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PHILEQUITY CORNER

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Investment Titan

Investors worldwide mourned the passing of investment titan Charlie Munger last week. Despite being the lesser-known partner of Warren Buffett, Munger's profound influence and invaluable insights have significantly shaped Berkshire Hathaway's legendary success story. Munger also left an enduring impact on countless investors around the world, including us at Philequity.

A day among legends

My team and I had the privilege of witnessing Charlie Munger's brilliance at several Berkshire Hathaway Annual Meetings we attended in the past. Dubbed the "Woodstock for Capitalists," these events culminated in extensive six-hour Q&A sessions led by Buffett and Munger on Saturdays. The insightful investment discussions and Munger's sharp wit and candid wisdom never failed to captivate and inspire attendees. My team which includes Jerome, Miguel, Ed, along with my wife and children, and I, feel fortunate to have spent a day or two with these investment legends.

Best 30-second mind

Munger's partnership with Warren Buffett is one of the most celebrated collaborations in the investing world. Buffett once praised Munger, saying, *"Charlie has the best 30-second mind in the world. He goes from A to Z in one move. He sees the essence of everything before you even finish the sentence."* Their synergistic abilities and value investing ethos were instrumental in propelling Berkshire Hathaway into a financial powerhouse. Since Munger joined in 1978, a \$100 investment in Berkshire Hathaway in 1978 would now value close to \$400,000.

A serendipitous connection

Munger and Buffett's first encounter in 1959 at a dinner party sparked an immediate connection rooted in shared ideas and philosophy. Susie, Warren's wife, noted her husband's perception of Charlie as the most intelligent person he had met, a sentiment reciprocated by Charlie towards Warren. This mutual admiration, rooted in shared integrity and intellect, laid the groundwork for what Susie described as "a match made in heaven."

Venturing into uncharted territory

Munger played a key role in Berkshire Hathaway's significant investment in BYD, a Chinese electric vehicle and battery manufacturer. Despite initial hesitation from Buffett, Munger's unwavering conviction and thorough analysis persuaded Buffett, resulting in Berkshire's \$230 million investment in 2008. Today, BYD is a global leader in electric vehicles, with a valuation surge of over 30-fold since Berkshire's investment. Munger himself regards BYD as his best financial decision ever.

Timeless lessons

Munger's legacy transcends mere investment success. His teachings remain a guiding beacon for investors and individuals, leaving behind a legacy that extends far beyond investing. Key lessons from Munger include:

- 1) **Life-long Learning:** Munger underscores the importance of lifelong learning across diverse fields, advocating for a broad mental framework and multi-disciplinary thinking to enhance decision-making. He once remarked, *"In my whole life, I have known no wise people who did not read all the time – none, zero. You'd be amazed at how much Warren reads – and how much I read."*
- 2) **Inversion Principle:** Munger's unique problem-solving approach involves considering the reverse angle. He advises, *"Instead of thinking about how something can succeed, think about how it can fail. What can go wrong that I have not seen?"*
- 3) **Circle of Competence:** Munger emphasizes understanding one's limits, urging focus within the boundaries of one's expertise. He believes, *"Knowing what you don't know is more useful than being brilliant."*
- 4) **Rationality in decision making:** Recognizing cognitive biases, Munger champions rational choices in investing and life. When asked to describe himself in one word, Munger chose *"rational."*
- 5) **Patience and discipline:** Advocating for patience and discipline in decisions, Munger advises having a long-term perspective. He once said, *"It takes character to sit with all that cash and do nothing. I did not get to where I am by going after mediocre opportunities."*

Legacy and continued influence

The outpouring of tributes from Munger's colleagues, friends, and admirers underscore the profound impact he had on countless lives. *"Berkshire Hathaway could not have been built to its present status without Charlie's inspiration, wisdom and participation,"* Warren Buffett said in a statement.

Esteemed figures and renowned investors like Bill Gates, Tim Cook, Howard Marks, Bill Ackman, Jamie Dimon, Mario Gabelli, and Jim Chanos praised Munger's remarkable intellect, guiding influence, and lasting legacy.

Great companies at reasonable valuations

Munger significantly shaped Buffett's investment approach. He steered Buffet away from the traditional Benjamin Graham-style of buying companies with cheap valuation towards an emphasis on acquiring exceptional companies at reasonable valuations.

For me personally, this is Munger's most important investment tenet: **Buying great companies at reasonable prices and holding them for extended periods of time. This strategy has yielded immense success, delivering my most significant returns.**