Berkshire Hathaway's Annual Letter

In 1965, Warren Buffett took control of Berkshire Hathaway when the company was valued at $20 million, with shares trading at around $19. Originally a declining textile manufacturing firm, Buffett redirected its focus towards becoming an investment holding company. Over the past 59 years, he has grown the company's value to almost $1 trillion, with shares trading at approximately $615 000.

This remarkable growth represents an annual compounded rate of 19.8%, significantly outperforming the total return of the S&P500, which averaged 10.2% over the same period.

In his latest shareholder letter, Buffett paid tribute to his longtime partner, Charlie Munger, who played a pivotal role in shaping Berkshire Hathaway. Munger passed away late last year, just 33 days shy of his 100th birthday. Buffett recalled Munger's initial skepticism about acquiring control of Berkshire, labelling it as a "dumb decision."

It was also his prompting that encouraged Buffett to shift his investment strategy towards acquiring "*wonderful businesses purchased at fair prices*" instead of focusing on buying *"fair businesses at wonderful prices."*

I always find it useful to extract some noteworthy comments from the report and this year he had some gems:

1) Buffett says that he "*…can't remember a period since March 11, 1942 that I have not had a majority of my net worth in equities, US-based equities. America has been a terrific country for investors. All they have needed to do is sit quietly, listening to no one."*

2) Describing the goal at the company, he says, "*We want to own either all or a portion of businesses that enjoy good economics that are fundamental and enduring. Within capitalism, some businesses will flourish for a very long time while others will prove to be sinkholes. It's harder than you would think to predict which will be the winners and losers."*

3) "*At Berkshire, we particularly favour the rare enterprise that can deploy **additional** capital at high returns in the future. Owning only one of these companies – and simply sitting tight – can deliver wealth almost beyond measure."*

4) On the occasional mispricing and market seizures, he says, "*Though the stock market is massively larger than it was in our early years, today's **active** participants are neither more emotionally stable nor better taught than when I was in school. For whatever reasons, markets now exhibit far more casino-like behaviour than they did when I was young."*

5) *"One investment rule at Berkshire has not and will not change: **Never** risk permanent loss of capital. Thanks to the American tailwind and the power of compound interest, the arena in which we operate has been – and will be – rewarding **if** you make a couple of good decisions during a lifetime **and** avoid serious mistakes."*

6) *"Berkshire also holds a **cash and US Treasury bill** position far in excess of what conventional wisdom deems necessary. During the 2008 panic, Berkshire **generated** cash from operations and did not rely in any manner on commercial paper, bank lines or debt markets. We did **not** predict the time of an economic paralysis but we were always **prepared** for one."*

7) Discussing the lesson from two of Berkshire's long duration investments, Coke and AMEX. "*When you find a truly wonderful business, stick with it. **Patience** pays, and one wonderful business can offset the many mediocre decisions that are inevitable."*

In conclusion, Warren Buffett's steadfast belief in the enduring strength of Berkshire Hathaway is encapsulated in his statement, "*Berkshire is built to last."*

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