

Farewell to Charlie Munger



The financial press headlined on Wednesday last week with the sad news that Charlie Munger passed away on 28th November 2023, just 33 days short of his 100th birthday.

For those who don't know the name, Charlie Munger was a well-respected star of 20th century investing, working alongside Warren Buffet at Berkshire Hathaway. His influence at Berkshire was immense, and his investing ethos and strategy is emulated by many other value-investing fund managers globally.

Initially prospering as a lawyer in Los Angeles, Mr. Munger met his future business partner in 1959 at a dinner party in their mutual hometown of Omaha, Nebraska.



To Mr. Munger, a Harvard Law School graduate seven years his senior, Buffett cheekily advised that 'law was fine as a hobby,' but that Mr. Munger could do better for himself as an investor.

Over the next two decades, Mr. Munger would become Warren Buffett's chief lieutenant at Berkshire Hathaway.

Charlie Munger's advice and presence helped make Buffett one of the world's wealthiest men and expanded Berkshire Hathaway from a business worth tens of millions of dollars into one valued at around \$785 billion.

His Investment Strategy



Until Charlie Munger joined him, Buffett pursued an investment strategy that was dominated by the philosophy of Benjamin Graham, who had been his professor at Columbia University's business school.

Graham's philosophy of value investing emphasized buying low-priced stocks in undervalued companies, which were

identified through balance sheet analysis, and selling when prices recovered to their market potential.

Munger and Buffett together pioneered a different style: investing in solid, established companies at what, over the long term, would prove to be very reasonable prices.

'Charlie shoved me in the direction of not just buying bargains.' Buffett told Forbes magazine in 1996. 'This was the real impact he had on me. It took a powerful force to move me on from Graham's limiting views. It was the power of Charlie's mind. He expanded my horizons.'

In phone conversations, Buffett typically proposed his investment ideas to Munger, who acted as the sceptic. They then typically put investment possibilities into three baskets: Yes, No or 'Too tough to understand' but Munger always gave Buffett the final call.

During the 1980s and 1990s, Buffett and Munger developed Graham's strategy to the point an investor researches and picks good growth stocks or companies, buys them, and aims to hold them forever. Buffett and Mr. Munger made large investments on that basis, including Coca-Cola, Geico Insurance, Wells Fargo, Gillette razors and Dexter Shoes.

The strategy differs wildly from the fast-trading action on Wall Street or at many hedge funds and private equity firms, which tend to buy companies or stocks before quickly selling again. As arguably the most successful investors of their time, Buffett and Munger helped expand and popularize their alternative approach, and they made the task of finding undervalued companies look easy.

Changes Without Charlie



Perhaps the most noticeable change to the public from Munger's death will be Berkshire's Annual Weekend, which draws tens of thousands of people to Omaha, and is live-streamed worldwide.

Munger will no longer be there to share the stage with Buffett and answer the dozens of shareholder questions.

Charlie's terse, open and honest comments showed how he was so different to Warren Buffett, in the sense that Charlie said what he thought and didn't give a damn what anyone else thought.

As for Berkshire Hathaway as a company, two other vice-chairmen, Greg Abel and Ajit Jain who have answered some of those questions in recent years, may play more of a role in the annual weekends, but have already taken on day-to-day oversight of Berkshire's non-insurance and insurance businesses, respectively.

Warren Buffett has also mentioned on several occasions over the last decade that there is a Berkshire Succession Plan, so it was no real surprise to see that Berkshire Hathaway (BRK.A) share price has moved essentially in line with the broader market since 29th November.

Sage Advice



Charlie Munger was well-known for pulling together a variety of viewpoints in making trade decisions, and his pragmatic life advice, including tips for longevity.

Here are six of his tips for living a longer, happier life.

1. Don't have a lot of envy

Munger has been warning about the dangers of envy for decades.

In a speech at Harvard in 1986, Munger said that envy "joins chemicals in winning some sort of quantity price for causing misery."

At the 2022 annual meeting of the Daily Journal, where Munger was a director, Munger said, "The world is not driven by greed. It's driven by envy."

2. Avoid resentment

In his 1986 speech, Munger also warned the graduates about resentment. "I cannot recommend it highly enough to you if you desire misery," he said.

Munger himself had a difficult life, including divorce, partial blindness, and the death of a son. Still, he strived to avoid resentment.

3. Don't overspend your income

At Berkshire Hathaway's annual shareholder meeting last May, Munger dispensed some sage financial advice.

"It's so simple to spend less than you earn, and invest shrewdly," he said.

4. Stay cheerful despite troubles

Munger has certainly faced challenges, but he told CNBC in 2019 that "staying cheerful" is "a wise thing to do." To remain cheerful, Munger said that it's key to let go of negative emotions.

5. Deal with reliable people

Munger credits getting close to reliable people, and avoiding toxic people, as part of his success.

One of the most reliable people in Munger's life was, of course, Warren Buffett. The pair first met in their mutual hometown of Omaha in 1959 and shared a friendship that spanned more than 60 years.

Buffett credited Munger with the success of Berkshire Hathaway, saying it was "built to Charlie's blueprint."

6. Do what you're supposed to do

Munger also said to "spend each day trying to be a little wiser than you were when you woke up," as well as that "The best thing a human being can do is to help another human being know more."

Bonus: Eat a bit of candy



Though he was (probably) joking, Munger once had an unconventional piece of advice: eat candy.

In an interview with CNBC last February, Munger munched on some peanut brittle from See's Candy, a company that Berkshire Hathaway owns, and said it was the key to a longer life.

"I'm eating this good peanut brittle," he said. "That's what you want to do if you want to live to be 99."