"In investing, just as in baseball, to put runs on the scoreboard, one must watch the playing field, not the scoreboard."

Warren Buffett

It is easy to be distracted by a company's share price. However we need to be mindful that this is simply the price that someone is willing to pay at a particular time for that share. It is not necessarily a measure of its value.

The value of any asset – whether it is a share, a bond or an investment property - lies in the earnings it will generate over its life, discounted back to present values. Whilst the current state of the financial markets is certainly psychologically testing, it is worth keeping this truth in mind.

The panic in financial markets has reached the point where it will almost certainly impact on the "real economy" and consequently on the earnings of many debt-free businesses that six months ago we would have felt would have come through this "crisis" relatively unscathed. However the selling that we are now seeing is truly "panic selling". It is in no way justified by a commensurate fall (actual or anticipated) in earnings.

What we must remain focused on is the earnings of the businesses we are invested in. If these decline we need to reappraise the situation. If the earnings remain substantially intact but the price falls we should see it as an opportunity. The full year earnings of most of the businesses we are invested in have been quite pleasing (and in some cases exceptionally so). Early guidance on 2009 earnings are also quite reassuring, whilst the low Australian dollar will provide a windfall for businesses earning foreign income and for investments denominated in foreign currency.

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