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From: Grow | Marinis Group
Sent: Wednesday, 18 March 2015 11:39 AM
To: Grow | Marinis Group
Subject: The Sage of Omaha
Attachments: Warren Buffett Letter - February 2015.pdf; Wisdom of Great Investors - Brochure.pdf

Dear Friends

You may recall my article last year concerning Warren Buffett – the 84 year old billionaire investor, aka The Sage of Omaha and his annual letter to investors.

Once again Mr Buffett makes enormous common sense in his latest public statement; he reminds investors that share markets often rise gradually and then fall dramatically but over the long run they are proven to be the best place to invest your money. (My word of caution since 2008, we have seen a long slow recovery in the markets, and history suggests we may be in for yet another correction).

Mr Buffett's 2015 letter is attached for your reference. In particular, I draw your attention to his comments regarding investment on pages 18 and 19.

It occurs to me that as a society, we pay a lot of very smartly dressed (and perhaps young and inexperienced) people a large amount of money to invent get rich quick schemes. Who can forget the CDO (Collateralized Debt Obligation) which has been blamed for the GFC? Maybe we should listen a bit more to oldies like Warren Buffett.

Warren Buffett's asset accumulation philosophy is simple: buy when the market is low and sell when it is high, which is great for professional investors. For the rest of us, he advises we simply keep investing and stay in our seats as the markets rise and fall.

I often ponder a comment by the economist John Maynard Keynes who once said words to the effect that "The market can remain irrational longer than I can remain solvent." Therefore, I almost never recommend clients borrow to buy shares and try to discourage people who want to do this.

I also caution people about being too aggressive when markets are booming and being too pessimistic when they are correcting!

Buffett is an investment guru and not a financial planner who deals with everyday people and their everyday needs, but he does have tremendous insight into wealth creation and maintenance thereof.

As you would all be aware, I advise clients in the retirement 'draw-down' phase to maintain a 'Marinis Buffer' of cash, so that they don't have to sell good assets cheaply just to live.

With that provision, I am in accord with Buffett's views.

I also believe in being rational about the stage of life we are in. As we all know, we won't last forever.

When one of my highly respected clients recently requested to invest considerable proceeds from some recently matured term deposits to buy shares (based on the current low rates for cash and the higher returns of the market) I strongly recommended against this action.

Given that markets can and do periodically fall, my client, at over 70 years of age, probably does not need the stress of seeing the value of her life savings tumble. If she were half that age (and subject to her comfort level with investment risk) I would be happy to recommend a more aggressive approach, as she should have another 30 years in the work force.

I don't have a crystal ball, but I do have enough experience to say there are only a very few times in our lives when we should speculate. Most of the time we should all "Stay in our Seats" let the market accumulate over time and relax and enjoy our lives without worrying about what I call investment pornography – the daily stock market gyrations!

I have also attached for you reference, Perennial Investments recently updated booklet "The Wisdom of Great Investors". We have been fortunate enough to have had access to an earlier version of this publication on our website as a tool for our clients.

This updated booklet provides further insights into the difference between investing and the "gambling" that many people mistake for investment.

I encourage you to take the time to read both Mr Buffett's recent letter and the Perennial booklet.

Remember, as I have previously recommended to many of you, on numerous occasions over the years, continue to "keep your eyes on the horizon" and ignore the "investment noise" which will surface yet again, whenever the next correction comes.

As always, if you would like to discuss any of the issues raised in this edition of eGrow, or your personal circumstances, please do not hesitate to call me or my proudly 'non-aligned' team members.

Kind Regards

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