Twitter Thread by Thomas Chua

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At 98, Munger is as sharp as ever.

His recent 2-hour sharing at $DJCO was ■

Talked about $BABA, $COST, $ATVI, crypto, interest rates, envy, antitrust, the great resignation, growth vs value investing and MORE.

Here are my notes:



1. Let's get the white elephant out of the room and talk:

$BABA

Why invest in China? And why Alibaba?

China is a big modern nation. It's got this huge population, and this huge modernity that's come in the last 30 years. And we invested some money in China because we can get more value in terms of the strength of the enterprise and the price of the security than we could get in the United States.

We did it for a very simple reason. We got more strength per dollar invested. In China, the companies we invest in are stronger relative to their competition and priced lower. That's why we're in China.

To find out more about $BABA without going through 10 years of annual report, check out my deep-dive here.

More than 20,000 people have viewed it in 7 days.

https://t.co/C0FNa2zhaV

2. It's no secret that Munger has a contempt for crypto

While there are legitimate use cases (IMO), Munger hates the negative spillover it brings.

Well, I certainly didn't invest in crypto. I'm proud of the fact I've avoided it. It's like some venereal disease or something. I just regard it as beneath contempt. Some people think it's modernity and they welcome a currency that's so useful in extortions and kidnappings and so on and so on, tax evasion. And of course, the envy, everybody has to create his own new currency. And I think that's crazy, too. So I'm not having -- I wish it had been banned immediately. And I admire the Chinese for banning it. I think they were right, and we've been wrong to allow it.

3. On whether there'll be a major interest rate increase

Japan managed to maintain low interest rates and reduce their debt without compromising their living standards.

But we're not sure if the U.S. can pull off the same trick.

Here's why:

how it's going to work out. I think it's encouraging that Japan can print as much money as it has and remain as civilized and calm and admirable as it has.

And so I hope to God the United States has a similar happy outcome. But I think the Japanese are better adapted for stasis than we are. I think it's a duty-filled, civilized bunch of people, a lot of them older, not many young people, and they just suck it in and cope. In our country, we have terrible tensions. It's way harder to run a country which is not monoethnic like Japan.

There's some professor at Harvard that has written extensively on this subject. It's way harder to run a nation like the United States with different ethnicities and groups and so forth than it is to run Japan. There are -- Japan is basically sort of a monoethnic civilization which is proud of its ethnicity. And of course, they can cope with troubles more than -- better than some other people can.

4. On diversification

Munger has mad concentration.

He feels that good companies are hard to come by and we're lucky if we can get 4 good assets.

IMO that extreme level of concentration isn't for most people.

Because we ain't sharp as Munger and the volatility isn't for most.

I think the great lesson from the Mungers is, you don't need all this damn diversification. That's plenty of [that]. You're lucky if you've got 4 good assets. I think the finance professors and the -- that sell the idea that perfect diversification is professional investment, if you're trying to do better than average, you're lucky if you have 4 things to buy. And to ask for 20 is really asking for egg in your beer. Very few people have enough brains to get 20 good investments.

5. On $BRK stake in $ATVI

He has great admiration for the CEO.

The thesis wasn't based on the metaverse.

It was simply that the existing tailwind of the gaming industry is huge.

I've got no comment about that except that I really like Bobby Kotick, who's one of the smartest business executives I know. And I do think gaming is here to stay. And -- but there again, I'm an old man. I don't like a bunch of addicted young males spending 40 hours a week playing games on the TV. It does not strike me as a good result for civilization. I don't like anything which is so addictive that you apparently give up everything else to do it.

Well, without any metaverse, just the existing technology of games on the Internet, Activision Blizzard and a lot of other companies have gotten very large. And some of

6. On antitrust against big tech

He would rather not weaken the top tech companies in the U.S.

And that we should be proud of these assets.

Well, I think what's happened is so important and so tied up with national strength. I'm not trying to weaken the Internet companies in the United States. I like the fact that we have strong national champions that are big, strong companies. And I think other nations are proud of their big, strong companies, too. So I don't think bigness is bad in the end. I think each -- I don't want the whole Internet to be dominated by foreign companies. I want big, strong American companies that stand well in the world. So I'm not as worried about antitrust aspects of the Internet.

7. His thoughts on the Russell 2000 falling off 15% off it's all-time high

TLDR; he doesn't give a shit.

Expect sharp downswings when you are investing.

Well, I -- if you start to think about it, my way in life was not predicting little short term differences between the Russell -- the Russell Index and the Standard & Poor's Index. I don't have any opinion about which index is better at any given time. I never even think about it. I'm always just looking for something that's good enough to put Munger money in or Berkshire money in or Daily Journal money in. And I figure that I want to swim as well as I can against the tide. I'm not trying to predict the tides.

I expect to be suffering a -- well, if you're going to invest in stocks for the long-term, or real estate, of course, there are going to be periods when there's a lot of agony and in other periods when there's a boom. And I think you just have to learn to live through them. As Kipling said, treat those 2 imposters just the same. You have to deal with daylight and night. Does that bother you very much? No. Sometimes it's night and someone it's daylight. Sometimes it's a boom, sometimes it's a bust. I'm just -- I believe in doing as well as you can and keep going as long as they let you.

8. Thoughts on the great resignation

Working habits are changing & many prefer WFH arrangements.

And the government dished out too much welfare.

People work to avoid the agony that comes with unemployment.

When that is taken away, it becomes disruptive.

Well, this is a very interesting thing that the pandemic has given us, an awful lot of people who've gotten used to not being in the office 5 days a week. And I think a lot of those people are never going back to 5 days a week. It's amazing the percentage of the people in computer science that don't want to be in the office for a normal life. They want to do a lot of it from locations that are more convenient to them. I think a lot of that is going to remain forever.

Now on the other hand, they made welfare so liberal, just helicoptering this money out. It was just hell to even man your restaurants so you can serve the patrons. I think we probably overdid that a little. I think Larry Summers is quite possibly right, that we overshot a little with some of the stimulus and it would have been smarter with -- to do a little less.

If you stop to think about it, what makes capitalism work is the fact that if you're an able bodied young person, if you refuse to work, you suffer a fair amount of agony. And because of that agony that this whole economic system works. And so the only effective economies that we've had that brought us modernity and the prosperity we now have, they impose a lot of hardship on young people who didn't want to work. You take away all the hardship and say you can stay home and get more than you get if you come to work, it's quite disruptive to an economic system like ours. The next time we do this, I don't think we ought to be quite so liberal.

9. We rationalize our misbehaviors

On why misbehaviors are so rampant in the finance and wealth management industry.

Well, it's hard to fix. What happens, of course, is that people rationalize their own way of making a living. There's some moral compromise in most activities that people are in where they make a living and particularly so in things like finance and wealth management and so forth. And of course, the people making the decisions care more about their own families than they care about the people whose money they're managing because it's just the way human beings are constructed.

10. On the newspaper industry

They were the fourth branch of the government and there used to be quality journalism.

Their demise was replaced by media outlets that focused on pumping out crazy headlines.

Unfortunate.. but inevitable.

By the way, we're going to miss these newspapers terribly. Each newspaper, all those local monopolies, was an independent bastion of power. The economic position was so impregnable. They were all monopolies that the -- and the ethos of the journalist was trying to tell it like it is. And they were really a branch of the government. They call them the fourth estate, meaning the fourth branch of the government. It arose by accident. Now about 95% of that is going to disappear and go away forever.

And what do we get in substitute? We get a bunch of people who attract an audience because they're crazy. I have my favorite crazies and you have your favorite crazies and we get together and all become crazier as we hire people to tell us what we want to hear. This is no substitute for Walter Cronkite and all those great newspapers of yesteryear. We have suffered a huge loss here.

11. On Costco

It is overvalued now. But if you have a long time horizon, your returns will equal the business' return on capital (ROC).

Hence, Munger is ok with buying $COST today if he had a 30 to 50 year time horizon.

> But I would argue that if I were investing money for some sovereign wealth fund or some pension fund in a 30-, 40-, 50-year time horizon, I would buy Costco at the current price. I think it's a strong enterprise and an admirable place.

> I'm not saying I'm buying Costco at this price, but I'm certainly not selling any. I think it's going to be a big powerful company as long -- as far ahead as you can see. And I think it deserves that success. I think it has a good culture and a good moral ethos.

12. On holding cash

If there weren't capital gains tax, would he go to cash today?

I presume the question was asked because of the uncertain interest rate environment, inflation fears and high asset valuation.

Here's what Munger have to say:

> In my whole adult life, I've never hoarded cash waiting for better conditions. I've just invested in the best thing I guess I could find. And I don't think I'm going to change now. And the Daily Journal used up its cash.

13. Dividend investing vs growth investing

Investing style is a personal thing.

IMO, it depends on your:
• temperament
• stage of life
•capital size

That said, always focus on total shareholder returns, not just returns from dividends.

> Well, I don't think I have a one-size-fit-all investment method. I think some people are gifted enough that they can invest in hard-to-value difficult things. Other people, I think, would be very wise to have more modest ambitions in terms of what they choose to deal with. So I think you have to figure out your level of skill or the level of skill your adviser has. And that should enter the equation.

14. Why are people unhappy?

Despite the quality of life improving significantly across the board, people are still unhappy.

Reason: Envy

"I have conquered envy in my own life. I don't envy anybody. I don't give a damn what somebody else has."

Mic drop ■

People are less happy about the state of affairs than they were when things were way tougher. And that has a very simple explanation. The world is not driven by greed, it's driven by envy.

And so the fact that everybody is 5x better off than they used to be, they take it for granted. All they can think about is somebody else is having more now, and it's not fair that he should have it and they don't. That's the reason that God came down and told Moses that you couldn't envy your neighbor's wife or even his donkey. I mean even the old Jews were having trouble with envy. And so it's building the nature of things.

I can't change the fact that a lot of people are very unhappy and feel very abused after everything has improved by about 600% because there's still somebody else who has more. I have conquered envy in my own life. I don't envy anybody. I don't give a damn what somebody else has. But other people are crazy about it. And other people play to the envy in order to advance their own political careers. And we have whole networks now that are -- that they want to pour gasoline on the flames of envy.

I like the religion of the old Jews. I like the people who were against envy, not the people who were trying to profit from it. But if you stop and think of the pretentious expenditures of the rich, who in the hell needs a Rolex watch so you can get mugged for it? I mean it's -- yet everybody wants to have a pretentious expenditure, and that helps drive demand in our modern capitalist society. My advice to the young people is don't go there. The hell with the pretentious expenditure. I don't think there's much happiness in it. But it does drive the civilization we actually have.