

Twitter Thread by Vivek



Vivek

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Thread on 50 GOLDEN RULES of Warren Buffett (One Rule Per Day)

Day 1:

4 Filters Of Investing.

1. Businesses we can understand.
2. Favorable long-term prospects.
3. Able and trustworthy management.
4. Sensible price tag. @Vivek_Investor



Day 2:

To understand Investing you need not required to be a genius. Investing is not a rocket science.

If Calculus or Algebra were required to be a great Investor, I'd have to go back to delivering newspapers.

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Day 3 :

Personal Finance.

Don't save what is left after spending; spend what is left after saving.

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Day 4 :

Margin of safety.

Image Courtesy: Prof. Sanjay Bakshi blog.

Margin of Safety



*"When you build a **bridge**, you insist it can carry 30,000 pounds, but you only drive 10,000-pound trucks across it. And that same principle works in **investing**."*

Day 5:

Management.

Three Basic Qualities Of Good Management:

✓ Integrity.

✓ Rationality.



✓ Passion towards the business.

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Day 6:

Start Early.

I made my first investment at age eleven. I was wasting my life until then.

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Day 7 :

Reputation is your biggest asset.

It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

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Day 8 :

If you have time to study the businesses then go for direct equities otherwise SIP in low cost index funds.

If you like spending six to eight hours per week working on investments, do it. If you don't, then dollar-cost average into index funds.

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Day 9 :

Risk.

Risk comes from not knowing what you're doing.



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Day 10:

Prediction■

Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future.

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Day 11:

Investor & Market fluctuations.

Look at market fluctuations as your friend rather than your enemy;
profit from folly rather than
participate in it.

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Day 12 :

Focus on Process.

We enjoy the process far more than the proceeds.



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Day 13:

Invest in yourself.

The most important investment
you can make is in yourself.



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Day 14:

Honesty.

Honesty is a very expensive gift,
Don't expect it from cheap
people.

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Day 15:

How about investing in turnaround stories? ■ ■

Turnarounds seldom turn.

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Day 16:

Your inner scorecard matters.

The big question about how people behave is whether they've got an Inner Scorecard or an Outer Scorecard. It helps if you can be satisfied with an Inner Scorecard.

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Day 17:

Handful of few good stocks are enough.

Wide diversification is only required when investors do not understand what they are doing.

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Day 18:

Associate with people better than you ■

It's better to hang out with people better than you. Pick out associates whose behavior is better than yours and you'll drift in that direction.

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Day 19:

Quality business @ fair price ■■

It's far better to buy a
wonderful company at a fair
price than a fair company at a
wonderful price.

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Day 20:

Speculation.

Speculation is most dangerous when it looks easiest.

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Day 21:

A clever person likes to solve the problem, whereas a smart person clearly avoid it!

Investing is not for clever people but it is for smart people. Be smart.

After 25 years of buying and supervising a great variety of businesses, Charlie and I have not learned how to solve difficult business problems. What we have learned is to avoid them.

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Day 22:

On ideal business.

The ideal business is one that generates very high returns on capital and can invest that capital back into the business at equally high rates. Imagine a \$100 million business that earns 20% in one year, reinvests the \$20 million profit and in the next year earns 20% of \$120 million and so forth. But there are very very few businesses like this. Coke has high returns on capital, but incremental capital doesn't earn anything like its current returns. We love businesses that can earn high rates on even more capital than it earns. Most of our businesses generate lots of money, but can't generate high returns on incremental capital.

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Day 23:

Dealing with people.

Criticize by practice, praise by name.

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Day 24:

Invest on future growth of the business & not based on past glory.

The investor of today does not profit from yesterday's growth.

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Day 25:

On "Circle of competence" ■

You only have to be able to evaluate companies within your circle of competence. The size of that circle is not very important; knowing its boundaries, however, is vital.

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Day 26:

Spend money prudently...otherwise■

If you buy things you do not need,
soon you will have to sell things
you need.



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Day 27:

Invest only in this kind of businesses with this kind of mindset.

Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years.

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Day 28:

Simple businesses| Higher degree of predictability| Less vulnerable to technological disruption.

Take Wrigley's Chewing Gum. I don't think the Internet is going to change how people chew gum.



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Day 29:

First focus on survival.

In investments, you have to first survive in order to succeed.
People somehow miss this basic idea completely.

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Day 30:

Choose the right "role models".

Tell me who your heroes are and
I'll tell you how you'll turn out to
be.



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Day 31 :

On Leverage.

Leverage is very tempting & always leads to trouble.

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Day 32 :

Advice to new investors.

I think you should read everything you can. In my case, by the age of 10, I'd read every book in the Omaha public library about investing, some twice. You need to fill your mind with various competing thoughts and decide which make sense. Then you have to jump in the water – take a small amount of money and do it yourself.

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Day 33 :

Admit your mistakes and move on, it is a part of the game, and better if you understand this in the early stage.

When we are wrong, we should admit it quickly and emphatically.

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Day 34 :

How to deal with advisors.

Never ask a barber if you
need a haircut.



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Day 35 :

Learn from everyone. But walk in your own path ■■

I want to explain my mistakes. This means I do only the things I completely understand.

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Day 36 :

Keep the things simple & be disciplined (Remember: Looks simple but not easy ■)

It is not necessary to do
extraordinary things to get
extraordinary results.

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Day 37:

On Banking business.

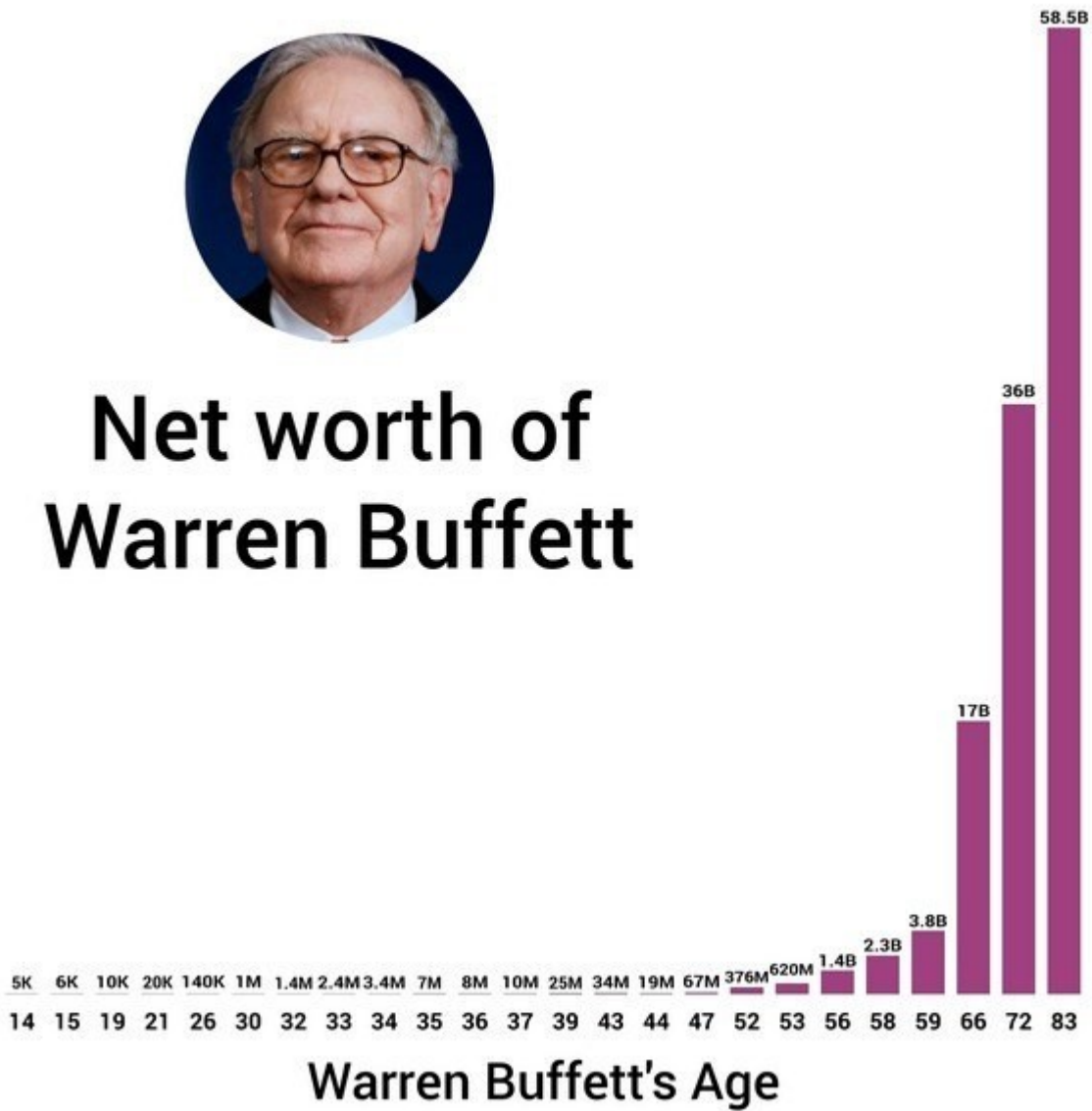
"Because leverage of 20:1 magnifies the effects of managerial strengths & weaknesses, we have no interest in purchasing shares of a poorly managed bank at cheap price. Instead, our only interest is in buying into well managed banks at fair prices" ~ Warren Buffett.

Day 38:

Compounding is a long journey.



Net worth of Warren Buffett



Warren Buffett's Age

dadaviz.com

Day 39:

It is the path & not the speed. Be careful about the path you have chosen.



Day 40:

Sharing wealth.

#Respect ■

Courtesy: The giving pledge web portal.

My Philanthropic Pledge

Warren Buffett

In 2006, I made a commitment to gradually give all of my Berkshire Hathaway stock to philanthropic foundations. I couldn't be happier with that decision.

Now, Bill and Melinda Gates and I are asking hundreds of rich Americans to pledge at least 50% of their wealth to charity. So I think it is fitting that I reiterate my intentions and explain the thinking that lies behind them.

First, my pledge: More than 99% of my wealth will go to philanthropy during my lifetime or at death. Measured by dollars, this commitment is large. In a comparative sense, though, many individuals give more to others every day.

Millions of people who regularly contribute to churches, schools, and other organizations thereby relinquish the use of funds that would otherwise benefit their own families. The dollars these people drop into a collection plate or give to United Way mean forgone movies, dinners out, or other personal pleasures. In contrast, my family and I will give up nothing we need or want by fulfilling this 99% pledge.

Moreover, this pledge does not leave me contributing the most precious asset, which is *time*. Many people, including -- I'm proud to say -- my three children, give extensively of their own time and talents to help others. Gifts of this kind often prove far more valuable than money. A struggling child, befriended and nurtured by a caring mentor, receives a gift whose value far exceeds what can be bestowed by a check. My sister, Doris, extends significant person-to-person help daily. I've done little of this.

What I can do, however, is to take a pile of Berkshire Hathaway stock certificates -- "claim checks" that when converted to cash can command far-ranging resources -- and commit them to benefit others who, through the luck of the draw, have received the short straws in life. To date about 20% of my shares have been distributed (including shares given by my late wife, Susan Buffett). I will continue to annually distribute about 4% of the shares I retain. At the latest, the proceeds from all of my Berkshire shares will be expended for philanthropic purposes by 10 years after my estate is settled. Nothing will go to endowments; I want the money spent on current needs.

This pledge will leave my lifestyle untouched and that of my children as well. They have already received significant sums for their personal use and will receive more in the future. They live comfortable and productive lives. And I will continue to live in a manner that gives me everything that I could possibly want in life.

Day 41:

WB investing approach in a nutshell.

Your goal as an investor should simply be to purchase, at a rational price, a part interest in an easily understandable business whose earnings are virtually certain to be materially higher five, ten and twenty years from now. Over time, you will find only a few companies that meet these standards-so when you see one that qualifies, you should buy a meaningful amount of stock. You must also resist the temptation to stray from your guidelines: If you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes. Put together a portfolio of companies whose aggregate earnings march upward over the years, and so also will the portfolio's market value.

From: The Essays Of Warren Buffett

Day 42:

On valuations.

The value of any stock, bond or business today is determined by the cash inflows and outflows discounted at an appropriate interest rate that can be expected to occur during the remaining life of the asset.

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Day 43:

Whatever the rally... be it IT rally in the 2000s, Infra rally in 2007-08 & recent Graphite electrode rally....wise people made money but most of the retail investors entered in later stage & trapped.

What the wise do in the
beginning, fools do in the end.

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Day 44:

Longer the holding period = Risk ■

If you buy a stock today with an intention to sell tomorrow, then you have entered into a risky transaction, if you extend your time horizon out to several years, the probability of its being a risky transaction declines meaningfully.

Day 45:

During crisis = Cash is king, at the same time your courage is also important.

Cash combined with courage in
a crisis is priceless.

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Day 46:

Think about this ■

A public opinion poll is no substitute for thought.

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Day 47:

In a good time, even a mediocre business looks amazing.

Remember almost all IT companies trading at a ridiculous valuations b/w the late 90s to early 2000s & most of them now either disappeared or turned out to be a penny stock.

It's only when the tide goes out
that you learn who's been
swimming naked.

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Day 48:

Don't break the rules. Don't look for shortcuts.

There is plenty of money to be made in the centre of the court.
There is no need to play around the edges.

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Day 49:

Before buying any stock don't look for "how much I make". Look downside protection (both in terms of price & quality)

Rule No.1: Never lose money.
Rule No.2: Never forget rule
No.1.

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Day 50:

Never forget this ■

[End]

Someone is sitting in the shade
today because someone planted
a tree a long time ago.

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