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An overview of ideas and principles on equity valuation that emerge from Warren Buffet's [i.e. Buffett's] letters to the shareholders of Berkshire Hathaway Inc.

Cameron Lawrence
The University of Montana

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An overview of ideas and principles on equity valuation that emerge from Warren Buffet's letters to the shareholders of Berkshire Hathaway Inc.

by

Cameron Lawrence

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An overview of ideas and principles on equity valuation that emerge from Warren Buffet's letters to the shareholders of Berkshire Hathaway Inc.

Thesis Chairman: Dr. Bruce Niendorf

Warren Buffett's approach to equity valuation has developed from a straight quantitative approach, which was influenced by the late Dr. Benjamin Graham to an approach that relies on more qualitative analysis. This shift to the qualitative side was due to the writings of Philip Fisher and Buffett's co-chairman of Berkshire Charles Munger.

Buffett studied under Graham at Columbia where he developed an extraordinary grasp of financial quantitative analysis as defined in the classic text *Security Analysis*. Buffett's writings demonstrate his reliance upon two quantitative tools, which are the concept of intrinsic value as developed by Graham and Dodd, and return on owner's equity.

Buffett's inclusion of qualitative factors in equity valuation represents a shift away from the Graham and Dodd value approach. An analysis of Buffett's writings reveals the subject making a distinction between a mere business and what he calls a "franchises". Buffett maintains that a franchise possesses a very specific set of economic characteristics that separate them from mere businesses.

Furthermore, Buffett's letters to the shareholders of Berkshire Hathaway demonstrate a clear set of corporate governance principles that provide a deeper understanding and explanation of the quantitative and qualitative tools employed by Berkshire management.

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Chapter 1

An overview of Warren Buffett and Berkshire Hathaway

To understand Warren Buffett one must understand the influence the late Dr. Benjamin Graham of Columbia University had upon Buffett. Buffett was drawn to Columbia by the reputation of Graham whom many consider to be the father of security analysis. Graham is perhaps best known in academic circles for his classic text, *Security Analysis*, which he co-authored with Dr. David Dodd who was also a noted lecturer at Columbia. In many ways Graham gave Buffett the tools to make his way through the vicissitudes and uncertainty of the engines of modern capitalism - the equity markets.

In the world of finance and academia Graham was a far cry from the market specialists who acted without logic and reason. "Graham was a classical scholar, a student of Latin and Greek, a translator of Spanish poetry, and the author of a Broadway play."[1] According to those that knew him he possessed an intellectual curiosity and generosity that was unparalleled. In fact, a consistent theme that emerges throughout the resource material this thesis is concerned with is best represented from this quote from the Owner's Manual, which is given to all Berkshire shareholders. Buffett states, "I benefited enormously from the intellectual generosity of Ben Graham, the greatest teacher in the history of finance, and I believe it appropriate to pass along what I learned from him, even if that creates new and able investment competitors for Berkshire just as Ben's teachings did for him." Buffett has maintained this view throughout his career as he has attempted to use the chairman's letter of Berkshire's annual report to educate shareholders.

Graham's contribution is the methodology that he brought to security analysis. He argued that investors should look for securities that were so cheap to essentially be free of risk.[2] Graham equated this investment philosophy with searching for "cigar butts that might have a few more puffs in them." His approach placed an absolute emphasis on quantitative factors such as earnings and assets. Furthermore Graham and Dodd developed the concept of "intrinsic value", which will be discussed later. In short, Graham and Dodd argued that an investor needs to look at the business behind the stock symbol and make rational, objective decisions based solely on a thorough analysis of a firm's financial statements. Graham was fond of saying "investment is most intelligent when it is business like."[3]

Buffett enrolled in Columbia's business school during the fall of 1950 where he quickly became a dedicated follower of Graham. Under Graham's tutelage Buffett began to hone his native gifts of intellectual honesty, sound reasoning skills and patience. Upon completing Graham's course, Buffett was awarded the only A+ ever given by Graham.[4] Perhaps the greatest gift Graham gave Buffett is the belief that one need not follow the crowd. In fact, Graham often argued that by following the crowd one would surely encounter the road to folly. Graham was fond of saying, "You are neither right nor wrong because the crowd agrees or disagrees with you."[5] This view of the marketplace and the quantitative tools Graham armed Buffett with coupled with Buffett's temperament and passion for investing set the stage for what many claim is the most extraordinary investment career ever.

Upon graduating from Columbia in 1951 Buffett returned to Omaha to work in his father's brokerage firm. A short-time later he was offered a job by Graham to come back to New York and work directly for Graham as an analyst. After two years under the venerable Graham, Buffett was ready to strike out on his own. He returned to his native Omaha, Nebraska to start his own investment partnership, which was called Buffett Associates Ltd. This was the beginning of Buffett's long march to the annals of investment history.

While working for Graham in the 1950's Buffett stumbled upon a Massachusetts based textile firm called Berkshire Hathaway. Buffett was drawn to Berkshire because it met all of Graham's quantitative criteria. In fact, by 1962 the company's stock price had fallen to below $8 although the company had $16.50 in working capital per share on the books.[6] This investment had Graham written all over it. By 1963 Buffett's partnership had become the largest holder of common stock in the company and by May of 1965 Buffett was chairman of the executive committee and was essentially in charge of Berkshire.

Berkshire was at best a mediocre business and at worst a money losing pit that required large infusions of capital to stay afloat. Once Buffett took over, the ever-necessary infusions were reduced drastically for Buffett allocated the profits to enterprises that offered a higher return on capital. Buffett began using Berkshire as an acquisition vehicle that has grown into one of the most watched companies in America. Soon after taking over Berkshire he purchased National Indemnity Company, Sun Newspapers of Omaha Inc., and Illinois National Bank & Trust.[7] These acquisitions couldn't have been more different from the textile manufacturer that had become their owner. However, they all had one thing in common - they met Buffett's criteria for being great businesses that offered excellent returns on equity.

As Buffett's investments through Berkshire began to blossom, the textile mills that comprised the original business began to wane. For example, in 1970 the mills produced $45,000 in profits while the insurance investments returned $2.1 million and the banking investments returned $2.6 million.[8] Buffett was reluctant to close the mills because they were large employers in the communities they were located in and he liked the management. From 1977, to the mills closing in 1985, Buffett repeatedly attempted to justify his position for keeping the mills open despite their drain on capital and the poor return on equity that Buffett craved. The following explanation was offered to the shareholders in the 1978 Chairman's Letter. "We hope we don't get into too many more businesses with such tough economic characteristics. But, as we have stated before: (1) our textile businesses are very important employers in their communities, (2) management has been straightforward in reporting on problems and energetic in attacking them, (3) labor has been cooperative and understanding in facing our common problems, and (4) the business should average modest cash returns relative to investment." Another factor that was never mentioned in the chairman's letters was Buffett's desire to avoid being labeled a "liquidator".

By July of 1985 the textile operation was bleeding money and Buffett closed the mills. The mills required repeated capital infusions, which Buffett was unwilling to provide. In his 1985 Chairman's letter he summed up his view of the textile business rather cleverly. "A horse that can count to ten is a remarkable horse – not a remarkable mathematician. Likewise, a textile company that allocates capital brilliantly within its industry is a remarkable textile company – but not a remarkable business." While the mills were doomed the rest of the Buffett portfolio was showing the world what a group of remarkable businesses could do. At the end of 1985 Buffett had given the shareholders of Berkshire an annual gain of 23.2% in per-share book value.

Chapter 2

The Qualitative and Quantitative tools Employed by Buffett

Qualitative

In Berkshire's Owner's Manual, Buffett states, "... I set down 13 owner related business principles that I thought would help new shareholders understand our managerial approach. As is appropriate with "principles" they remain alive and well today." When one reads the chairman's letters, it is clear that consistent themes emerge from year to year with no variation and that Buffett's desire to maintain the integrity of the principles that built Berkshire has been maintained. This is particularly true of the criteria that Buffett employs for equity valuation. The tools employed by Buffett have been modified over the years from a strictly Graham based quantitative approach to one that includes qualitative factors that look at the quality of the intangible aspects of a business. This chapter will begin with a discussion of the qualitative characteristics Buffett looks for in businesses and then move into the quantitative tools that complete his investment toolbox.

Buffett's move away from the strict quantitative approach can be attributed to two men. The first is Phillip Fisher who was an original investment thinker and writer as well as a fantastically successful investor. Fisher is quoted as saying, "I don't want a lot of good investments, I want a few outstanding ones."[9] This approach is contrary to the contemporary view in academia that supports portfolio diversification as opposed to concentration. This "eggs in one basket approach" is repeatedly referred to in the chairman's letters and is consistent with Berkshire's portfolio.

Through Fisher's writings Buffett learned to place value on "scuttlebutt". Fisher argued that one of the great tools the investor has available for selecting high-quality equities is to talk with the company's competitors, suppliers and customers. Fisher believed that a diligent investor could learn more through this method than through rigorous financial statement analysis. Buffett employed this method during a corporate scandal that brought American Express Corp's stock price tumbling in the early 60's. Buffett believed that American Express possessed a consumer franchise that gave it an extremely strong position in the marketplace. Buffett concluded that the company lacked significant competition in the credit card market and the traveler's checks the company was known throughout the world for possessed a consumer monopoly. When the crisis hit American Express, Buffett visited grocery stores and banks and talked to managers and storeowners to see if the crisis had caused sales of traveler's checks to drop off. He also visited his favorite Omaha restaurant and sat behind the register to determine if fewer customers were using their American Express credit cards after the scandal. Buffett concluded that American Express was not losing sales because of the crisis and that American Express was likely to weather the storm. Based on this information Buffett increased his position in the company.[10]

The American Express investment is of particular interest because it represents a break from the quantitative Graham method to one that employs more of a qualitative approach. Buffett was beginning to recognize that there are intangibles that couldn't be measured, which are crucial to differentiating a good business from a bad business. These qualitative factors became an integral part of Buffett's analysis.

Charles Munger, Berkshire's co-chairman, has also contributed to Buffett's inclusion of qualitative factors in investment analysis. Munger is an interesting figure and many consider him to actually be the smarter of the two. After serving in World War II, Munger so impressed the admissions committee at the Harvard Law School that he was admitted without an undergraduate degree. Munger shares Fisher's view that qualitative factors are extremely important and offer invaluable information in assessing a company's long-term economic viability. Consequently, since the beginning of their formal partnership in 1976, Munger's qualitative approach has been directly infused in the investment process at Berkshire.[11] This is not to say that quantitative measures have been ignored. As Buffett stated, " I revised my strategy and tried to buy good businesses at fair prices rather than fair businesses at good prices."[12] This change caused Buffett to look for what he called "franchises" as opposed to businesses.

In the 1991 chairman's letter Buffett gave his shareholders a primer on the distinction between a franchise, which he coveted, and an ordinary business which was doomed to be average at best. Buffett defined a franchise as, "An economic franchise arises from a product or service that: (1) is needed or desired; (2) is thought by its customers to have no close substitute and; (3) is not subject to price regulation. The existence of all three conditions will be demonstrated by a company's ability to regularly price its product or service aggressively and thereby earn high rates of return on capital."[13] He also pointed out that franchises can survive mismanagement because of their unique positions, although the enterprises profitability will be diminished.

The economic characteristics of a franchise contrast sharply with those of a business, which Buffett basically defines as an enterprise that produces commodities. He argues that a "business" can only succeed if it can be a low cost producer, which is an advantage that is easily taken away.[14] Furthermore, he maintains that a "business unlike a franchise can be killed by poor management." The best example of purchasing a "business" in Buffett's investment career is the purchase of the textile mills that comprised the original

Berkshire. He failed to consider non-qualitative factors in making his purchase decision and it turned out to be one of the biggest money losers of his career.

Buffett's emphasis on qualitative factors can be seen in the purchases of Coca-Cola, Gillette, GEICO, and See's Candy, which is a chain of candy stores located throughout California. These companies were solid from a Graham perspective, but priced above Graham's "margin of safety." Buffett realized that it was better to purchase these companies at a higher price because they possessed the characteristics of a "franchise" as opposed to a "business".

Quantitative

Throughout Buffett's writings two major quantitative tools emerge as the foundation of his analysis. The first is the concept of "intrinsic value", which Graham introduced him to, and the second is return on equity. There is nothing extraordinary in these concepts as they are relatively simple on the surface. However, the process of accurately determining intrinsic value is far from easy.

Graham and Dodd began their discussion on the topic by saying, "Intrinsic value is the investment concept on which our views of security analysis are founded."[15] There is no doubt that Buffett took this to heart. Every chairman's letter written by Buffett has references to intrinsic value. In the Berkshire Owner's Manual, Buffett states, "Our long term economic goal is to maximize Berkshire's average annual rate of gain in intrinsic business value on a per-share basis." Buffett defines intrinsic value as the discounted value of cash that can be taken out of a business over time. This concept is relatively simple to understand although somewhat difficult to employ. Although, determining the intrinsic value of a company is a rough estimate, it still requires reasonably accurate forecasts of earnings as well as the correct determination of the rate at which the cash flows should be discounted.

Once the intrinsic value of a firm is roughly determined the analyst then waits for the stock price to fall below this value. In *Security Analysis*, Graham and Dodd suggest that the intrinsic or real value of companies change slowly, while the market price of securities sometimes fluctuates for no apparent reason other than irrational activities. This approach is predicated on the belief that financial markets aren't efficient, which is contrary to the cornerstone of modern investment philosophy - the Efficient Market Hypothesis (EMH). The EMH states that stocks are always valued accurately and that it is a waste of time to try and beat the market. Theorists argue that the financial markets and the analysts behind them are constantly evaluating companies and that all public information is factored into the price of the stock. Therefore, it is fruitless for an investor to look for discrepancies in actual and market price because they don't exist.

From 1977 to 1997 Buffett uses the chairman's letter to rail against proponents of the EMH. In the1987 annual chairman's letter Buffett stated, "In my opinion, the continuous 63-year arbitrage experience of Graham-Newman Corp., Buffett Partnership, and Berkshire illustrates just how foolish Efficient Market Theory is."[16] Referring to the theorists that support EMH Buffett went on to say, "Observing correctly that the market was *frequently* efficient, they went on to conclude incorrectly that it was *always* efficient. The difference between the two is night and day." One astute author summed up the basic argument behind Buffett's vigorous attack on EMH by writing, "Buffett would taunt the scholars with the evidence of his career, and implicit in his taunts was a simple question: "If you are so smart, how come I am so rich?"[17]

In the 1977 chairman's letter Buffett begins the discussion on corporate performance by stating, "We believe a more appropriate measure of managerial economic performance to be return on equity capital." Again this is a theme that emerges throughout the research material. It is no surprise that Buffett emphasizes ROE as this is an owner oriented financial ratio. Return on Equity is simply the return on the investment made by the owners – the company's shareholders. This tells Buffett how effectively a company's management is employing the equity capital that the shareholders have entrusted with them. Buffett looks for companies with a long-term trend of providing good returns on equity while employing little or no debt. High returns on equity provide another bonus to long-term investors, which is the compounding effect of the retained earnings as it is assumed that the firm will continue to employ the owner's capital at the historically demonstrated levels.

There is nothing extraordinary about the quantitative and qualitative ideas that have been introduced to the reader. However, these simple ideas are powerful concepts, which a diligent student of finance can employ. Perhaps the most interesting aspect is the development of Buffett's thinking over the years. In the early days Buffett was strictly a quantitative investor. However, as the economic environment and his own thinking developed he began to consider qualitative factors that are contrary to his earlier views which were influenced by Benjamin Graham. This development offers a glimpse of a mind that was disciplined enough to follow strict formulaic investing, but flexible and open enough to be influenced by new ideas. He seems to have found a middle ground that incorporates a strong emphasis on quantitative factors, which are reconciled with qualitative judgements that are made through good judgement and experience. Buffett has reminded us of one of the great lessons in life, and that is the truth is often located somewhere in the middle.

Chapter 3

Conclusions

In many ways Buffett's Letters are a gift to students of finance and management. To simply focus on the principles of finance is to ignore the larger part of Buffett's contribution. Buffett's commentary exposes the reader to larger societal issues such as corporate citizenship, charities and inheritance issues as well as the equity markets role in society. The letters also provide the student with a view of an encompassing and well reasoned philosophy that has been employed successfully.

Another byproduct of the analysis of the chairman's letters is the candor and original tone that he takes with his partners – the shareholders of Berkshire Hathaway. Throughout Buffett's career he has read thousands of annual reports and in many ways felt dissatisfied with the way CEO's spoke to their shareholders. This dissatisfaction drove Buffett to work hard to reach out to the shareholders and convey pertinent information that was provided with the intention of educating shareholders. Buffett's desire to share knowledge and ideas with the public was largely stimulated by his experience with the late Benjamin Graham.

Graham introduced Buffett to the world of quantitative based equity analysis. It was through a detailed study of the classic text *Security Analysis*, and the countless hours spent with Graham that Buffett came into his own. Graham's intellectual generosity provided the fertile soil in which an extraordinary mind was able to grow. While Graham contributed more than any other person to Buffett's intellectual development as an investor he is not alone as others have made substantial contributions. Buffett began his career as a strict Graham and Dodd value investor and slowly began to incorporate qualitative factors into his investment philosophy. This was due largely to the writings of Philip Fisher. Fisher argued that investors should talk with suppliers and competitors to obtain information about an investment's prospect. Fisher maintained that this information was invaluable in assessing investments. Charles Munger, co-chairman of Berkshire, has also contributed to Buffett's propensity to increasingly balance quantitative analysis with qualitative analysis. Munger's role in Berkshire's investments is considerable to say the least, although, his role is understated to the public because of a personal preference to avoid the spotlight. A similar project on Charles Munger would certainly be worthwhile and could provide valuable insight into the ideas produced by a great mind.

Perhaps the greatest lesson learned by studying the intellectual influences and ideas behind Buffett is his ability to learn and remain open to new ideas. Buffett's intellectual development provides the student with a valuable lesson in the need to maintain principles, but at the same time demonstrates the importance of remaining open to new ideas and methods.

However, it should be pointed out that Buffett has his detractors. Some in the academic environment and the financial press have accused Buffett of taking advantage of opportunities the ordinary investor clearly doesn't have. Many of these opportunities stemmed from the hostile acquisitions of the 1980's. Buffett's reputation as a long-term investor was seen as a god send by CEOs under attack by a hostile bidder. Consequently, CEOs under attack would offer Buffett enticing deals that were not available to the public. Linda Sandler of the Wall Street Journal wrote, "Many Wall Street investors say Mr. Buffett's special deals amount to a kind of gentlemanly protection game. In the old days, these investors say, corporate raiders such as Saul Steinberg got paid "greenmail" to go away. But Mr. Buffett is getting "whitemail" to stick around and hold management's hand."[18] The criticism stems primarily from three investments Buffett made in 1989. The investments were in USAir, Champion International and Gillette. In all three cases, Buffett received a preferred convertible that was not available to the public.[19] In the 1989 chairman's letter Buffett argued that he was responsible for securing the best deal for his shareholders and that the companies Berkshire took positions in would benefit in the long term by the presence of a stable long term shareholder. What is clear is that Buffett's actions seem to contradict his disdain for special deals.

A discussion on Buffett's ideas and Berkshire Hathaway would not be complete without including the 13 principles that Buffett has publicly stated for over 20 years. While most of these principles are outside the scope of the quantitative and qualitative equity valuation methods this thesis is concerned with, they offer an important insight into Buffett's philosophy and view of the candor and the ethics business leaders should employ. The 13 principles are the focus of the Owner's Manual, which is given to all Berkshire shareholders. This Owner's Manual is intended to provide shareholders with a view of the philosophy utilized at Berkshire and in so doing provides the reader with the most encompassing and concise view of world-class corporate governance available. The 13 principles are as follows.

1) Although our form is corporate, our attitude is partnership. Charlie Munger and I think of our shareholders as owner-partners, and of ourselves as managing partners. (Because of the size of our shareholdings we are also, for better or worse, controlling partners.) We do not view the company itself as the ultimate owner of our business assets but instead view the company as a conduit through which our shareholders own the assets.

2) In line with Berkshire's owner-orientation, most of our directors have a major portion of their net worth invested in the company. We eat our own cooking.

3) Our long-term economic goal (subject to some qualifications mentioned later) is to maximize Berkshire's average annual rate of gain in intrinsic business value on a per-share basis. We do not measure the economic significance or performance of Berkshire by its size; we measure by per-share progress. We are certain that the rate of per-share progress will diminish in the future - a greatly enlarged capital base will see to that. But we will be disappointed if our rate does not exceed that of the average large American corporation.

4) Our preference would be to reach our goal by directly owning a diversified group of businesses that generate cash and consistently earn above-average returns on capital. Our second choice is to own parts of similar businesses, attained primarily through purchases of marketable common stocks by our insurance subsidiaries. The price and availability of businesses and the need for insurance capital determine any given year's capital allocation.

5) Because of our two-pronged approach to business ownership and because of the limitations of conventional accounting, consolidated reported earnings may reveal relatively little about our true economic performance. Charlie and I, both as owners and managers, virtually ignore such consolidated numbers. However, we will also report to you the earnings of each major business we control, numbers we consider of great importance. These figures, along with other information we will supply about the individual businesses, should generally aid you in making judgments about them.

6) Accounting consequences do not influence our operating or capital-allocation decisions. When acquisition costs are similar, we much prefer to purchase $2 of earnings that is not reportable by us under standard accounting principles than to purchase $1 of earnings that is reportable. This is precisely the choice that often faces us since entire businesses (whose earnings will be fully reportable) frequently sell for double the pro-rata price of small portions (whose earnings will be largely unreportable). In aggregate and over time, we expect the unreported earnings to be fully reflected in our intrinsic business value through capital gains.

7) We use debt sparingly and, when we do borrow, we attempt to structure our loans on a long-term fixed-rate basis. We will reject interesting opportunities rather than over-leverage our balance sheet. This conservatism has penalized our results but it is the only behavior that leaves us comfortable, considering our fiduciary obligations to policyholders, lenders and the many equity holders who have committed unusually large portions of their net worth to our care. (As one of the Indianapolis "500" winners said: "To finish first, you must first finish.")

8) A managerial "wish list" will not be filled at shareholder expense. We will not diversify by purchasing entire businesses at control prices that ignore long-term economic consequences to our shareholders. We will only do with your money what

we would do with our own, weighing fully the values you can obtain by diversifying your own portfolios through direct purchases in the stock market.

9) We feel noble intentions should be checked periodically against results. We test the wisdom of retaining earnings by assessing whether retention, over time, delivers shareholders at least $1 of market value for each $1 retained. To date, this test has been met. We will continue to apply it on a five-year rolling basis. As our net worth grows, it is more difficult to use retained earnings wisely.

10) We will issue common stock only when we receive as much in business value as we give. This rule applies to all forms of issuance - not only mergers or public stock offerings, but stock- for-debt swaps, stock options, and convertible securities as well. We will not sell small portions of your company - and that is what the issuance of shares amounts to - on a basis inconsistent with the value of the entire enterprise

11) You should be fully aware of one attitude Charlie and I share that hurts our financial performance: Regardless of price, we have no interest at all in selling any good businesses that Berkshire owns. We are also very reluctant to sell sub-par businesses as long as we expect them to generate at least some cash and as long as we feel good about their managers and labor relations. We hope not to repeat the capital-allocation mistakes that led us into such sub- par businesses. And we react with great caution to suggestions that our poor businesses can be restored to satisfactory profitability by major capital expenditures. (The projections will be dazzling and the advocates sincere, but, in the end, major additional investment in a terrible industry usually is about as rewarding as struggling in quicksand.) Nevertheless, gin rummy managerial behavior (discard your least promising business at each turn) is not our style. We would rather have our overall results penalized a bit than engage in that kind of behavior.

12) We will be candid in our reporting to you, emphasizing the pluses and minuses important in appraising business value. Our guideline is to tell you the business facts that we would want to know if our positions were reversed. We owe you no less. Moreover, as a company with a major communications business, it would be inexcusable for us to apply lesser standards of accuracy, balance and incisiveness when reporting on ourselves than we would expect our news people to apply when reporting on others. We also believe candor benefits us as managers: The CEO who misleads others in public may eventually mislead himself in private.

13) Despite our policy of candor, we will discuss our activities in marketable securities only to the extent legally required. Good investment ideas are rare, valuable and subject to competitive appropriation just as good product or business acquisition ideas are. Therefore we normally will not talk about our investment ideas. This ban extends even to securities we have sold (because we may purchase them again) and to stocks we are incorrectly rumored to be buying. If we deny those reports but say "no comment" on other occasions, the no-comments become confirmation.

In the Owner's Manual Buffett provides a detailed discussion of these 13 principles that guide Berkshire. However, it is not practical to include that discussion within the confines of this thesis. It is clear that an awareness of these principles reveals a deeper understanding of the methods that Buffett employs and demonstrates the interrelationship between some of the ideas that have been presented in these pages. One would be well served by seeking to understand the implications and benefits of the aforementioned principles.

Throughout the research in this project a host of extraordinary minds, personalities, ideas and relationships were encountered. However, the friendship between Buffett and Graham stands out above them all. Therefore the author believes that it is fitting that some of the last words be theirs. When Graham died Buffett wrote a eulogy for the Financial Analysts Journal and the final words in the eulogy spoke volumes of both men. Buffett wrote, "A man named Walter Lippman wrote of men who plant trees that other men will sit under. Benjamin Graham was such a man."

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