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This book compiles the full, un-edited versions of every one of Warren Buffett's letters to the shareholders of Berkshire Hathaway. In addition to providing an astounding case study on Berkshire's success, Buffett shows an incredible willingness to share his methods and act as a teacher to his many students.

## Berkshire Hathaway Letters to Shareholders: 1 Details

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## From Reader Review Berkshire Hathaway Letters to Shareholders: 1 for online ebook

### Gutenberg Neto says

Nothing better than to learn from the greatest investor of all-time! This book is a compendium of Buffett's legendary annual letters to shareholders since he took control of Berkshire Hathaway in the mid-1960s\*. As expected, each letter discusses the overall performance of BH's business during the year (beginning with a focus on the original textile business, and expanding as the years pass to cover dozens of different business, insurance being the most important one), but what's most interesting is the fact that Buffett also takes time to discuss several other subjects, ranging from lessons about investment to accounting matters.

It's incredible how Buffett can teach a masterclass in value investing in just a few paragraphs and it's clear how his investment ideas were sound even several years before he became a millionaire. As expected from anyone who knows a little about his career, his focus is clear from the beginning: invest in extraordinary companies that have considerable competitive advantages, honest and competent management, and a focus on cost management. Be rational, avoid trading or speculation, and don't follow tips. Most important of all, don't be afraid of market downswings. If you plan to be a stock buyer for life, you should be happy when you're allowed to purchase portions of excellent companies at discounted prices. These lessons were all available for decades and anyone that followed them at any point in the past mid-century likely achieved good results.

I also find it very reassuring the way that he talks so clearly both about the positive aspects of his company, but also about the negative ones. In a few cases, even in years in which BH achieved very positive results, Buffett still doesn't shy away from highlighting mistakes that were committed and must be avoided in the future. There's a sense of humor and self-deprecating nature to many of his remarks that is a far cry from the general tone employed by most other companies.

The letters start fairly small in size but grow bigger each year, following the increase in size and scope of Berkshire Hathaway itself. Because of that, the book is considerably long and if you decide to read it all at once (as I did) you'll find some of the year-to-year discussions a little repetitive. This is to be expected, as each letter was originally written to be read with about a year difference, and the overall nature of the business does not usually change that much in this amount of time, but something to be mindful of nonetheless.

Overall, I feel like Berkshire Hathaway's letters are a must-read for anyone with even a slight interest in Warren Buffett or value investing, and this book provides an easy-to-access compendium for doing so!

\* The letters from 1977 onward can also be accessed for free through Berkshire Hathaway's website, but the book includes letters from 1965-1977 as well as some additional documents referenced by Buffett throughout the years.

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### Kelly says

Finally! This one took awhile, but I read through all of them. The way to read this book is to read one letter a day.

Here's the 2015 letter (the book stops at 2014): 2015 Letter

The 2016 letter: 2016 Letter

Going to my first shareholder meeting this May, so reading this was a great way to get the most out of the trip.

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### **John says**

Learn from the master. Buffett is as transparent and self-critical as can be. His purpose in delivering his annual reports is "to put the reader in his position if their roles were reversed." Year after year, Buffett explains his thought process. It's amazing to watch the inexorable growth of Berkshire Hathaway. The 2017 report is due tomorrow and I can't wait!

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### **Zhong Sheng says**

If you have enough time, this book covers everything you need to know about the value investment, but it is a book that requires slow and repetitive reading and thinking. Highly time-consuming. Warren's letter and actions described need to be related to that context of that year. Don't read those numerous related books, Warren and Munger's original writings are the best.

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### **Carl Sandberg says**

A collection of Warren Buffett's eloquently written letters to shareholders of Berkshire Hathaway 1965-2017. The first thing that struck me was his level of honesty. Compared to other investors' accounts of their investment performance that tends to be first and foremost self-congratulatory, Buffett makes a decent attempt giving a more nuanced picture of his investment performance.

The letters provide you with a solid understanding of Buffett's investment philosophy and that alone makes the book worthwhile. In addition, you will get a better understanding of accounting and the insurance industry.

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### **Sohil Gupta says**

Warren Buffett is God at understanding capitalism, and dissecting businesses. Corporate Governance, Management Biases, Investment thesis, there is no one in the world that has more breadth of knowledge on Corporate America than Warren. Great learnings on analyzing balance sheets, P&Ls, Earnings, Cash-Flows, as well as building a definite and sound investment rationale. This book will definitely make you 10x better investor.

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### **Shiva Shetty says**

Mount Everest, K2 and Kangchenjunga are the 3 indisputable tallest mountain ranges out there. It is likely on

the bucket list of many new and aspiring climbers, working as a backdrop siren call as they hone their skills on lesser mounds.

Book lovers have their own list but this list can never be definitive since there can be no universal consensus on what should go into “the toughest reads out there!” book list. Each person’s list, like the idea of utopia or hell, is personal and unique.

But odds are a 100 book list made by a lot of bibliophiles would likely contain gems like:

Finnegans Wake by James Joyce

Moby Dick by Herman Melville

Simulacra and Simulation by Jean Baudrillard

The Corrections by Jonathan Franzen

Infinite Jest by David Foster Wallace

These books are reputed to be very tough slogs and there is no definitive guarantee you will turn the last page and feel glad you dived in. In fact, chances are most of these books will be flung across the room well before the last chapter. A lot of them are wilting in bookshelves around the world waiting for a day when the owner inevitably bundles it into the charity box for donation.

When I purchased ‘Berkshire Hathaway Letters to Shareholders’ on 15 November 2013 (for the pricy sum of £2.07) I was not sure what I was in for. All I knew was that I liked Warren’s way of thinking, his approach to business and investing and I wanted to read more from the man directly, not via a biographer or hired hand. I surely would have done a double take if my future self had told me I would take 865 days to finish this thick fat almost 1000 page book.

‘Berkshire Hathaway Letters to Shareholders’ is not a book really but a collection of annual letters written by Warren Buffet, the legendary investor and 2nd richest man on Earth. Each year he writes a letter to his shareholders telling them how well (or poorly) Berkshire Hathaway, the company he runs, did. So technically this books, containing 50 letters, from 1965 to 2015, took 50 years to ‘write’. (Amazon automatically updated the kindle version with the letters of the last 2 years, after I purchased the book in 2013. Go Amazon!).

But then saying this book is a collection of annual letters written by Warren Buffett is akin to saying “History is about some important dates”. ‘Letters to Shareholders’ is soooo much much more than just a collection of letters. Through these 50 letters, Buffet talks about the wider investing and business world and touches on a lot of very interesting subjects, giving the reader a solid grounding on many helpful topics that can stand in as 24 Carat practical life lessons.

The book is especially splendid at educating the reader on 3 topics:

1. Investing: Over 50 letters (sermons?) Buffet elaborates on what being a value investor is all about and how to think like a smart value investor. There are books explicitly dedicated to teaching you investing and they fail at it while this £2 book does in effortlessly. Warren talks at length on how to think about investing and then how to act on that thinking. This alone makes this book worth the time needed to read it. I envy the young reader who finishes it before his 25th birthday. He is guaranteed to have a literally richer life than he would otherwise have had, whatever his starting position was weath-wise. Warren's 2005 letter has a write up on ‘How to minimize investment returns’. What a tour de force that particular one was. As was the 2013 section ‘Some thoughts on investing’.

2. Business: Berkshire Hathaway buys and oversees a boatload of companies and Buffet wades deep into what specific metrics matter when running and evaluating a firm and which are the dubious ones (it's

EBIDTA). There are many colleges around the world, esp. in third world countries , offering dubious 2 year+ MBA and Business Diplomas that fail to do what this one little book does by itself: Give the reader an unbeatable and thorough education in the basics of thinking like a CEO/Businessman.

3. Understanding the Insurance Industry : Berkshire Hathaway at its core is an Insurance firm and as a Consultant currently embedded at one such firm, I could not have hoped for a more comprehensive overview on how to look into and understand the industry and the myriad operators in it. Insurance plays a crucial part in economies globally and the book gives the reader lessons on how to evaluate the health of the industry and a firm in it. Nothing comes close.

So yes, while it took me the better part of 30 months to finish this book end to end, it was only because one should ingest this book slowly and gradually to let the lessons and Buffet's wisdom sink in, like sand settling at the bottom of a lake. A beach read this book is most definitely not but you know what this book most definitely is : The best £2 I ever spent.

So go on, jump in and climb this Everest of a book . The view from the top is breathtaking.

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### **Sheng Peng says**

Common sense still wins the day. Don't fall for the pitches and salesmanship and fad and new 'investment style'.

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### **Sujay Muzumdar says**

Warren Buffett's letters to his shareholders for the past 50 years contain wisdom on business and investing like no other book. It is the unparalleled journey of the greatest investor of our age and the study of the unrelenting behemoth that Berkshire Hathaway has developed into, surely the best success story of capitalism.

It was one of those books that I wanted to read at least once in my life and after 77 days of patience and persistence, I'm glad to have reached the end of it! :)

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### **Apoorv Agrawal says**

Very detailed letters - good intro to evaluating businesses with a strong dose of Buffettian humor.

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### **Shahan Lilja says**

Probably the best business book ever.

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## Cristobal says

If you choose to read just one book on investing, this is it. Warren Buffett is the Einstein of investment, a figure so large it towers over any other. These compilation of his letters to shareholders serves as a compendium of his investment principles and how they not only shaped his company but also became sharper through the dull edge of experience.

I've read several books on Buffet, from biographies to essays and the collection of his letters is the best distilling of his philosophy you will find

This should be required reading for anyone thinking about managing theirs or other people's money.

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## Vipin Pandey says

### Fairy tale for a value investor

Reading the letters was like reading a comic that comes out in sequels. Just like a comic, the letters are fascinating to read. A good comic leaves you gasping for more after every chapter. The letters do the same. After every letter, you are keen to know by how much percentage points the co. grew, what were the new acquisitions, how were they made (some were made in 5 mins!), new accounting lessons, proverbs n phrases, country songs, jokes and so much more.

Every letter ends with AGM details. As one goes through 50 AGMs, which are like a fair, one can visualize Berkshire turn into Goliath from David. After reading about AGMs, you will add it to your bucket list.

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## Mitesh says

I feel bad I kept postponing reading Oracle of Omaha's letters until now. So much to learn on investing and really gels wells with my investment philosophy. This is a must read for anyone who wants to seriously consider investing in equities.

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## Gwern says

(online letters) The famous annual letters of Buffett laying out the progress of Berkshire Hathaway and his & Munger's investment beliefs. Apropos of an investigation into Long Bets as a charitable giving opportunity, I read through them. Perhaps the most interesting part about them is how skewed Buffett's reputation is, given how often he is cited as a counter-example to EMH, despite him clearly explaining his strategy many times. What is most striking about Buffett's returns is how, despite talking about how irrational "Mr. Market" is, Buffett and Berkshire Hathaway stay away from the general stock market. Reading through, I am stuck by the critical roles played by captive insurance companies and by buying *private* companies which are not on the stock markets; the methods are radically different from those of hedge funds like Thorp or RenTech, which focus on mispricings in the stock market and whose long-term successes might indeed show

substantial weaknesses to the weak EMH. To summarize, the overall arc of Buffett/Hathaway appears to have been:

small-scale stock market trading in the 1940s, picking up minor inefficiencies in dead-end companies or warrants or whatnot. (All those opportunities have of course long since vanished.)

parlaying that into a series of purchases of private, off-market purchases of small cap businesses with steady cashflow, by cultivating a folksy mystique & offering very fast deals in which the owners do not shop around for alternatives, then folding their future earnings into the conglomerate but otherwise not investing in them & leaving them entirely alone with the same CEOs etc (1950s-1980s)

expanding holdings in insurers in order to benefit from their float (1970s-1990s)

using float plus cashflow to maintain a large capital which can be deployed for brief once-in-a-decade opportunities like stock market crashes or companies in sudden distress or (in one particularly interesting example) resolving the Lloyd's of London reinsurance spiral, reaping extraordinary returns (1960s-present). As Buffett puts it:

Occasionally, though, either because of company-specific problems or a worldwide shortage of credit, maturities must actually be met by payment. For that, only cash will do the job. Borrowers then learn that credit is like oxygen. When either is abundant, its presence goes unnoticed. When either is missing, that's all that is noticed. Even a short absence of credit can bring a company to its knees. [We, at Berkshire] have pledged that we will hold at least \$10 billion of cash. We customarily keep at least \$20 billion. By being so cautious in respect to leverage, we penalize our returns by a minor amount. Having loads of liquidity, though, lets us sleep well. Moreover, during the episodes of financial chaos that occasionally erupt in our economy, we will be equipped both financially and emotionally to play offense while others scramble for survival. That's what allowed us to invest \$15.6 billion in 25 days of panic following the Lehman bankruptcy in 2008.

as capital expands & returns fall, with small private companies no longer worth the time it takes to investigate, move to purchasing/investing in mega-corporations with vast capital investments required (2000s-present)

Step #2 is interesting. Buffett praises the businesses he bought in step #2 like See's Candy as all being solid businesses that an idiot could run, with little competition, long streams of earnings, requiring little or no capital investment and benefiting from no synergies with other BH companies, and which the existing managers (often family) could be left in place to run as before they sold out (all being highly capable managers Buffett praises in the most extravagant terms), and notes that cumulatively they earned billions of dollars which fueled his purchases of GEICO and General Re etc. Given all these facts, one has to ask: why did any of these companies' owners ever sell to Buffett in the first place? And the answer is... I don't know. Even by Buffett's presumably favorable recounting, many of the reasons were downright idiotic, like the furniture store owner who sold to 'stop her kids from fighting over it' (which is one of the worst forms of

estate planning I've ever heard of and doesn't actually resolve the issue since presumably then they would simply fight over the estate's cash). A better reason is that they don't want to go public and corrupt their vision, so they sell to Buffett instead, but that's not a great reason either as they forfeit a tremendous cashflow. Given his famously fast offers and handshake deals, I can only guess that either sometimes even highly experienced entrepreneurs go insane & decide to sell on the spur of the moment, or they develop bizarrely high discount rates and decide to sell lucrative income streams for a pittance up front. After finishing, I went looking for commentary and found Matt Levine and an investment banker noting the same thing (albeit in much more cynical terms), and I can't really disagree: reading Buffett's own descriptions, he drove extremely hard bargains and almost all of the business owners (except Dexter Shoes, who correctly insisted on BH stock instead of cash) would've made a lot more money selling to anyone but the kind avuncular Sage of Omaha. I don't blame Buffett for doing this, as it is the owners' faults for being so easily out-negotiated, and certainly Buffett is making far better use of his money in philanthropy than any of them would have, but still, this is not a model which can be emulated and such a method can hardly be considered a strike against the EMH.

Step #3 is interesting since float isn't necessarily that profitable, but aside from some discussions of "supercat insurance" (a very interesting area of reinsurance I always enjoy reading about), Buffett doesn't explain exactly why it worked so well; as far as I can tell, none of the supercat events wound up severely impacting BH and so BH got very lucky in those contracts. If he went into why BH insurance was so efficient and well-priced, I might have been more impressed by his skills.

Step #4 is something of an exception that proves the rule. If Buffett has to wait a decade for major vulture buying opportunities, that implies that such mispricings are actually quite rare, since he is not out routinely making such deals. Here he clearly benefits from the unique access to insurance floats to have lots of large but very cheap capital to throw around. One has to suspect that any returns from that are not that impressive after accounting for that, a pool of money simply not available to most investors.

And in step #5, returns have fallen drastically and are no longer anything much to explain.

So the critical steps are either forever vanished (there will never be inefficiencies in stocks and warrants as enormous as they were in the 1940s-1950s, and there will perhaps never again be an economic boom to compare with the US post-WWII return on all American equities) or irreproducible (there are only so many insurers), and Buffett appears to have benefited from a large helping of luck: luck that nuclear war didn't break out, luck that he has lived so long and in such health that his persona could pay off in off-market purchases, luck that BH avoided all the supercatastrophes in the 1990s, luck that he cottoned onto GEICO early on, luck that BH never fell prey to legal action like some hedge fund competitors such as Thorp did etc. Looking at how he did it, I feel certain that if Buffett were reborn today and handed a copy of Graham, he would find it thoroughly useless and not die a billionaire.

And one wonders how much return Buffett's mistakes cost him. For example, the initial foray into textiles he often mentions, but he repeated it with Dexter Shoes - I read the letter announcing the purchase and thought to myself, "buying another textile/clothing company in New England? Why on earth? It doesn't sound like it has any monopoly or regulatory capture or other moat at all. This is not going to end well" and indeed it did

not - and in early letters he focuses heavily on inflation long after it had been tamed (at what cost to investment decisions, one wonders), and then in the 2000s forecast doom for the US via the trade deficit (which thus far has not eventuated and he quietly dropped the topic altogether). I can't say I feel like I learned all that much from reading his analyses.

So to sum up based on his letters: Buffett made his money largely off the efficient stock markets in irreproducible ways exploiting individual irrationality while benefiting from historical and personal luck and is a poor example for anyone trying to argue that the weak EMH is sufficiently false as to make stockpicking a good idea. His investment advice is not particularly impressive or actionable (does anyone need to be told to invest in indexes now?) while the more interesting technical areas like his actual securities trading and insurance pricing methods are deftly concealed under rustic bonhomie, and his writings, while clear, are increasingly repetitive and recycling of jokes toward the end (hopefully as a result of needing to reiterate basics to the growing legions of BH shareholders and not because of senility). All in all, I came out less impressed with Buffett's investment acumen than I started. There are probably better materials to read on stock markets and investment (certainly, *Fortune's Formula* was much more interesting).

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