

BERKSHIRE ASSET MANAGEMENT

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Recently, I had the pleasure of presenting to some clients of a great team of financial advisors.

Instead of a “product pitch” (which rarely work) I titled my talk simply “What It Takes to Be a Great Investor”

The “one thing” I wanted to stress was great results only come from the ability to go against the herd. I outlined why contrarianism works, and gave some examples of investors who made a killing betting against the housing market and stressed the “pain” they had to go before the billions started rolling in.

But I started the talk with a few simple questions.

The responses made for a lot of good and fun discussion!

Questions: Agree or Disagree?

1. “Emerging markets like India, China, and Brazil will grow faster than the US and deliver better stock market returns over the next decade” **(mixed reaction)**
2. “The US dollar is likely to regain its status as the world’s strongest currency” **(almost no one agreed)**
3. “Buying a house for investment purposes is a good idea” **(NO ONE agreed - not even the real estate agent in the crowd!)**
4. “Citigroup and Bank of America are good stocks for the long haul and will outperform Apple and Exxon Mobile over the next 5 years” **(TALK ABOUT “LOL” - THIS WAS MET WITH ABSOLUTE RIDICULE, ROARING LAUGHTER AND OUTRIGHT DISDAIN!)**

The last 2 are telling:

4 years ago consensus said: “use as much leverage as you can to buy real estate.” Now I hear clients say: “your house is only to live in and you should pay off your mortgage as fast as possible”, Really? With after tax cost of debt around 3.0%?

4 years ago, a whole generation believed: “the way to get wealthy is to own bank

stocks and hold them for a long time.”

Now, there is absolute revulsion toward bank stocks. I don't think I've ever seen a sector so hated in my 20 year career.

So For all you contrarians out there, what does this tell you to buy?

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