



Buffett's Insights on Investing

I have often said that we have “stolen” our investment philosophies from investors we admire and who have had good long-term records in our industry. Among these, of course, is Warren Buffett. Recently he spent three hours on CNBC answering questions from viewers and reporters regarding today’s market environment, the economy and investing in general. His comments have come at an especially helpful time as many of you are contemplating the same issues. I found several of his answers to be quite interesting and wanted to share them with you.



On forecasting the economic cycle to determine whether to invest

“We don’t try and time anything or predict. We just look for where there are good values, and if we find them, we buy them, and if we don’t, we don’t buy anything.”

Regarding Buffett’s opinion that the dollar will continue to fall in value and whether that means he thinks the US economy will decline in the long run

“We’ll (the US) be fine. I mean, the factories don’t go away, the people and their talents don’t go away, the houses don’t go away, the population grows. No, over time, you know, my children are going to live better than I do... and my grandchildren will live better than they do.”

On business conditions for his construction-related companies and his outlook for these

“I can tell you that those businesses, on balance are getting worse...we have not hit bottom...but that’s ok...it doesn’t bother me in the least. I would buy another business like that tomorrow if I had the right management and the right competitive position and the right price on the business.”

(The reporter remarks: “But we haven’t hit bottom. You just said that we are not near the bottom!”)

“But I wouldn’t worry about hitting bottom in terms of when I’d buy them. I think if you knew exactly the bottom for the business, you would not know the bottom for the stock.”

On the relationship between market price volatility and investing

(A reporter remarks: “Warren, just (your) thoughts for anyone who’s watching the market today, the

AMERICA FIRST
Investment Advisors, LLC

(402) 930-3020
www.am1st.com

Eric Ball
Chief Executive Officer
402-930-3044
eball@am1st.com

Mike Thesing
President
402-930-3031
mthesing@am1st.com

Barry Dunaway
Vice President
Director of Research
402-930-3088
bdunaway@am1st.com

David Guthrie
Vice President of
Client Development
402-930-3064
dguthrie@am1st.com

Tyler Hughes
Portfolio Manager
402-930-3086
thughes@am1st.com

Carl Deicke
Chief Compliance Officer
402-930-3062
cdeicke@am1st.com

Nancy Targy
Executive Assistant,
Investment Administrator
402-930-3020
ntargy@am1st.com

Matt Holloway
Investment Administrator
402-930-3056
mholloway@am1st.com

Curious about a financial topic?

Send your query to
Nancy Targy at
ntargy@am1st.com;
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VIEWPOINT.

futures have been under pressure. What would you tell somebody? Do we need to worry about this?")

"I would tell people if they worry about what the market does on any given day, they shouldn't be buying stocks."

"When you find something you like at the right price, you buy it, and you don't think about whether it's going to go up or down next week or next month."

"The market is there to serve you and not to instruct you. That's the most important lesson in investing. And when it gives you the chance to do something because it's doing something silly, you do it and otherwise you ignore it."



It *has* been a volatile market for the past seven or so months, and I know that some have already wearied of this. (I have to admit, it hasn't been a cake-walk for us, either.) It appears that many of our stocks turned down late last year before the market in general did, and this year it appears that indexes such as the S&P have dropped more. While we don't know what the rest of 2008 will bring, it's our current thought that things may start to look better after April, when auditors will be largely finished with their accounting work. They seem to be taking a hard line on valuations of securities that financial companies hold, and we will continue to see more write-downs of these valuations.

In many cases, these auditors are demanding that companies use "market prices" for valuing financial contracts even though such prices seem to reflect panic rather than economic value. Even finding market prices can be difficult to do, since in many cases these securities are not actively traded. An analogy would be to value your home by the price you could receive for it today—"today" meaning in the next four hours. You'd be fortunate to get a price that's even half of what you think it's worth.

It is our hope that by Spring many of these companies will have worked through enough of their issues so that market participants will become more comfortable with the potential values they hold. Until then, we'd suggest that you take the advice that one of the best investors today has given—take the view that the market exists to give us the ability to buy and sell, but it does not order us to take these actions. For investors, time is our friend, not our enemy.

ERIC BALL,
CHIEF EXECUTIVE OFFICER