

3 Key Takeaways from Warren Buffett's Annual Letter

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Warren Buffett's annual letter to shareholders gets a lot of fanfare – and for good reason. Since taking control of Berkshire Hathaway in 1965, Buffett has led the company to return a compound annual growth rate of 19.8% for its shareholders, nearly twice that of the S&P 500. While that might not seem *too dramatic* at face-value, for those that need proof that the power of compounding is the greatest force in the universe (as Albert Einstein famously declared), just take a look at the overall gain for Berkshire vs the S&P 500 since 1964:

Berkshire’s Performance vs. the S&P 500

Year	in P Mark Be
Compounded Annual Gain – 1965-2023	
Overall Gain – 1964-2023	

Source: Berkshire Hathaway Inc. 2023 Annual Shareholder Letter

This year’s letter struck a different tone from past letters, as Buffett opened his address by honoring his longtime friend and business partner, Charlie Munger. Following Munger’s passing, we published a [condensed transcript](#) of one of Munger’s lectures at the University of Southern California Marshall School of Business in 1995. The transcript highlights the profound wisdom that Munger and Buffett collectively gathered over their many years of investing together.

This week, we are presenting a short summary with three key takeaways from Warren Buffet’s annual letter, published on February 24th, 2024. The letter underscores the timeless nature of Buffett’s insights, along with his ability to share tremendous wisdom with the world by explaining complex topics in a digestible format.

Click [here](#) to read Buffet’s annual shareholder letter in its entirety.

3 Key Takeaways from Warren Buffett’s Annual Letter

In the short run the market acts as a voting machine; in the long run it becomes a weighing machine.

“As Ben Graham taught me, “In the short run the market acts as a voting machine; in the long run it becomes a weighing machine.” Our goal at Berkshire is simple: We want to own either all or a portion of businesses that enjoy good economics that are fundamental and enduring. Within capitalism, some businesses will flourish for a very long time while others will prove to be sinkholes. It’s harder than you would think to predict which will be the winners and losers.”

Occasionally, markets and/or the economy will cause stocks and bonds of some large and fundamentally good businesses to be strikingly mispriced.

“Indeed, markets can – and will – unpredictably seize up or even vanish as they did for four

months in 1914 and for a few days in 2001. If you believe that American investors are now more stable than in the past, think back to September 2008. Speed of communication and the wonders of technology facilitate instant worldwide paralysis, and we have come a long way since smoke signals. Such instant panics won't happen often – but they will happen.

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Though the stock market is massively larger than it was in our early years, today's active participants are neither more emotionally stable nor better taught than when I was in school. For whatever reasons, markets now exhibit far more casino-like behavior than they did when I was young. The casino now resides in many homes and daily tempts the occupants.

One fact of financial life should never be forgotten. Wall Street – to use the term in its figurative sense – would like its customers to make money, but what truly causes its denizens' juices to flow is feverish activity. At such times, whatever foolishness can be marketed will be vigorously marketed – not by everyone but always by someone."

When you find a truly wonderful business, stick with it.

"American Express began operations in 1850, and Coca-Cola was launched in an Atlanta drug store in 1886. (Berkshire is not big on newcomers.) Both companies tried expanding into unrelated areas over the years and both found little success in these attempts. In the past – but definitely not now – both were even mismanaged.

But each was hugely successful in its base business, reshaped here and there as conditions called for. And, crucially, their products "traveled." Both Coke and AMEX became recognizable names worldwide as did their core products, and the consumption of liquids and the need for unquestioned financial trust are timeless essentials of our world.

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Patience pays, and one wonderful business can offset the many mediocre decisions that are inevitable."

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