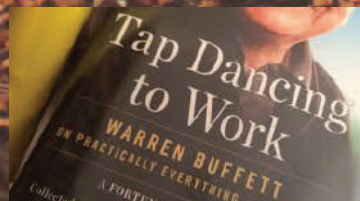
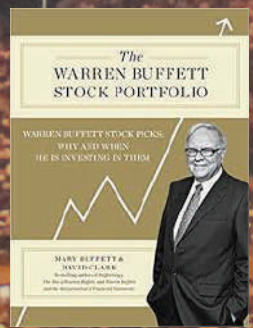
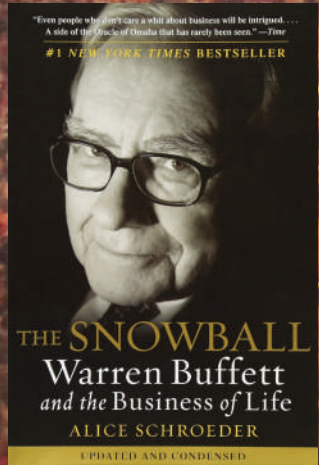
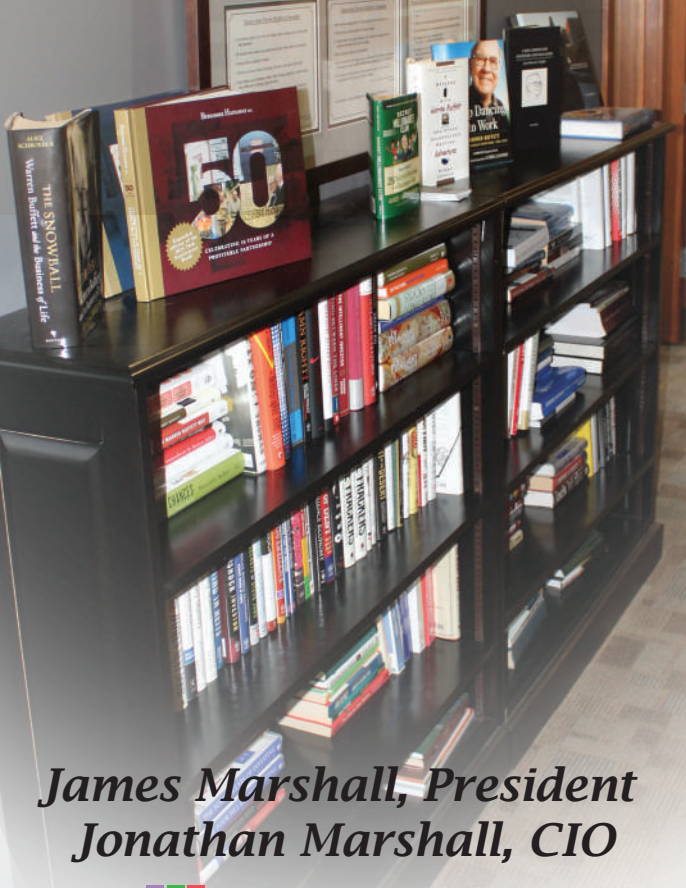
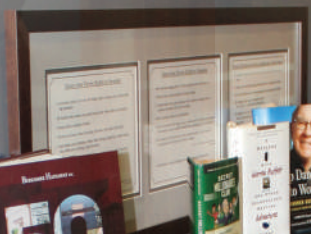
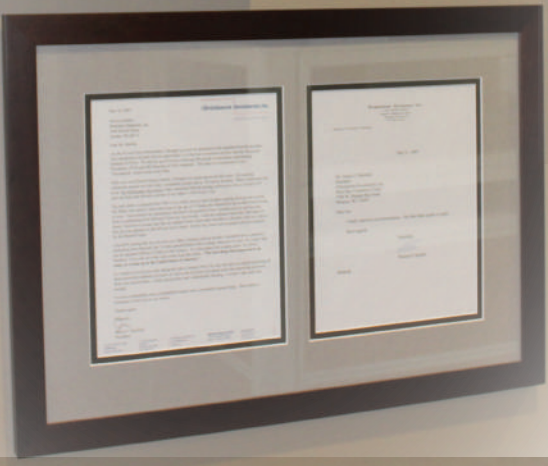
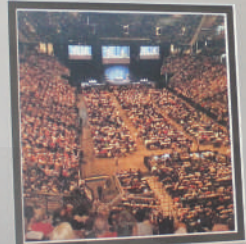


Lessons From Warren Buffett & Charlie Munger Berkshire Hathaway



*James Marshall, President
Jonathan Marshall, CIO*

Lessons from Warren Buffett & Charlie Munger

Berkshire Hathaway

5/23/2018

Warren Buffett was born in Omaha, Nebraska on August 30, 1930. Buffett's father, Howard, was a stockbroker in Omaha. As a child, Buffett loved anything that involved counting, collecting or memorizing; additionally, he enjoyed reading in his father's office. Throughout his early years, young Buffett would spend months reading autobiographies of people he admired and old newspapers dating back a century to learn the cycles of business and the notion of Wall Street and capitalism. His drive and desire for knowledge led him to become CEO of Berkshire Hathaway, a Nebraska based conglomerate worth \$409 billion (Forbes) and the 3rd largest company on the 2017 Fortune 500 list.

Year	Age	Milestones
1930	0	August 30, 1930 - born in Omaha, Nebraska
1935	5	Collected bottle caps of the most popular drinks <i>Very shy in his early years</i>
1936	6	Started selling soda and gum
1941	11	March 10 th , 1942 - read New York Times headlines about Japan's move to Australia & 40 German warships March 11 th , 1942 - Purchased first stock <i>Three shares of Cities Service stock</i>
1944	14	Earned and saved \$1,000 while working a paper route Filed first tax return at age 14
1945	15	Purchased a 40 acre farm for \$1200 at age 15
1947	17	Graduated from high school, #16 out of 350 students <i>Named "Future Stockholder" in the yearbook</i>
1950	20	Graduated from the University of Nebraska - Lincoln Attended Columbia University School of Business to receive his MBA <i>Rejected by Harvard University</i> <i>Sold 75% of his stocks & bought 350 shares of Geico</i> <u><i>Mentored by Ben Graham, Board of Geico: learned "margin of safety" and read Graham's book, Intelligent Investor</i></u>
1951	21	Graduated from Columbia University School of Business Returned to Nebraska to become a stockbroker & member of the National Guard, Ft. McCoy Purchased \$10,000 worth of Geico shares <i>Took a Dale Carnegie Class to learn more about business and sales</i> <i>Taught night classes at the University of Nebraska, Omaha</i>
1952	22	April 19 th , 1952 - Married wife, Susie
1953	23	First child, Susan, born in 1953 Moved to New York <i>Father of three - Susan, Howard and Peter</i>
1954	24	Worked for Ben Graham (Age 62) at Graham Newman in New York <i>Graham Newman employed 8 employees</i> <i>Bought "cigar butt" stocks (stocks of smaller companies)</i>
1956	26	Moved back to Omaha, Nebraska Started the Buffett Fund with \$105,000 from 7 trustees
1958	28	Bought a house on Farnam Street in Omaha for \$31,500
1959	29	Met Attorney Charlie Munger (another Omaha native) at a dinner party <i>Munger later wrote, "I recognized almost instantly what a remarkable person Warren is"</i>
1962	32	June 1 st , 1962 - Started Buffett Partnership <i>8th floor in Kiewit Plaza on Farnam Street in Omaha</i> <i>\$7.2 million in assets</i>
1964	34	Bought American Express for \$13,000,000 <i>Sold 2 years later for \$20,000,000</i> Father, Howard Buffett, dies at age 61

Sources:

The Snowball - Alice Schroeder

Tap Dancing to Work - Carol Loomis

The Warren Buffett Stock Portfolio - Mary Buffett

Celebrating 50 Years of Berkshire Hathaway - Warren Buffett

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1966	36	January 30, 1966 - with Charlie Munger, formed a holding company <u>Bought Berkshire Hathaway Textile Company for \$71,000,000</u> <i>The company broke even and closed after 19 years in 1985</i> <i>Munger was an attorney in Los Angeles</i>
1967	37	Purchased National Indemnity <i>Cash Cow/float</i>
1969*	39	September 1969 -Returned assets from Berkshire Hathaway to partners <i>Buffett did what Graham failed to do; cashed in and closed his partnership, sat on the sidelines with cash for 3 years</i>
1970	40	Bought additional Berkshire Hathaway stock <i>Buffett now owned 36% of the company</i>
1972	42	Bought See's Candy for \$25,000,000 <i>Cash Cow/Brand Name</i>
1976	46	Berkshire Hathaway invests in Geico
1977	47	Wife, Susie, moves to San Francisco to be near son, Peter <i>Soon after, Susie hires Astrid Menks to be a live-in housekeeper for Buffett</i>
1987* \$5,000+	57	Owned only 3 stocks in mid-1987: shares of Geico, Washington Post & Capital Cities/ABC
1988	58	Berkshire Hathaway begins buying Coca-Cola after the 1987 market crash November 29 th , 1988 - Berkshire Hathaway listed on New York Stock Exchange
1992 \$10,000+	62	
1993	63	<u>Berkshire Hathaway acquires Dexter Shoes for \$433 million, using its own shares</u> <i>Closed Dexter Shoes 8 years later</i> <i>The shares used to purchase Dexter Shoes are now worth over \$5 billion</i>
1996	66	Berkshire Hathaway introduces B Shares at 1/30 value of an A share
1997	67	Berkshire Hathaway buys Dairy Queen for \$585 million
1999*	69	Delivers famous speech in Sun Valley, Idaho <i>10-year Treasuries are 6%, 17-year cycles (1964-1981, 1981-1998)</i> <i>Sold stocks and bought bonds</i>
2000	70	Berkshire Hathaway buys Mid America Energy for \$2 billion
2004	74	Wife, Susie, dies at age 72
2006 \$100,000+	76	Donates 85% of his Berkshire Hathaway stock - worth \$37 billion - to the Bill and Melinda Gates Foundation Marries Astrid Menks (his housekeeper) on his 76 th birthday
2007*	77	Berkshire Hathaway accumulates \$46 billion in cash
2008	78	Berkshire Hathaway becomes a lender of last resort to Goldman Sachs (\$5 billion) and GE (\$6 billion) in return for a 10% dividend on preferred shares <u>October 16th, 2008 - "Buy American. I am." <i>New York Times</i></u> Berkshire Hathaway purchases Wrigley (Mars Candy) for \$23 billion Berkshire Hathaway buys Marmon from the Pritzker family for \$7 billion
2010	80	Berkshire Hathaway acquires BSNF Railroad for \$26 billion Berkshire Hathaway joins S&P 500 Hires Todd Combs (47) as a Berkshire Hathaway Portfolio Manager
2010	80	Berkshire Hathaway B-share 50 to 1 stock split Effective January 20 th , 2010 - B-shares were trading at \$3425 per share
2011	81	Hires Ted Weschler (56) as a Berkshire Hathaway Portfolio Manager
2012	82	Berkshire Hathaway buys back \$1.2 billion of its shares
2013	83	Berkshire Hathaway buys 30% of Heinz with 3G for \$24 billion
2018	87	Berkshire Hathaway owns over \$43 billion of Apple (its largest holding) Berkshire Hathaway promotes Ajit Jain (66) and Greg Abel (57) to Vice Chairs
2018 \$200,000+	87	May 2018 - Berkshire Hathaway has accumulated over \$100 billion in cash

*1969, mid-1987, 1999, 2007 - Buffett accumulated cash for next correction in the market

Berkshire Hathaway A-share price

Sources:

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Top Ten Lessons from Warren Buffett's Lifetime

1. Win the “ovarian lottery”
2. Be a tenacious saver (Buffett began at age 6)
3. Avid reader from early on; learned from biographies and newspapers
4. Live *under* your means
5. Strive to overcome personal heartache
6. Find a wonderful sounding board (Charlie Munger)
7. Invest in brand name companies with a durable competitive advantage
8. Love what you do, have a sense of humor and teach others
9. Be generous (Buffett donated 85% of his net worth)
10. Be knowledgeable of business cycles (Buffett accumulated cash in 1969, early 1987, 1999, 2007, (2018?) prior to corrections tending to occur close to the end of decades)

“Life is like a snowball. The important thing is finding wet snow and a really long hill.”

-Warren Buffett

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The Snowball - Alice Schroeder

Tap Dancing to Work - Carol Loomis

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Quotes from Warren Buffett on Managing

- Hire well and manage little. We hire people that love what they do.
- The best way to avoid trouble is to keep it simple.
- I would rather own a great business with a mediocre manager than a mediocre business with a great manager.
- Don't worship volume over profitability.
- Show me someone that made a major mistake and I will show you someone that made a major mistake, usually after a great year (over-confidence).
- Lose money for the firm and I will be understanding. Lose a shred of reputation for the firm and I will be ruthless.

Source: *A Few Lessons for Managers and Investors*
-Peter Bevelin

- Investments are most intelligent when they are most business-like.

Source: *The Intelligent Investor*
-Ben Graham

Words of Wisdom from Warren Buffett and Charlie Munger

- It is better to study and learn from the mistakes of others, than from your own.
- Culture, more than rule books, determines how an organization behaves.
- Give your children enough to do anything, but not enough to do nothing.
- Mr. Munger – How can I be a better investor?
 - Study history, study history, study history.
 - It's better to buy a wonderful company at a fair price than a fair company at a wonderful price.
- Mr. Buffett – How can I be a better investor?
 - Read, read all you can, as early as you can, then take action on what you have read.
- Mr. Buffett – In this market, what should my asset allocation be?
 - Select an asset allocation that, regardless of tomorrow morning's news, you are no longer scared.
- Treat your body like it's the only car you will ever own.
- Trust funds can be harmful for the next generation, a lifetime supply of food stamps
- “I have nothing to add...” – Charlie Munger

Quotes from Warren Buffett on Investing

- An investor needs to do very few things right, as long as he or she avoids big mistakes.
- Be fearful when others are greedy and greedy when others are fearful.
- Always have a margin of safety.
- The less you know about investing, the more you need to diversify.
- Controlling your emotions, rather than having a high IQ, is what makes the difference in being a good investor.
- The best protection against inflation is a great business with a durable competitive advantage and a wide moat.
- Turnarounds seldom turn.
- What wise men do in the beginning, fools do at the end.

Source: *A Few Lessons for Managers and Investors*

-Peter Bevelin

Buffett's way to success is having cash when others don't