

## TIPS ON HOW TO AVOID MISTAKES.

One of our favourite Buffett stories came from an interview with Walter Schloss carried in the Outstanding Investor Digest in 1989,

*Walter: “Warren (Buffett) was playing golf at Pebble Beach with Charlie Munger (Berkshire Hathaway vice-Chairman), Jack Byrne (Fireman’s Fund Chairman) and another person. One of them proposed. “Warren, if you shoot a hole-in-one on this 18 hole course, we’ll give you U\$10,000. If you don’t shoot a hole-in-one, you owe us U\$10”. Warren thought about it and said, “I’m not taking the bet.” The others said, “Why don’t you? The most you can lose is U\$10. You can make U\$10,000”. Warren replied, “If you are not disciplined in the little things, you won’t be disciplined in the big things”.”*

I have thought about this story for years, and two things strike me: first, Buffett had to think about the answer, no doubt calculating odds and price. I am always relieved that Buffett’s skills had to be learnt and honed, they were not simply innate! Second, Buffett recognised that little lapses in discipline themselves have implications: in other words, he was watching out for drift.

One trick to help see the world more clearly is to invert situations. A newspaper headline claiming that one third of the population wants something, also tells you that two-thirds don’t! In our opinion, the best book to hone the skills of inverting was written by Terry Arthur in 1975 and is entitled “95% is Cr\*p – A plain man’s guide to British politics”. Terry is one of the most modest and thoughtful people I have had the pleasure of meeting, and he was one of the first investors in this fund. Enclosed with this letter is a copy of the second edition of Terry’s book, updated for modern cr\*p. Once you have read this book, we promise you will not see presented facts the same way again. For those with an interest in such things, we purchased our copies at a discounted price on Amazon. We recommend you buy a copy for everyone you love, on Amazon too, of course.