

Buffettology

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Disclaimers

- I am not a registered investment advisor and I do not offer any investment advise
- No parts of this talk are suggestions to invest, not invest, buy or sell any kind of securities or other financial instruments

Buffettology - Mary Buffett & David Clark

- Book genesis and claims are a bit hazy
 - Mary Buffett is not really Warren's confidante and neither is David Clark
 - Some people (Munger?) commented that they don't believe Warren does what is described in the book
 - Still advice in the book is pretty good and valuable, but with caveats

Investing from business perspective (p.21)

- The most important observation and definitely true Buffett!
- Decide what to buy **first**, then wait for the price (p.67)
 - Caveat: may wait forever and when price drops, the company may not be the same...

Great business vs. mediocre business

- Consumer monopoly vs. commodity (p.87)
- NOT SO SIMPLE!
- Brand competition - war (PEP-KO, MA-V-AXP-Discover)
- Brand downturn (MCD, MOT)
- Cheaper generics (soda vs. KO, batteries vs. Energizer)
- Monopolies die - newspapers!, tax preparation (HRB)
- Diworsification (HRB)
- Hit the growth wall (HOG, BRK (p.219), pharmas, MOST old monopolies!!!)
- Commodities prosper - if there is shortage - PEAK OIL?!
- Low cost producers (WMT...)
- What is "consumer monopoly"? GM was a brand, not commodity...

Excellent business checklist (p.99)

- “Earnings strong and showing upward trend” - beware of bubbles!
- Retained earnings
 - It’s good to retain earnings, but they need to be reinvested at high ROI (p. 107-110) - need to track this
- Where to find those great businesses (p. 119)
 - Generic blah blah

Highly predictable earnings (p.23)

- Invest only in companies with highly predictable earnings stream
- Those are the companies with a moat...
- Then you can predict rate of return...
- ... and so can any other analyst ☹️
- ... so they will sell at very expensive multiplies
- ... most of the time
- ... but not in crashes, recessions, scandals, etc. 😊 - market crashes are Buffettologist's friend

The secret of compounding (p.70-73)

- Taxes kill compounding (not an issue in tax deferred accounts! More power to trade there).
- Reinvestment (lack of) opportunities kill compounding
- Single compounding investment leads to outperformance

Investment Measures

- Initial rate of return (p. 199) = owner's yield
- Per share 5-10 y growth rate (p.201)
- Share buybacks (p.238-239) - double edged sword, beware of expensive share buybacks
- How company uses FCF? (p.248) - great point, but tough to determine.

Bond investing (p. 182)