

Berkshire Hathaway - Annual Letter

Warren Buffett, Charlie Munger and Berkshire Hathaway released their Shareholder annual letter early this year. There are always a few words of wisdom in these letters, and we have shared some insightful ones below, considering the current global economic outlook.

- Make meaningful investments in businesses with long-lasting favourable economic characteristics and trustworthy managers. Invest in long-term business performance and be business-pickers.
- It's crucial to understand that stocks often trade at truly foolish prices, both high and low. "Efficient" markets exist only in textbooks. In truth, marketable stocks and bonds are baffling, their behaviour usually understandable only in retrospect.
- The weeds wither away in significance as the flowers bloom. Over time, it takes just a few winners to work wonders. And yes, it helps to start early and live longer.
- Capitalism has two sides: The system creates an ever-growing pile of losers, while concurrently delivering a gusher of improved goods and services.
- Focus on operating earnings. Accounting earnings can be misleading as these can fluctuate wildly and capriciously at every reporting date. Operating earnings can also be manipulated by bold imaginative accounting which has become one of the shames of capitalism.
- Buybacks add value. When share count goes down, your interest in the business goes up. Every small bit helps if repurchases are made at value-accretive prices. The opposite is true when a company overpays for repurchases, the continuing shareholders lose.
- The combination of the power of compounding, continuous savings, avoidance of major mistakes and the American tailwind have benefited Berkshire greatly.
- Avoid behaviour that could result in any uncomfortable cash needs at inconvenient times, including financial panics and unprecedented losses.
- The world is full of foolish gamblers, and they will not do as well as the patient investor.
- A great company keeps working after you are not; a mediocre company won't do that.
- Don't focus on the froth of the market, seek out good long-term investments and stubbornly hold them for a long time.
- Ben Graham said, "Day to day, the stock market is a voting machine; in the long term it's a weighing machine." If you keep making something more valuable, then some wise person is going to notice it and start buying.

You can read the full letter below.



Please note that the below are our findings from the report and we have summarised it for you, providing general information and in no way advice to you.

Alex, Anu and the team.

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