



"Everything should be kept as simple as possible, but no simpler."

Albert Einstein

"I look for businesses in which I think I can predict what they're going to look like in ten to fifteen years time. Take Wrigley's chewing gum. I don't think the internet is going to change how people chew gum."

Warren Buffett, July 1998

There's something undeniably sad about a grown man travelling half way around the world to spend a few hours listening to a couple of octogenarians bang on about investing. But that's exactly what I will be doing in early May. The fact that I'll be in the company of more than 30,000 other attendees at Warren Buffett's annual "Woodstock for Capitalists" makes this prospect only slightly less ridiculous.

Sometimes we need to remind ourselves of the basics. In the case of value investing this really comes down to two fundamental principles that were enunciated in 1949 by Ben Graham* and further developed by Warren Buffett and other value investors over the next 60 years.

Firstly, when you buy a share in a company you are not just buying a piece of paper that you hope someone will pay you more for in the future. You are buying a small ownership interest in a real business.

Secondly, what you pay for that share should incorporate a generous margin of safety, sufficient to forgive any assumptions used in your valuation that prove to be incorrect. The price you pay for an investment is likely to be the greatest influence on its return.

So, to be reminded afresh of these principles (and how they apply to real world investment situations) I am making a pilgrimage to Omaha (the Mecca for value investors each May) to attend the two day Value Investor Conference at the University of Nebraska followed by the Berkshire Hathaway shareholder meeting where Warren Buffett and Charlie Munger field questions from shareholders for over six hours.

If you'd entrusted these two old blokes with \$1,000 to look after in 1965 it would be worth more than \$6 million today. So if just a bit of their wisdom rubs off I think it will have been an effort well spent. I look forward to reporting back to you when I return in mid May.

* In chapters 8 and 20 of *The Intelligent Investor*, which Warren Buffett describes as "the two most important essays ever written on investing".

If you'd like to sample a bit of Warren Buffett's uncommon common sense have a look at the video of a talk he gave to a group of MBA students at the University of Florida in 1998. I'm sure you won't feel you've wasted your time. There's a link on our web site, <http://www.lighthouseinvestments.com.au/media.htm>.

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