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Pilgrimage to Omaha

"The speech I love is simple, natural speech, the same on paper as in the mouth; a speech succulent and sinewy, brief and compressed, not so much dainty and well-combined as vehement and brusque,"

Michel de Montaigne
The Essays of Montaigne (1580)

Around April every year I start preparing to make my annual pilgrimage to the USA to attend the AGM of Berkshire Hathaway in Omaha. While I try to attend AGM's of most of our investment holdings, this meeting is different due to its unique format and content. I go not only to learn about the company's past twelve months and what their outlook for the future is, but also to reset 'the investment compass to true North', clear the windscreen and to listen to and share ideas with remarkably intelligent people. For the duration of the AGM, Warren Buffett and his partner, Charlie Munger, occupy centre stage and keep a stadium of thousands, entertained, engrossed and enchanted.

The story of Berkshire Hathaway is quite remarkable. In a period of just over forty four years, Warren Buffett has grown the net asset value per share from about 7 dollars in 1965 to 70 000 dollars in 2008. This translates to a compound growth of 20.3 per cent per annum. The S&P index has compounded at 9%. It probably holds the record for the largest annual business-driven gain in net worth, increasing it in 2006 by 16.9 billion dollars! Berkshire does not pay dividends.*

The meeting is always on a Saturday and lasts six hours with Warren Buffett and Charlie Munger fielding questions on topics ranging from broad finance, investing, the origins of mankind, and even to choosing a career. They have no prior knowledge of the questions to be asked and they think like the wind when answering. Their responses are candid, insightful, entertaining, folksy and intertwined with Midwest humor. This year was my ninth trip and what struck me was how consistent these two are. They have worked out a framework on how they operate and do not venture beyond that perimeter. They have loads of energy, are highly intelligent and above all, display unquestionable integrity.

Each year, I am accompanied by a handful of people who are either clients or captains of industry. My aim is to expose them to the thinking, wisdom and investment mentality of Buffett and Munger. It works for some, for others it doesn't.

The biggest effect the earlier meetings had on me was to give me the confidence to start my own asset management firm. Buffett's advice on working is to love what you do and to work with people that you really like. Over time, I heard him consistently promote the principles of simplicity, free and independent thinking, uncomplicated business models and straight talk. It remains the best advice I've ever received. I took the decision to

leave my company and build my own business, Aylett & Co Fund Managers. I've never looked back and on a daily basis, experience the truth of Buffett's simple words of advice.

The AGM is held in a large stadium and in the exhibition center there are always a number of stalls promoting products of companies that Berkshire owns. One of my favourite stalls is the book store that stocks Buffett and Munger's latest top "reads". We have a wonderfully quirky bookshelf at Aylett & Co, the widely photographed "bookworm" designed by Italian firm, Kartell. Many of my AGM book purchases now sit on our Berkshire corner and from time to time I find myself reaching for one of them that more often than not will have the answer I seek. A core theme that comes up every year at the Berkshire meeting is the importance of reading. As Charlie Munger puts it, "I have never met a successful person who does not read". My personal favourite is 'The Essays of Warren Buffett', a smart summary of the annual reports, which if you think about it, is really Buffett on Buffett. I also enjoy Poor Charlie's Almanac, a collection of Munger's speeches and thoughts on how to deal with the challenges we all face. It is filled with spades of worldly wisdom and in my opinion, should be prescribed reading for any young adult entering the world of business and marriage.

One of our rituals on the Friday night is to have dinner at Gorats, Buffett's favourite steak house. It reminds me of those old tearooms somewhere in the Eastern Cape that hasn't seen a paintbrush in twenty years. Standard order is a T-bone steak with a double helping of hash browns. Over the AGM week-end, Gorats is a hive of activity with the only topics of conversation being how to invest well and how to avoid losing money. I reckon any longstanding waitress at Gorats could also moonlight as an investment analyst!

Every year the meeting gets bigger and bigger. There were in excess of 32 000 people there this year. The logistics of actually getting from Cape Town to Omaha and getting a bed in town over the AGM week-end is another essay on its own! Towards the end of the trip I often tell myself that this will be the last one. I then inevitably get a call from an investor who starts asking if I will go again and before I know it, I'm booking yet another trip to Omaha. Omaha is not that different to Bloemfontein. Great people come from both, mind you.

*Bibliography: The Essays of Warren Buffett: Lessons for Corporate America by Laurence A. Cunningham, 2nd Edition