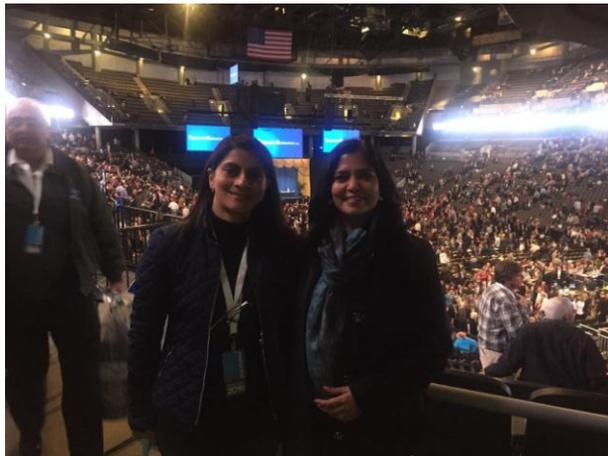


## Capital League attends 51<sup>st</sup> Berkshire Hathway AGM in Omaha

Capital League had the opportunity to attend the 51st Berkshire Hathway AGM in Omaha, USA in May 2016. The AGM is jointly chaired by the Chairman & CEO, Mr. Warren Buffet and the Vice Chairman Mr Charlie Munger. Both Mr. Buffet and Mr. Munger are stalwarts in the investment community worldwide. Mr Buffet is fondly referred to as the sage of Omaha and has an impressive cult following globally.

It was a memorable experience to be a part of the 40,000 strong audience that included the crème-de-la-crème of the investment world. While answering questions from their shareholders, Mr. Buffet and Mr. Munger spoke on various subjects including their shareholdings, US economy, markets, politics, corporate governance, principles they follow while investing, etc. The sharpness and agility with which they answered questions for 7 hours despite their age (85 & 92 yrs respectively) was really inspiring. In addition, both have a great sense of humour which keeps the audience hanging for their every word. Both of them have remarkable memory and depict amazing clarity of thought. Apart from their investment genius, what really came out very strongly was their character: simplicity, humility and adherence to their principles. Their management style is 'No frills, keep it simple'..



Below are some of the key takeaways from Mr. Buffet's answers at the AGM.

- "At Berkshire, we much prefer owning a non-controlling but substantial portion of a wonderful company to owning 100% of a so-so business. It's better to have a partial interest in the Hope Diamond than to own all of a rhinestone."
- "American GDP per capita is now about \$56,000. As I mentioned last year that – *in real terms* – is a staggering six times the amount in 1930, the year I was born, a leap far beyond the wildest dreams of my parents or their contemporaries. U.S. citizens are not intrinsically more intelligent today, nor do they work harder than did Americans in 1930."

Rather, they work far more efficiently and thereby produce far more. This all-powerful trend is certain to continue: America's economic magic remains alive and well."

- His views on productivity – "First, the productivity gains achieved in recent years have largely benefitted the wealthy. Second, productivity gains frequently cause upheaval: Both capital and labor can pay a terrible price when innovation or new efficiencies upend their worlds. We need shed no tears for the capitalists (whether they be private owners or an army of public shareholders). It's their job to take care of themselves. When large rewards can flow to investors from good decisions, these parties should not be spared the losses produced by *wrong* choices. Moreover, investors who diversify widely and simply sit tight with their holdings are certain to prosper."
- The notion that a bubble has developed in real estate prices in US is not correct. Real estate is not as attractive an investment option as it was a few years ago.
- Buffett is concerned not only about the really, really low interest rates in the U.S., but the negative rates abroad. Zero or near zero interest rates are leading to repricing of all assets. Also low interest rates are encouraging investors to pay more for an asset.
- The outcome of the US Presidential elections would not affect the US businesses. He reflected on the way his business and many others have survived all manner of regulation, meddling and turmoil. They will continue to adapt and prosper.
- One of the important qualities for successful investing is to avoid envy. Investors should look for investments that make sense to them and invest where they are comfortable for long term.
- Investing is nothing but buying businesses; promoters/ management have to be assessed as partners in business.
- Reputation is something that is key and is built over time. The employees of a company should be encouraged to protect company's reputation and strengthen its brand.

On a more personal note, Warren Buffett doesn't have any regrets - "I'm 85, and I can't imagine anybody any happier than I am. I'm sitting here eating exactly what I like to eat, doing in life exactly what I love to do with people I love. It really doesn't get any better than that."

The above are just some of the insights from Mr. Buffet's talk. These are relevant to all investors globally and these are what people travel thousands of miles to gain. And these are what make Berkshire Hathaway's shareholders meet a perennial block-buster!