

KIM: Buffett to skeptics: America's NEVER been greater

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INVESTING

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Fans of Berkshire Hathaway CEO Warren Buffett eagerly await the last Saturday in February for his annual letter to shareholders to be posted. As usual, this year's letter contained both timely commentary and timeless investment wisdom, delivered with wit, simplicity and humility (<http://www.berkshirehathaway.com/letters/2015ltr.pdf>).

I recently wrote of the "bull market" for apocalyptic forecasts, featuring market pundits competing in a high-stakes arms race to call the next market meltdown. Similarly, Buffett noted in this election year, "candidates can't stop speaking about our country's problems (which, of course, only *they* can solve)." Further, "as a result of this negative drumbeat, many Americans now believe that their children will not live as well as they themselves do."

"That view is dead wrong: The babies being born in America today are the luckiest crop in history," Buffett wrote. "America's economic magic remains alive and well. Today's politicians need not shed tears for tomorrow's children."

Politicians should also learn from Buffett's refreshing willingness to humbly admit mistakes, without sugarcoating. He admitted to "serious mistakes I made in my job of capital allocation." Further, "we are now paying the price for my misjudgments" and "I will commit more errors; you can count on that."

Shortly after his letter was published, Buffett appeared in an interview on CNBC (<http://www.cnbc.com/2016/02/29/cnbc-transcript-of-warren-buffett-on-squawk-box.html>).

Buffett's investment mantra has always been: "Be fearful when others are greedy, and be greedy when others are fearful." As a net buyer of stocks since he was 11 years old, when stocks go down, he views it as *good* news—no different than when hamburgers or Coca-Cola or anything else he buys all the time goes on sale.

Think of buying a stock as if you're buying the entire company (which Berkshire often does). A successful long-term investor tries to buy when the stock price reflects a significant discount to the company's intrinsic value. While stock prices can swing wildly, company values are generally more stable. That's why Buffett believes a "stock going down is a good thing, unless the company itself is losing value."

Declines in short-term price quotations shouldn't really concern investors, but can cause people to do things they wouldn't otherwise. He says if you're considering buying a farm, you shouldn't be looking at the next six months and trying to decide whether now is the time to buy. "Look at what the asset is likely to produce over time and what you have to pay for it," he said. "If you can buy it cheaper, so much the better. For people to try and time stocks is crazy."

Buffett noted some of his biggest winners initially went down in price, with Berkshire itself going down 50% *three different times* during his 51 years in control. He said, "you can't predict what stocks will do, in the short-run, but you can predict that American business will do well, over time." Therefore, "a great strategy is just to buy stocks consistently and not worry too much about whether they go up or down in any given month or year."

"For 240 years it's been a terrible mistake to bet against America, and now is no time to start. America's golden goose of commerce and innovation will continue to lay more and larger eggs," he said. In sum, "America's *never* been greater."

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