QUOTES FOR GOATS

It's not given to human beings to have such talent that they can just know everything about everything all the time. But it is given to human beings who work hard at it—who look and sift the world for a mispriced bet—that they can occasionally find one. And the wise ones bet heavily when the world offers them that opportunity. They bet big when they have the odds. And the rest of the time, they don't. It's just that simple.

—Charlie Munger

In the short run the market is a voting machine, but in the long run it is a weighing machine.

—Benjamin Graham

1. A careful selection of a few investments (or a few types of investment) having regard to their cheapness in relation to their probable actual and potential intrinsic value over a period of years ahead and in relation to alternative investments at the time;

2. A steadfast holding of these in fairly large units through thick and thin, perhaps for several years, until either they have fulfilled their promise or it is evident that they were purchased on a mistake;

3. A balanced investment position, i.e., a variety of risks in spite of individual holdings being large, and if possible, opposed risks.

—John Maynard Keynes

The best thing that happens to us is when a great company gets into temporary trouble....We want to buy them when they're on the operating table.

—Warren Buffet

By buying big—going narrow and deep, as opposed to diversifying—you maximize your success.

—Richard Chandler

Diversification is protection against ignorance. It makes little sense if you know what you are doing.

—Warren Buffett

If you look at all the great investors that are as different as Warren Buffet, Carl Icahn, Ken Langone, they tend to be very, very concentrated bets. They see something, they bet it, and they bet the ranch on it. And that's kind of the way my philosophy evolved, which was if you see—only maybe one or two times a year do you see something that really, really excites you. And if you look at what excites you and then you look down the road, your record on those particular transactions is far superior to everything else, but the mistake I'd say ninety-eight percent of money managers and individuals make is they feel like they've got to be playing in a bunch of stuff. And if you really see it, put all your eggs in one basket and then watch the basket very carefully.

—Stanley Druckenmiller

I’ve thought a lot of things when I’m managing money with great, great conviction and a lot of times I’m wrong. And when you’re betting the ranch and the circumstances change, you have to change, and that’s how I’ve always managed money.

—Stanley Druckenmiller

An intense interest in the subject is indispensable if you're really going to excel in it.

—Charlie Munger

Investors should really be investigative journalists. You’ve got to have a very active, very curious mind. And you must be unsatisfied with any bogus answers. Otherwise you cannot be in this business.

—Li Lu

Warren is one of the best learning machines on this earth. The turtles who outrun the hares are learning machines.

—Charlie Munger

Download every document. Read it. You need a very curious mind to figure out what is happening. Dig every single time. Read everything.

—Li Lu

The problem with this business if you're not passionate: it is so invigorating to certain individuals, they're going to work twenty-four seven and you're competing against them. So, every time you buy something, one of them is selling it. If you're with one of the lazy people or one of the people that are just doing it for the money, you're going to get run over by those people.

—Stanley Druckenmiller

I look for open-mindedness and humility. I have never interviewed a money manager who told you he'd never made a mistake, and a lot of them do, who didn't stink. Every great money manager I've ever met, all they want to talk about are their mistakes. There's a great humility there.

—Stanley Druckenmiller

Investing is not supposed to be easy. Anyone who finds it easy is stupid.

—Charlie Munger

If you've got 160 IQ, sell 30 points to somebody else because you won't need it in investing. What you do need is the right temperament. The 160s won't beat the 130s, necessarily. The ones that have the edge are the ones who really have the temperament to look at a business, look at an industry and not care what the person next to them thinks about it, not care what they read about it in the newspaper, not care what they hear about it on the television. You have to come to your own conclusions, and you have to do it based on facts that are available. If you don't have enough facts to reach a conclusion, you forget it. You go on to the next one.

—Warren Buffett

A lot of people with high IQs are terrible investors because they’ve got terrible temperaments. And that is why we say that having a certain kind of temperament is more important than brains. You need to keep raw irrational emotion under control. You need patience and discipline and an ability to take losses and adversity without going crazy.

—Charlie Munger

We learned to build our emotional muscles, helping us make it through major market falls and grind through the trying times without losing our equilibrium.

—Richard Chandler

The investor who permits himself to be stampeded or unduly worried by unjustified market declines in his holdings is perversely transforming his basic advantage into a basic disadvantage.

—Benjamin Graham

It might have been supposed that competition between expert professionals, possessing judgment and knowledge beyond that of the average private investor, would correct the vagaries of the ignorant individual left to himself. It happens, however, that the energies and skill of the professional investor and speculator are mainly occupied otherwise. They are concerned, not with what an investment is really worth to a man who buys it “for keeps,” but with what the market will value it at, under the influence of mass psychology, three months or a year hence.

—John Maynard Keynes

Empirical studies prove overwhelmingly that value investing is the way to go. Why don't more people do it? It has a lot to do with human psychology. In value investing, you have to have a frame of mind that if you did your work correctly, and the market is against you, you should be comfortable standing alone. This is very difficult. Indeed, it is an unnatural thing to do.

—Li Lu

To win at investment, you have to be in the minority.

—John Maynard Keynes

It is impossible to produce superior performance unless you do something different from the majority.

—Sir John Templeton

The most common cause of low prices is pessimism: sometimes pervasive, sometimes specific to a company or industry. We want to do business in such an environment, not because we like pessimism but because we like the prices that it produces.

—Warren Buffett

The future is never clear, and you pay a very high price in the stock market for a cheery consensus. Uncertainty is the friend of the buyer of long-term value.

—Warren Buffett

None of this means, however, that a business or stock is an intelligent purchase simply because it is unpopular; a contrarian approach is just as foolish as a follow-the-crowd strategy. What's required is thinking rather than polling. Unfortunately, Bertrand Russell's observation about life in general applies with unusual force in the financial world: "Most men would rather die than think. Many do."

—Warren Buffett

A margin of safety is necessary because valuation is an imprecise art, the future is unpredictable, and investors are human and do make mistakes. It is adherence to the concept of a margin of safety that best distinguishes value investors from all others, who are not as concerned about loss.

—Seth Klarman

We like investments where the risk is time, not price.

—Richard Chandler

Good business. A number of qualities characterize an attractive business. First, we must be able to understand both the fundamentals and the economics of a business. Second, a strong balance sheet helps protect a company during slow economic times and enables a business to seize opportunities when they arise. Third, a sustainable competitive advantage in market share, dominant brands, cost structure, or other areas, helps ensure the strength and growth of a company. Fourth, a business must be able to generate and grow free cash flow from operations. Finally, pricing power enables a company to pass cost increases to consumers rather than absorbing them in lower margins.

Good people. Managements of the businesses we own should have four primary qualities. They should be capable operators who can run the business profitably. They should be capable capital allocators who will build shareholder value through wisely reinvesting the free cash flow that the business generates. They should be shareholder-oriented in their actions and decisions. They should have the proper incentives with much of their net worth tied to the company's results.

—Longleaf Partners Funds, prospectus, May 2003

Over the long term, it's hard for a stock to earn a much better return than the business which underlies it earns. If the business earns six percent on capital over forty years and you hold it for those forty years, you're not going to make much different than a six percent return—even if you originally buy it at a huge discount. Conversely, if a business earns eighteen percent on capital over twenty or thirty years, even if you pay an expensive looking price, you'll end up with a fine result.

—Charlie Munger

There are actually businesses that you will find a few times in a lifetime where any manager could raise the return enormously just by raising prices—and yet they haven't done it. So they have huge untapped pricing power that they're not using. That is the ultimate no-brainer.

—Charlie Munger

A few major opportunities, clearly recognizable as such, will usually come to one who continuously searches and waits, with a curious mind, and loving diagnosis involving multiple variables. And then all that is required is a willingness to bet heavily when the odds are extremely favorable, using resources available as a result of prudence and patience in the past.

—Charlie Munger

While some might mistakenly consider value investing a mechanical tool for identifying bargains, it is actually a comprehensive investment philosophy that emphasizes the need to perform in-depth fundamental analysis, pursue long-term investment results, limit risk, and resist crowd psychology.

—Seth Klarman

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