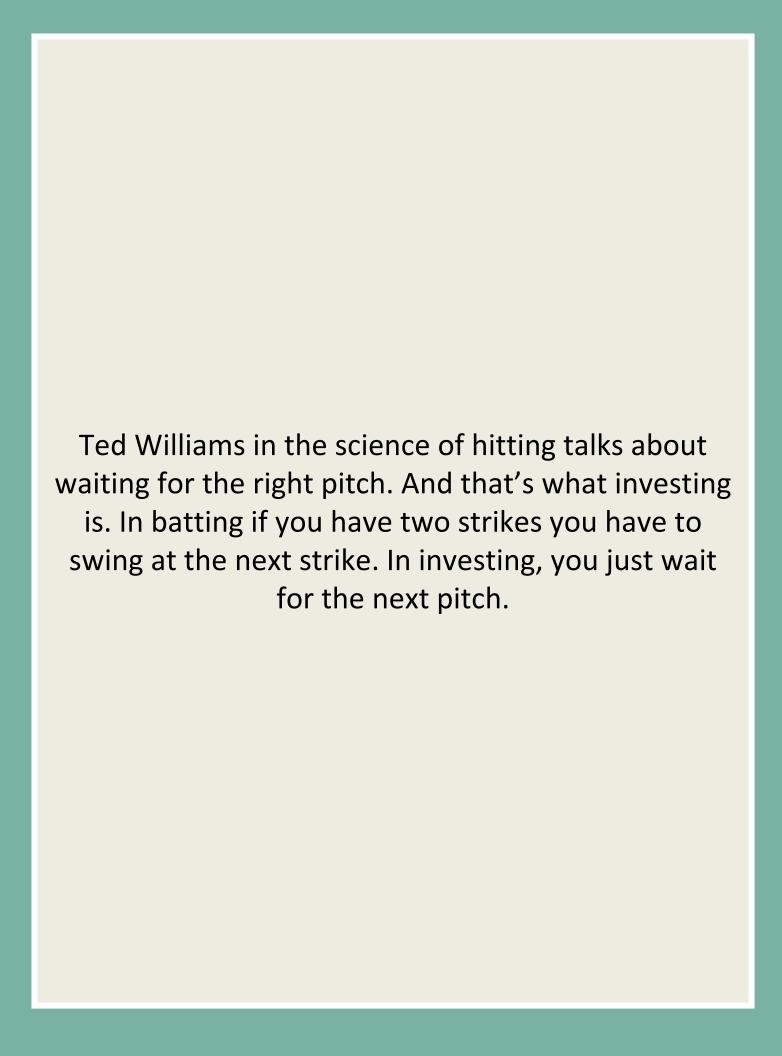


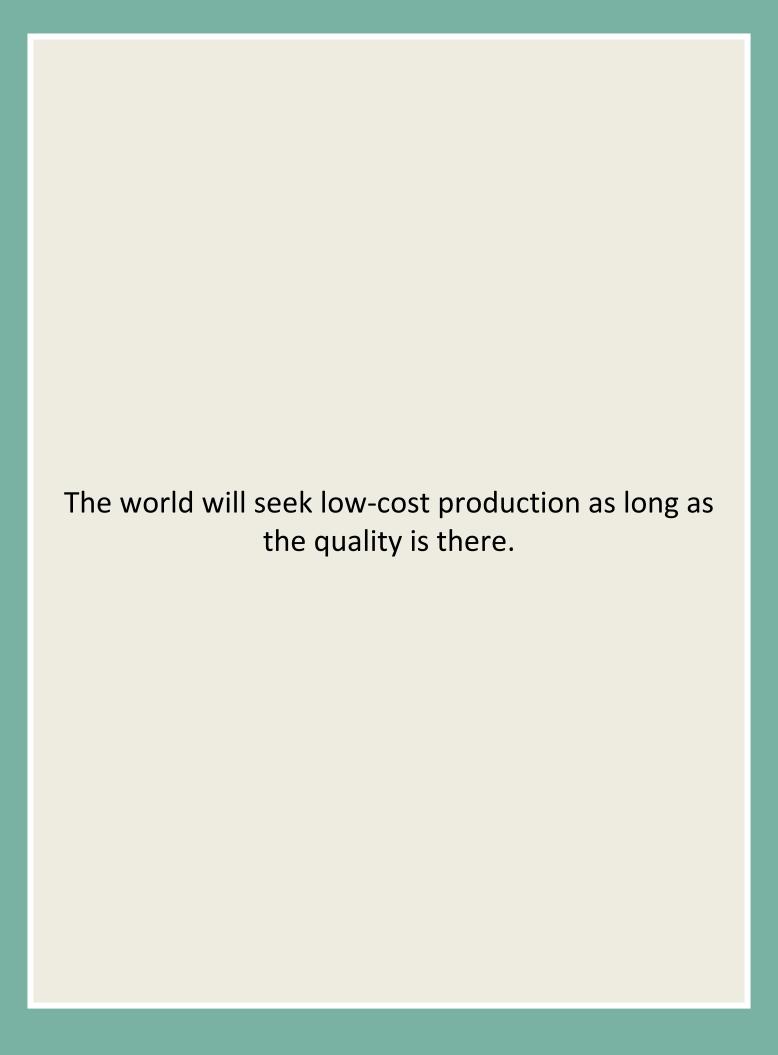


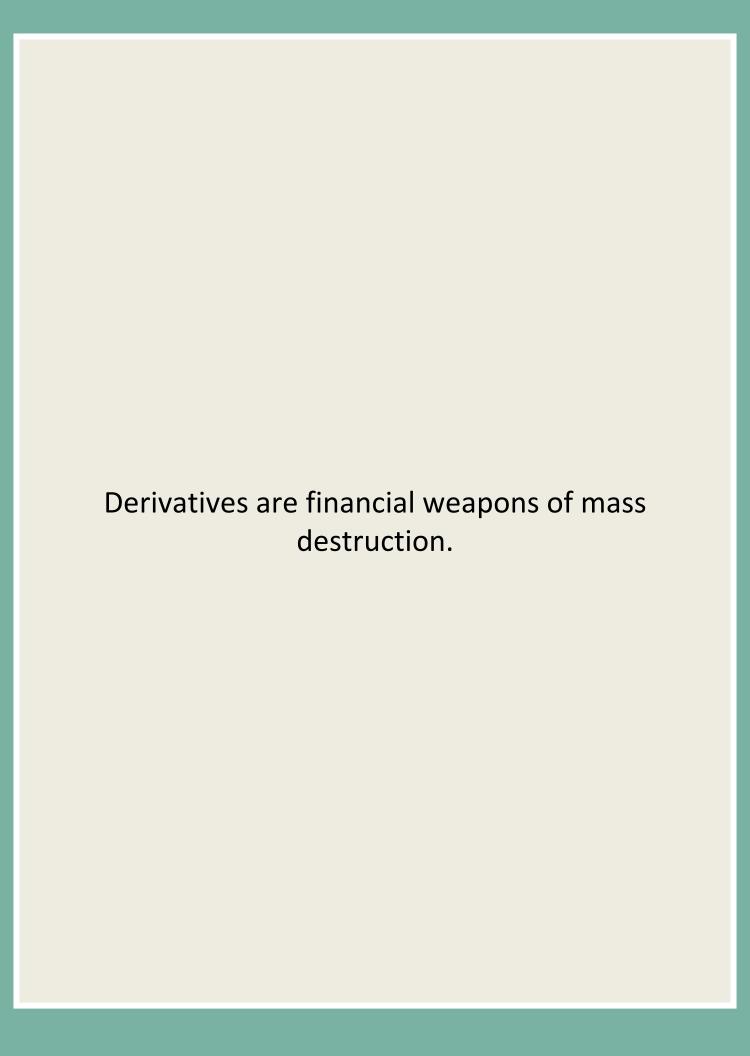


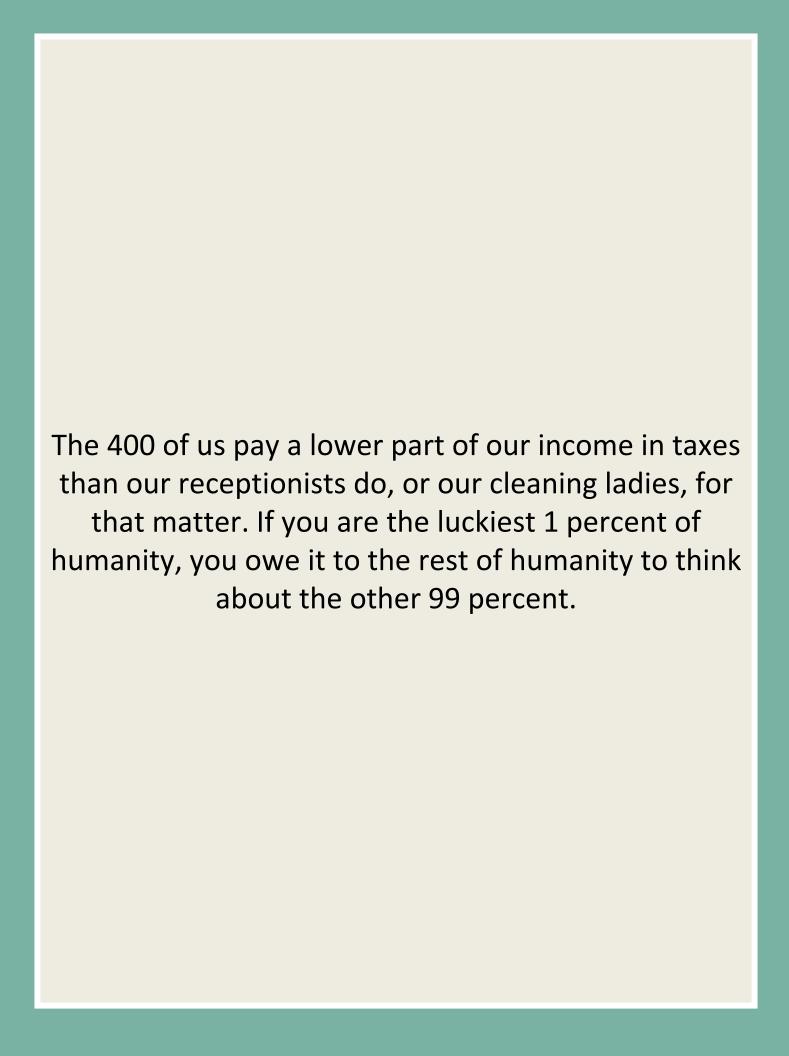




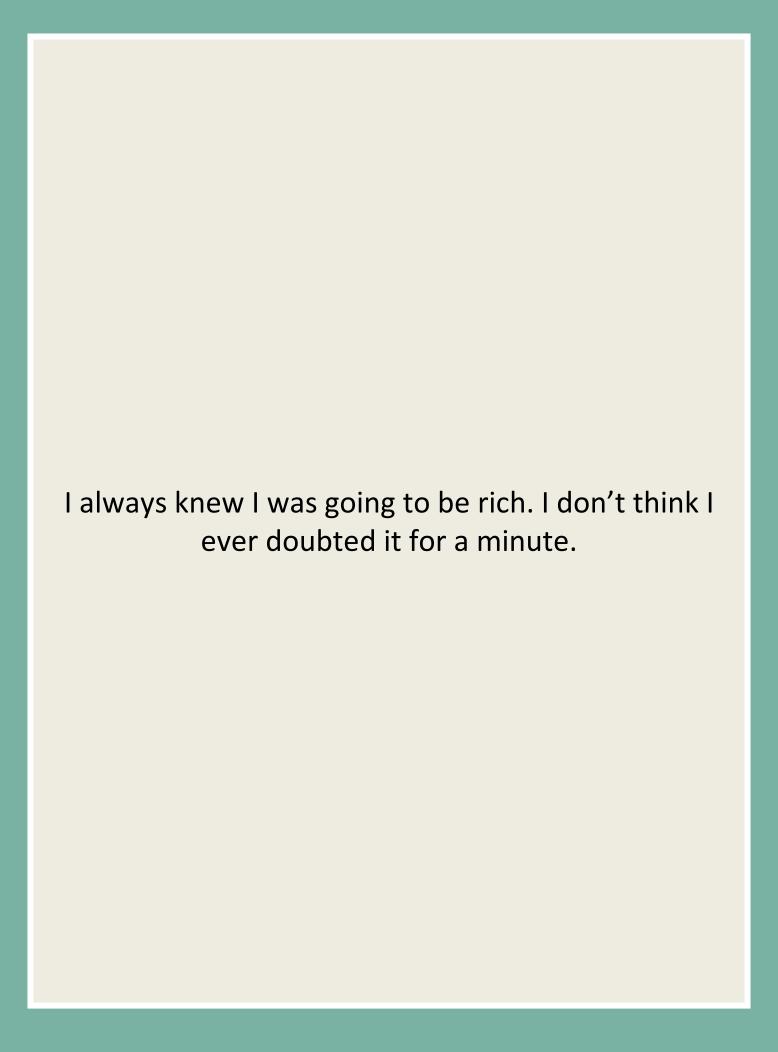




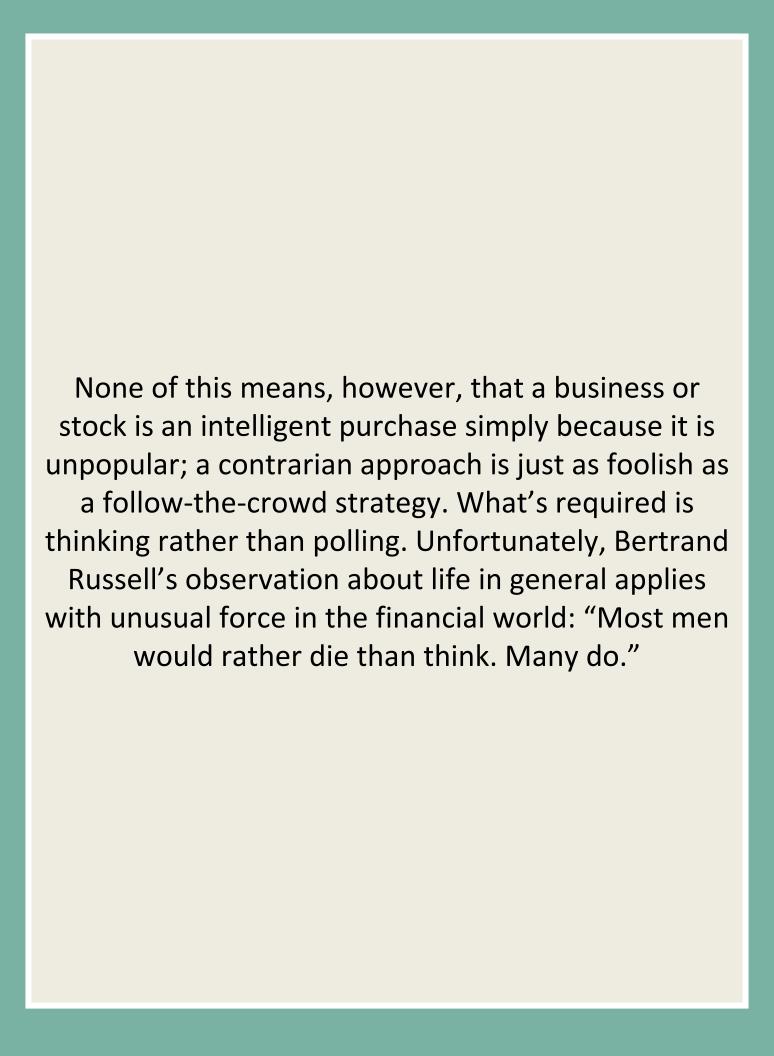




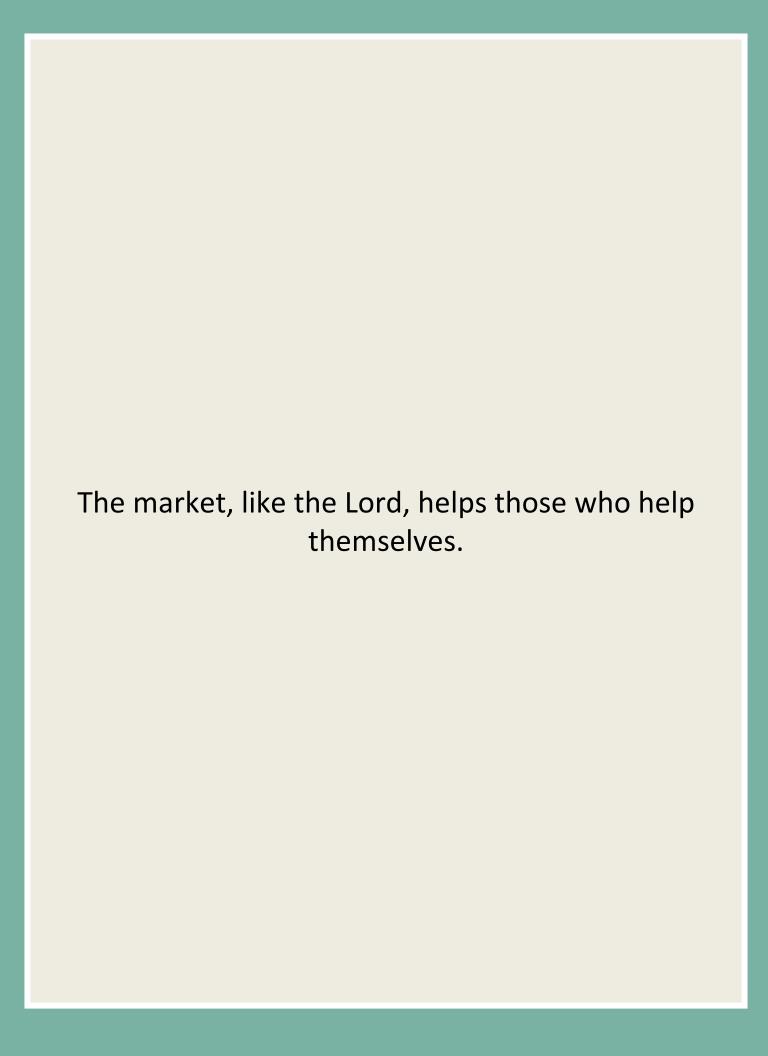
We don't get paid for activity, just for being right. As to how long we'll wait, we'll wait indefinitely.



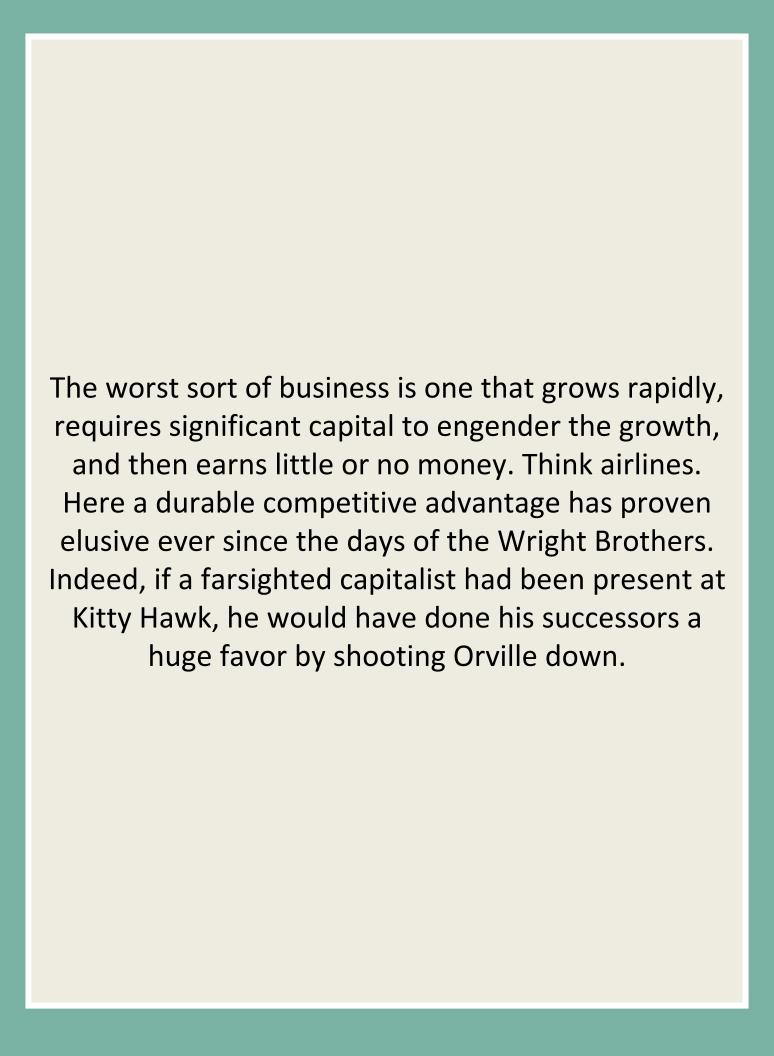
A pin lies in wait for every bubble. And when the two eventually meet, a new wave of investors learns some very old lessons.

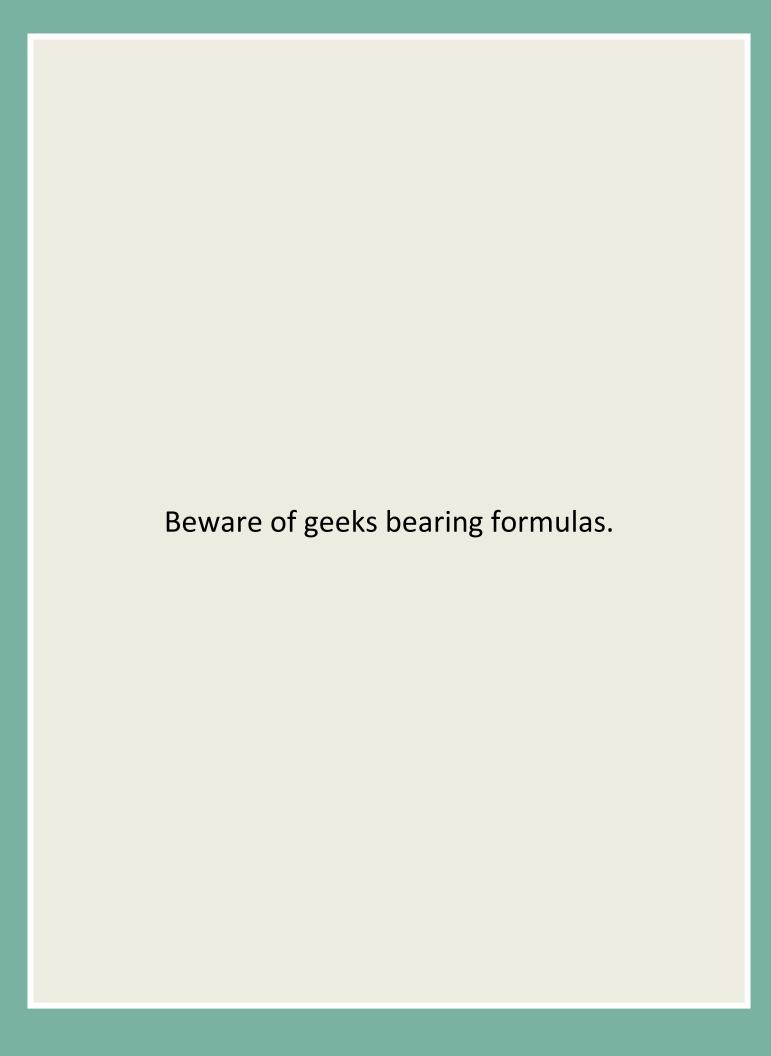


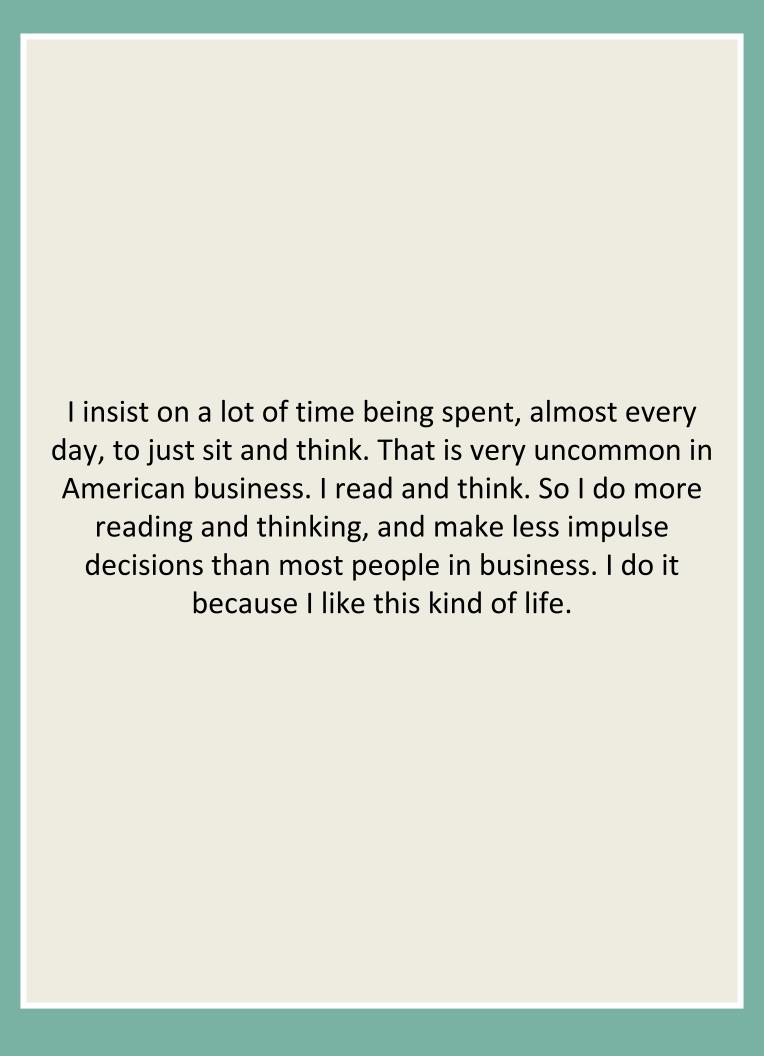
I think the worst mistake you can make in stocks is to buy or sell based on current headlines.

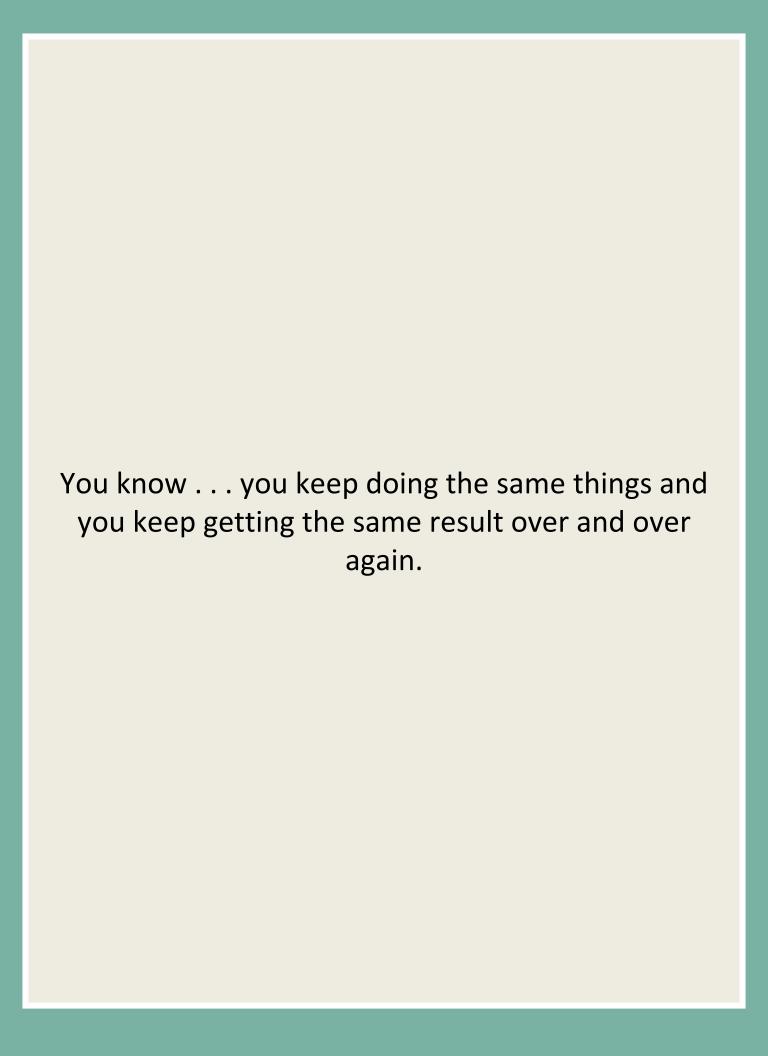


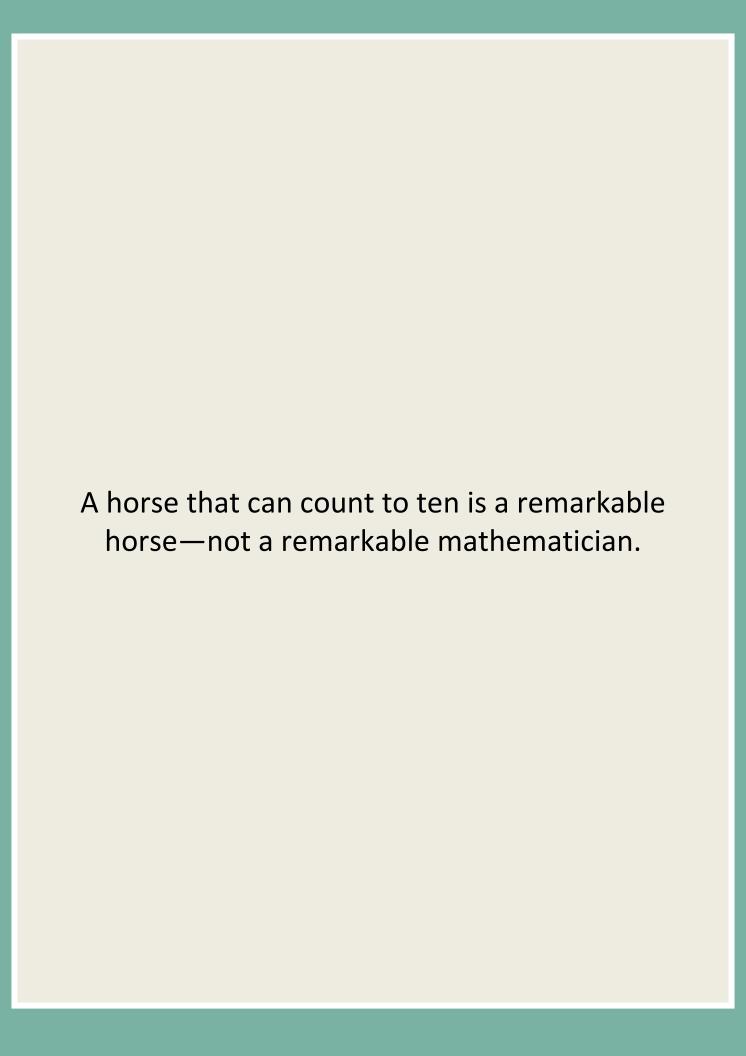
The "when" [of investing] is also important. The main danger is that the timid or beginning investor will enter the market at a time of extreme exuberance and then become disillusioned when paper losses occur. (Remember the late Barton Biggs's observation: "A bull market is like sex. It feels best just before it ends.") The antidote to that kind of mistiming is for an investor to accumulate shares over a long period and never sell when the news is bad and stocks are well off their highs. Following those rules, the "know-nothing" investor who both diversifies and keeps costs minimal is virtually certain to get satisfactory results.

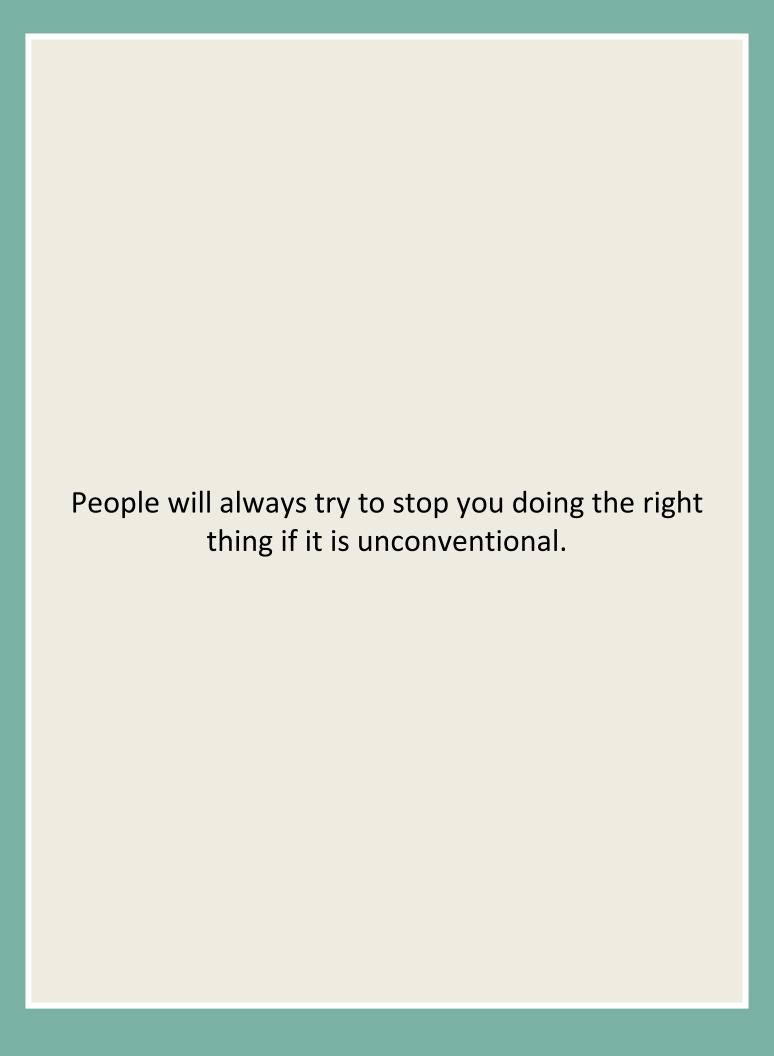


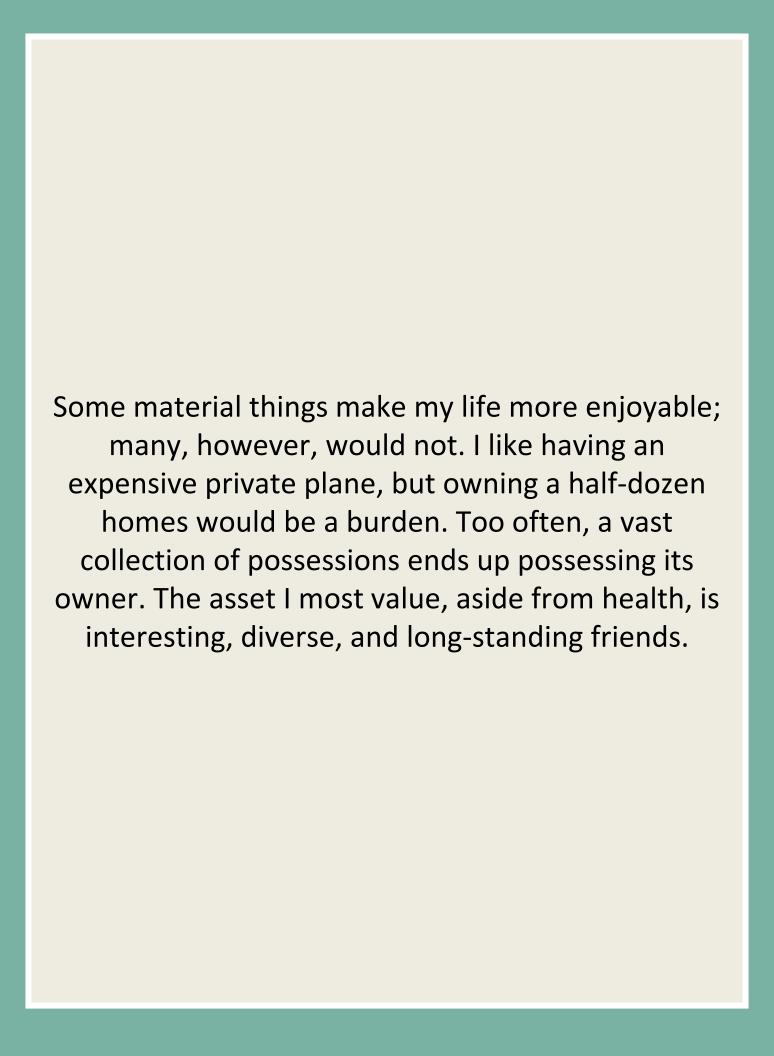






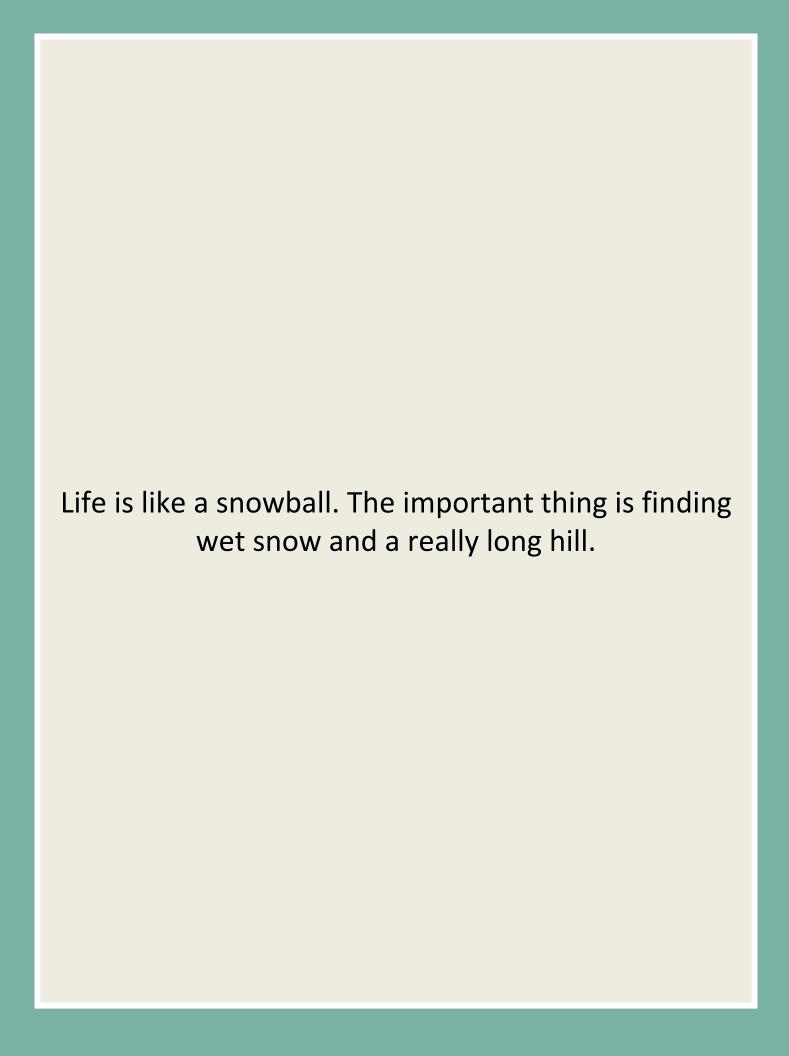


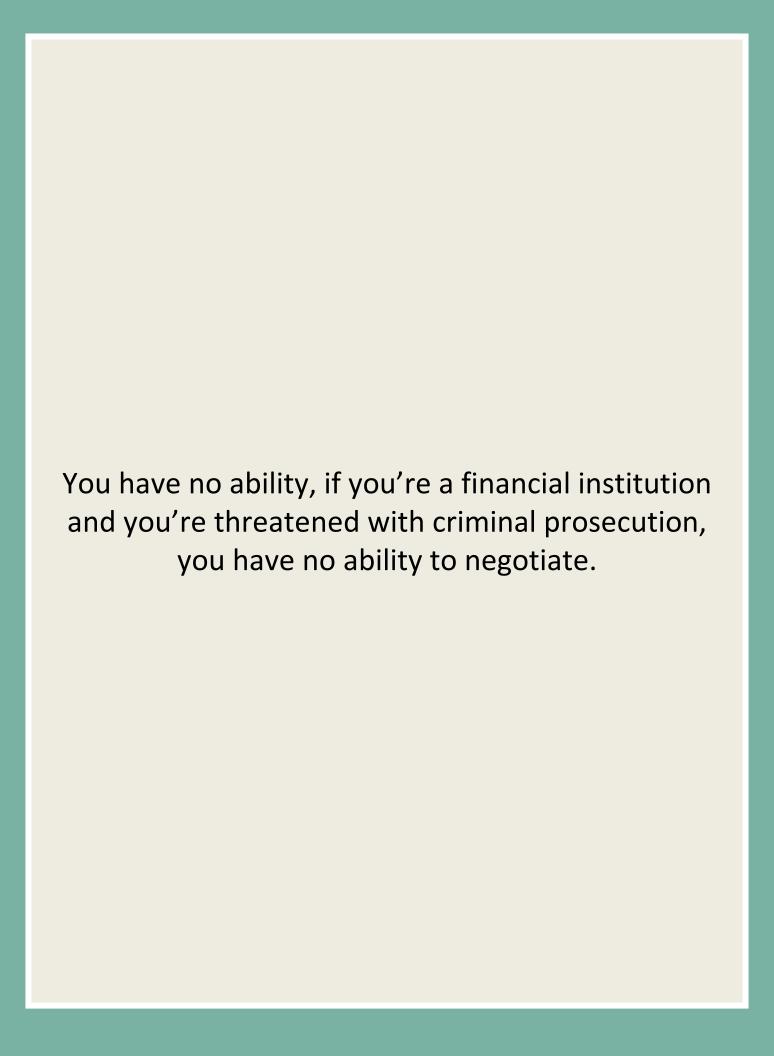


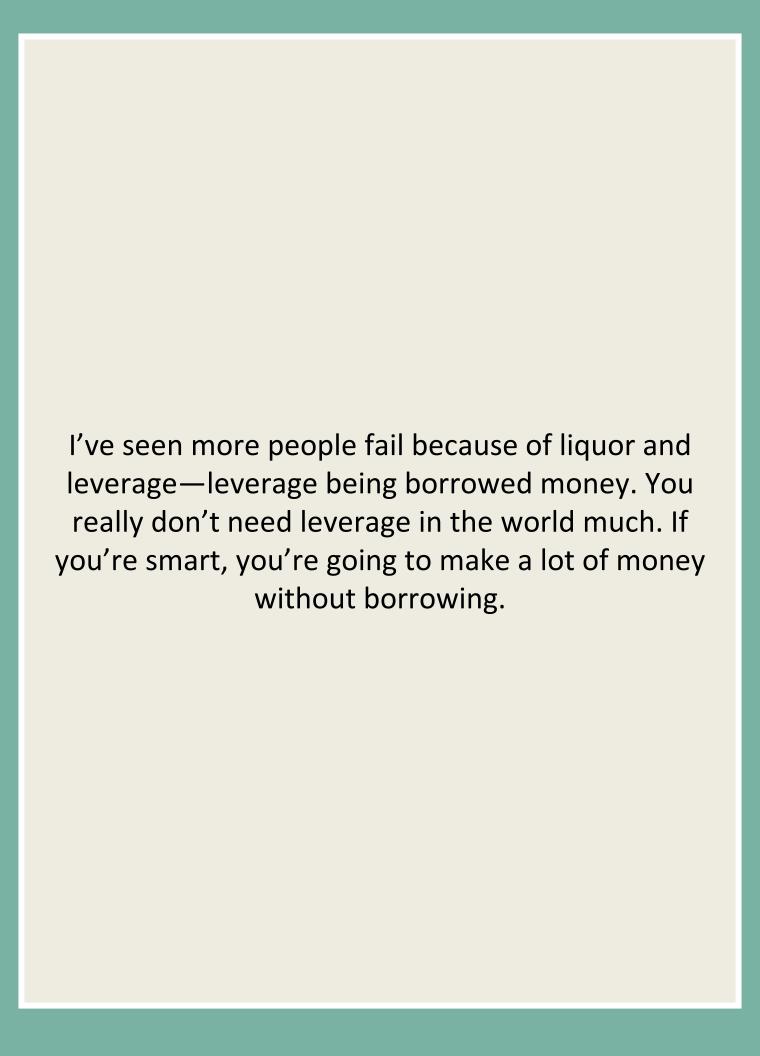


We want our managers to think about what counts, not how it will be counted.

The happiest people do not necessarily have the best things. They simply appreciate the things they have.

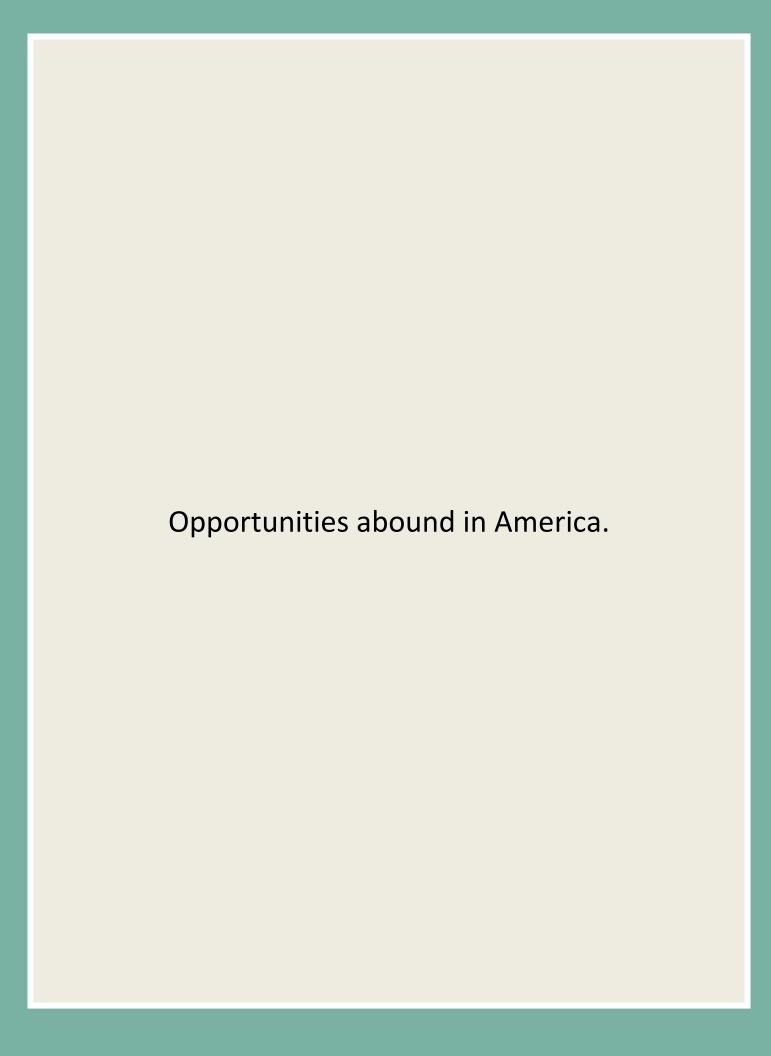


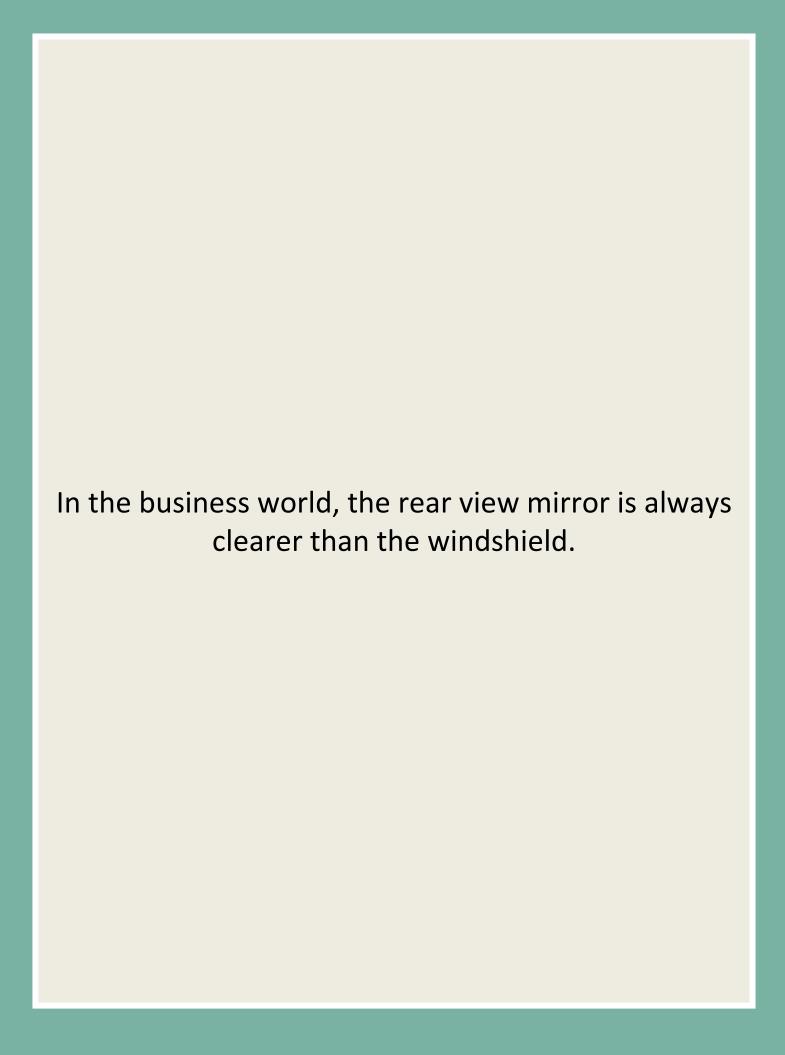




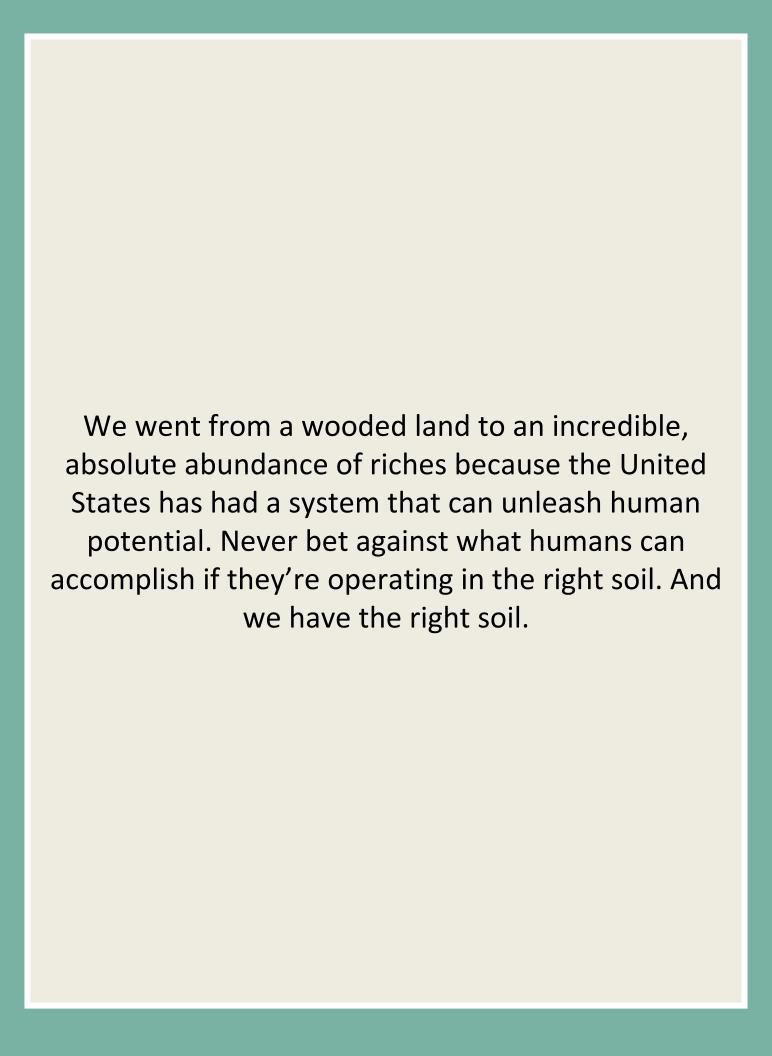


"It's better to hang out with people better than you.  Pick out associates whose behavior is better than yours and you'll drift in that direction."



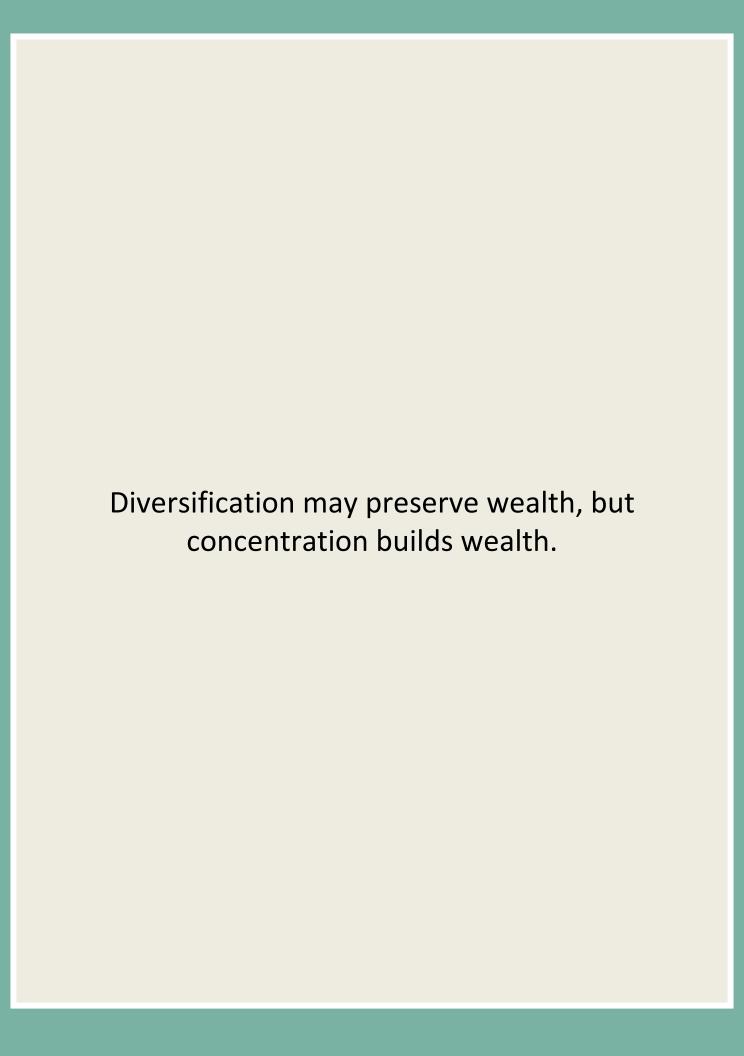


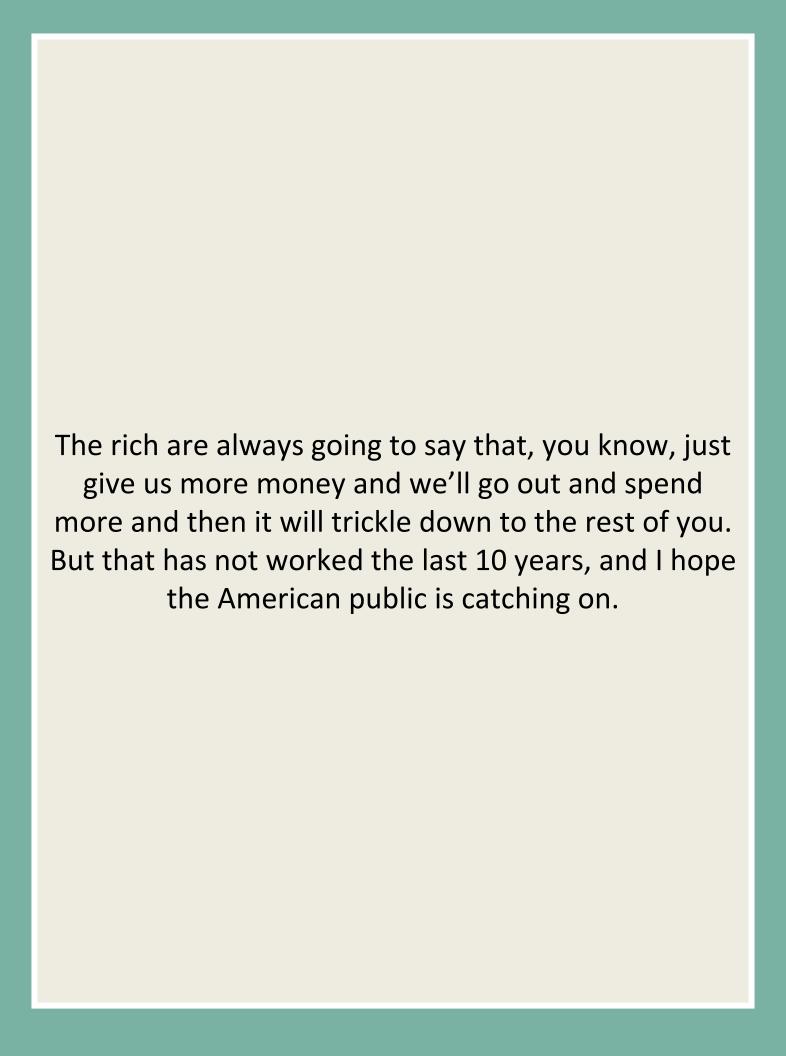
I never attempt to make money on the stock market.  I buy on the assumption that they could close the market the next day and not reopen it for five years.



Your goal as an investor should simply be to purchase, at a rational price, a part interest in an easily-understandable business whose earnings are virtually certain to be materially higher five, ten and twenty years from now. Over time, you will find only a few companies that meet these standards—so when you see one that qualifies, you should buy a meaningful amount of stock. You must also resist the temptation to stray from your guidelines: If you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes. Put together a portfolio of companies whose aggregate earnings march upward over the years, and so also will the portfolio's market value.

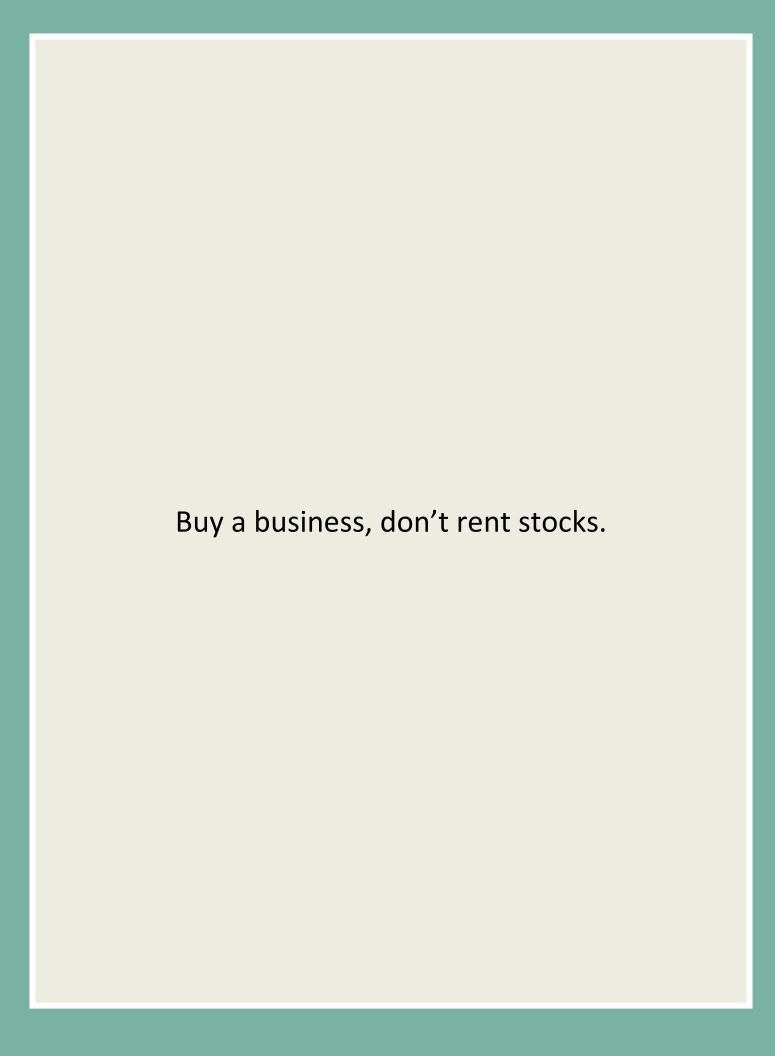
The best business returns are usually achieved by companies that are doing something quite similar today to what they were doing five or ten years ago.
today to write they were doing live or terr years ago.

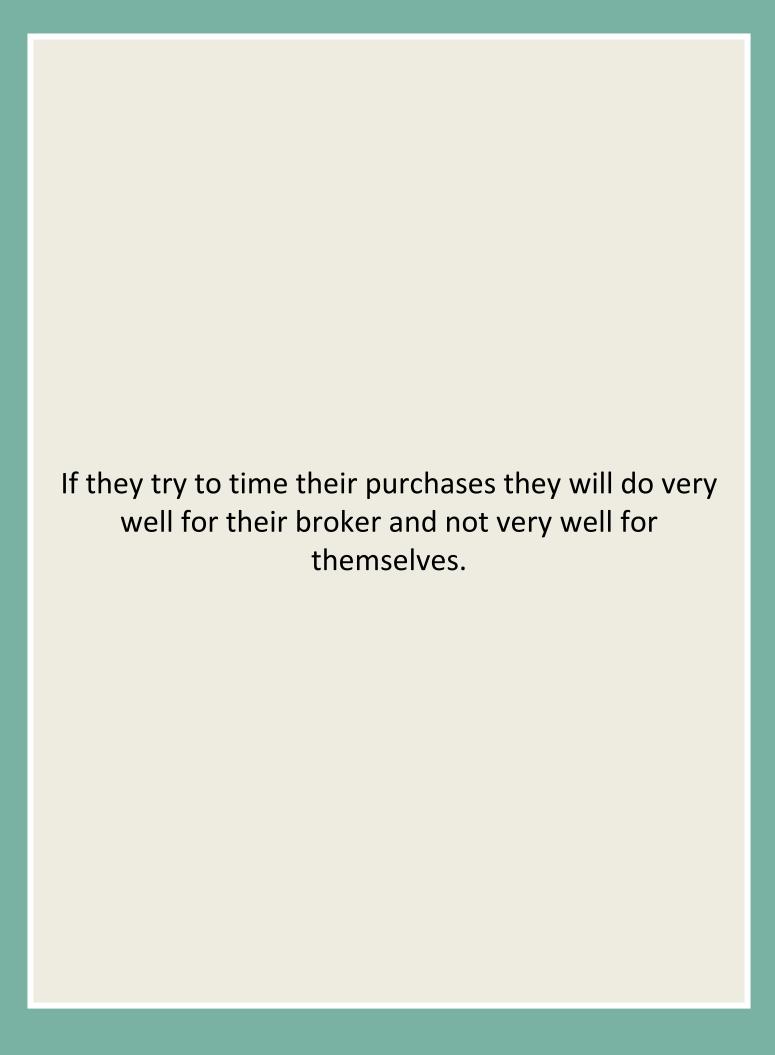


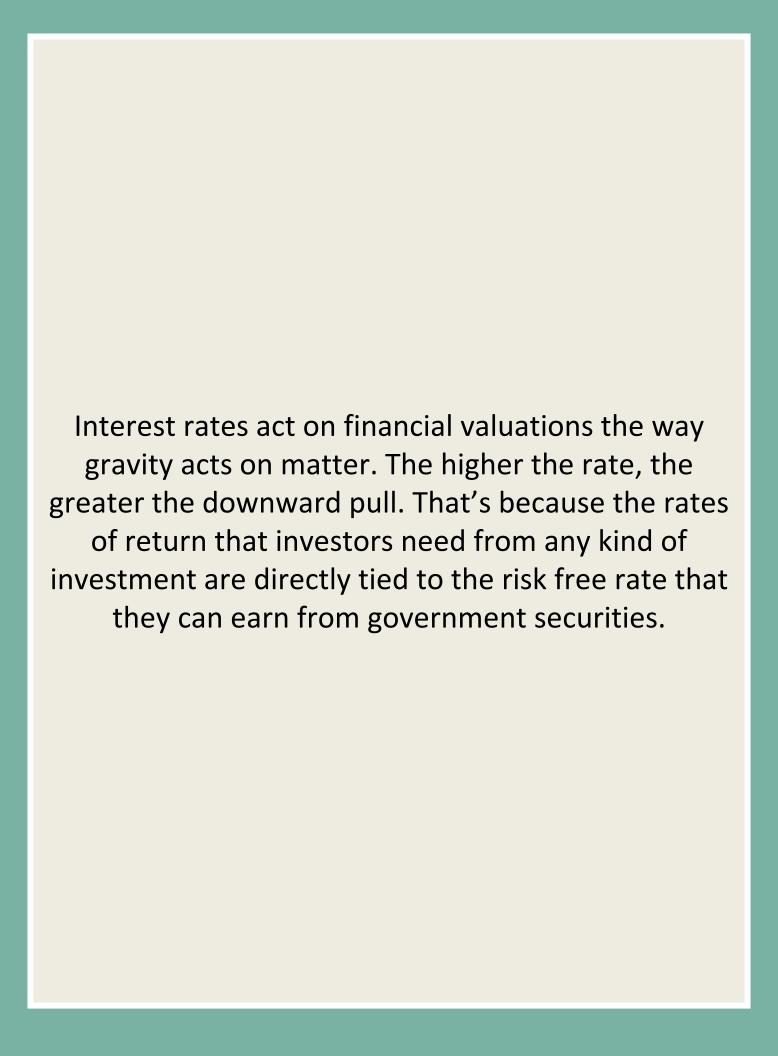


If we find a company we like, the level of the market will not really impact our decisions. We will decide company by company. We spend essentially no time thinking about marcroeconomic factors. In other words, if somebody handed us a prediction by the most revered intellectual on the subject, with figures for unemployment or interest rates or whatever it might be for the next two years, we would not pay any attention to it. We simply try to focus on businesses that we think we understand and where we like the price and management. If we see anything that relates to what's going to happen in congress, we don't even read it. We just don't think it's helpful to have a view on these matters.

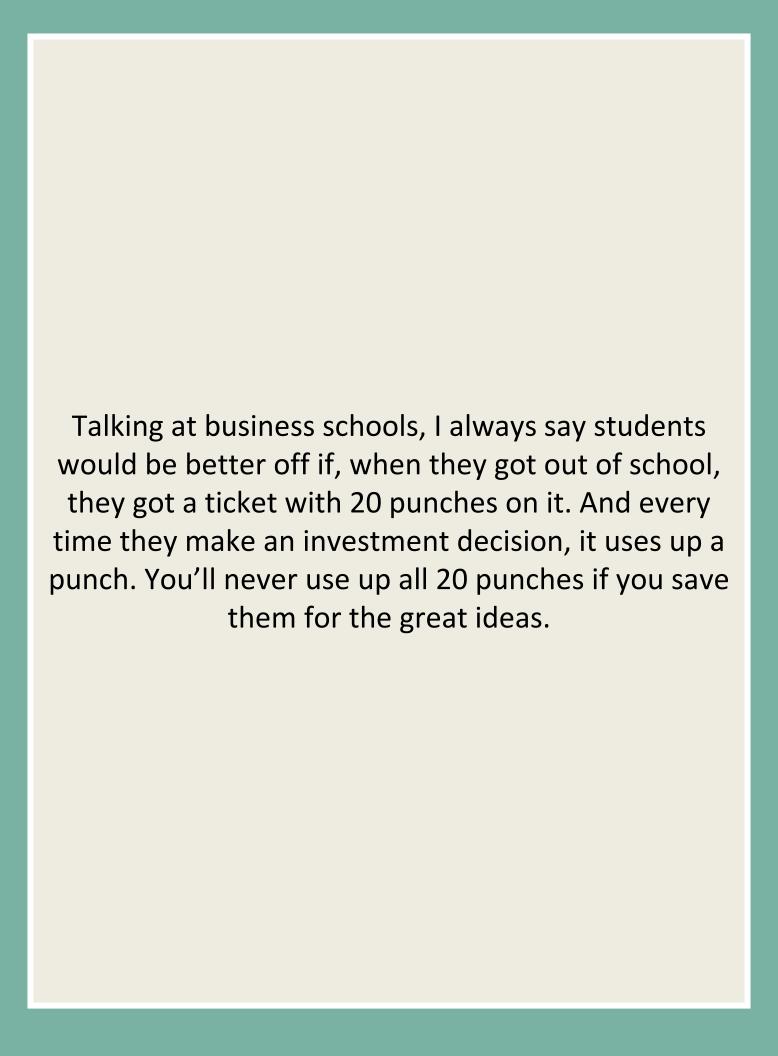
The best CEOs love operating their companies and don't prefer going to Business Round Table meetings or playing golf at Augusta National.
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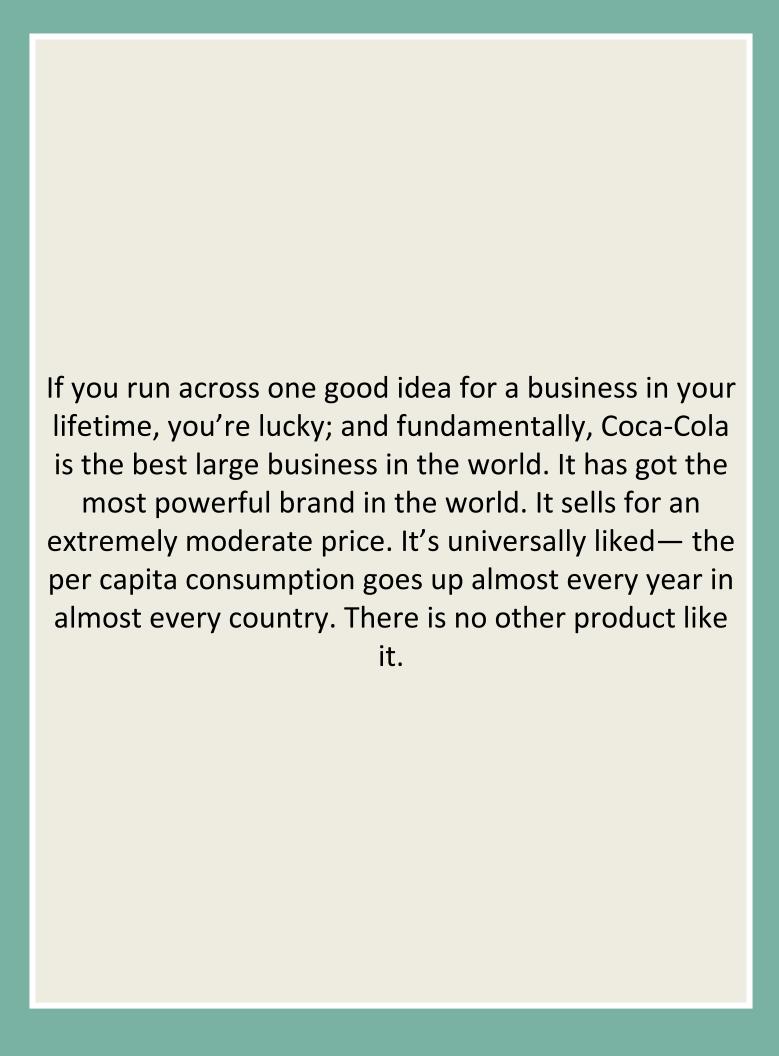


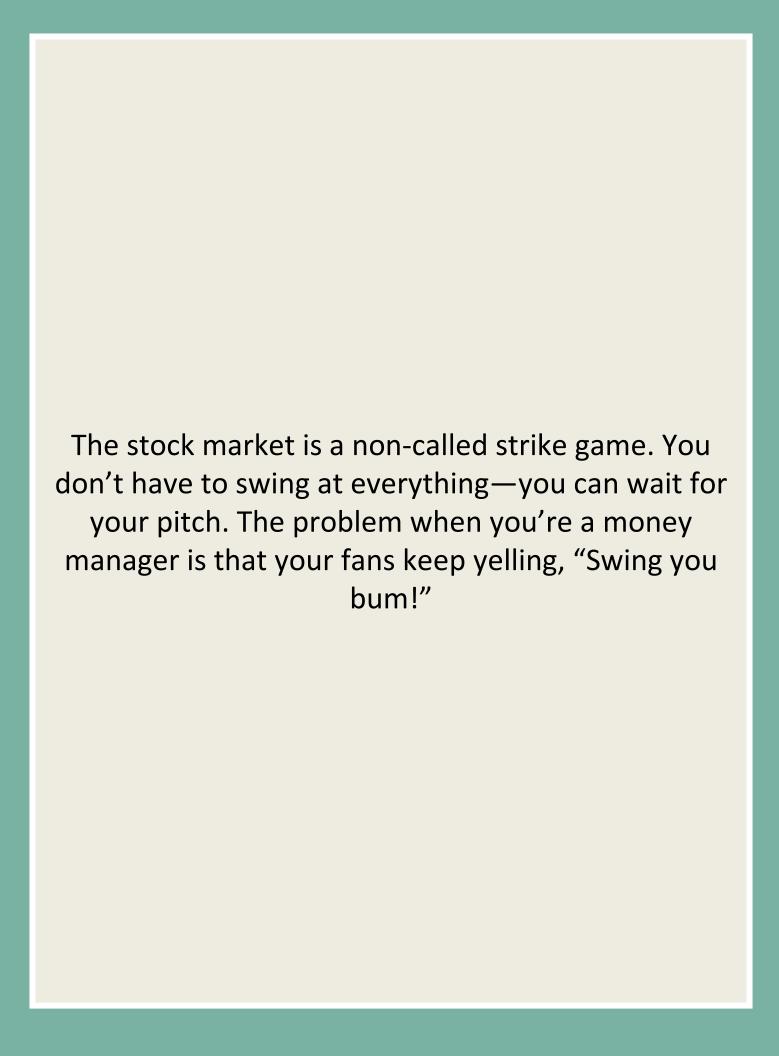


All there is to investing is picking good stocks at good times and staying with them as long as they remain good companies.







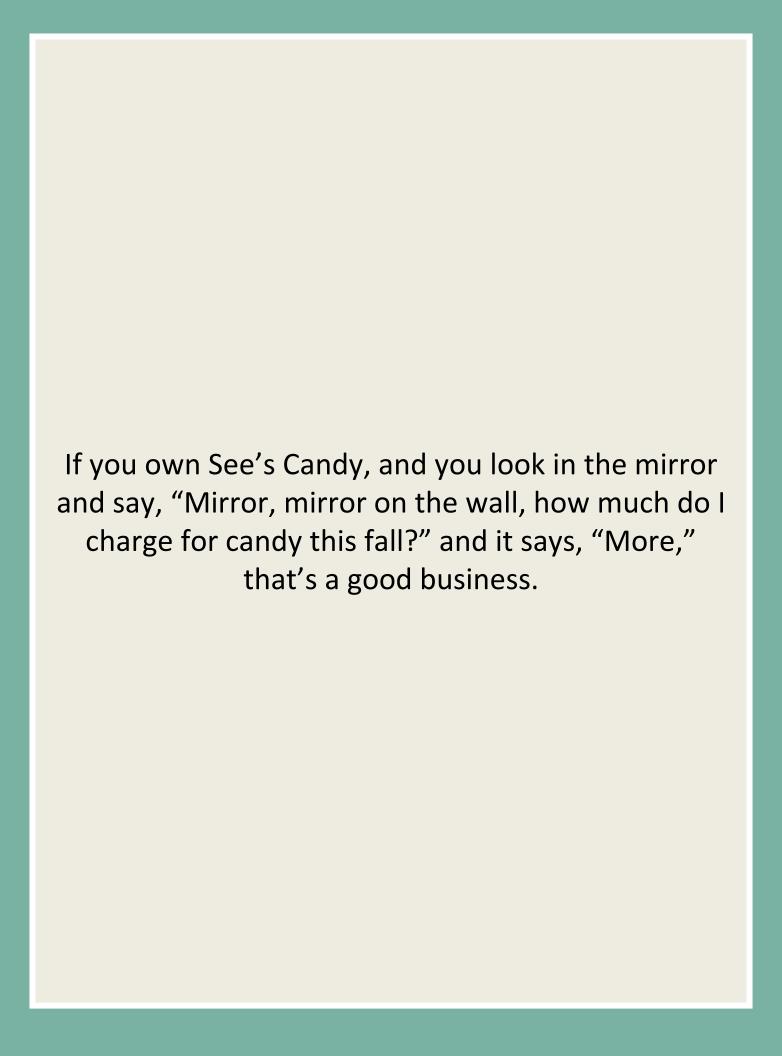


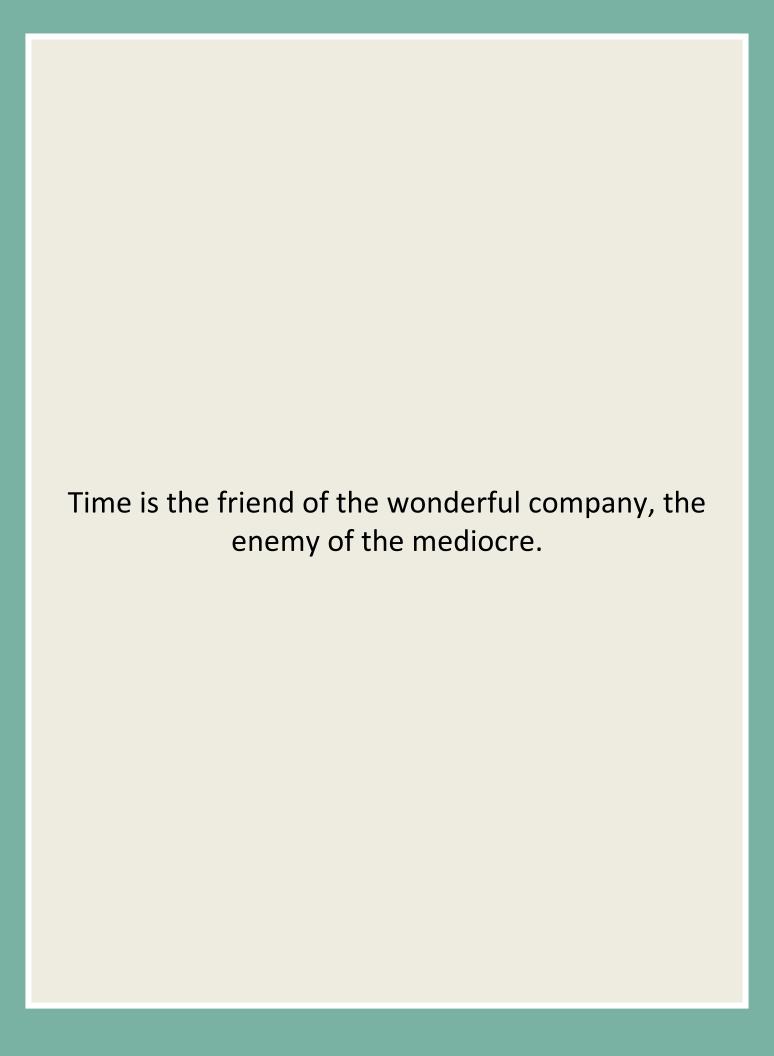


The ability to say "no" is a tremendous advantage for an investor.



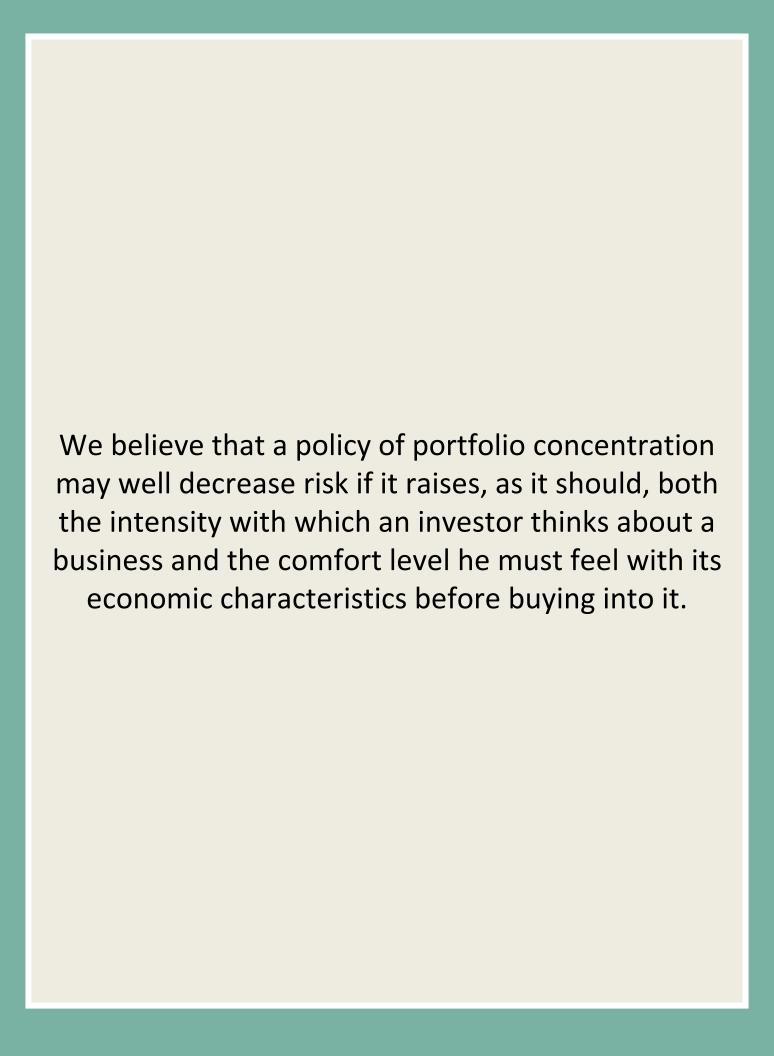




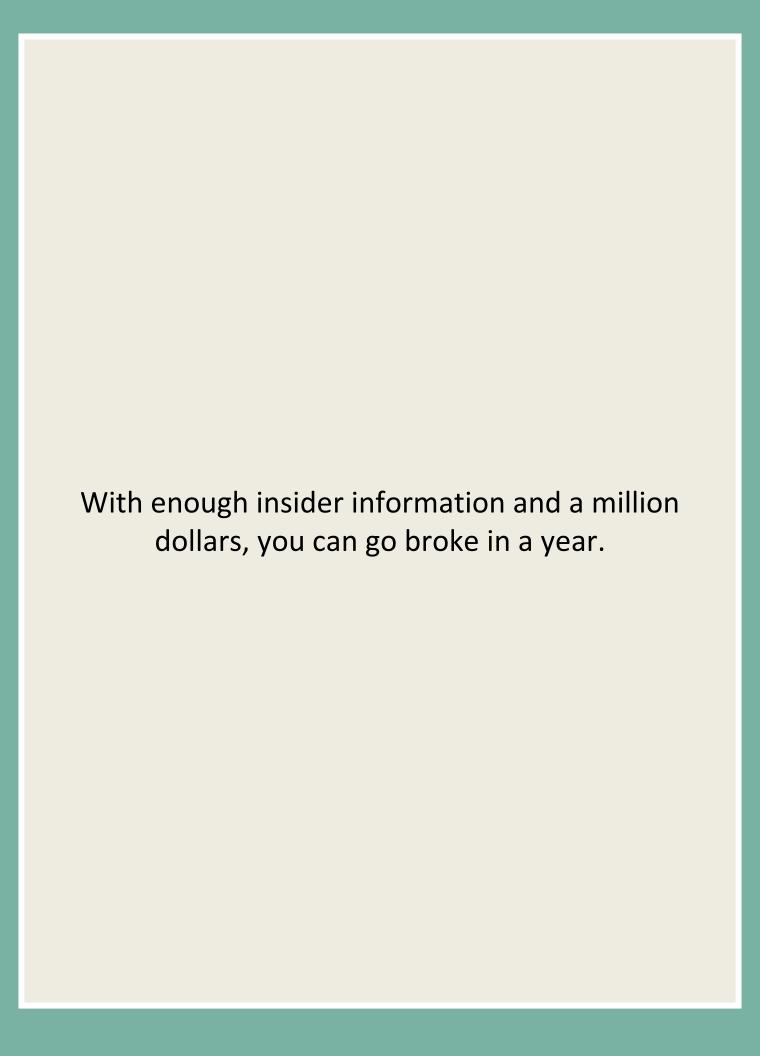




The products or services that have wide, sustainable moats around them are the ones that deliver rewards to investors.



Should you find yoursalf in a chronically looking boot
Should you find yourself in a chronically leaking boat, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks.

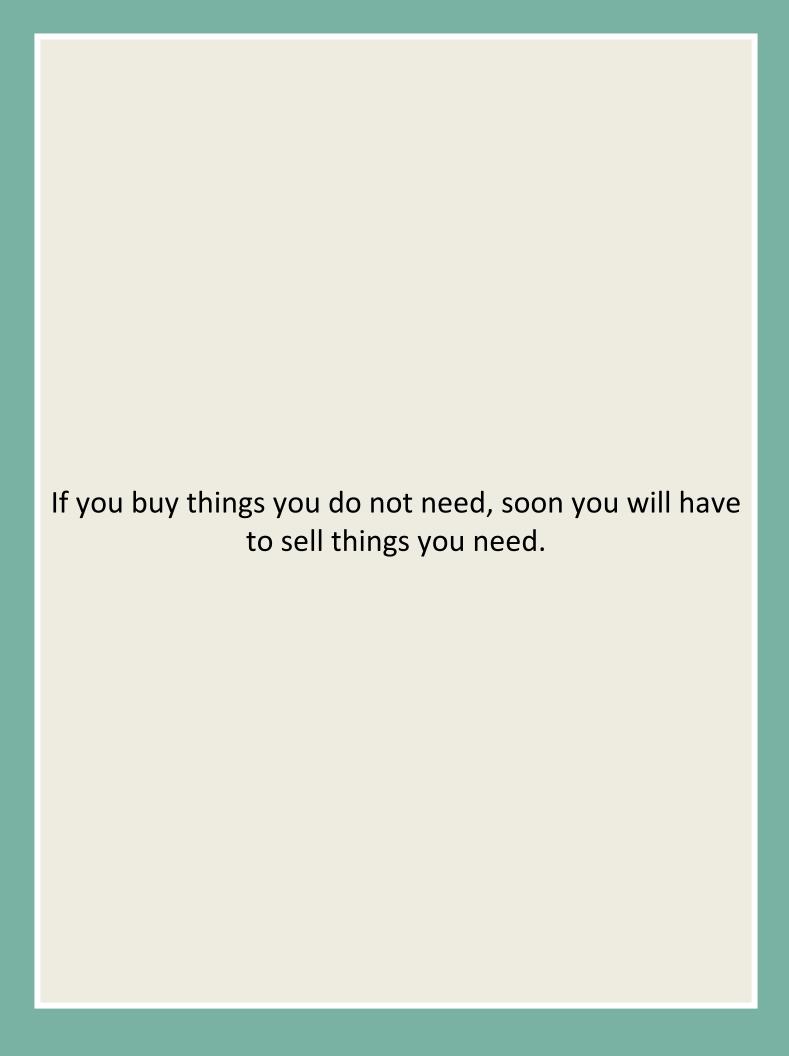


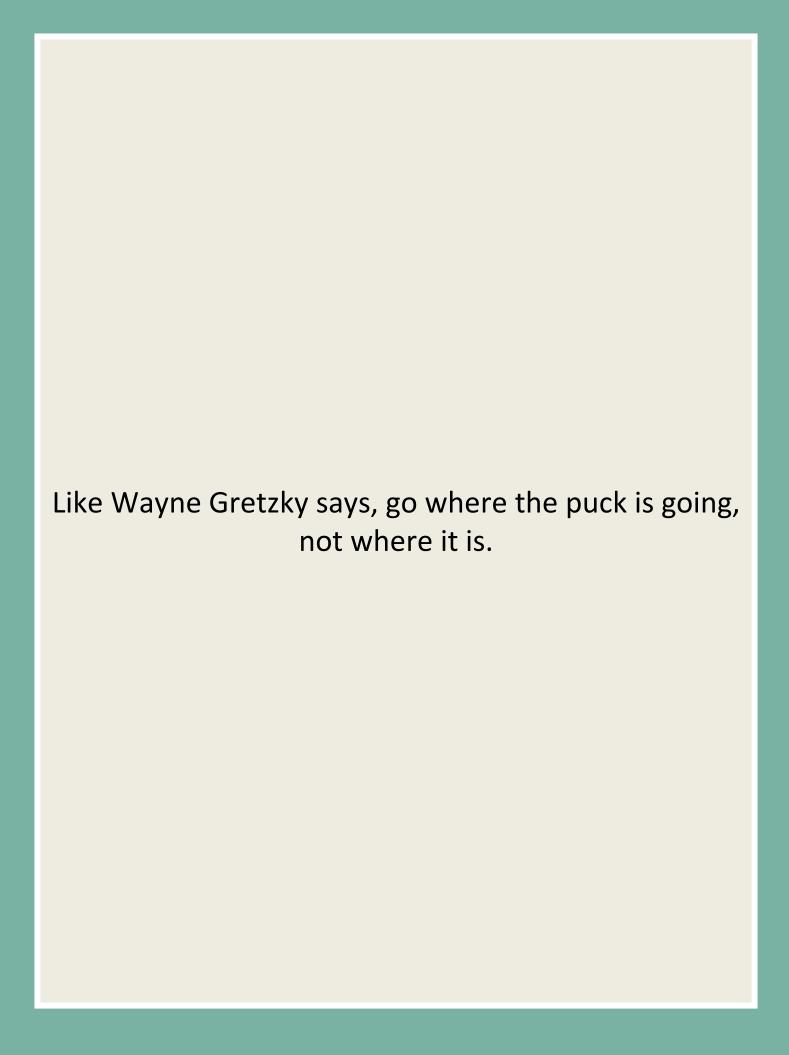


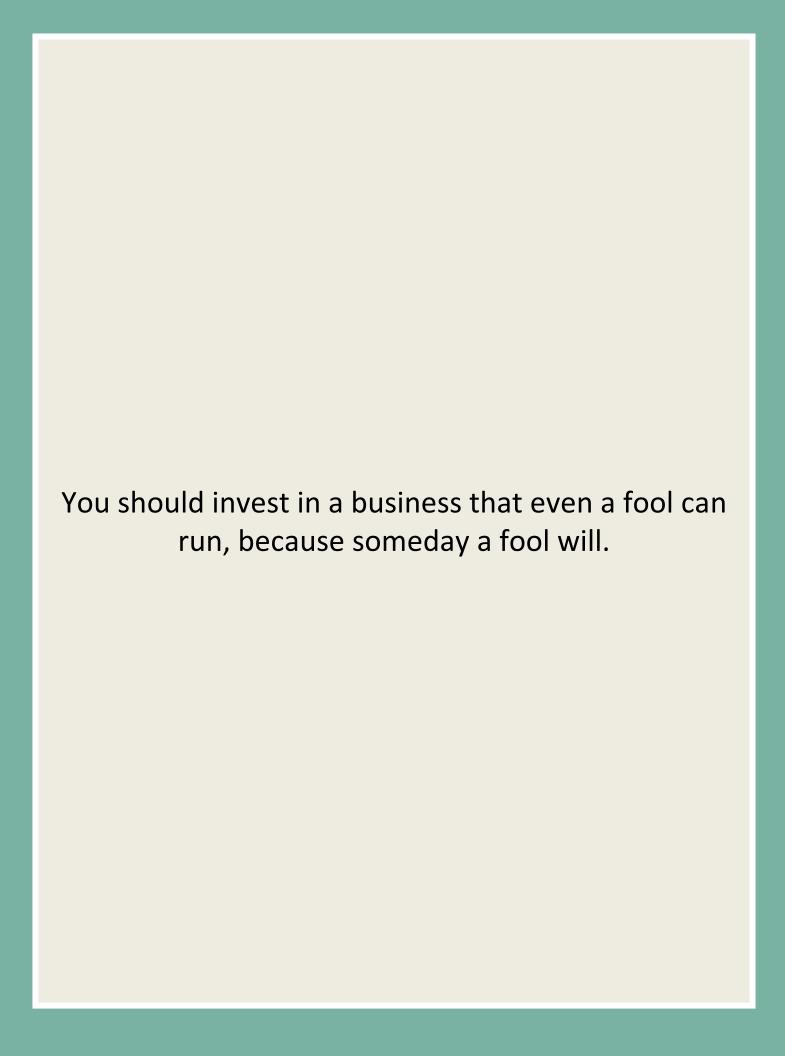
You only have to do a very few things right in your life so long as you don't do too many things wrong.



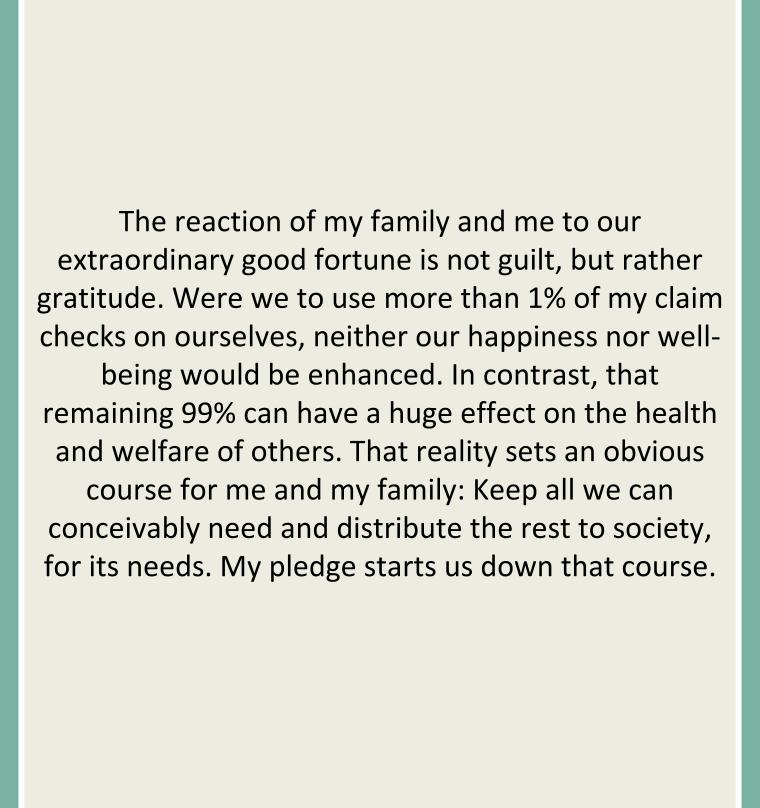
When we own portions of outstanding businesses with outstanding managements, our favorite holding period is forever.

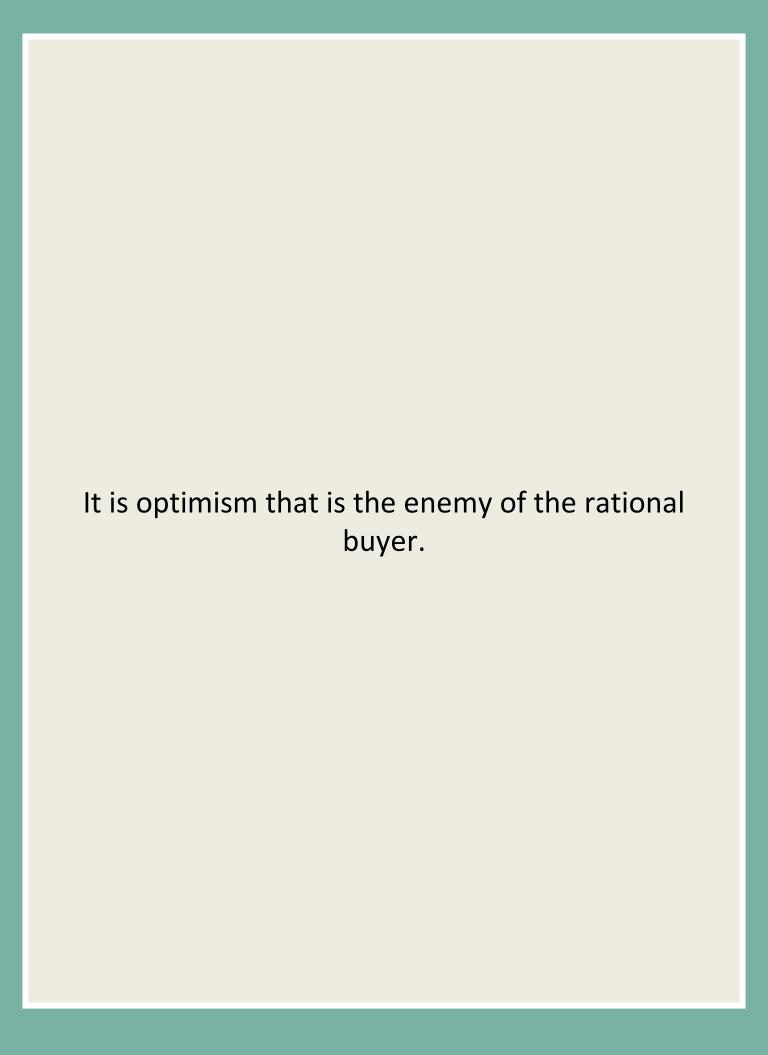


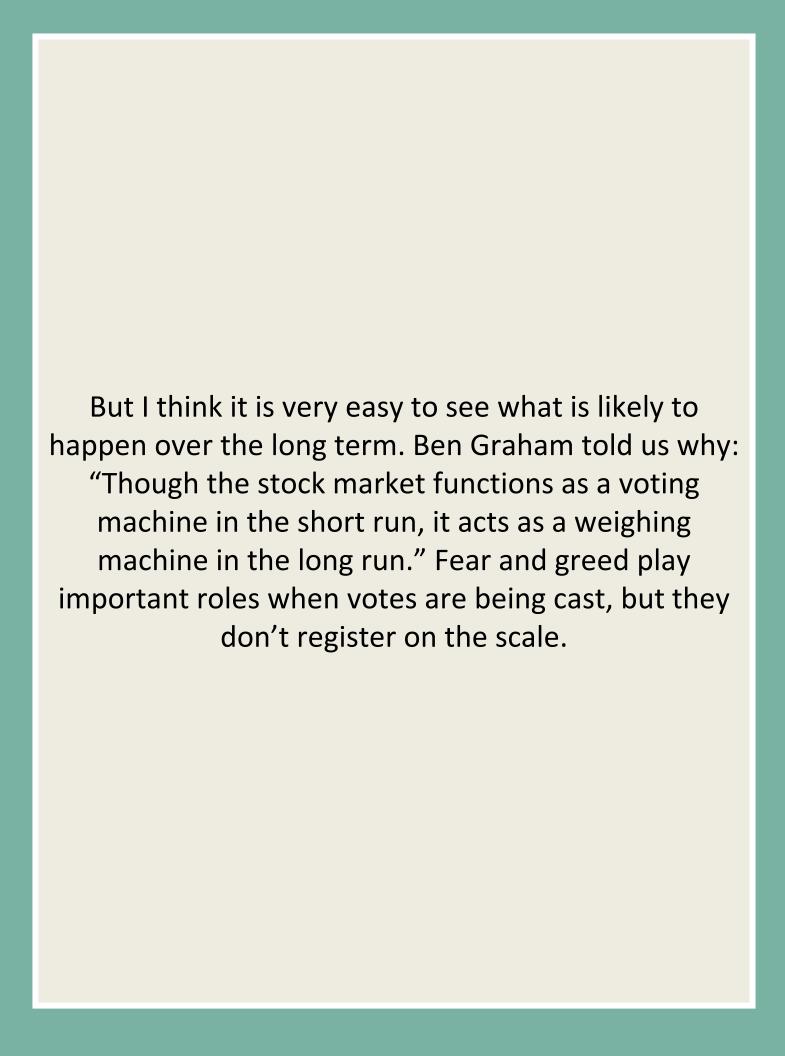




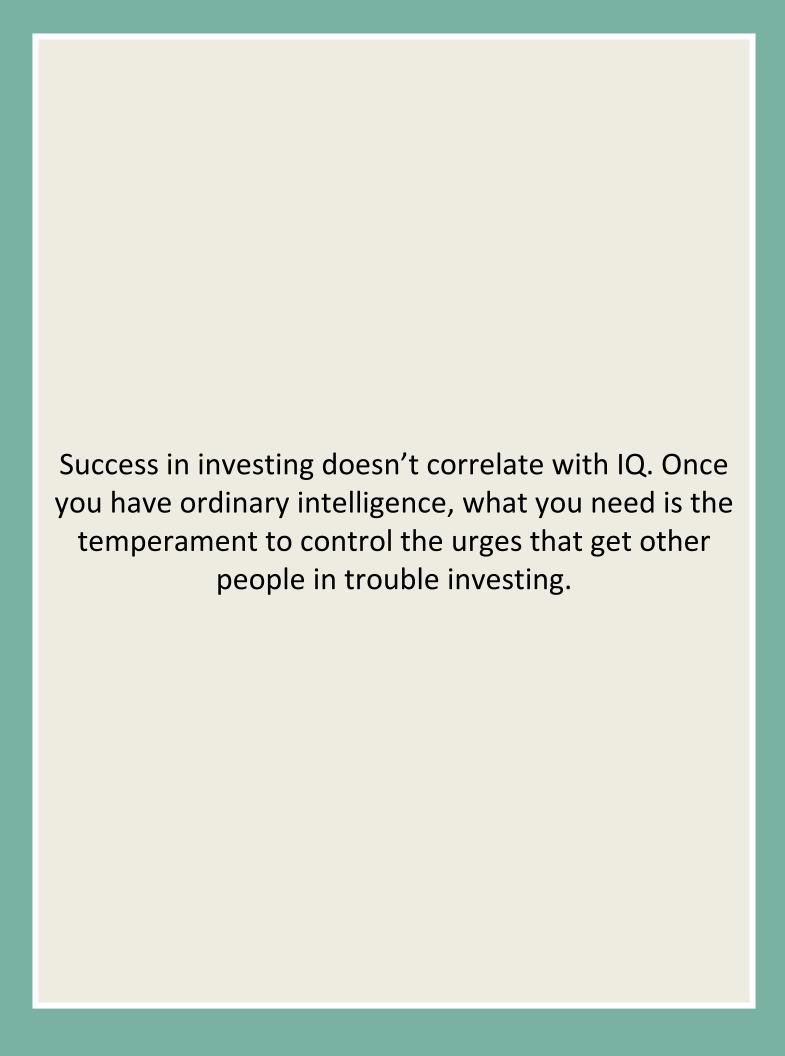
Much success can be attributed to inactivity. Most investors cannot resist the temptation to constantly buy and sell.



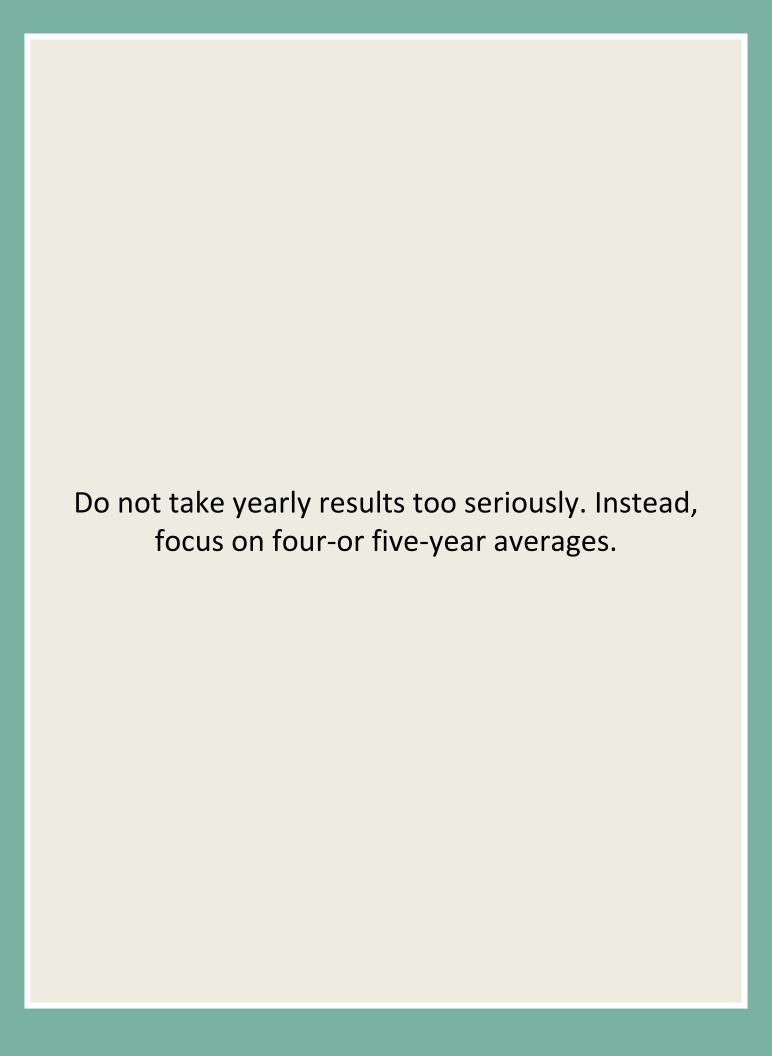


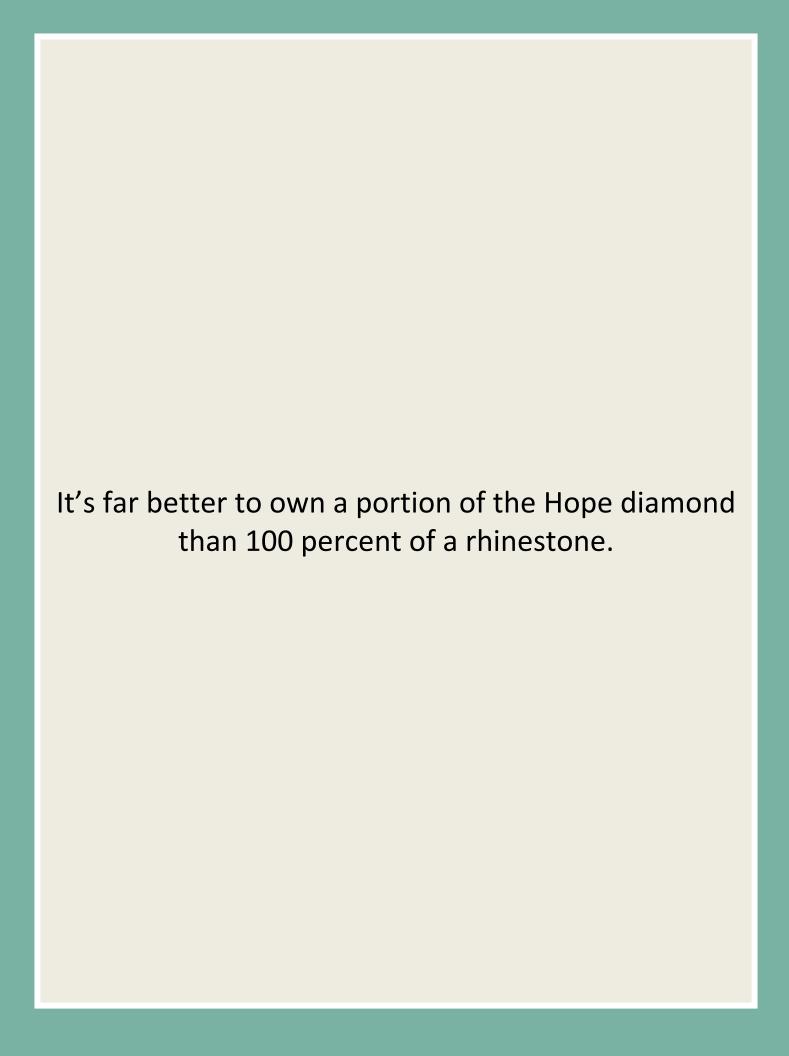






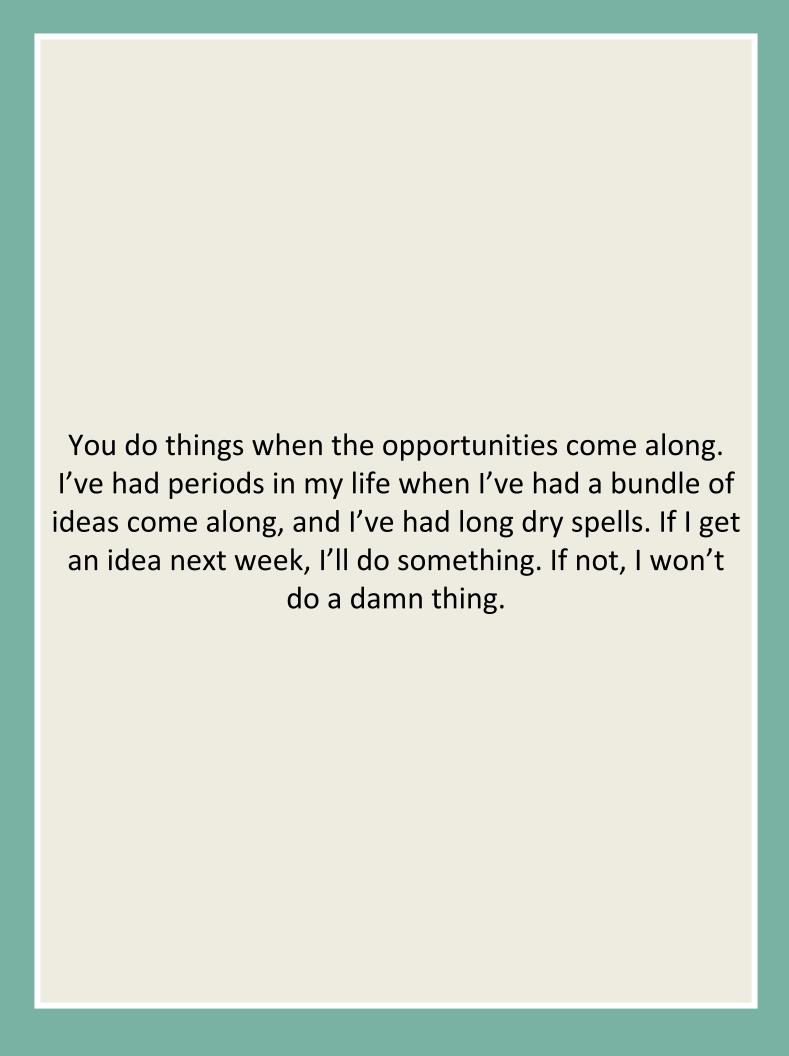
There seems to be some perverse human characteristic that likes to make easy things difficult.



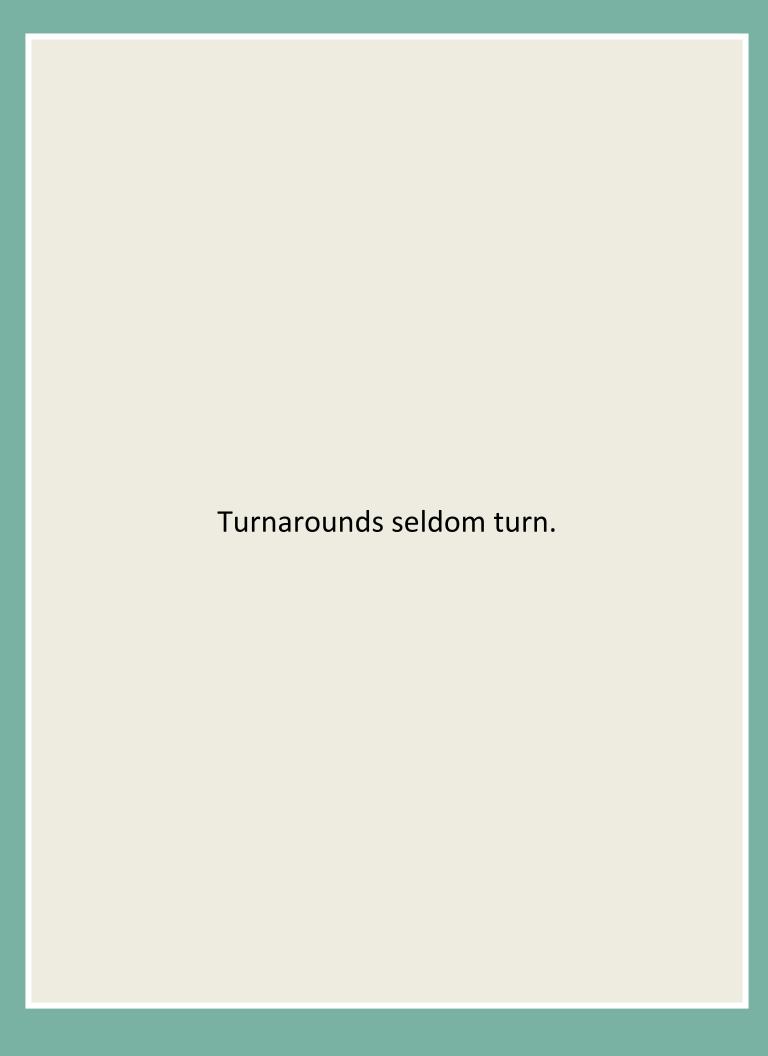


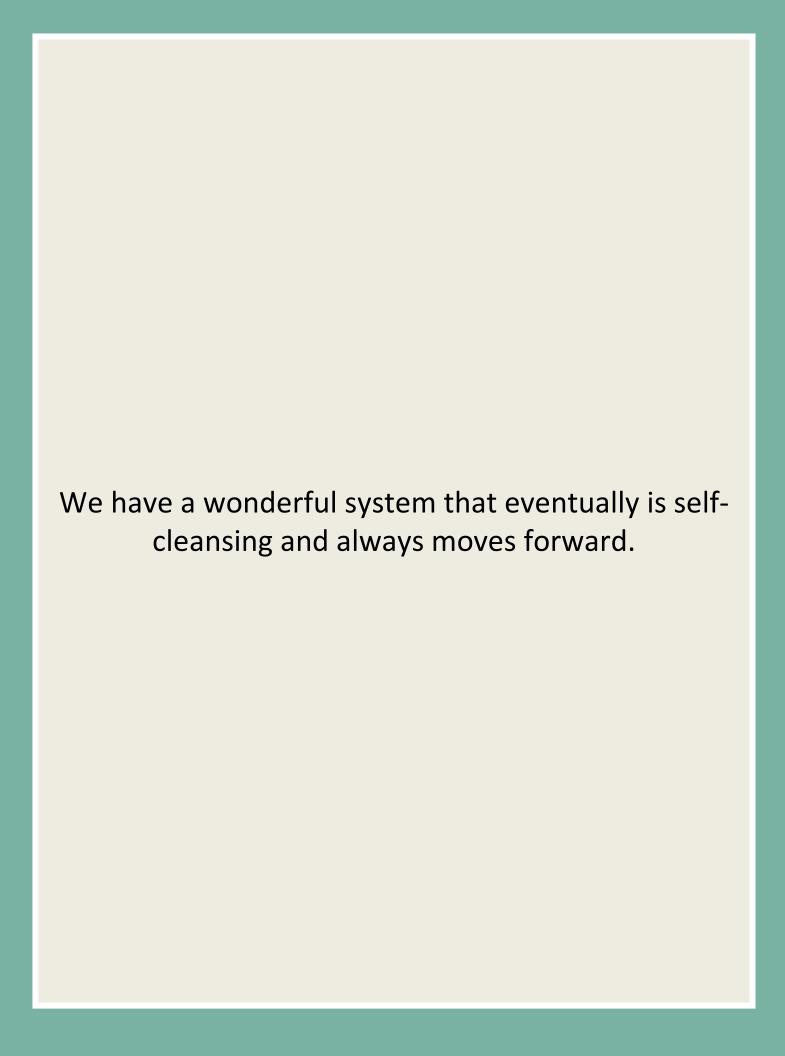


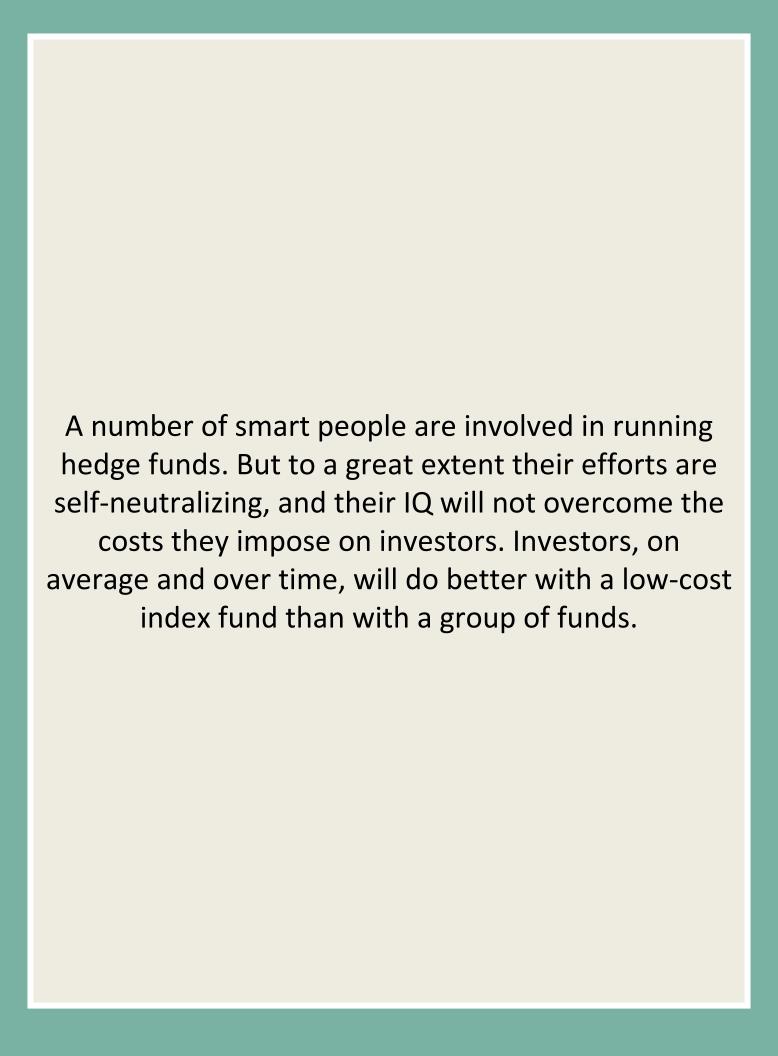




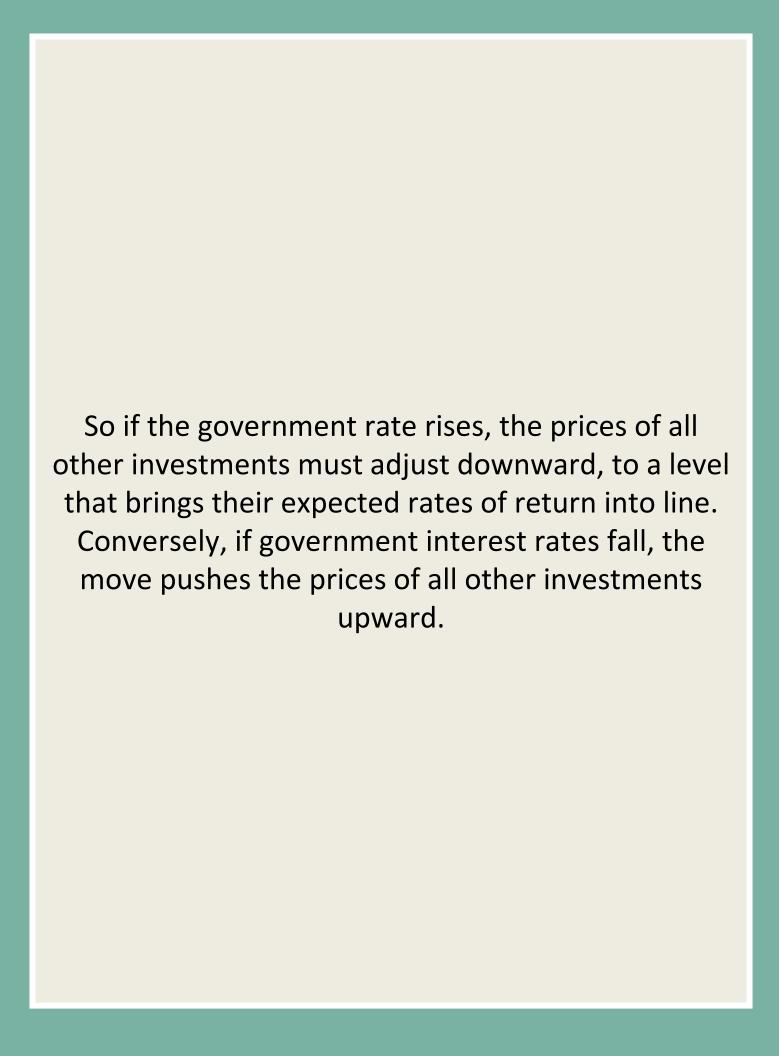
We will continue to ignore political and ed forecasts, which are an expensive distract many investors and businessmen.	tion for

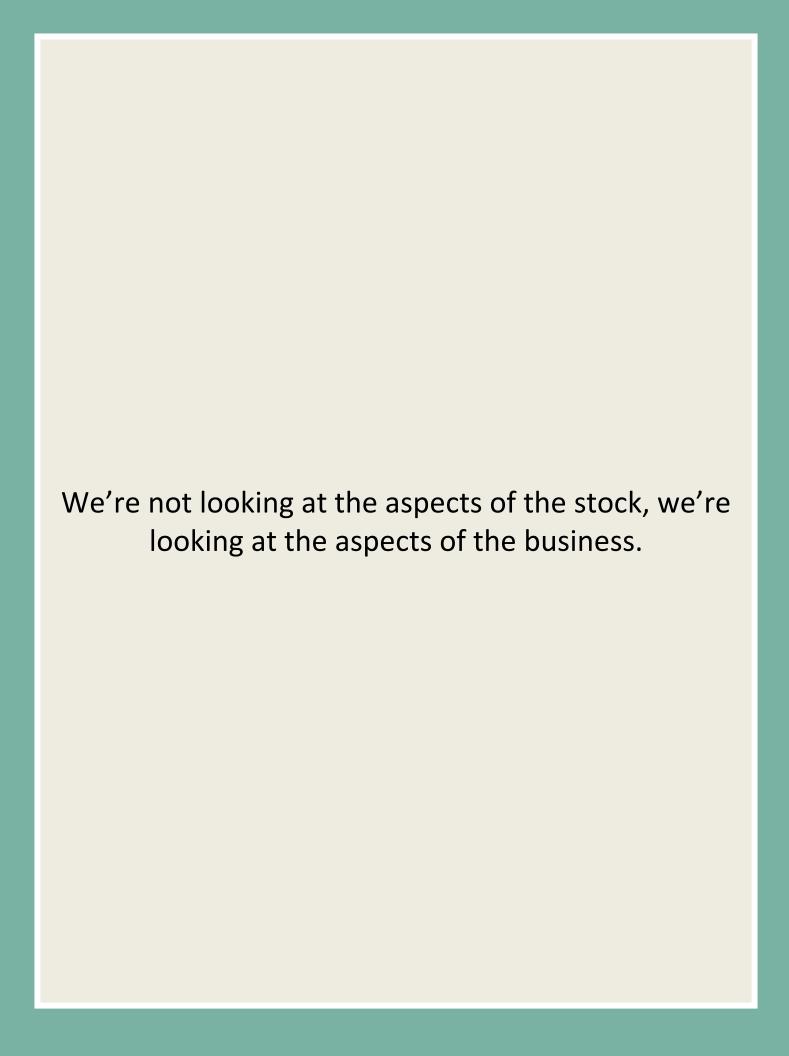




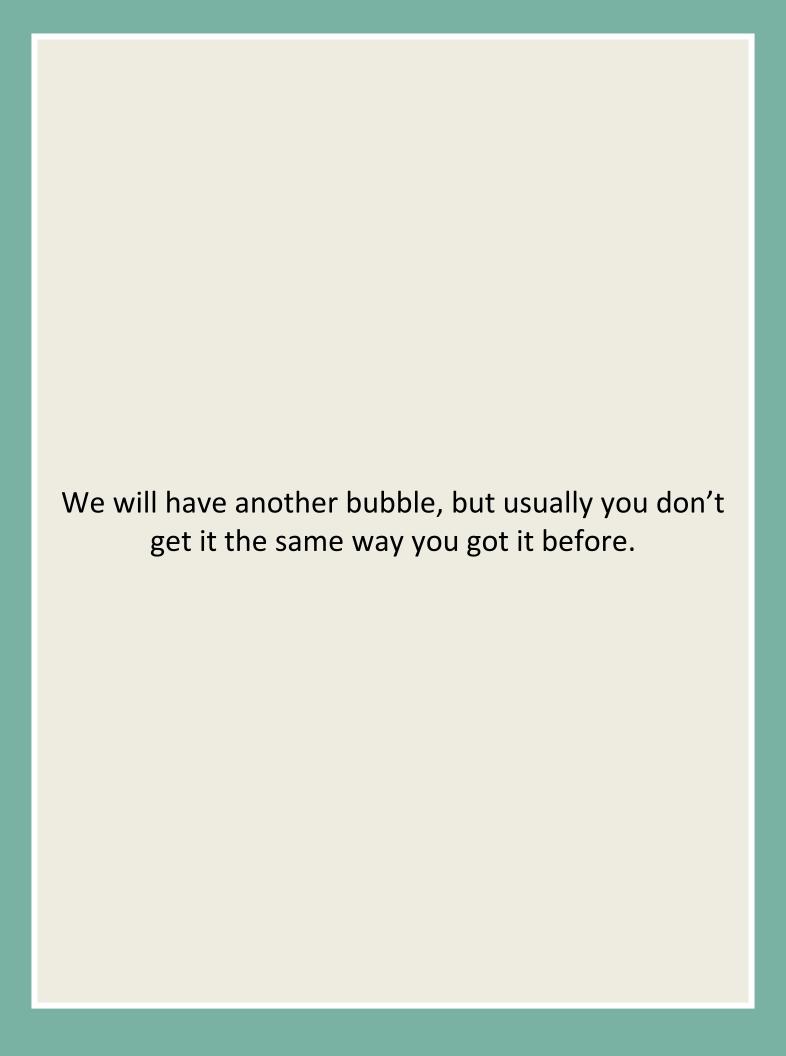






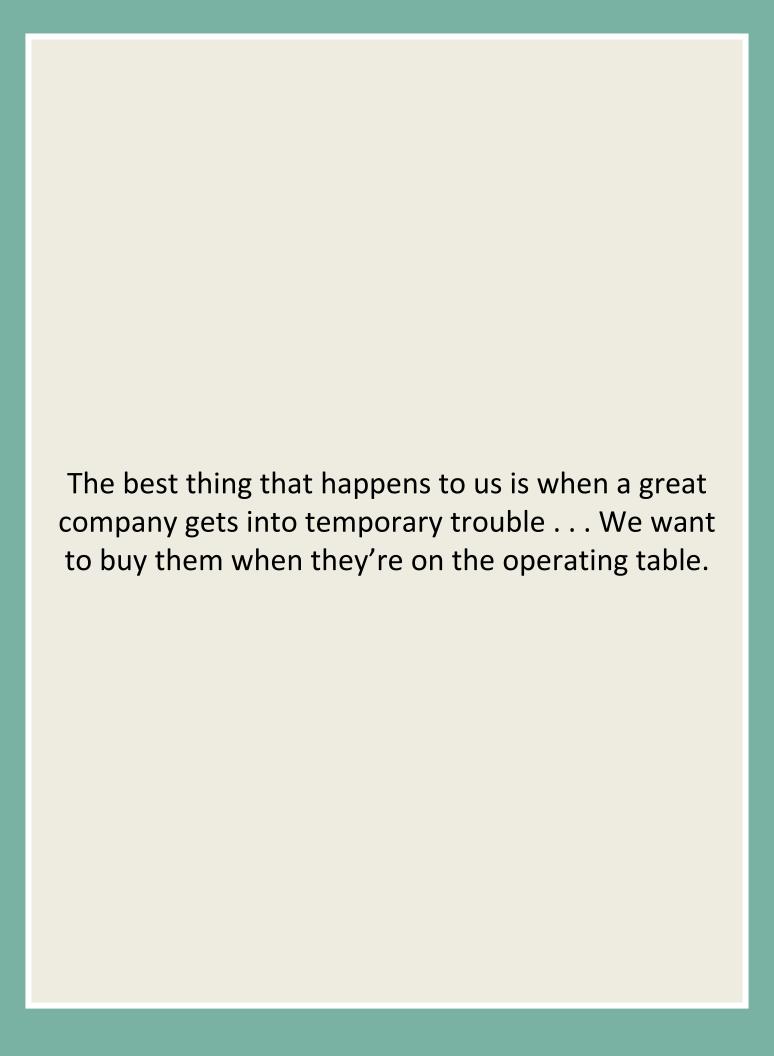


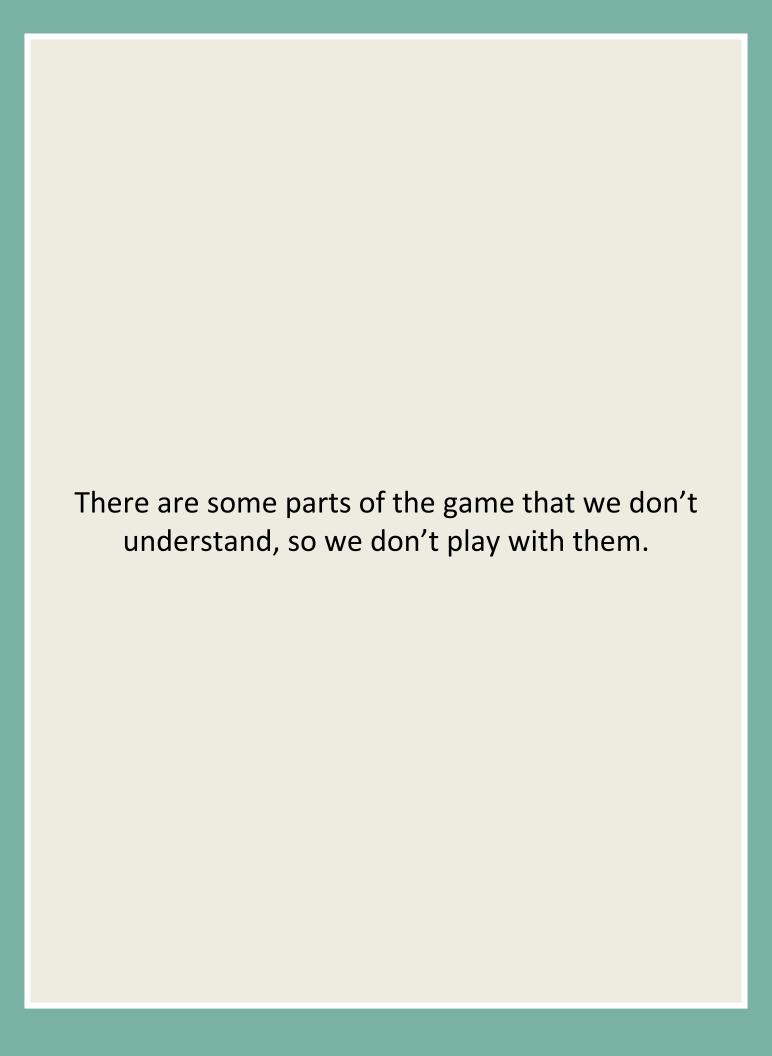
Our stay-put behavior reflects our view that stock market serves as a relocation center at which money is moved from the active to the patient.

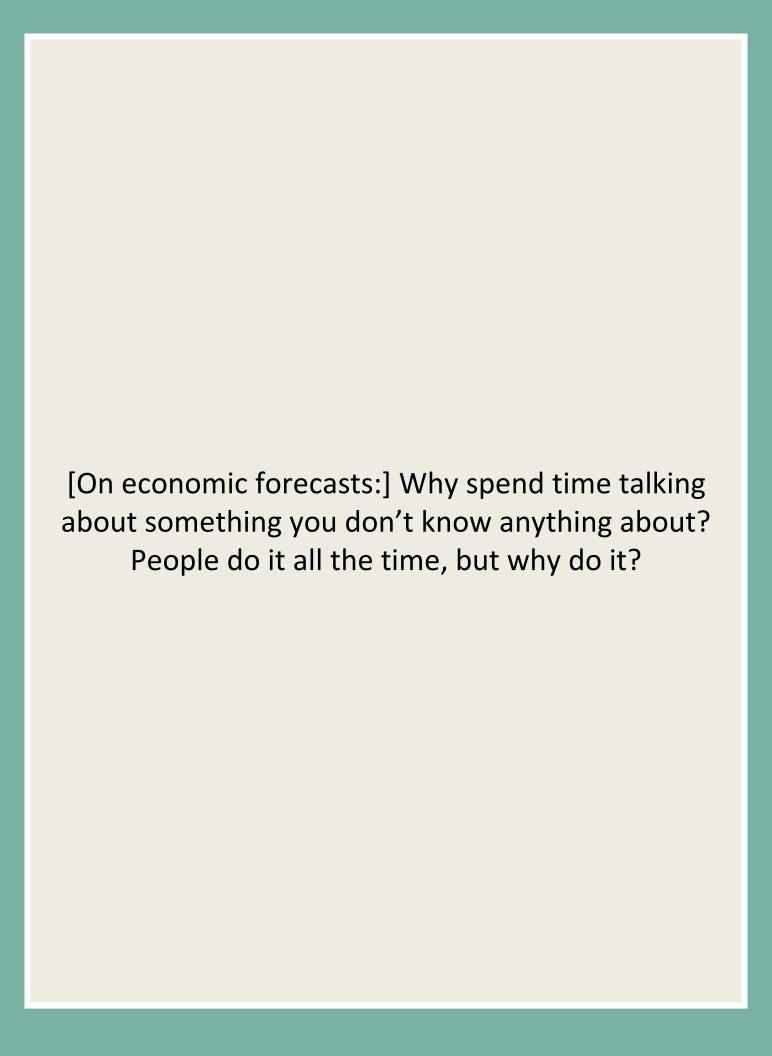




When people get fearful, they get fearful en masse. Confidence comes back one at a time. When they get greedy, they get greedy en masse.





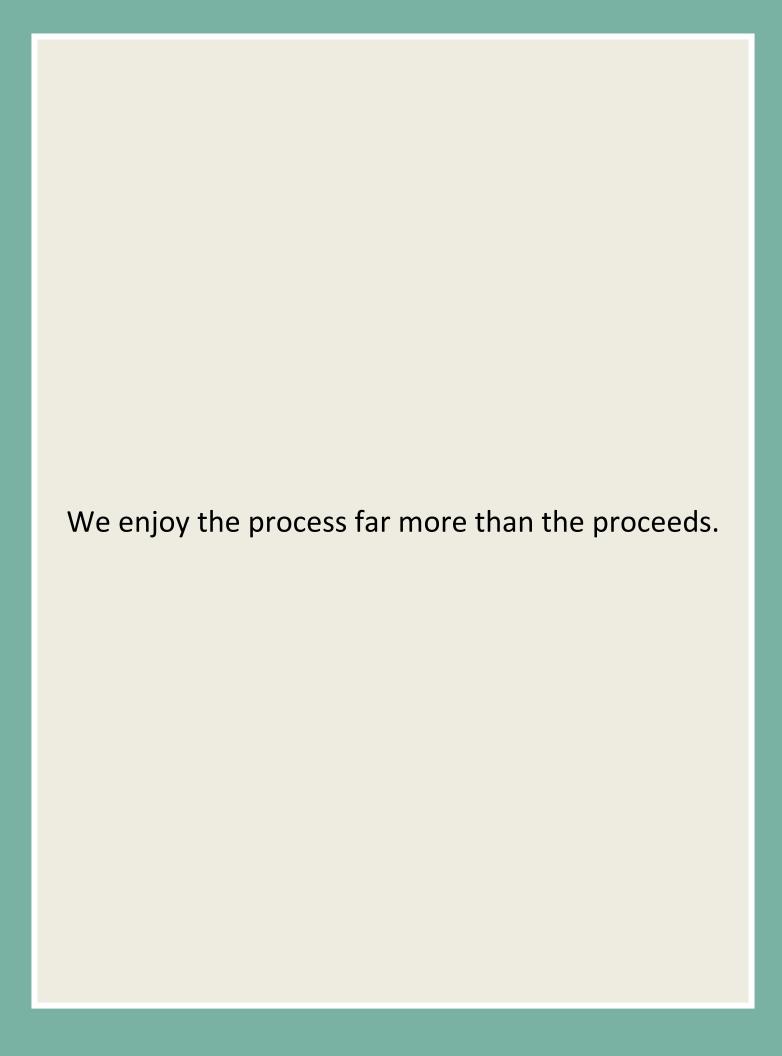


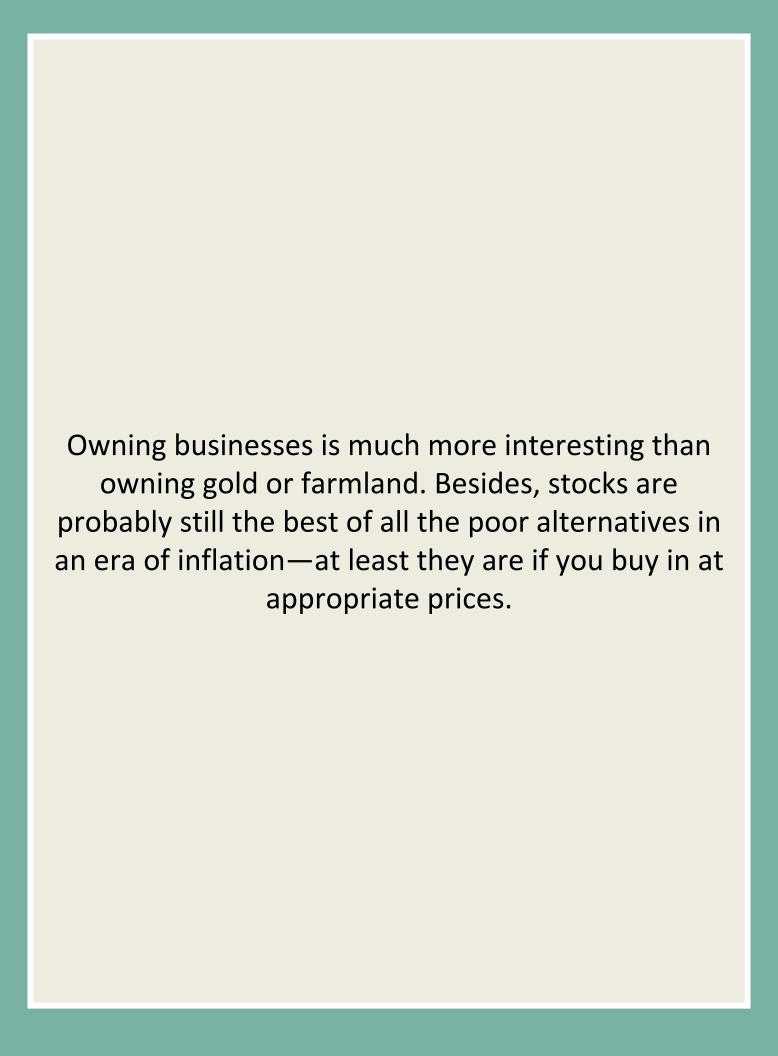
To invest successfully, you need not understand beta, efficient markets, modern portfolio theory, option pricing, or emerging markets. You may, in fact, be better off knowing nothing of these. That, of course, is not prevailing view at most business schools, whose finance curriculum tends to be dominated by such subjects. In our view, though, investment students need only two well-taught courses—How to Value a Business, and How to Think About Market Prices.

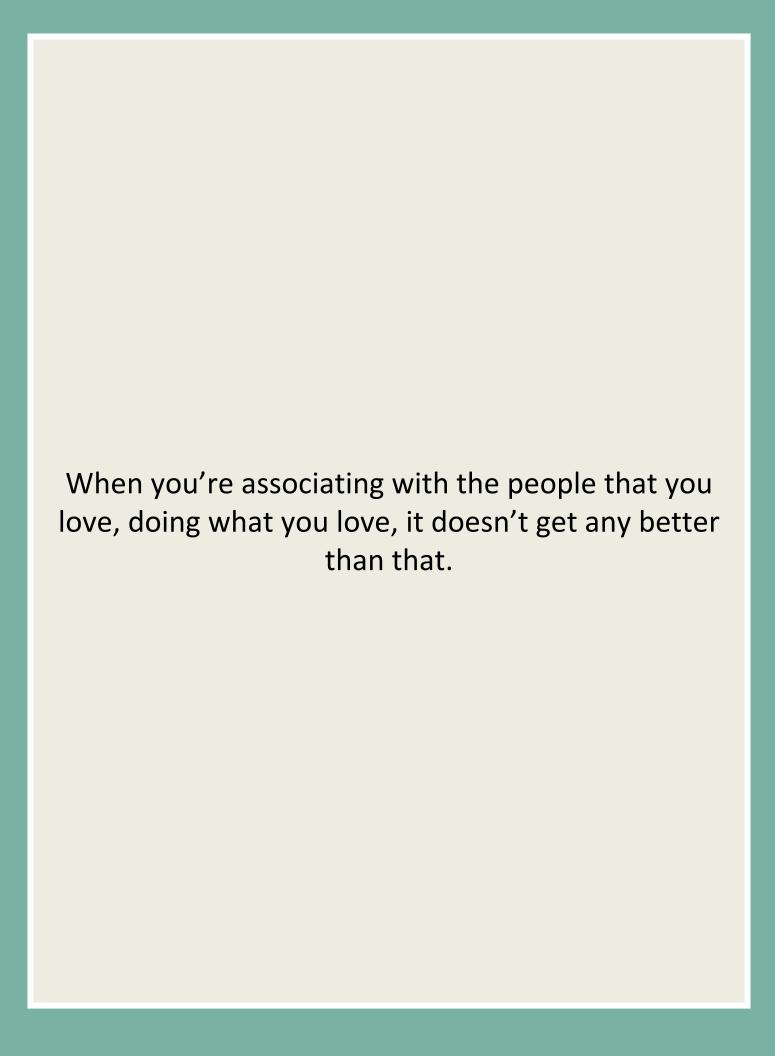
I think the most important factor in getting out of the recession actually is just the regenerative

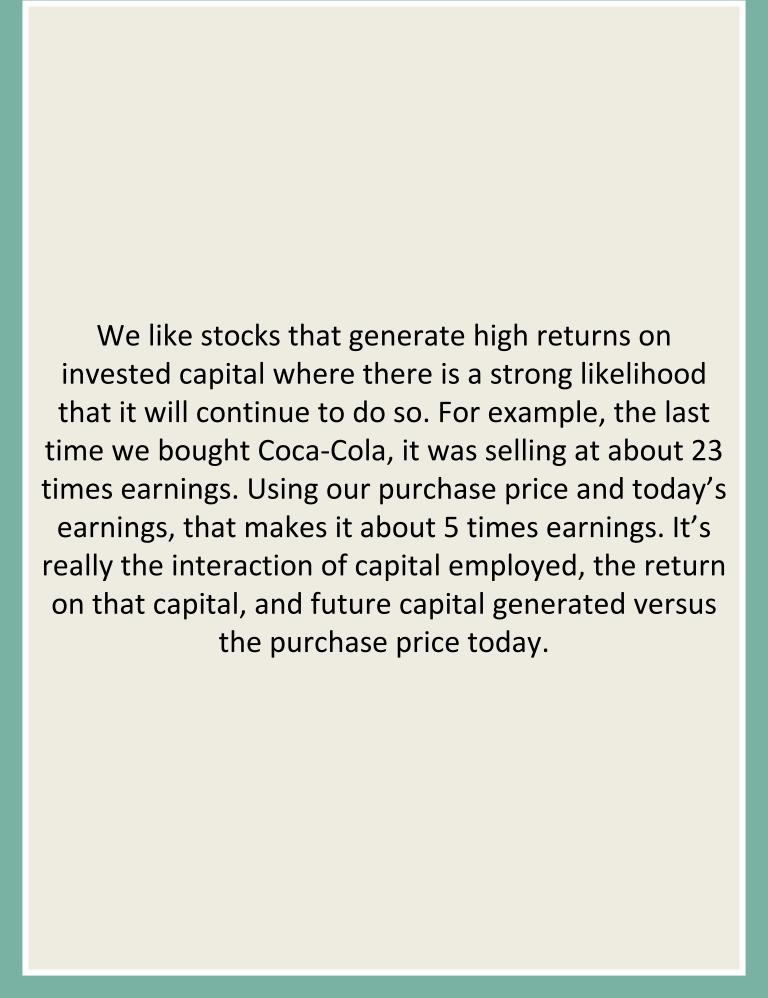
When proper temperament joins with proper intellectual framework, then you get rational behaviour.	

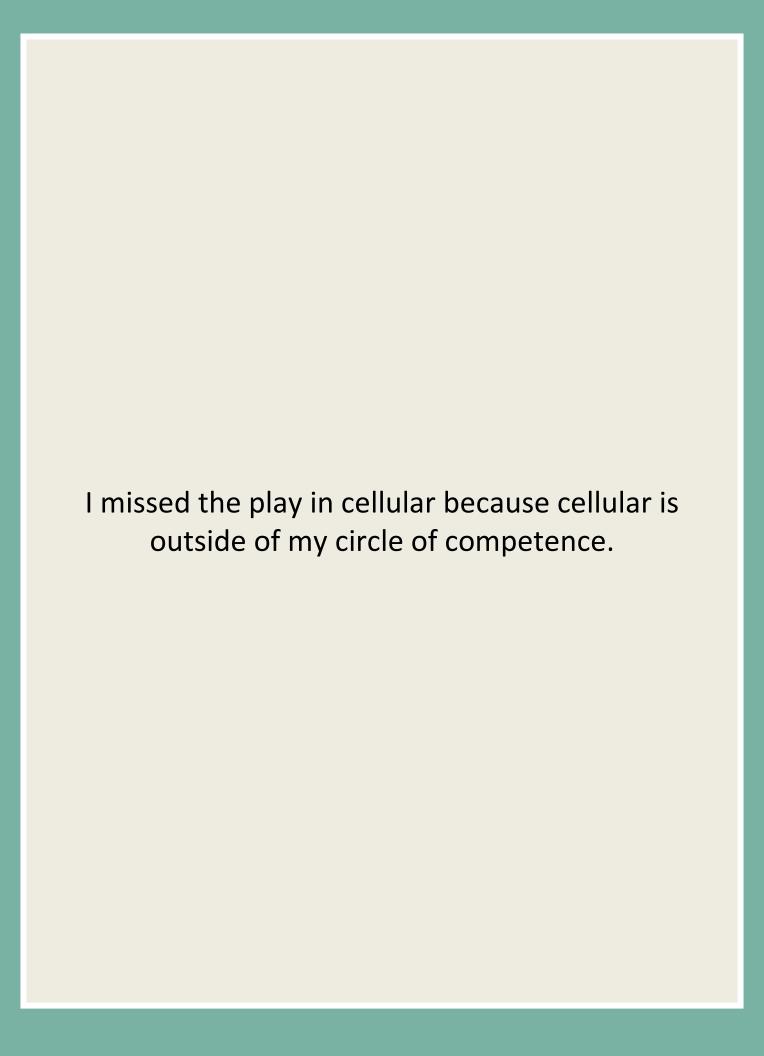
Charlie [Munger] and I never have an opinion on the market because it wouldn't be any good and it might interfere with the opinions we have that are good.





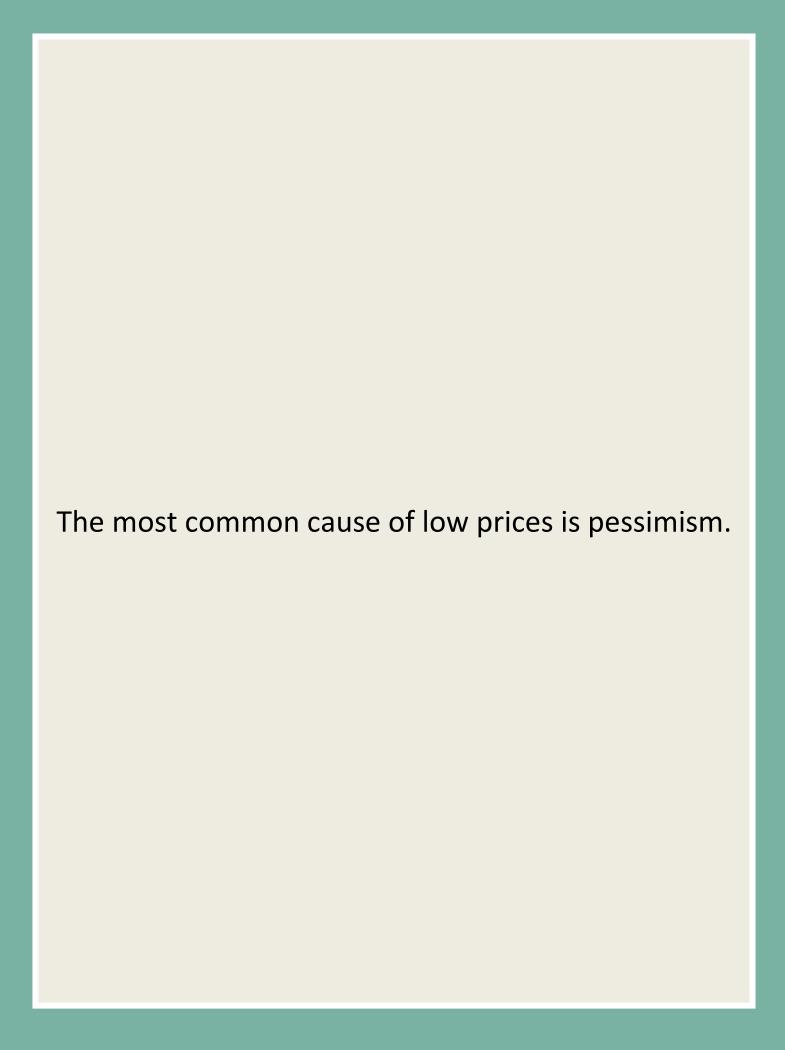






Diversification is a protection against ignorance. It makes very little sense for those who know what they're doing.	

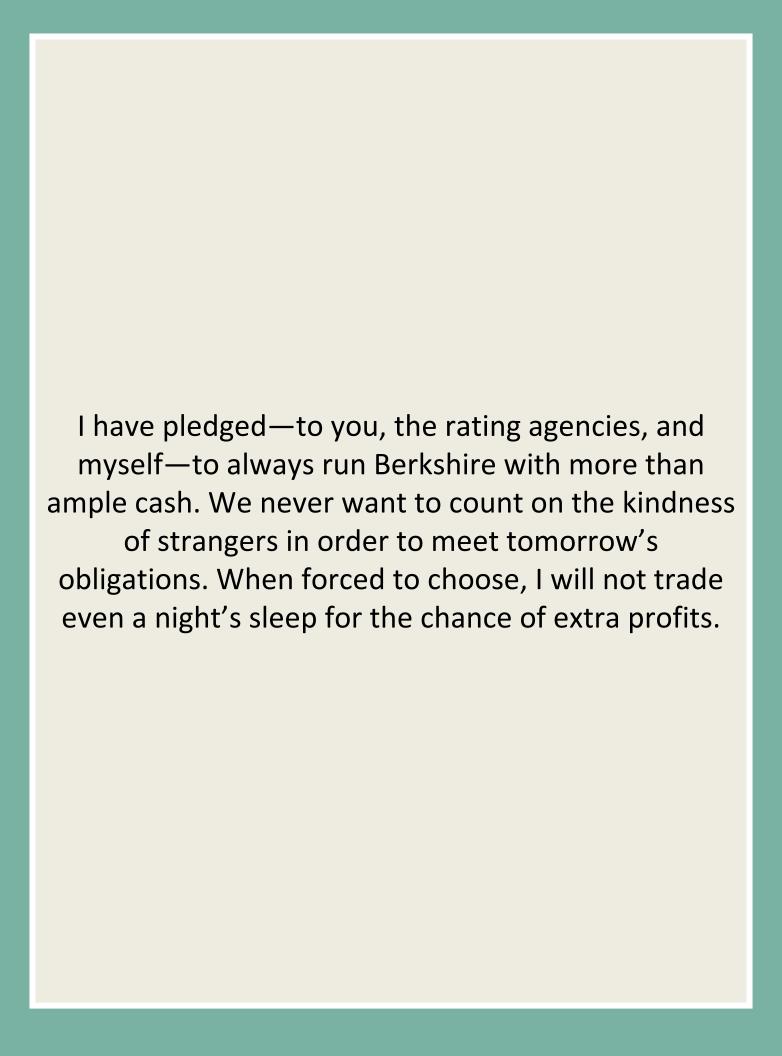
Most of our large stock positions are going to be held for many years and the scorecard on our investment decisions will be provided by business results over that period, and not by prices on any given day. Just as it would be foolish to focus unduly on short-term prospects when acquiring an entire company, we think it equally unsound to become mesmerized by the prospective near term earnings when purchasing small pieces of a company; i.e., marketable common stocks.



During the extraordinary financial panic that occurred late in 2008, I never gave a thought to selling my farm or New York real estate, even though a severe recession was clearly brewing. And, if I had owned 100% of a solid business with good long-term prospects, it would have been foolish for me to even consider dumping it. So why would I have sold my stocks that were small participations in wonderful businesses? True, any one of them might eventually disappoint, but as a group they were certain to do well. Could anyone really believe the earth was going to swallow up the incredible productive assets and unlimited human ingenuity existing in America?

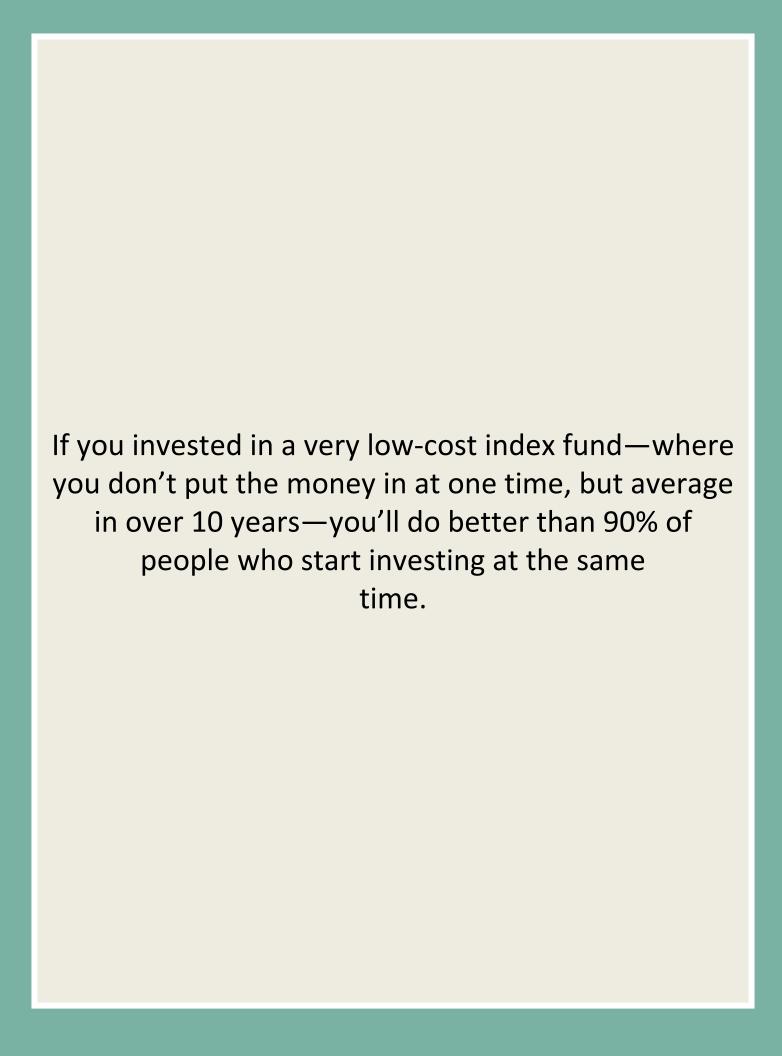
You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right.

The greatest investment reward comes to those who by good luck, or good sense, find the occasional company that over the years can grow in sales and profits far more than industry as a whole.

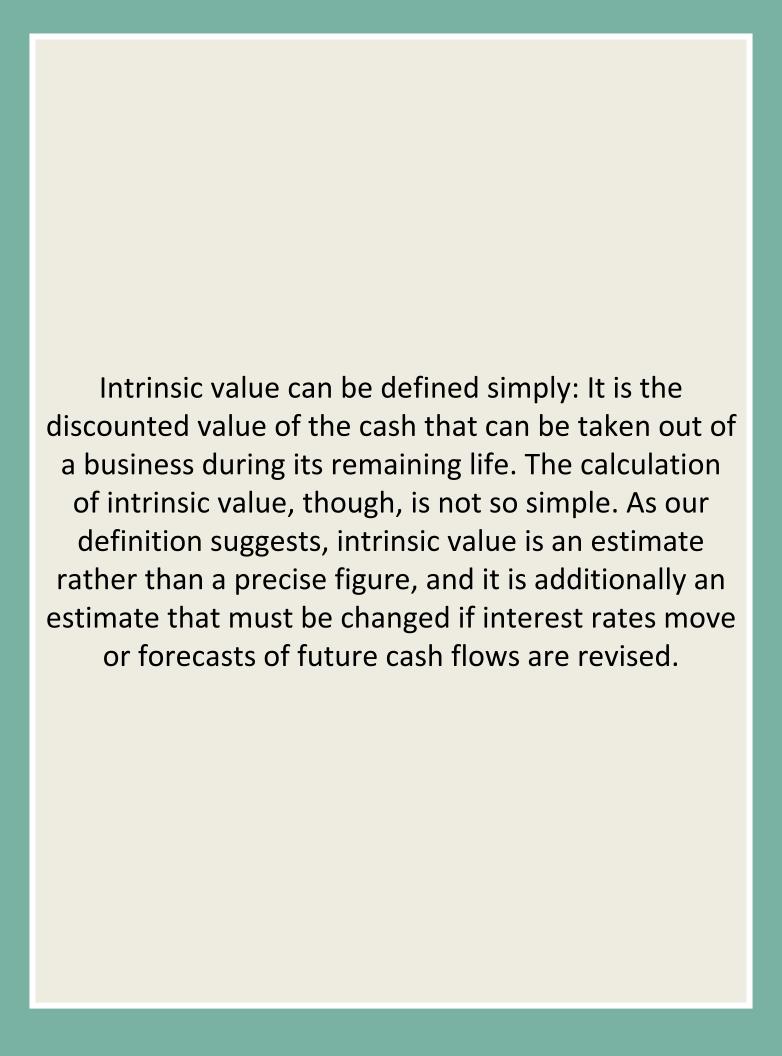


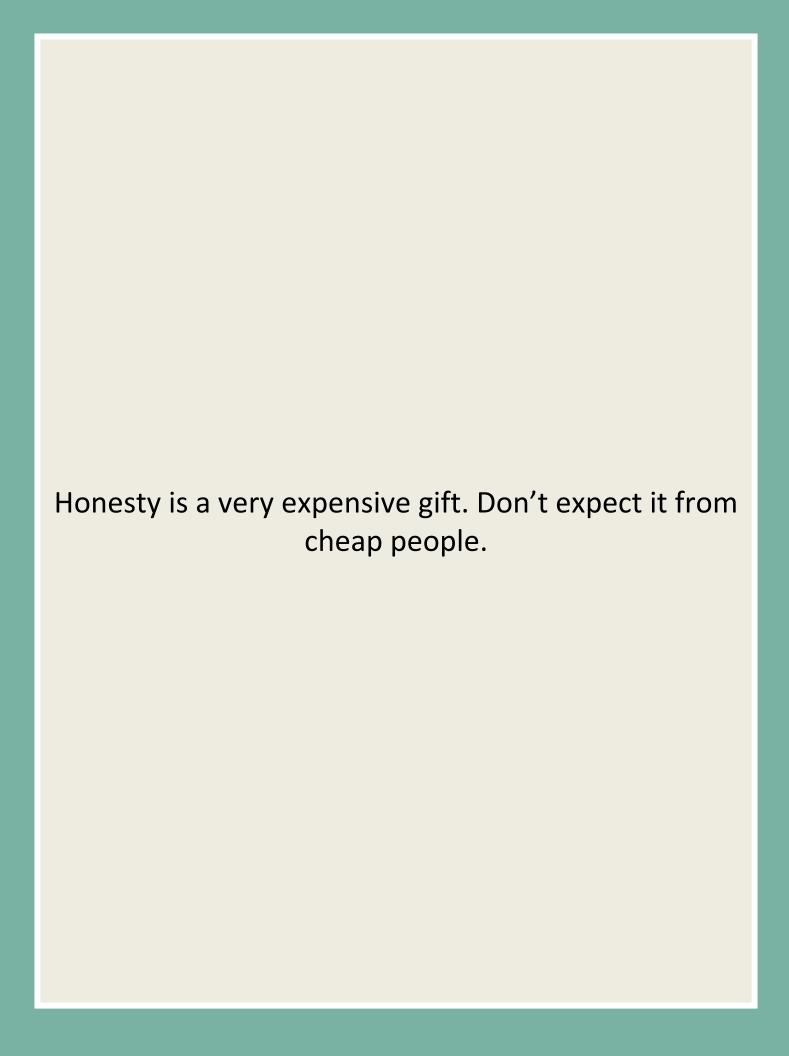
If you are in a poker game and after 20 minutes you don't know who the patsy is, then you're the patsy.

Cash never makes us happy. It's better to money burning a hole in Berkshire's pocke resting comfortably in someone else's	t than

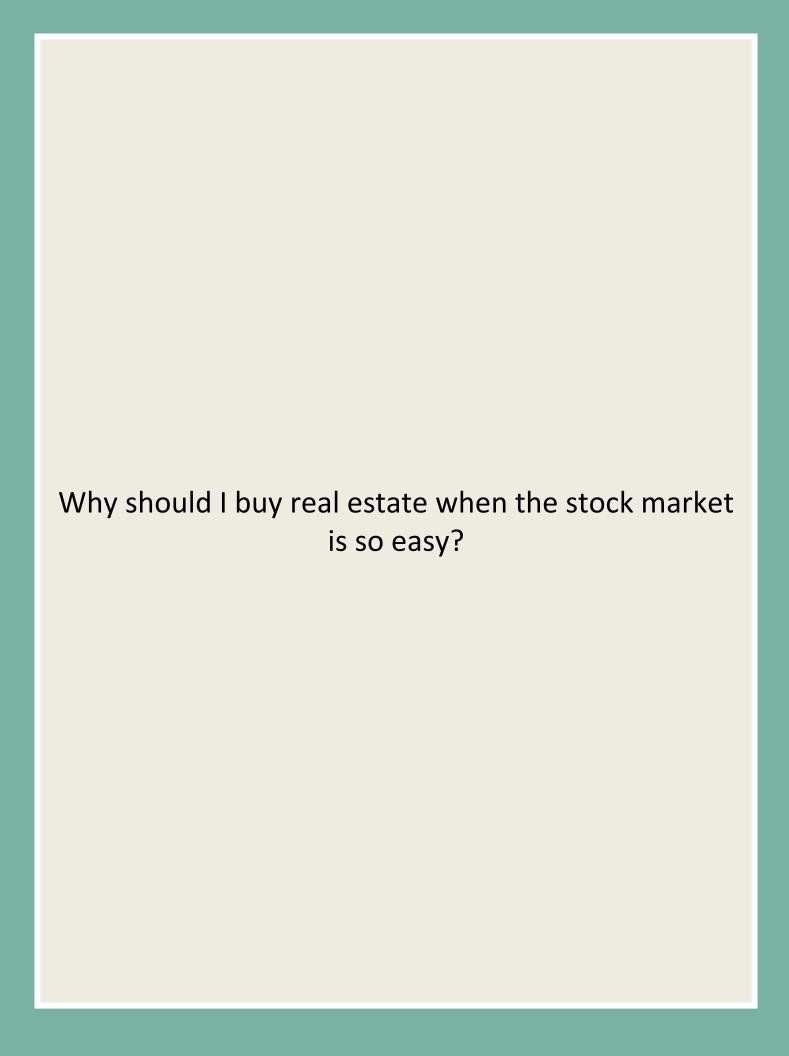


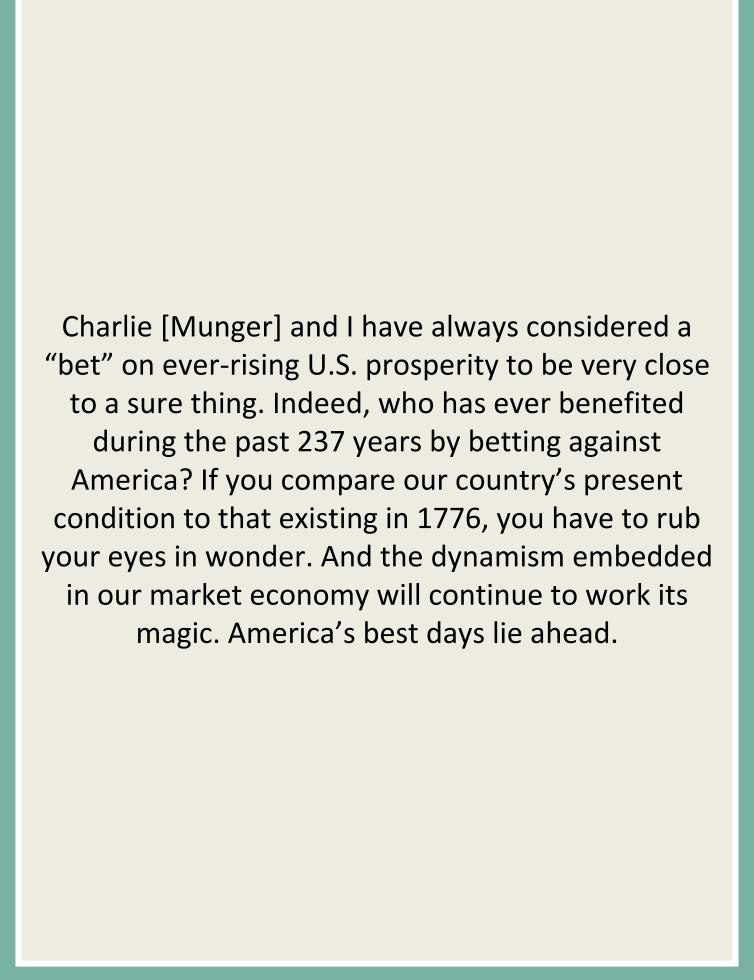
I don't have a problem with guilt about money. The way I see it is that my money represents an enormous number of claim checks on society. It is like I have these little pieces of paper that I can turn into consumption. If I wanted to, I could hire 10,000 people to do nothing but paint my picture every day for the rest of my life. And the GNP would go up. But the utility of the product would be zilch, and I would be keeping those 10,000 people from doing AIDS research, or teaching, or nursing. I don't do that though. I don't use very many of those claim checks. There's nothing material I want very much. And I'm going to give virtually all of those claim checks to charity when my wife and I die.



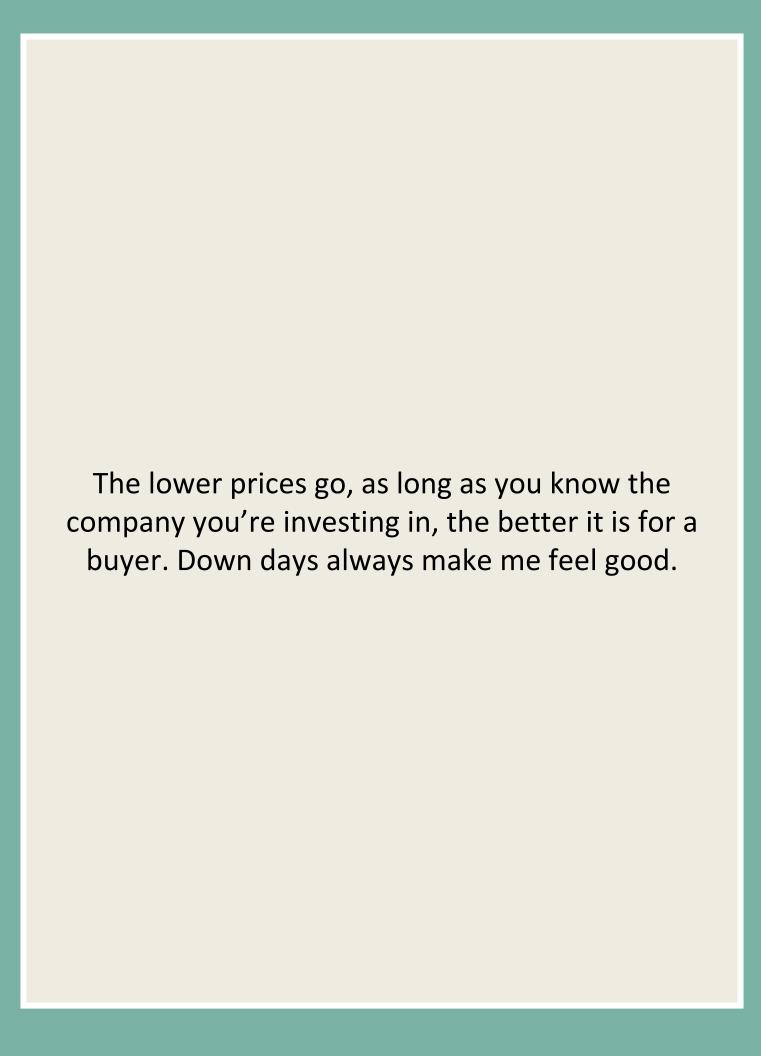




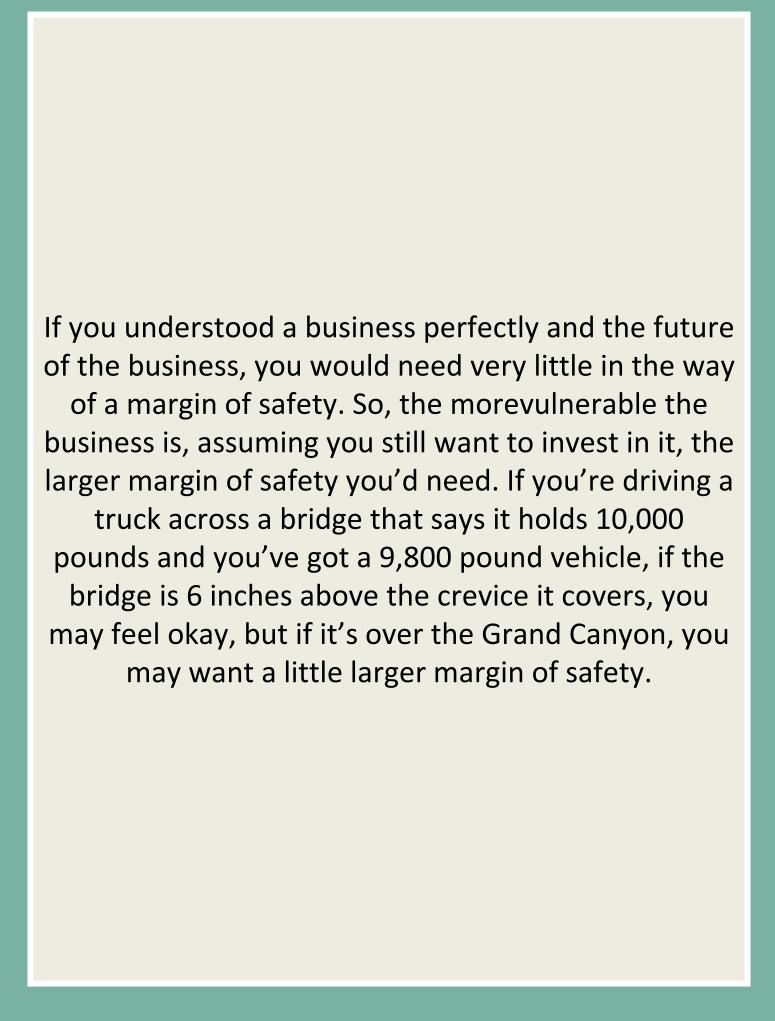


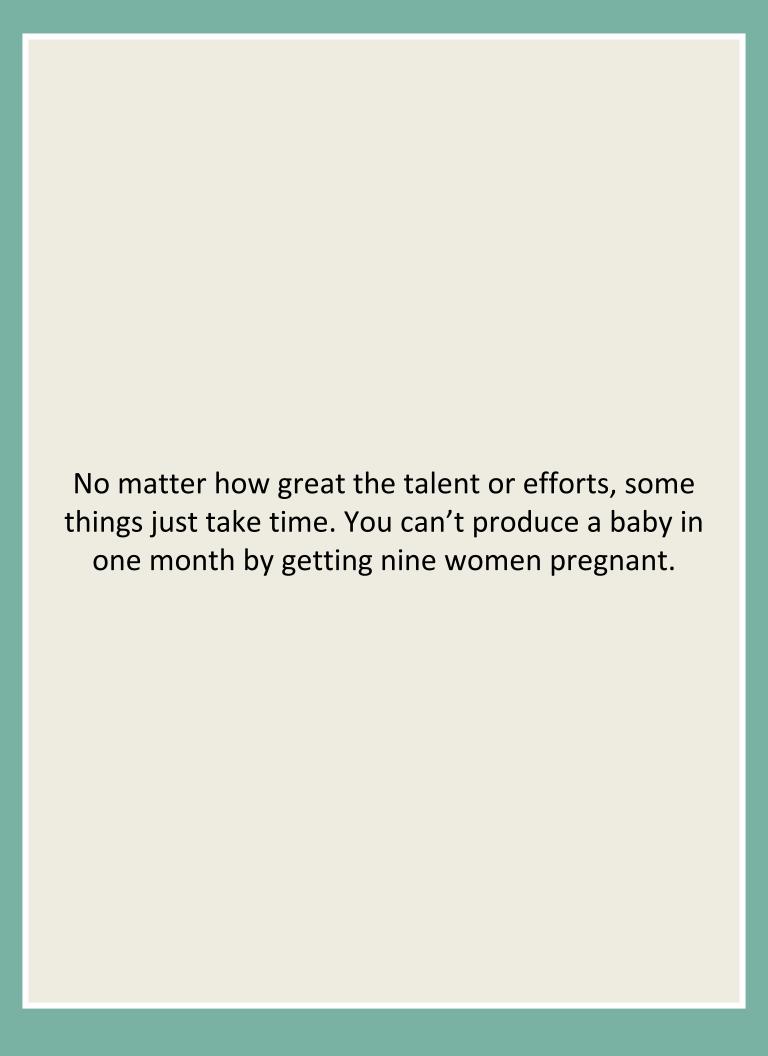


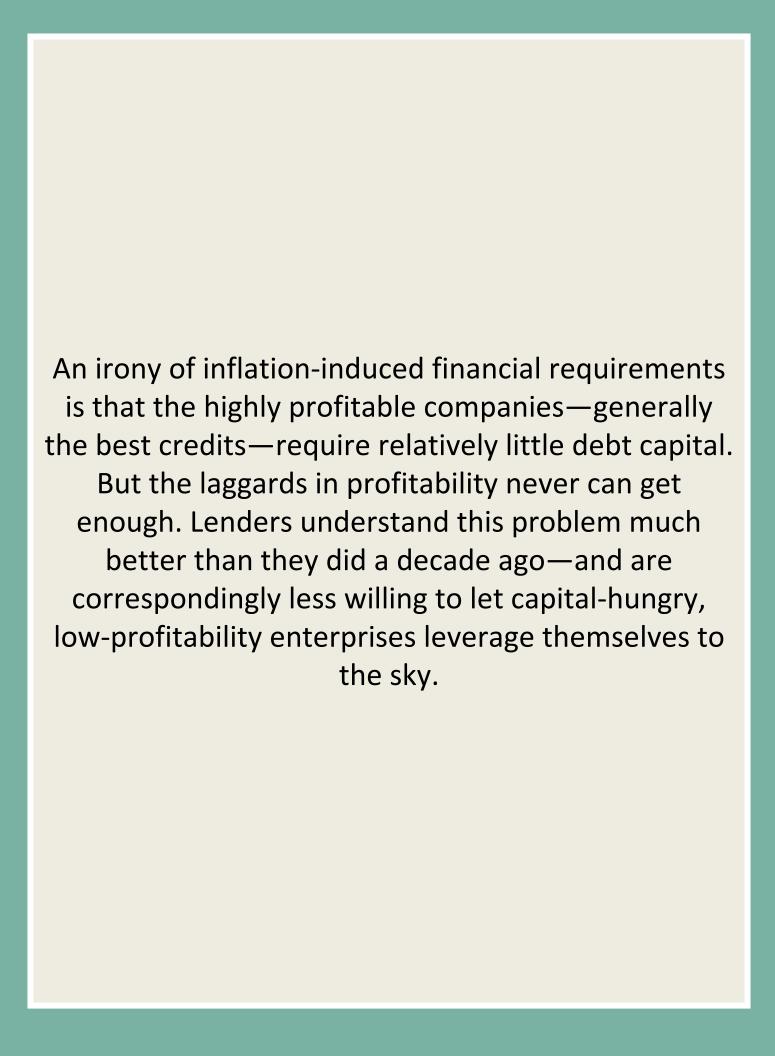
If "investors" frenetically bought and sold farmland to each other, neither the yields nor prices of their crops would be increased. The only consequence of such behavior would be decreases in the overall earnings realized by the farm-owning population because of the substantial costs it would occur as it sought advice and switched properties. Nevertheless, both individuals and institutions will constantly be urged to be active by those who profit from giving advice or effecting transactions. The resulting frictional costs can be huge and, for investors in aggregate, devoid of benefit. So ignore the chatter, keep your costs minimal, and invest in stocks as you would in a farm.

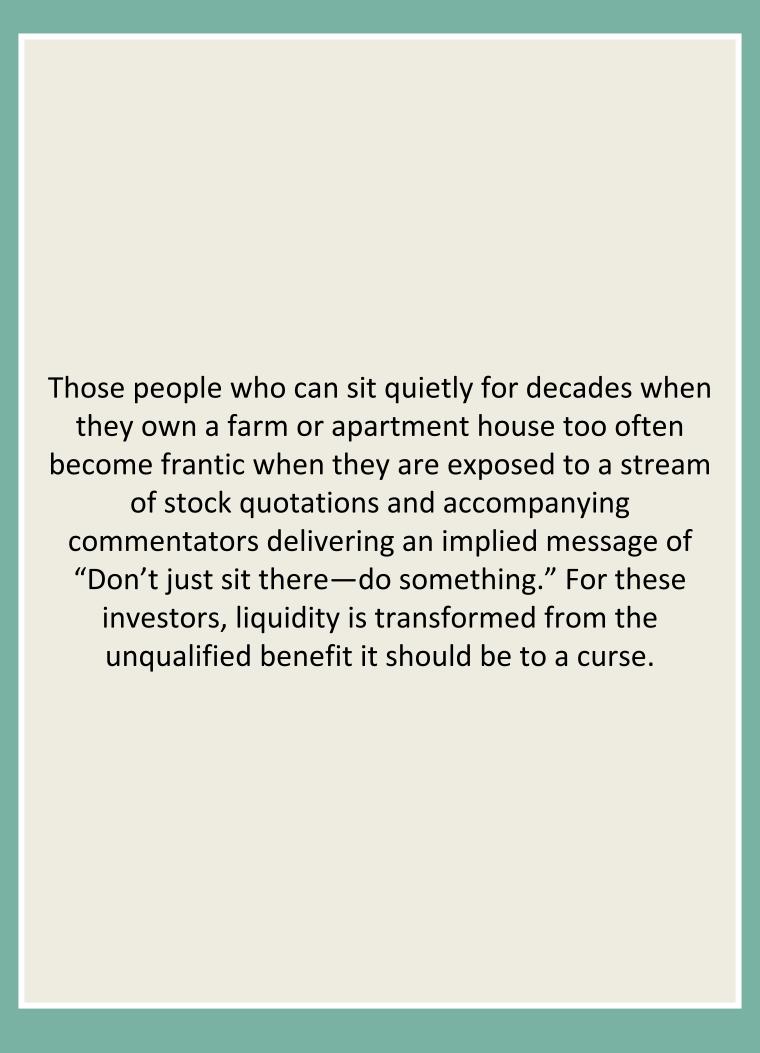


I've reluctantly discarded the notion of my continuing to manage the portfolio after my death—abandoning my hope to give new meaning to the term "thinking outside the box."
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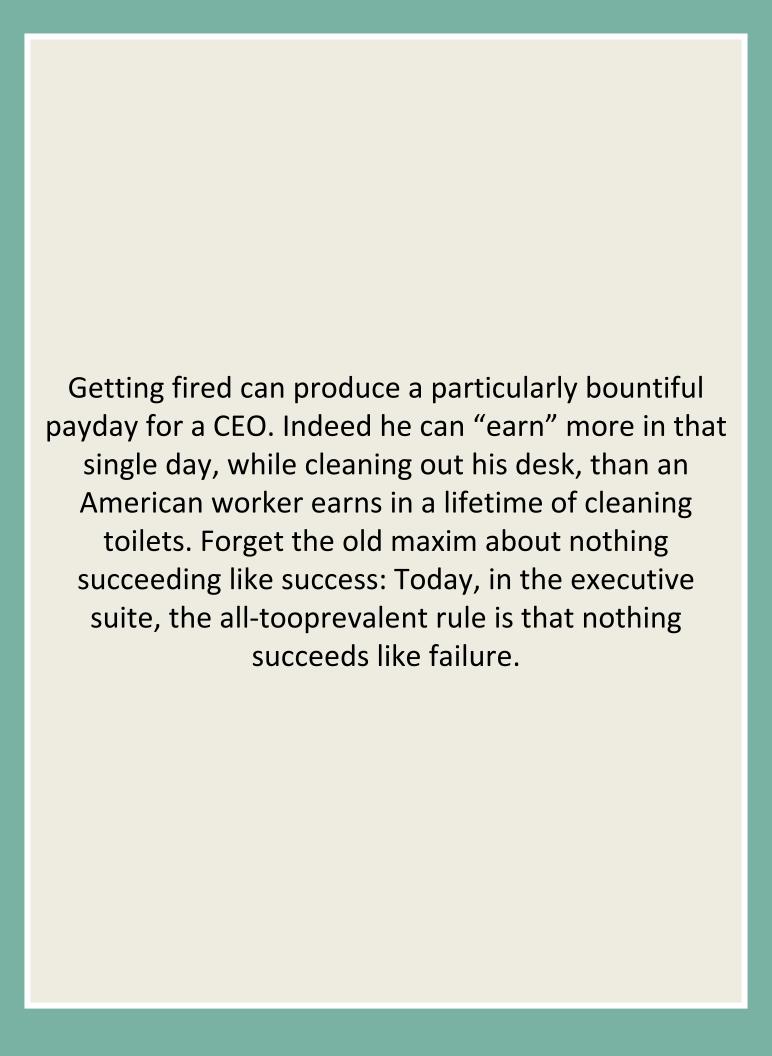


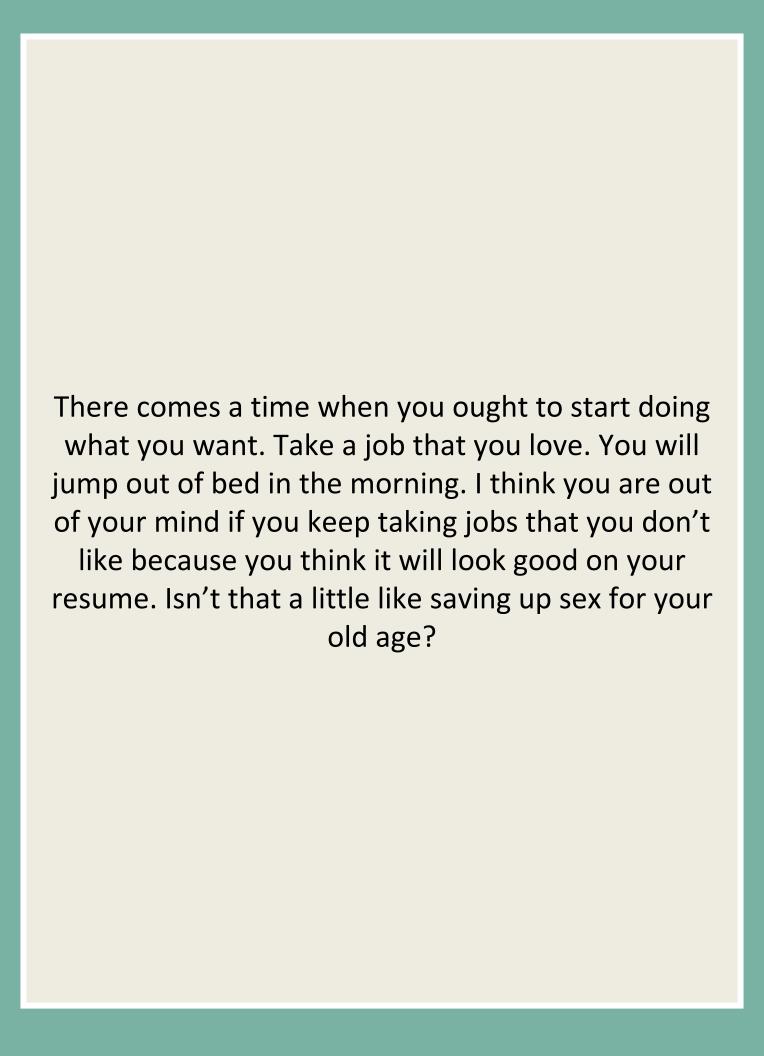


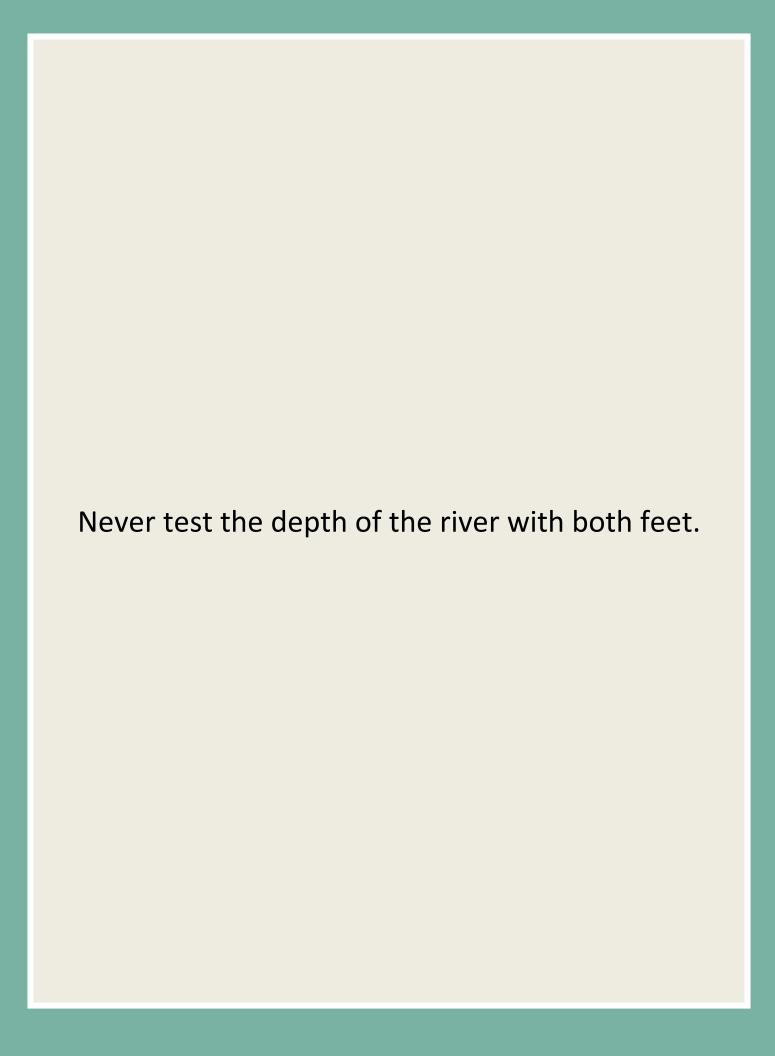




My wealth has come from a combination of living in America, somelucky genes, and compound interest. Both my children and I won what I call the ovarian lottery. (For starters, the odds against my 1930 birth taking place in the U.S. were at least 30 to 1. My being male and white also removed huge obstacles that a majority of Americans then faced.) My luck was accentuated by my living in a market system that sometimes produces distorted results, though overall it serves our country well. I've worked in an economy that rewards someone who saves the lives of others on a battlefield with a medal, rewards a great teacher with thank-you notes from parents, but rewards those who can detect the mispricing of securities with sums reaching into the billions. In short, fate's distribution of long straws is wildly capricious.

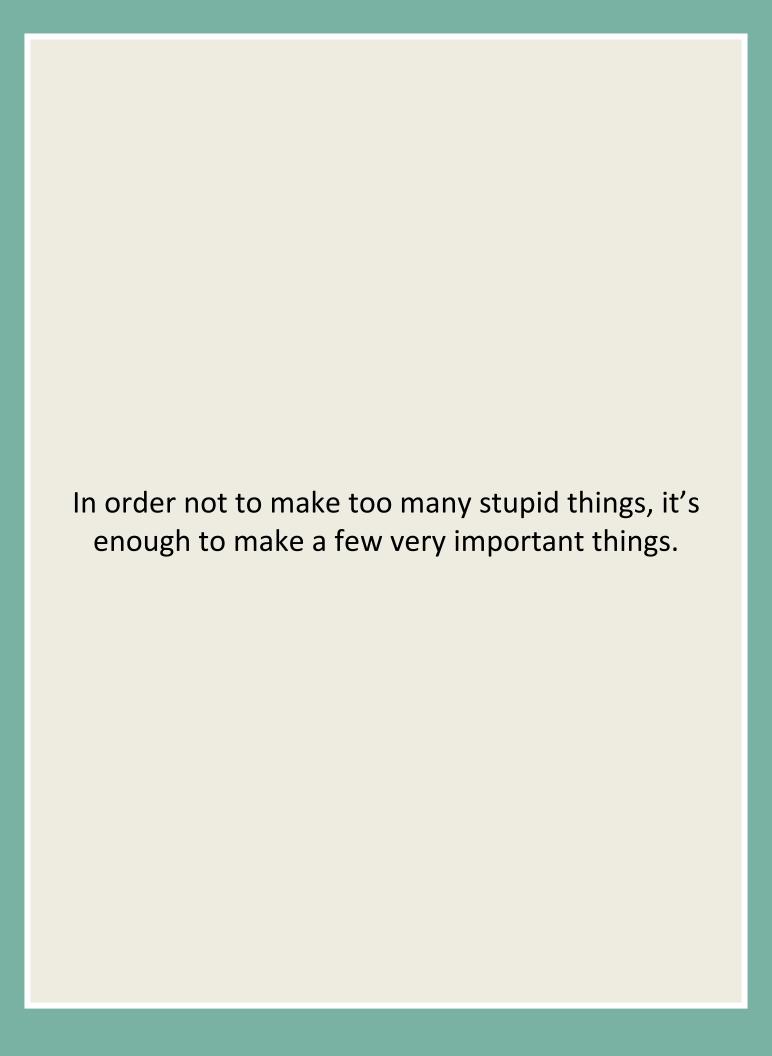






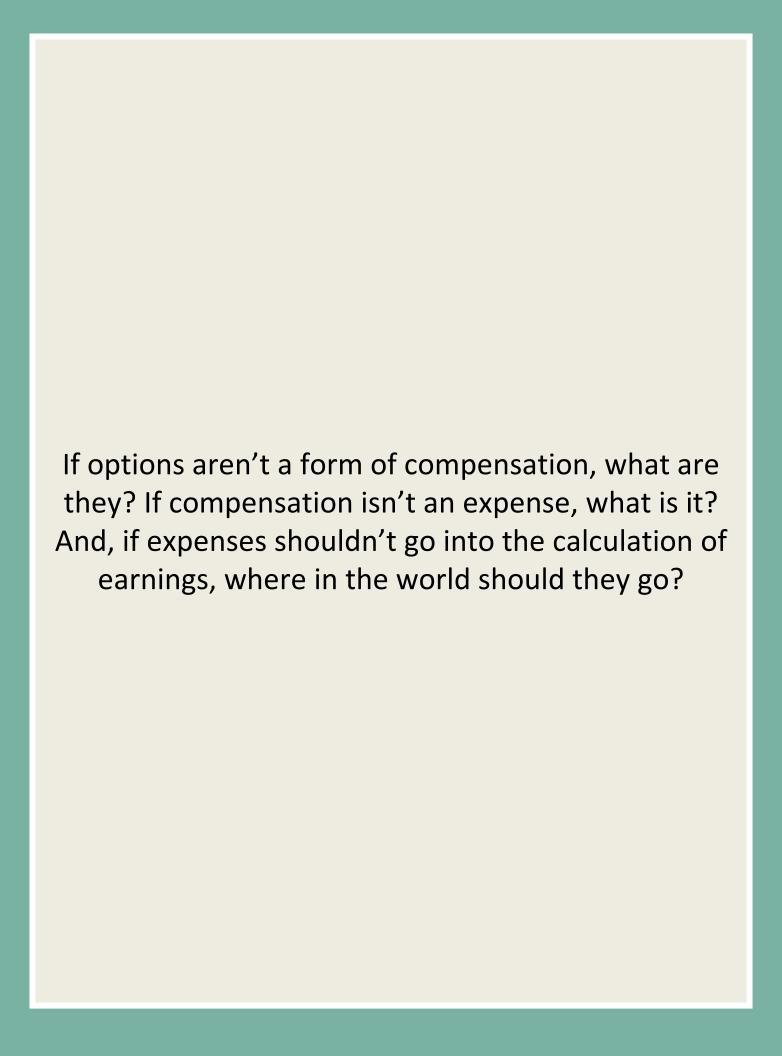
The stock doesn't know you own it. You have feelings about it, but it has no feelings about you. The stock doesn't know what you paid. People shouldn't get emotionally involved with their stocks.

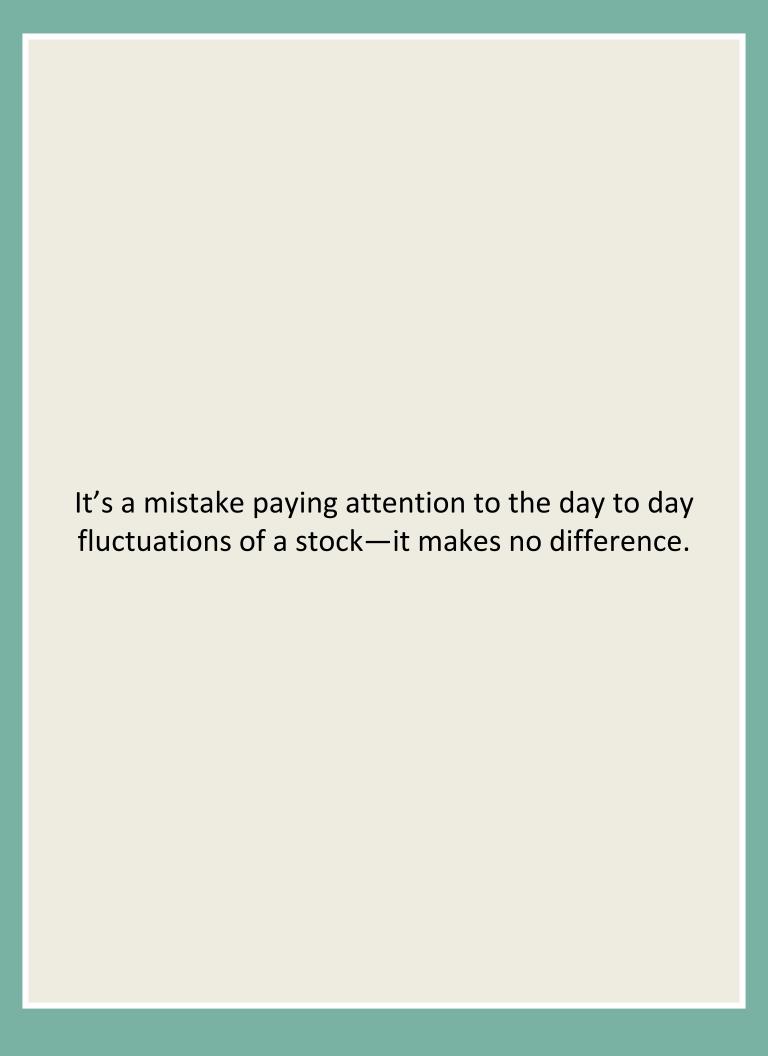
Most institutional investors in the early 1970s, on the other hand, regarded business value as of only minor relevance when they were deciding prices at which they would buy or sell. This now seems hard to believe. However, these institutions were then under the spell of academics at prestigious business schools who were preaching a newly-fashioned theory: the stock market was totally efficient, and therefore calculations of business value—and even thought, itself—were of no more importance in investment activities. (We are enormously indebted to these academics: what could be more advantageous in an intellectual contest —whether it be bridge, chess, or stock selection—than to have opponents who have been taught that thinking is a waste of energy?)



You can't precisely know what a stock is worth, so leave yourself a margin of safety. Only go into things where you could be wrong to some extent and come out OK.
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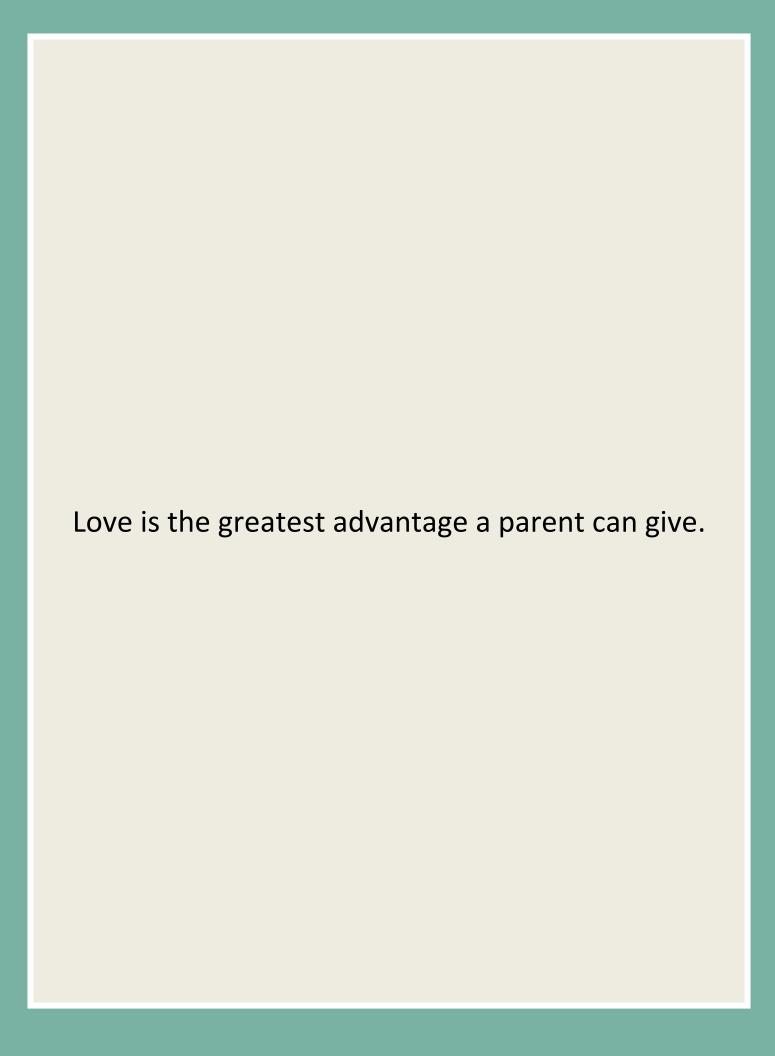




My successor will need one other particular strength: the ability to fight off the ABCs of business decay, which are arrogance, bureaucracy, and complacency.
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I wouldn't mind going to jail if I had three cellmates who played bridge.

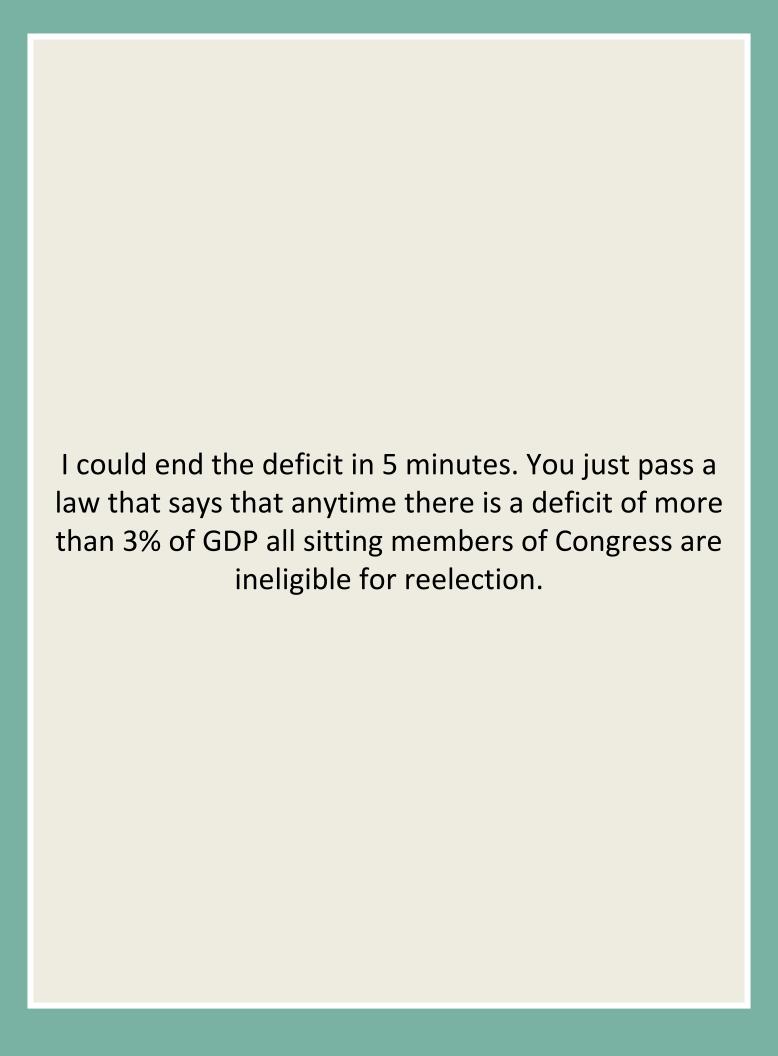
Buy into a company because you want to own it, not because you want the stock to go up.



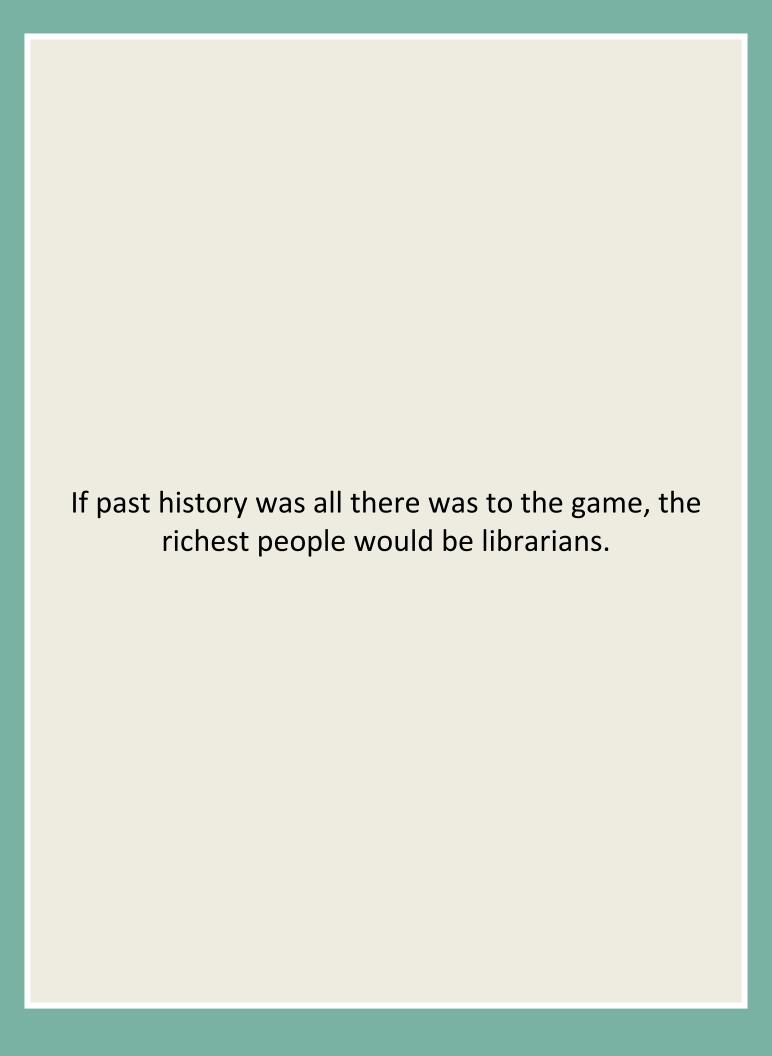
The difference between successful people and very
successful people is that very successful people say "no" to almost everything.

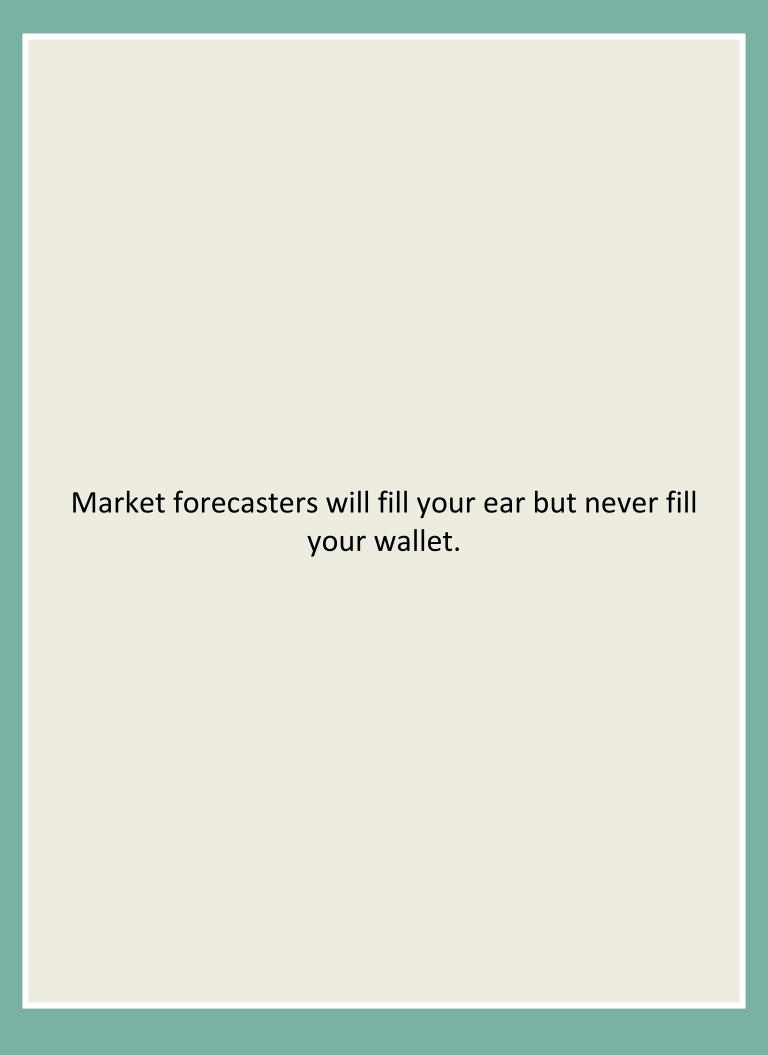


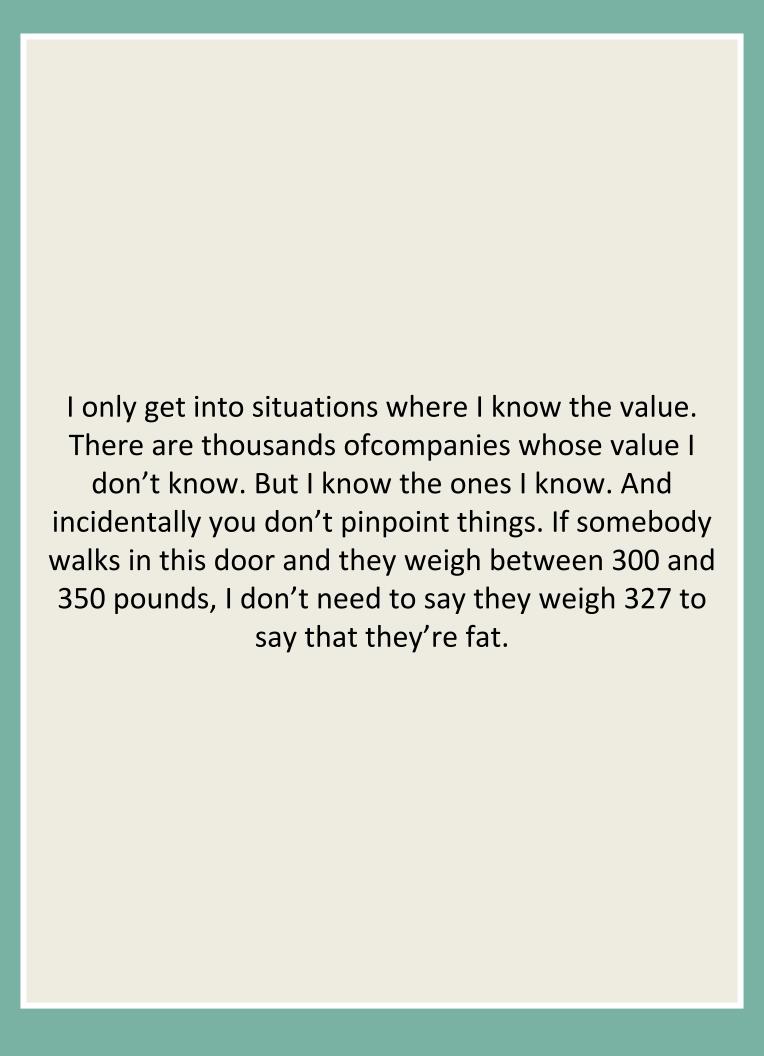


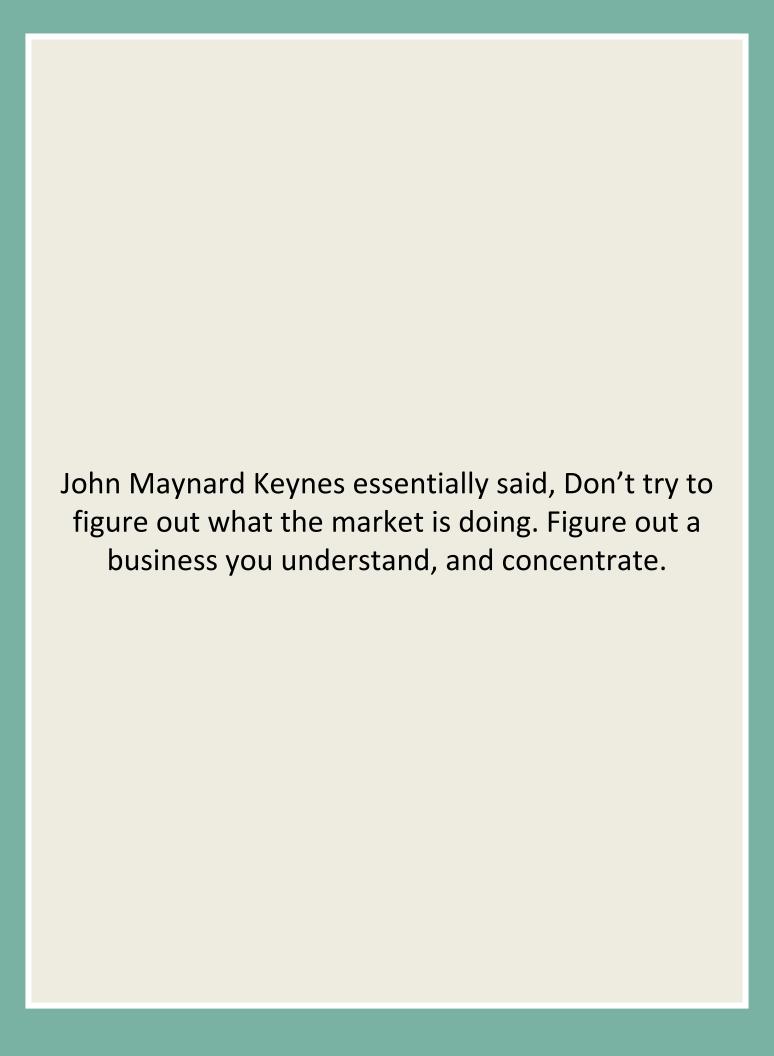


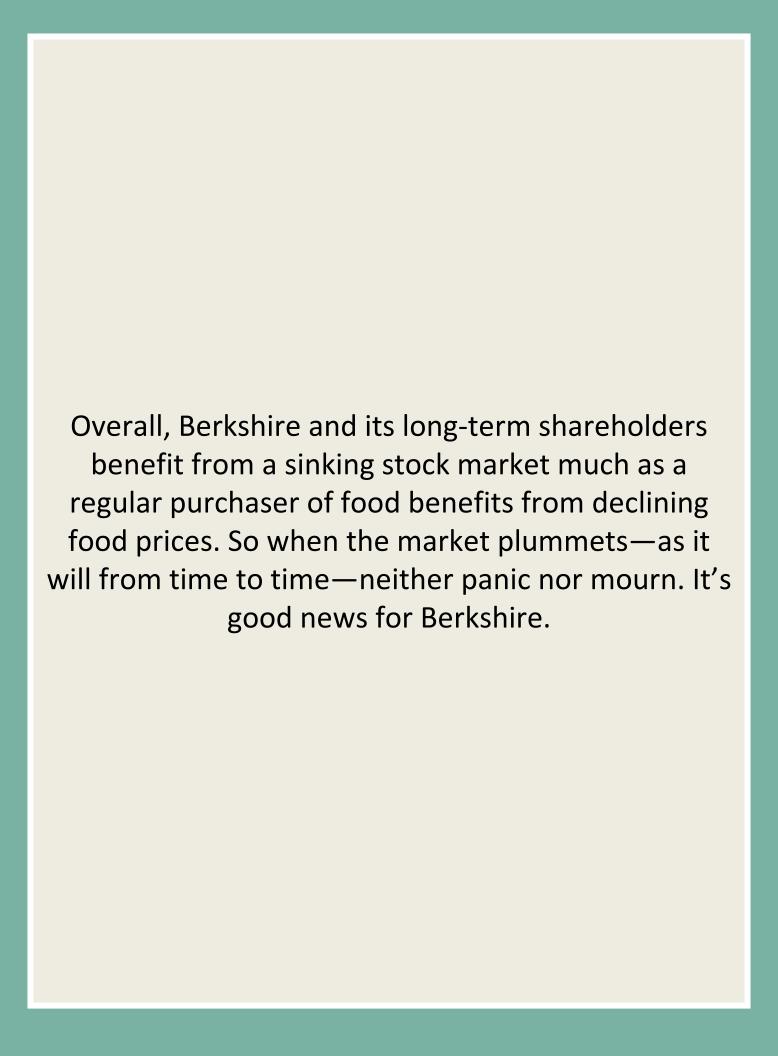
Your premium brand had better be delivering something special, or it's not going to get the business.	



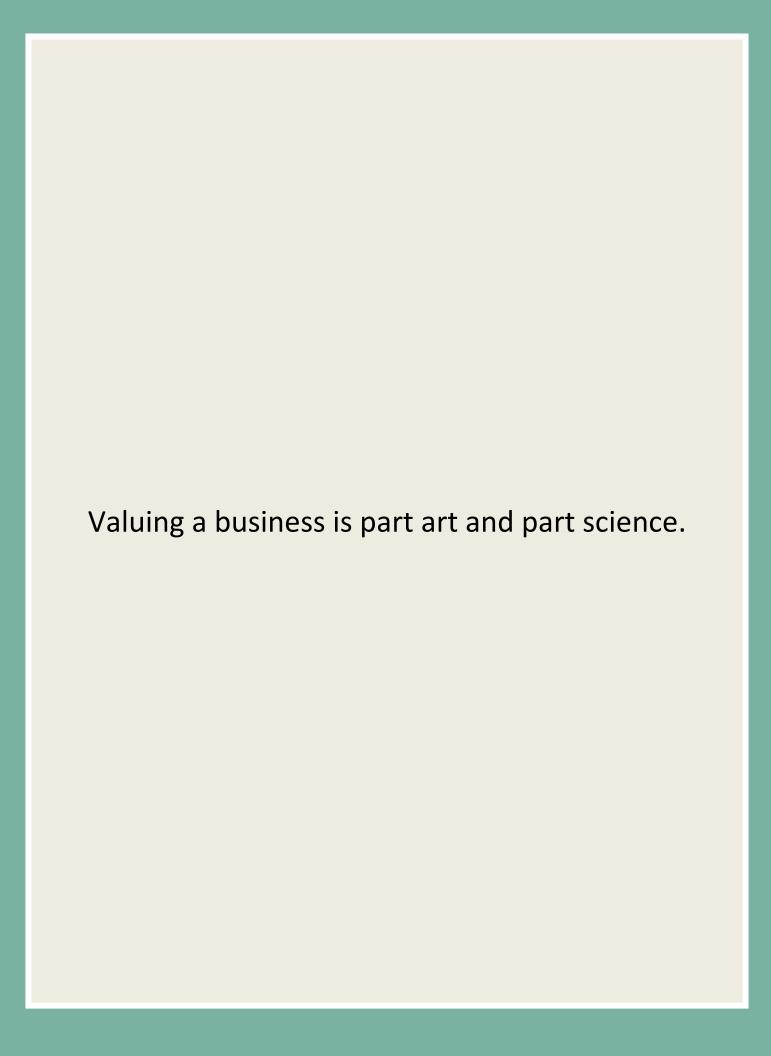


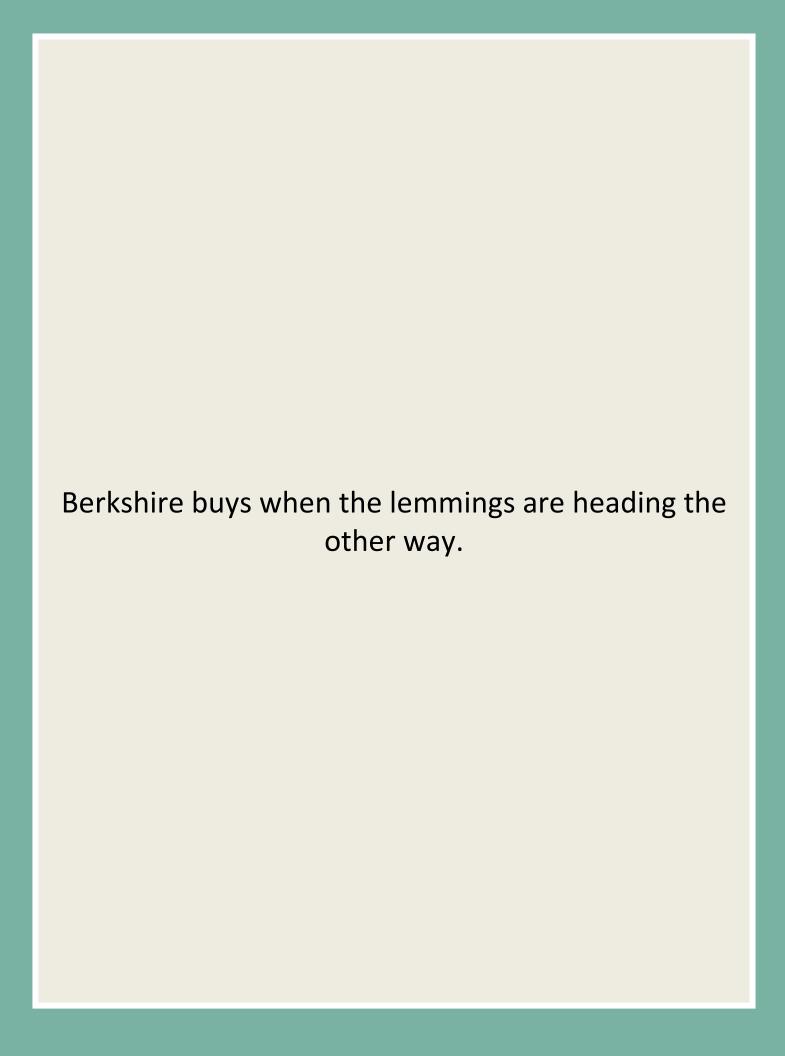




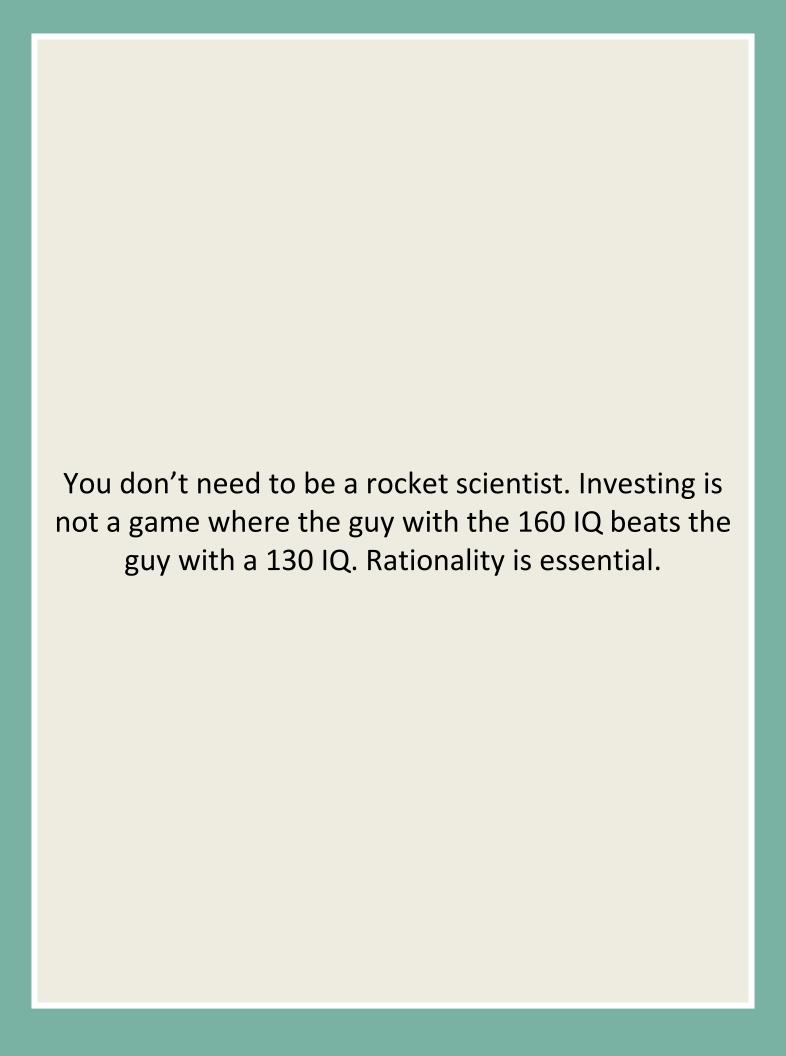


Currently liking neither stocks nor bonds, I find myself the polar opposite of Mae West as she declared, "I only like two kinds of men: foreign and domestic."



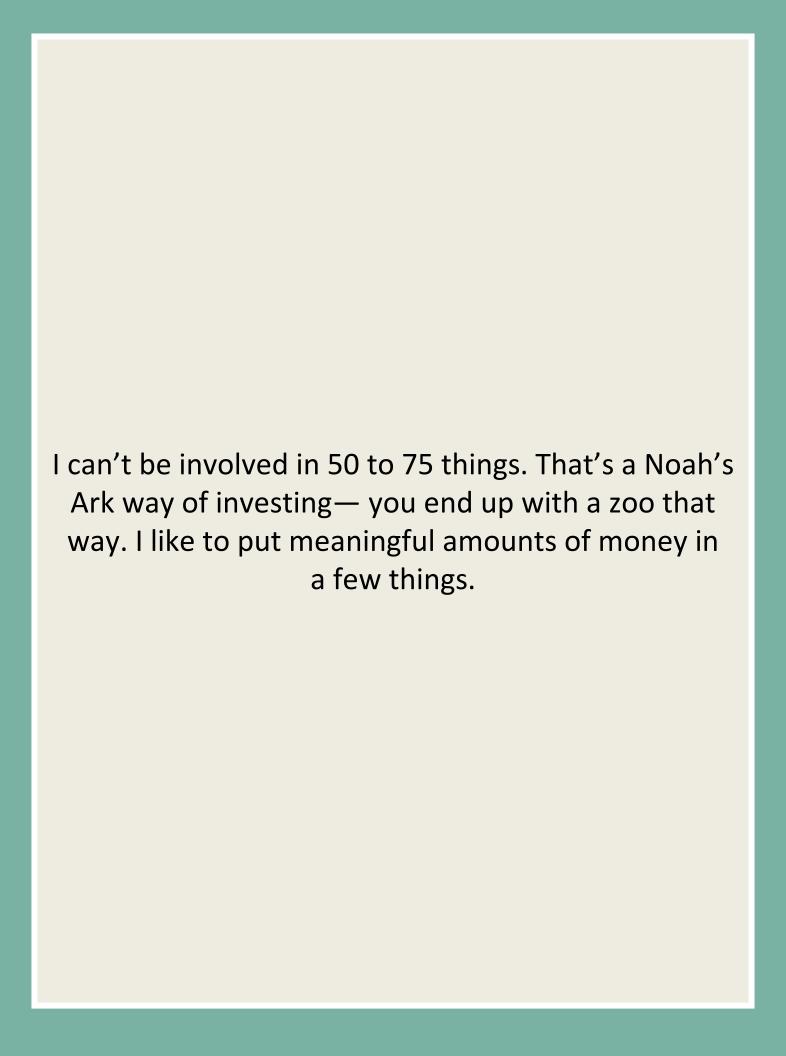


Writing a check separates a commitment from a conversation. When Charlie [Munger] and I buy stocks—which we think of as small portions of businesses—our analysis is very similar to that which we use in buying entire businesses. We have to decide whether we can sensibly estimate an earnings range for five years out, or more. If the answer is yes, we will buy the stock (or business) if it sells at a reasonable price in relation to the bottom boundary of our estimate. If, however, we lack the ability to estimate future earnings—which is usually thecase—we simply move on to other prospects.

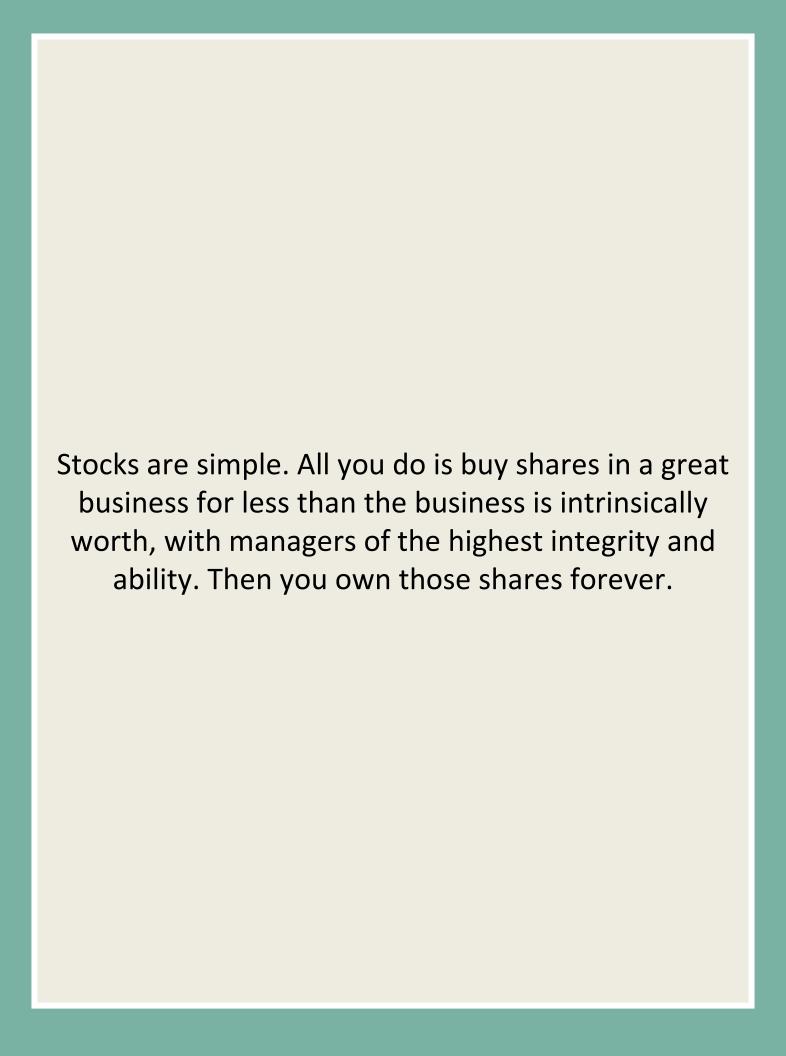


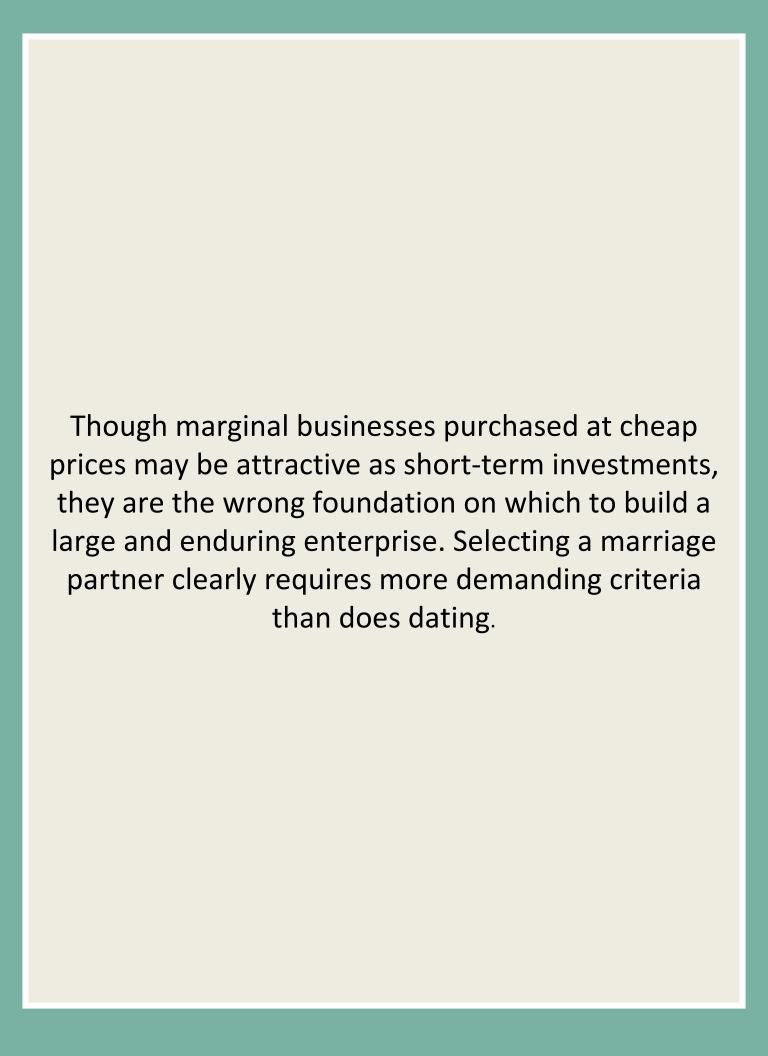
As long as we can make an annual 15 percent return on equity, I don't worry about one quarter's results.

Draw a circle around the businesses you understand and then eliminate those that fail to qualify on the basis of value, good management, and limited exposure to hard times.



A lot of great fortunes in the world have been made by owning a single wonderful business. If you understand the business, you don't need to own very many of them.



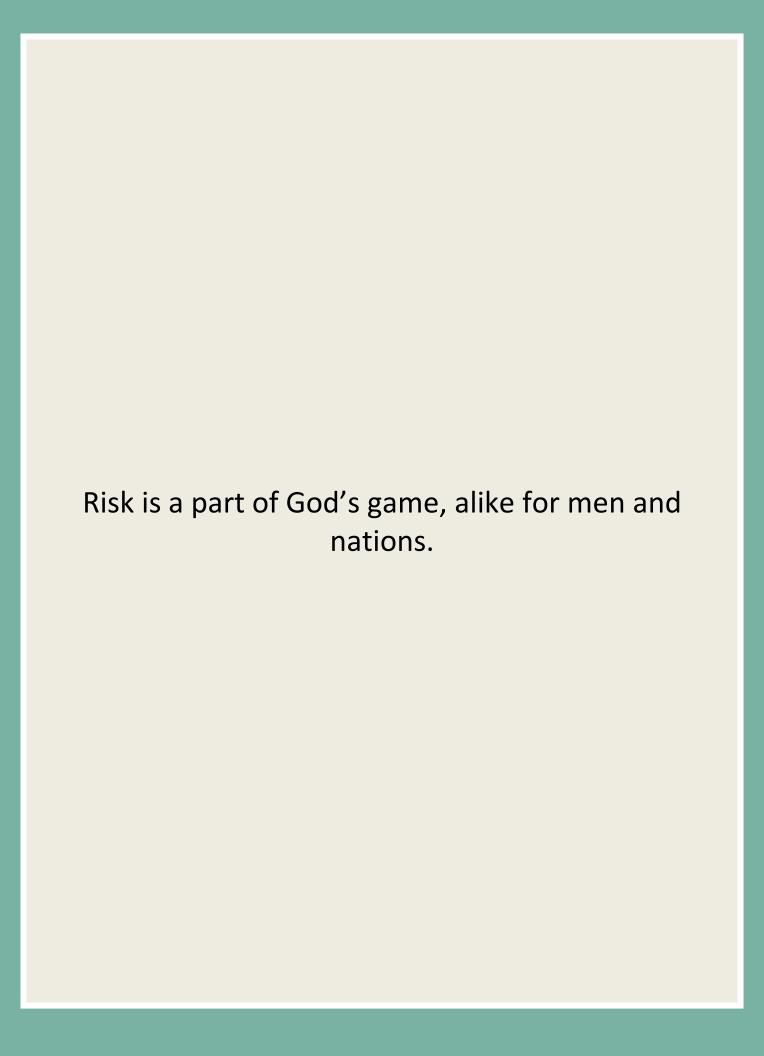


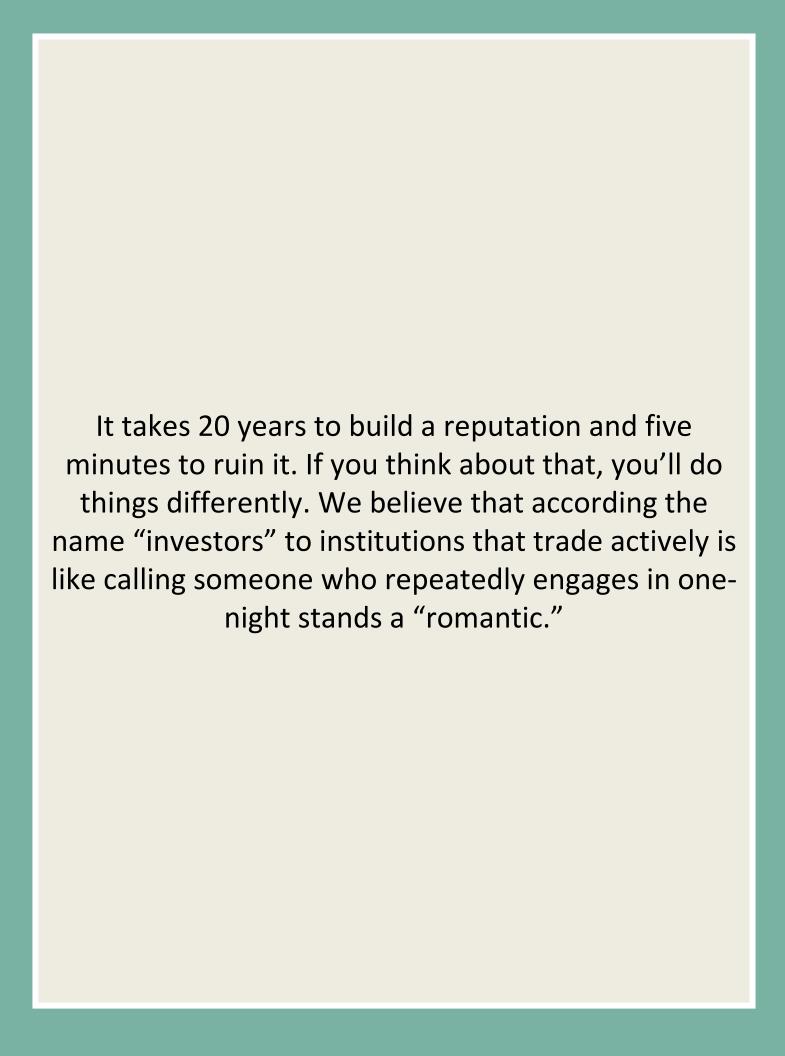
The line separating investment and speculation, which is never bright and clear, becomes blurred still further when most market participants have recently enjoyed triumphs. Nothing sedates rationality like large doses of effortless money. After a heady experience of that kind, normally sensible people drift into behavior akin to that of Cinderella at the ball. They know that overstaying the festivities that is, continuing to speculate in companies that have gigantic valuations relative to the cash they are likely to generate in the future—will eventually bring on pumpkins and mice. But they nevertheless hate to miss a single minute of what is one helluva party. Therefore, the giddy participants all plan to leave just before midnight. There's a problem, though: They are dancing in a room in which the clocks have no hands.

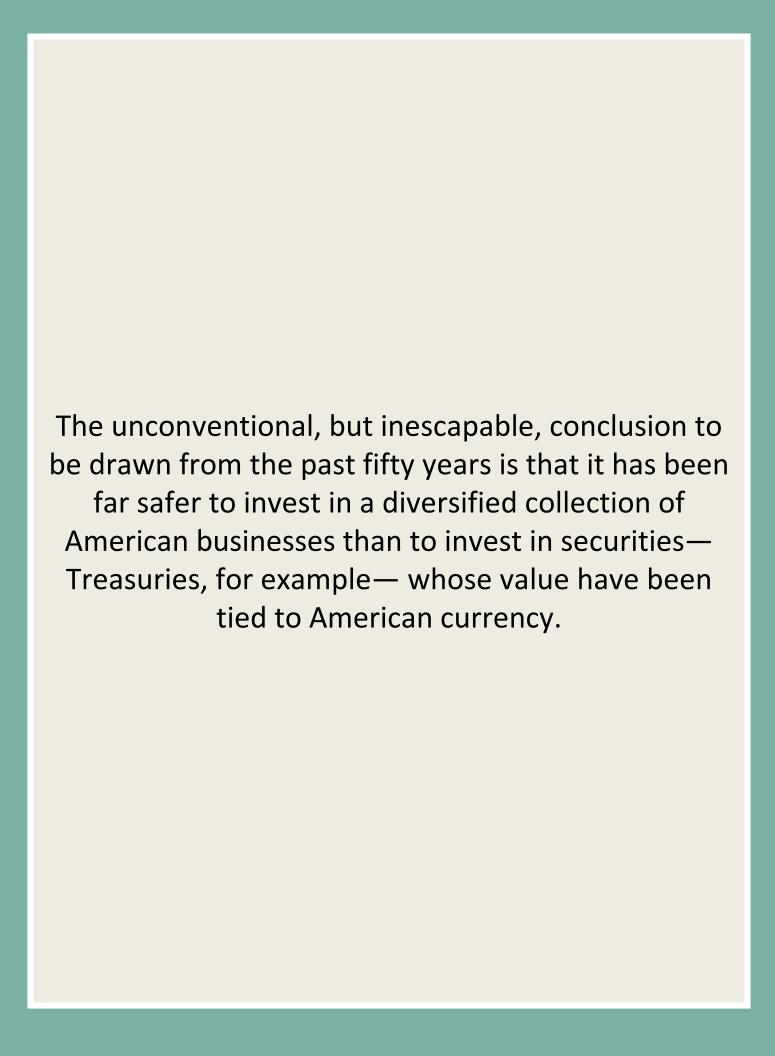


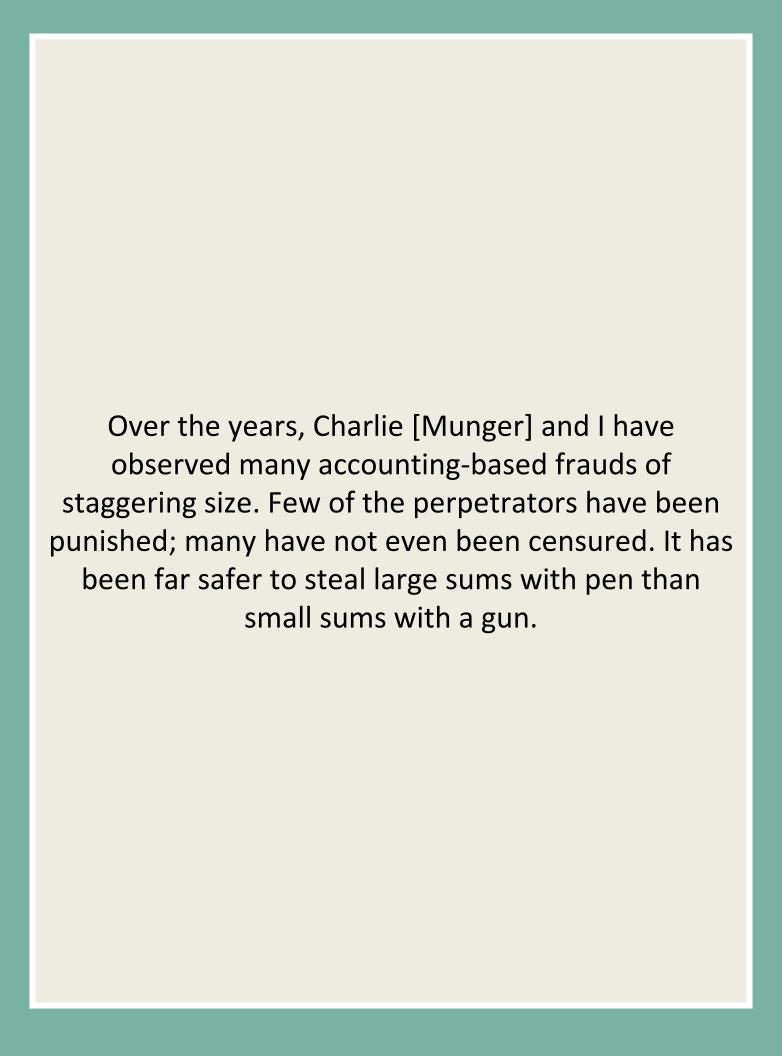
Unless you can watch your stock holding decline by 50% without becoming panic-stricken, you should not invest in the stock market.

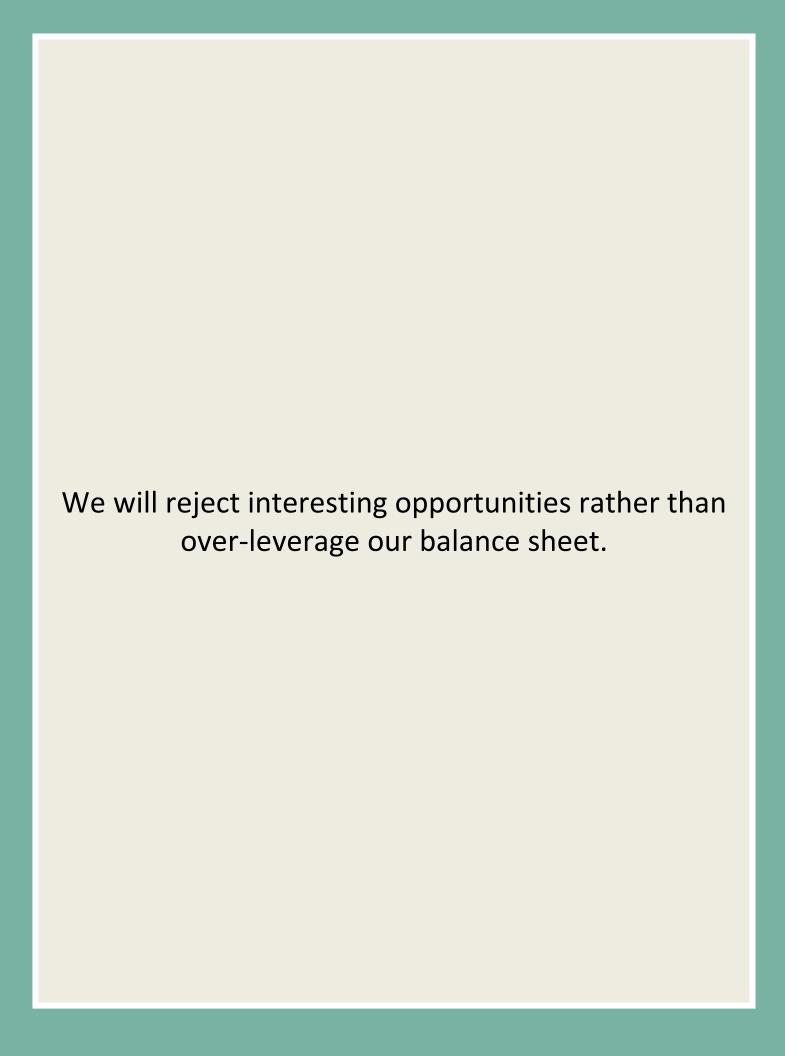


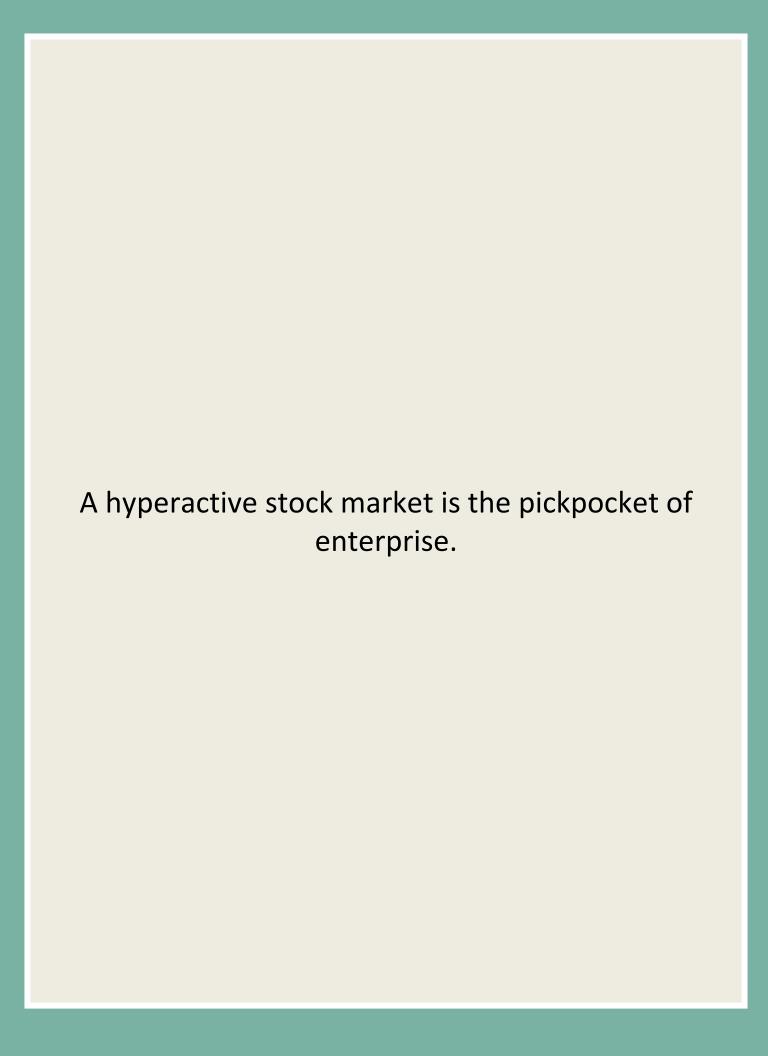


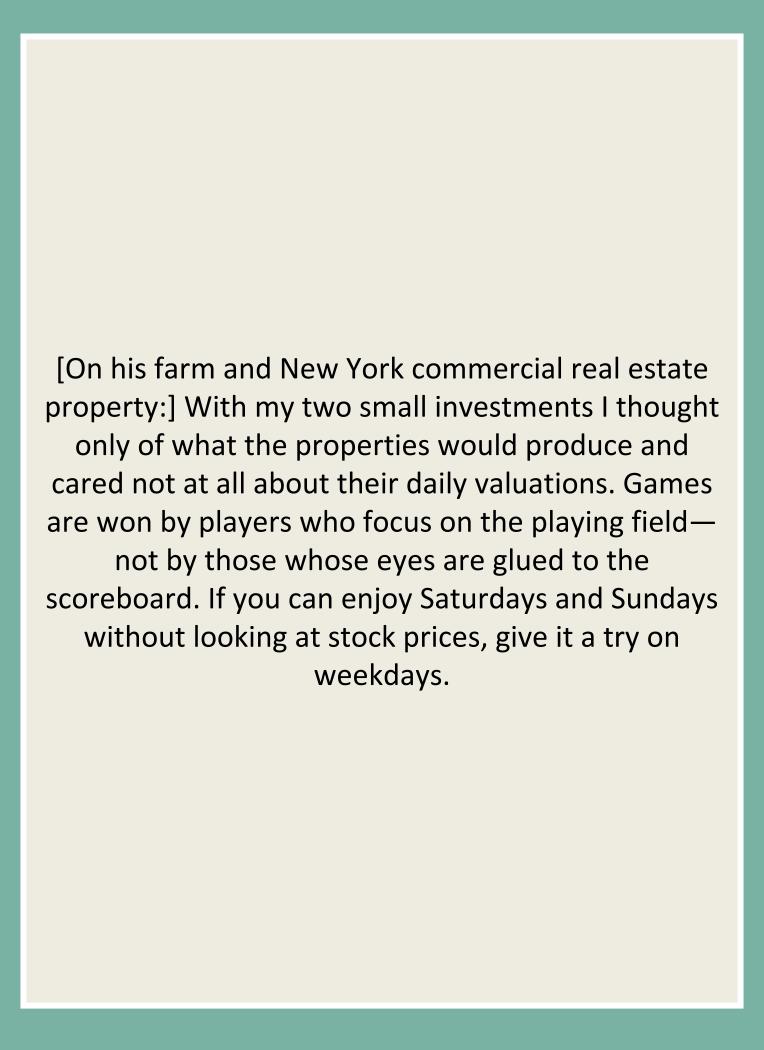


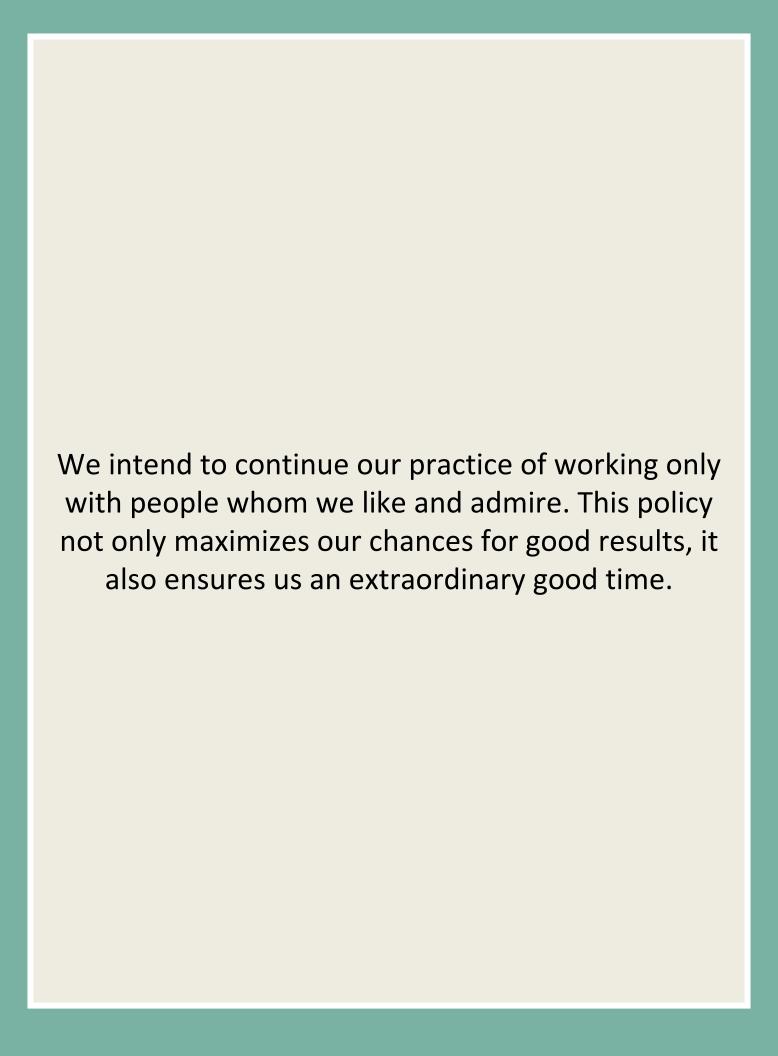






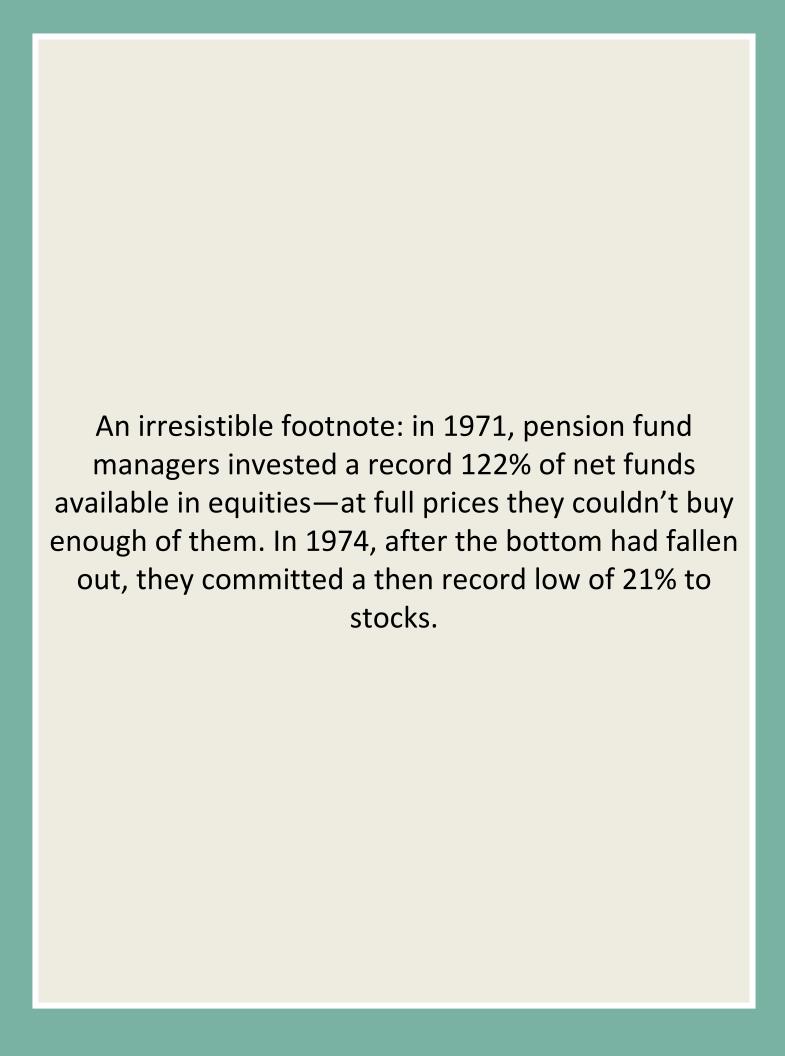


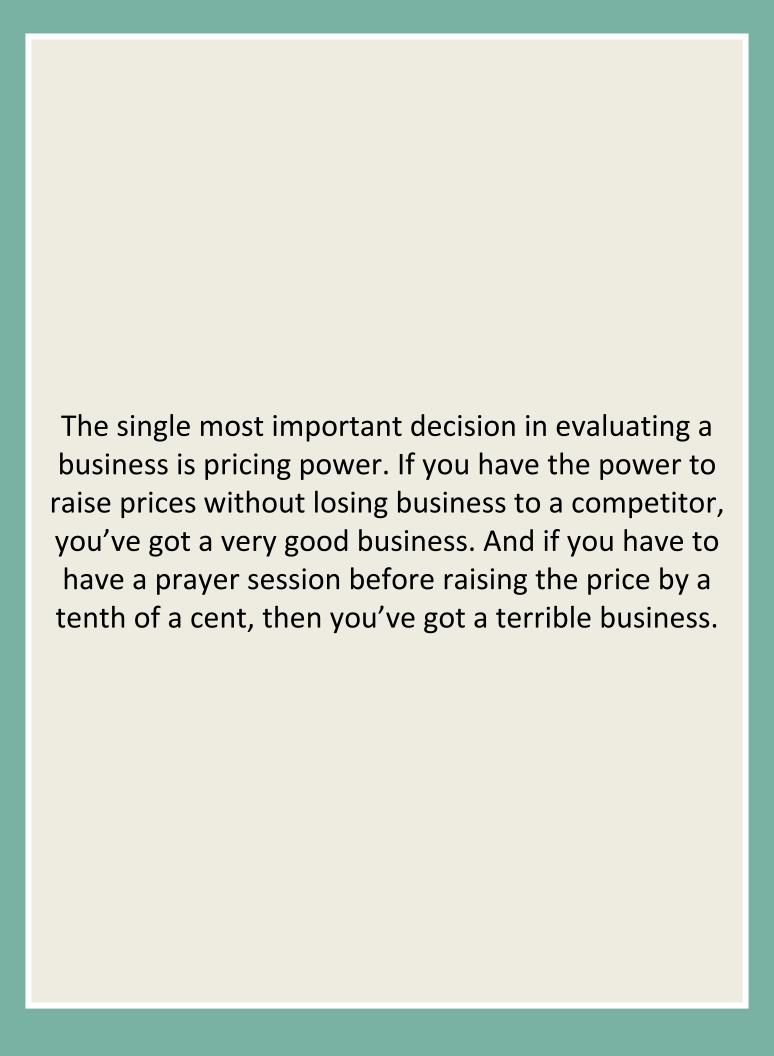






I learned most of the thoughts in this investment discussion from Ben [Graham]'s book The Intelligent Investor, which I bought in 1949. My financial life changed with that purchase. . . . For me, the key points were laid out in what later editions labeled Chapters 8 and 20. (The original 1949 edition numbered its chapters differently.) These points guide my investing decisions today. . . . Of all the investments I ever made, buying Ben's book was the best (except for my purchase of two marriage licenses).





The key to investing is not assessing how much an industry is going to affect society, or how much it will grow, but rather determining the competitive advantage of any given company and, above all, the durability of that advantage.

Thank you. God Bless.