

This article by MOI Global instructor Dominic Fisher has been excerpted from a letter of [Thistledown Investment Management](#).

Warren Buffett and his business partner Charlie Munger have managed Berkshire Hathaway for 53 years generating returns of over 20% per annum. Einstein's eighth wonder of the world, compounding, has turned a \$100 investment 53 years ago into over \$2 million today. This achievement explains why he is one of the world's wealthiest men and why investors wait eagerly for the publication of the annual report containing his letter to shareholders. There are many lessons in what he writes; some seemed relevant to this fund.

The first lesson could be summed up; 'Don't try this at home'. Warren recommends that everyone, from the richest to the smallest investor, invests using index funds. I agree and for some years have given potential investors a "Letter to a potential investor" reproduced on the first page of these statements. But he also acknowledges that a small number of investors may beat the market. Given his remarks in 'The Intelligent Investor', about the inhabitants of Graham and Doddsville those investors are likely to be value investors. That is what you get if you invest in this fund and is why most of my savings are invested alongside yours.

I agree with a second lesson from the report too. The stock market is expensive. He discusses his acquisition criteria at one point and writes that he wants to pay 'a sensible purchase price', his italics. He continues, (my italics) *'The last requirement proved a barrier to virtually all deals we reviewed in 2017, as prices for decent, but far from spectacular businesses hit an all-time high. Indeed, price seemed almost irrelevant to an army of optimistic purchasers.'* I have written repeatedly that prices are high- he seems to agree.

Finally, he wrote *'another important investment lesson: Though markets are generally rational, they occasionally do crazy things. Seizing the opportunities then offered does not require great intelligence, a degree in economics or a familiarity with Wall Street jargon such as alpha and beta. What investors then need instead is an ability to both disregard mob fears or enthusiasms and to focus on a few simple fundamentals. A willingness to look unimaginative for a sustained period - or even to look foolish - is also essential.'*