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AMERICA FIRST
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VIEWPOINT

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Berkshire Hathaway Annual Meeting

I had the pleasure of attending the Berkshire Hathaway meeting this month with 31,000 of my closest friends. The event and its stars (Warren Buffett and Charlie Munger) lived up to the billing.

We were treated to five and a half hours of Q&A with two of the world's greatest investors, cameos by Bill Gates and Susan Lucci (Erica Kane on "All My Children"), and all the Dove Bars and Juicy Fruit one could desire. Shareholder questions ran the gamut with only a few surprises. One particular question evolved into a topic for Warren and a rant for Charlie. It dealt with diversification and its place in individual portfolios.

Warren and Charlie bantered back and forth for awhile, but their message rang clear: if you're an unsophisticated investor with small amounts of money, use low-cost index funds. Conversely, if you have larger amounts of wealth, are sophisticated or work with a good professional money manager, make safe, strong investments *without regard to diversification*. The two men were asked if they would put all or significant amounts of their net worth in a single holding. Both answered that they had put greater than 50% of their net worth in a single idea more than once. Warren commented that the market presents opportunities that sometimes are "lead-pipe cinches" and one would be foolish not to take advantage of this. The philosophy of diversification comes from ivory towers and pays the rent for more than a few American business professors. Munger said people "should not be seduced by the crazy ideas of professors and pundits" who have complex formulas for picking investments. Most of those formulas are "dead wrong."

So take it from the Oracle of Omaha and his fudge-eating, Diet Coke drinking accomplice; diversification is misunderstood and misused much of the time. Investing still comes down to a simple, yet proven method: **Buy good companies with good managers that become undervalued when the market presents the opportunity.** This steady-as-she-goes principle has made the two of them lots of money. AFIA employs this philosophy and believes the results for you will be favorable.

--Tyler

Curious about a financial topic?

Send your query to Nancy Targy at ntargy@am1st.com; we may include it in a future issue of

VIEWPOINT.