



10th February 2016

2015 DAILY JOURNAL ANNUAL SHAREHOLDERS' MEETING

"A few good decisions over a long period of time can lead to great success."

Charlie Munger, 10th February 2016

We were fortunate enough to attend the 2016 Daily Journal Annual Shareholders' Meeting with its Chairman, Mr. Charles Munger. The Q&A session with Mr. Munger (age 92) lasted two hours and covered a range of topics.

An estimated 300 people attended the meeting this year at the Daily Journal Offices in Los Angeles.

We believe that the following notes are an accurate depiction of the meeting, however we have omitted discussions on topics unrelated to investing and business success.

We hope that you enjoy reading these notes as much as we enjoyed attending the meeting and putting them together!

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Q: A few years ago Warren Buffett decided to buy IBM, and some people say he walked outside of his circle of competence. What are your thoughts on this?

Munger: Well IBM is a lot like us (Daily Journal). They have a traditional business that is very large and very sticky, but then of course the world changed. And of course, in the new world they were not the leader. Up came Oracle and Microsoft and all kinds of other people. IBM didn't do too well in personal computers.



And so IBM is in a position where they have an old business from which cash continues to flow but they want a new business. The product they are going after I call an automated checklist. The automated checklist is a great idea and it was particularly useful for things like medicine.

But now IBM is kind of in a super market trying to replace a lot of functions and I would say the jury is out on that one. I don't really have an opinion. I'm neither a believer nor disbeliever in the new business. It could happen or it could not happen. I do think the old business is very sticky and will die slowly. It's not a cinch. The truth of the matter is that at Berkshire's size we have to make great big bets over long periods. That's a tough game. But on that one my friend the answer is blowing in the wind.

Q: What advice do you give to your grandchildren?

Munger: I was not able to change my children very much. My situation reminds me of what Clarence Darrow said about the great poem that ended: "I am the master of my fate, I am the captain of my soul." Clarence said "Master of my fate? Hell I don't even pull an oar!"

That's the way I feel about changing my children. Regarding the grandchildren, thank God they are someone else's problem.

[Laughter]

I've served my time.

Q: Do you have a favourite investment story you can share with us?

Munger: Well, I have many investment stories from my younger days. I'll tell you one that I've never told before. Years ago, sometime in 1962, my friend Al Marshall came to me and said I want your help bidding for some oil royalties by auction. I soon realized that under the peculiar rules that some idiot wrote the only people who would bid for these oil royalties were oil royalty brokers who were a dishonourable scroungy, cheap bunch of bastards.

[Laughter]

None of them would ever bid a fair price. I realised we needed to bid high on them because some of these royalties could not possibly fail. We each wrote \$1,000 and for many many years the Mungers were getting a \$100,000 a year. Now the problem with that story is that it only happened once.



And that's true of most good investment stories. You don't get very many, it's not like they come along everyday. The trick is that when you get one or two or three of these in life you've got to do something about it.

Q: How does the current energy environment compare to the early 1980s when you owned Wesco (Wesco Financial was a diversified financial company with the main operation in savings & loans)?

Munger: We owned Wesco for a long time. What was interesting about both Blue Chip Stamps and Wesco is that they were eventually some of the most successful investments in the history of mankind. What was interesting about those outcomes was that it was only five or six outcomes that carried the really heavy freight. Now that is really interesting. You try and do a zillion little acquisitions and it's hard. By just doing a few things over a long period of time it will work out.

A few good decisions over a long period of time can lead to great success. Someone once said "you make your money by the waiting". A fair amount of patience is required. Patience followed by pretty aggressive action. Imagine having all this money rolling in from the foreclosure book and then deploying it in one day. A lot of those purchases were done at the very bottom which was luck. However it wasn't luck that we had the money on hand.

Q: Historically Berkshire was built around its insurance operations as a source of low-cost capital. What other models did you try and pursue?

Munger: In the early days we thought we had a special advantage in investing in marketable securities. This is what attracted us to the float business. Nowdays we have enormous float but it's not that useful. It's not a tragedy but the float business in Berkshire is large and it's not getting a great return.

Q: What are your expectations for BYD (a Chinese electric car company that Berkshire is invested in)?

Munger: BYD has 220,000 employees and it is a big company. It is a venture capital-like company. That company has done some amazing things. The founder of the business is the fifth son of a peasant. He went to school and got a PhD and started off by getting a loan for \$300,000 from the Bank of China and was going into the small batteries business.



He succeeded in grabbing a small part of that market from a standing start. He was a very remarkable man, doing an almost insanely ambitious thing. Last month he sold 10,000 electric cars in China, which is more than Tesla sold globally. Most people have never heard of BYD.

It is an interesting company. Berkshire doesn't do this venture capital stuff, and I hope that the Daily Journal works out half as well as I expect BYD to work out. BYD is in a position on purpose to benefit from this electrification trend in the world. It's very helpful to them that people are dying in the streets of Beijing because they can't breathe the air. China has no choice but to eventually move to electric cars.

We have electric forklifts in this country. Do you really want carbon dioxide in the warehouse? It's a very interesting venture capital investment. Now it was an accident that Berkshire ended up invested in that one. I only wish we came across more BYDs.

Q: How do you determine an appropriate discount rate to calculate intrinsic value?

Munger: Obviously you have to think about your opportunity cost in each situation. Opportunity cost is immensely important but most people don't get that. Bridge players understand opportunity cost. Poker players understand opportunity cost. You have to think about a lot of things. There is never going to be a formula.

We don't use numeric formulas that way. We take into account a whole lot of factors. It's multifaceted and you have to think about a lot of different things at once. There is never going to be a formula. If that worked, every mathematical nerd that gets A in algebra would be rich, but that's not the way it works.

Opportunity cost is crucial, and the risk free rate is just one of the factors. Different businesses get different discount rates. They all are viewed in terms of value and weighed against one another but of course we will pay more for a good business than a lousy one.

We really don't want any lousy businesses. We used to make money out of buying lousy businesses but that is a painful, difficult way to make money. Especially when you are already rich. Sometimes we do it by accident because one of our businesses turns lousy and in that case, it's like a relative, we deal with those the best we can, but we're not looking for new ones.



Q: What are your favourite mental models?

Munger: Well, we're always talking about multiple models, and that means I have many. That's the nature of reality, particularly if you're an investor. There's no way that it can be easy. You are all in the investment business – do you find it easy? Anybody who finds it easy is wrong. You are looking at an illusion, it's not easy. Occasionally you'll get an easy one, but not very many. Mostly it's hard. How many people find it hard? [Most of audience raises hands] Intelligent group of people here. We collect them.

[Laughter]

Q: You said you try to reduce errors by avoiding auctions. Are there other examples within your daily habits that you use to reduce errors?

Munger: There are two things Warren and I have done. One is that we spend a lot of time thinking. Our schedules are not that crowded, and we sit around and think constantly. In a way, we look more like academics than businessmen. Our system has always been to sit quietly for hours at a time and sift through information. We don't mind long periods where nothing happens. Warren is exactly the same way. He's sitting on top of an empire now. You'll look at his schedule sometimes and all that will be in there is a haircut. His calendar will say "Tuesday: Haircut day".

[Laughter]

Warren is one of the most successful businessmen in history. He has a lot of time to think. And that brings me to the subject of multitasking.

All you people are very good at multitasking, and that would be fine if you were the chief nurse at a hospital. However as an investor I think you are on the wrong road. Multitasking will not give you the highest quality thoughts. Juggling two or three balls at once is not an ideal thinking environment. Luckily, a lot of you are so obscure you're not that busy. That advice worked for me, and it should work for you. If it didn't work for me, I would have spent my life in the shallows. I didn't have a number two plan. I was not going to dance lead in the Bolshoi Ballet or stand on the mound at Yankee Stadium.



But I do think that the constant search for wisdom and the constant search for the right type of temperamental reaction to opportunities will never be outdone. You can apply that to your personal life. You are not going to get five opportunities to marry the right person. In fact most of you aren't going to get one.

[Laughter]

You are just going to have to make do with an ordinary result.

Q: You bought Wells Fargo. Why was that a good investment?

Munger: Well I'll take you back to when Berkshire bought Wells Fargo. The world was coming apart. Real estate was the source of the chaos. Wells Fargo had huge real estate exposure. But we knew that the lending officers at Wells Fargo were not normal bank lending officers. They were grownups, and they had a somewhat cynical view of human behaviour, and they were appropriately careful because they knew that was the right way to run a funding business.

And they were just better, and so we knew they weren't going to lose as much money as everybody thought they would in that big real estate portfolio. Because they had chosen it better and they had managed it better. So we had an informational advantage just based on general thinking and collecting data. We were aware they had that special capacity and that gave us a big advantage and so we bought heavily. That was one.

Now number two, we bought it for the Daily Journal Corporation (at a later date). When the world was coming unglued and Daily Journal bought Wells Fargo stock we again knew that the bankers at Wells were more rational than ordinary bankers. It's a different kind of superiority and rationality. I don't think anyone should ever buy a bank if they don't have a good feeling for how really shrewd the Management is. Banking is a field where it is easy to delude yourself and report big numbers that aren't really being earned. It is a very dangerous place for an investor. Without deep insight into banking, stay away.



Q: Two powerful mental models are the concept of specialisation and taking a multidisciplinary approach. Do you have any advice on synthesising these two models?

Munger: Well to say you are in favour of synthesis is like saying you are in favour of reality. Synthesis is reality because we live in a world with multiple factors involved and of course you've got to have synthesis to understand a situation where two factors are intertwined. Of course you want to be good at synthesis. It is easy to say you want to be good at synthesis but it is not what the reward system of the world pays for. They want extreme specialisation. And by the way for most people extreme specialisation is the way to succeed. Most people are way better off being a chiropodist than trying to understand a little bit of all the disciplines. I don't want a chiropodist who is trying to be a poet. I want somebody who knows a lot about feet.

So this model of being good at synthesis is only helpful for some people, but it's not the correct career advice for most people. For most people the correct career advice is to figure out some clever specialty and get very, very good at it. The trouble with it is if that is all you do you will make terrible mistakes everywhere else.

Q: You've said that rationality was the most important thing to you. How would you advise us to become more rational?

Munger: Well I'd say if you start working at it young, and keep working at it until you're as old as I am that is a very good idea. And it's a lot of fun. Particularly if you are good at it. I can hardly think of anything that's more fun. I think I have a lot of cousins in this room and I'd say you're on the right track. You can be a very constructive citizen by always being rational.

Being rational means you avoid certain things. Like I don't want to go where I am going to die. I don't want to go where the standard result is awful. Where is the standard result awful? Try anger, try resentment, try jealousy, envy. All these things are just one way tickets to hell. And yet some people just wallow in them. And of course it's a total disaster for them and everybody around them. Another one that is just awful is self-pity. If you are dying from cancer don't feel sorry for yourself. Just chin up and suck it up. Get self-pity out of your repertoire.

Q: Do you think a person who can't make money running a New Jersey casino is qualified to run for president?

Munger: Well he did make money for quite a while. However anybody who makes their money running a casino is not morally qualified to be President. I regard it as a very dirty way to make money.



Q: What has given you personally the greatest sense of accomplishment?

Munger: Well, my family life has been more important to me than wealth or prominence. On the other hand I hated poverty and obscurity.

[Laughter]

I do have some satisfaction that I have come a long way from where I started. I think that most people who come a long way from where they started feel pretty good about it. I think that most people who found themselves standing on top of Everest, even though they only stay there for a few seconds, are kind of proud of the fact they got up there. I think that's good. Cicero used to say that one way to be happy in old age was to remember a lot of achievements in your past. Now some people say that's too damn self-centred and you should be thinking about others. I think it's okay to look back in life.

Q: If you had any advice to give to a younger version of yourself, what would it be?

Munger: My advice has always been so trite: that good behaviour, that being dependable on morality makes your life easier, makes it work better; you don't have to remember the lies. It is less complicated than lying all the time. And so all the very old fashioned moralities work, all the old disciplines work. Old fashioned good behaviour and generosity works. We all know those people whose funeral others attend just to make sure they are dead.

[Laughter]

You do not want to be in that crowd. You want to live your life so that some people might actually miss you when you are gone.

Kipling's "If" is a great poem and it is great advice: "Keep your head when all about you / Are losing theirs... you'll be a man, my son". Why don't you want to be a man? Do you want to be some idiot child all your life? Some angry twit? There are so many of them already. There's much to be gained by never being an angry twit. You want to be philosophical.

This political situation we're all facing now is disgraceful. It's bad that a leading civilization has candidates for high office that are like those that we have been talking about. And they're not all in one party. And we'll be dealing with it for a long time. You want to operate constructively. There is so much anger and automatic hatred. How can any of this really help make the United States better than it is in 50 years' time?



Q: What is the correlation between oil prices and economic growth?

Munger: Well that's a very simple question.

[Laughter]

I don't really know the correlation between oil prices and economic growth. I think that it is obvious that if oil were a little cheaper then growth would have been greater than mankind had. In that sense if oil gets very expensive and we still need it desperately it will make life harder. So there is that correlation between oil price and economic growth.

On the other hand some very peculiar things have happened. If you take Exxon and Chevron and so forth, what's happened to make those things good investments over the long term is that the damn price of oil went up faster than their production went down. Now name me another business where you get richer and richer as your production and real units keeps going down, down, down. Not everybody would have predicted that in advance including most of the economists. So it's a complicated subject.

And there's another trick to it. The people that really have a lot of free energy like the people in the Middle East have very dysfunctional economies. They are like a bunch of rich people spending their capital and not knowing how to do anything that anyone else wants to buy. My answer to this question reminds me of my old Harvard Law Professor who used to say "Charlie let me know what your problem is and I'll try to make it harder for you".

[Laughter]

Q: How do you deal with stress?

Munger: The answer is that I barely stress. I guess I grew out of it over the years.

Q: Last year you had some very pointed comments about Valeant. Do you have any updated thoughts or any thoughts on other companies?

Munger: That's caused nothing but trouble. I have no dog in that hunt, I have no interest in the pharmaceutical business, or Valeant. It's just when you people have come so far, I feel like I need to give you something.

[Laughter]



Valeant is such an extreme example of misbehaviour that I wanted to call attention to it. It ended up with one of the Valeant shareholders saying that Warren Buffett is a sinner because he owns Coca-Cola. My comments drew retaliation to Warren. He can handle it though. He's a very philosophical man.

[Laughter]

It is true that these crazy false values and this crazy excess are bad morals and they are bad policies. And it's bad for the nation, it's just bad, bad, bad. There is a lot of that in American finance. And there is no question about the fact that American finance has its sins. The truth of the matter is that Elizabeth Warren wouldn't agree with me on many subjects and I wouldn't agree on many with her. But she is basically right when she says that American finance is out of control and has too much ego involved.

Both Elizabeth Warren and Bernie Sanders are not two of my favourite people on earth, but they are absolutely right on that subject. You all see what goes on in finance. The craziness, the fraud, the stock promotions, the fuzzy accounting, the crazy trading culture. It's very bad for all of us that we have this huge overdevelopment of finance. And yet it's very hard to do anything about it.

If you look back to Edwardian England, or a little before, maybe 300 people owned over half the land in England. And they had nothing to do, I mean their butlers had butlers. And what did they do? They sat around the table and played cards with one another, and they gambled for high stakes and that's what human nature does when people have a lot of leisure. That continued day in and day out. Multiply the capital of the world by 30 or so, and now we have all kinds of people who are like the lords of England who had all that time to sit around and play cards against one another. We have a vast gambling culture, and people have made it respectable. Instead of betting on horses or prize fights, they bet on the price of securities or the price of derivatives.

We have a huge amount of legalized gambling and of course a public market that operates everyday is an ideal casino and there are a whole bunch of people who want to own a casino. Just to sit there and see it every night go higher and higher. Who doesn't want to be the croupier in a casino. Otherwise very respectable people get drawn in and they see others getting rich and there's way too much of that in America. Too much of the new wealth has gone to people who either own a casino or play in one. And I don't think the exultation of that group has been good for life in general, and I am, to some extent, a member of that group.



I'm always afraid that I'll be a terrible example to the youth that want to make money. Even if you do it honestly, I don't consider it much of a life.

It's not a great example for other people, just trading pieces of paper back and forth. And it is the reason that people like Warren and I take care to run businesses. We're not just buying pieces of paper. So I think we have something going on in our nation that is really very serious and very bad, I hate to agree with Elizabeth Warren but she is right and I don't see a way of stopping it except for something like legislative change.

As this cyclical of gambling in securities and other assets continues to go on what happens is the big busts hurt us more than the big booms help us. We saw that in the Great Depression with the rise of Adolf Hitler. A lot of people think that Hitler rose because of the great Weimar inflation, but you know Germany recovered pretty well from the Weimar. They destroyed the old currency and issued a new one, and that worked pretty well. It worked pretty well in places like Argentina and Italy for that matter.

What really enabled Hitler to rise was the Great Depression. You put the Weimar inflation on the Depression and it was so demoralising that the German people were subject to being snookered by a schmuck like Adolf Hitler. So I think this stuff is deadly serious.

People like Alan Greenspan. He's an amiable man but he's an idiot. You should not make the head of the Federal Reserve, the father of all banking, someone whose hero was Ayn Rand. It's an unlikely place to look for correct decision making. We got the kind of decision making we deserved. I think he is honest and an amiable man but he just didn't see reality the way it was. A lot of people think that if an axe murder happens in a free market that it has to be alright because free markets are always right.

A lot of those people are in my political party by the way [Charlie is a Republican].

Q: Does it make sense to have General Motors in the Berkshire portfolio today?

Munger: Well that is easy. General Motors is in the Berkshire portfolio because one of our young managers likes it. Warren lets the young men do as they please. Warren, when he was a young man didn't want any old man telling him what to do. He employs that kind of freedom with his young men and that's the way it is.



I haven't the faintest idea why that young man likes General Motors. It is true that it looks statistically cheap and of course it may be protected by the federal government in the end. So it may be a good investment. But the industry is about as brutally competitive an industry now as I've ever seen. Everybody knows how to make good cars. They all have the same suppliers, and the cars last for a long time with very little service. It just has all the earmarks of a very commoditised, difficult, super competitive market. So I don't think the auto industry is going to be a terribly easy place to be.

The culture of everyone having three or four cars is also shrinking so I think the auto industry is not a cinch. If I were investing in the auto industry I'd want some place that I thought was much better than the others, and that's hard to find.

Q: Can you give us more thoughts on oil?

Munger: I would not have predicted that oil would reach its present price. If you had forced me to bet whether what has happened would; I would have bet it wouldn't. It's forced me to look at things. I think it's generally true that with these commodities, there will be periods of extreme high prices and extreme low prices. I think commodities can do strange things, and of course that has huge consequences. If you're in Australia, having these commodities going down is terrible.

I think it's the nature of the human condition that you're going to have weird periods. Weird periods of high prices and weird periods of low prices. I've never been able to predict accurately or make money predicated accurately those swings. We tend to focus on good businesses and take the bumps as they fall.

Q: Would you please recommend some books that you've enjoyed lately?

Munger: You people send me books. Thirty a week! I tend to skim them so rapidly that I no longer have the joy of reading. So you are ruining my judgment of books! I can't resist reading the damn things when you send them to me. I skim all of them. But I'm no longer a good book source.



Q: You mentioned that income inequality has become a serious issue with the younger generation feeling the squeeze. How would you address this issue?

Munger: Well that's a very good question. You saw this issue raised first by Piketty and now Bernie Sanders. My attitude is that people like Piketty and Sanders are a little nuts. But people who are really passionate about fixing these issues through Government action gave us things like the Soviet Union, with all the deaths, agony and poverty there. They also gave us Communist China and North Korea. I'm suspicious about all this passion for equality.

If you want to look at what inequality gives us, look at China. Communist China had equality in the sense the three fourths of the people were dirt poor. But they had the advantage of being equal, all struggling to get something to eat. Of course when they adopted private property rights and so on what they got was growth more quickly than anyone ever had, but of course they got more inequality. I think it's a very good bargain that the Chinese did. I don't think Bernie understands this at all. He doesn't want to understand it. He has a religion. He's had it for thirty years. He's a Johnny one note. As an intellectual, he's a disgrace. Now I think you'd be happy to have Bernie marry into the family because of all his personal characteristics but as a thinker, he is pretty bad.

Now I don't think he is any worse than some of the Republicans though. They're crazy in a different way. The truth is that people will celebrate differences in outcome where they see it as deserved. It is not so bad that Tiger Woods has a big income when he is the greatest golfer that ever lived. But differences in outcome which are seen as undeserved can tend to disrupt democracy. Who is getting all the underserved money in America now? It's a good question. It is not Bill Gates. It is not the people creating new companies. We don't resent their success.

But a lot of the financiers have a lot of undeserved wealth that causes a lot of envy. And to some extent they are right as in many cases they are doing nothing or in fact are being counterproductive. I think to fix the obviously undeserved wealth would be a constructive thing. If you take the ordinary investment partnership that any of you run, they get capital gains which for anyone else would be ordinary income. And in many cases they don't pay any tax at all as the depreciation charge in the general partnership offsets any realised gains. They are sitting on these enormous liquid fortunes. Naturally that's resented. It would be resented even more if people actually understood it.



I think by and large inequality is a natural outcome of a successful civilisation that's improving for everyone. And all of this stuff about the wealth of the 1%, what the hell does he do with it? He has to eat the same food and watch the same TV. He has to leave it to somebody. Is he really the main problem we have?

He's not really using the wealth that much. Most of these guys aren't that interested in politics. If you are rich, you realize how little influence the rich really have. Lots of rich people get practically nowhere. I think these people that are raging about inequality are wrong, but I think the people who say that the undeserved wealth deserves some attention are right. On that, I think they're right, and a huge amount of the undeserved wealth is coming from finance.

Q: I'm pretty excited about self-driving cars, but as a Berkshire shareholder I'm worried about the prospect for the auto insurance business?

Munger: Well you are right if all the cars in the world don't have drivers that will be bad for GEICO. But I don't think it will happen very quickly. I think it will be quite slow. But I think the auto industry, even if we don't get self-driving cars, that the driving culture may be waning. Not so much in the third world, but in places like America.

Q: Thanks for being a great teacher. Someone asked you about books, and I sent you two, and a letter. If maybe you could publish a book list, we could keep learning?

Munger: I don't want to be a book recommender. It would be quite time consuming.

Q: What is your view on unicorn companies such as Uber, Palantir and AirBnB. Can they ever go public?

Munger: Well I have a circle of competence, and it doesn't include correctly predicting which companies in Silicon Valley are going to succeed, so I tend to avoid the subject entirely.



However I will comment on one thing related to finance. The venture capital industry is more honourable than some other areas of finance as they are actually allocating capital into a business. So the venture capitalists are useful members of finance. But they don't escape their share of sin. What they have got in the habit of doing is creating these rounds of financing and each new one is at a higher value but they sneak a little clause in saying that no one who previously bought into the venture gets anything until the new guys are preferred. Well that's sort of like a Ponzi scheme. It's a disgusting, tricky and dishonest thing to do, particularly because it is obscured. So even in our most reputable parts of finance, there are dirty sleazy activities creeping in. Large amounts of money cause regrettable human behaviour. That's Munger's rule.

Q: Do you think fundamental value investing is losing relevance?

Munger: I don't think fundamental value investing will ever be irrelevant. Because in any investment you have to buy things for less than they're worth, instead of more than they are worth. You have to be smarter than the market. That will never go out of style. It's like arithmetic, it will always be with us.

Now as far as high frequency trading, that is a complicated subject. Many such traders are personally admirable and honourable people. But their contributions to the American economy, are equivalent to a bunch of rats in the granary. They just suck the resources out and contribute nothing to civilisation.

Q: Name a few people you especially admire?

Munger: There are lots of historical people I admire. That's one of the advantages of being a reader. You can consort with some of the best people that have ever lived and so that's what I do with a lot of my time. But I admire a lot of people. The best surgeons, the best actors... there are a lot of people who are instructive, intelligent and generous and they build the world for the rest of us. There are lots of good examples on the Costco board.

On the Costco Board I spent a lot of time with Dan Evans, the former Senator, who was an admirable, sensible, high-grade politician. There are so few politicians like Dan Evans. There are all these crazies on the right and crazies on the left, but when you find a Dan Evans, you really admire and like him. There will always be admirable people. My God, that's what we all want to be. We all want to be admirable. You want to be the kind of person that other people name in their wills to raise their children if they unexpectedly die. If people are doing that, you're doing something right. People are very shrewd at knowing who would be good at raising their children.



Q: How should we go about seeking wisdom?

Munger: If you do enough reading and thinking you don't have to do much else.

Q: Can you speak to your relationship with fear and whether you've conquered it?

Munger: Generally I've avoided circumstances that cause fear. I mean if you want to go hang gliding, by all means.

My son Phillip is in the audience. He used to say, "If at first you don't succeed, well so much for hang gliding."

[Laughter]

I don't seek out fear to get thrills. I don't even seek out the appearance of fear. Generally I'm not a lover of danger or even the appearance of it. That's not my thing. I don't think I've felt much fear for a long time. I've just lived a long time. I had fears when I was younger, but they gradually melted away.

Alright, one more question. One last question.

Q: My question is about Coke. But first I want to tell you a quick story. My 17-year-old son had his friends over, and we bought all the right refreshments including two bottles of Coke. At the end of the party, there was hardly any Coke consumed by these young men, and it gave me pause. Sweet beverages are on the decline. Does Berkshire's investment give Coke's Management cover to not address the future of the beverage business?

Munger: Well that's an easy one. Coke for many decades has been a basic product full of sugar, and it grew every year. It was like an inevitable march of time. In recent years full-sugar coke is now declining. Fortunately, the Coca-Cola Company has a vast distribution infrastructure and a lot of other products. Coca-Cola as an individual product is declining some, but the rest of the businesses on average are rising. I think Coke is still a pretty strong company, and will do very well. But it's not like it used to be which was like shooting fish in a barrel.

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