

Tuesday, 27 October 2015, 8:42 AM

# NEW STRAITS TIMES ONLINE

(/)

TRY A DIGITAL SUBSC  
(HTTP://DIGITAL.NST  
/SHOP/LIST\_PRODUC  
ID=NSTNEWS)

[FRONTPAGE \(/\)](#)

[NATION \(/NATION\)](#)

[BUSINESS \(/BUSINESS\)](#)

[LIFESTYLE \(/LIFESTYLE\)](#)

[SPORTS \(/SPORTS\)](#)

[WORLD \(/WORLD\)](#)

[PHO \(/PHC\)](#)



## How to invest like Warren Buffett

BY RAJEN DEVADASON (/AUTHORS/RAJEN-DEVADASON) - 13 SEPTEMBER 2015 @ 11:01 AM

[Tweet](#) 10 [Recommend](#) [Share](#) 99

WARREN Buffett is the third richest person on Earth with a net worth that's north of US\$60 billion (RM258 billion).

I remember in 1992, while interviewing my friend Tan Teng Boo for *Malaysian Business* magazine, I asked: "Who is Warren Buffett?"

Tan told me in enthusiastic detail.

In the intervening decades, Tan, a fan and student of Buffett, has racked up a fine record as a fund manager.

In recent months, before global volatility spiked, Tan sold profitable equity positions and raised the cash levels of his domestic and international funds.



### Social Activity

Lifestyle Updates ▼

**NST** Dennis Chua

Harith Iskander welcomes third child  
KUALA LUMPUR: Malaysia's "king of standup comedy" is a proud daddy for the third time in his life.

**Read more**

17 h

Initially, as markets continued rising, his moves elicited disdain; but the grumbles gave way to respect for Tan as cash has been the best performing and most defensive asset class in the current global market turmoil!

What I have gleaned from studying Buffett's annual letters to shareholders of his investment vehicle Berkshire Hathaway and several biographies has helped me better serve my financial planning clients.

Warren Edward Buffett was born in Omaha, Nebraska, the United States, on Aug 30, 1930.

His father was a stockbroker whom the younger Buffett adored.

In later years, Buffett attributed the honing of his mental investment framework to two teachers: Benjamin Graham (85 per cent) and Philip Fisher (15 per cent)!

Over the last half century, Buffett has used the balance sheet of his company, Berkshire Hathaway, as "a canvas to paint" an economic masterpiece through judicious stock investments and the wholesale purchase of businesses.

Here are four lessons from numerous Buffett-derived principles which I have taught my clients:

#### 1. Nurture emotional strength

When times are good, it is easy for all of us to label ourselves investors.

But what separates the men from the boys is the ability to keep a cool head when everyone else is terrified by imploding markets.

You see, markets rise and fall... with certainty but unknown periodicity and magnitude!

So, as Buffett once wrote: "Unless you can watch your stock holding decline by 50 per cent without becoming panic-stricken, you should not be in the stock market."

#### 2. Know the difference between value and price

### NST NST Online Latest News - Lifestyle

Bond's back: 'Spectre' premieres in London  
LONDON: James Bond returns to the silver screen on Monday in "Spectre" at a glittering premiere in London, expected to be attended by members...

[Read more](#)

Crowdynews

Trade Forex and CFDs,  
No Re-Quotes

Global Indices Oil Gold Forex

**FXCM** **Free Demo**

Losses can exceed your deposited funds.

#### Related stories

Create a financial planning dashboard  
(/news/2015/10/create-financial-planning-dashboard?utm\_source=nst&utm\_medium=nst&utm\_campaign=nstrelated)

PRS-EBF-EPF way to good retirement  
(/news/2015/10/prs-ebf-epf-way-good-retirement?utm\_source=nst&utm\_medium=nst&utm\_campaign=nstrelated)

Benjamin Franklin's 6 tips for a better life  
(/news/2015/10/benjamin-franklin%E2%80%99s-6-tips-better-life?utm\_source=nst&utm\_medium=nst&utm\_campaign=nstrelated)

The best way to make money is to buy low and sell high. Only those who truly internalise this principle can grow wealthy through investing.

On March 16, 1979, Buffett explained in his 1978 letter to shareholders:

“We continue to find... small portions of really outstanding businesses that are available, through the auction pricing mechanism of securities markets, at prices dramatically cheaper than the valuations inferior businesses command on negotiated sales.”

Today, more than 36 years later, local and global markets are roiling from Chinese securities markets, commodity and currency downturns.

Therefore, countless opportunities will arise for you to identify the yawning gaps between intrinsic economic value and temporarily depressed prices.

### 3. Allocate capital wisely

Buffett has long maintained that his one core skill was capital allocation.

When he took over Berkshire Hathaway half a century ago in 1965, it was a struggling New England textile maker.

He then allocated the dwindling stream of cash flow from the ailing concern into businesses with brighter prospects.

He diverted Berkshire's free cash flow into positions in general insurer Geico and other undervalued listed companies.

So, by the time Buffett shuttered the last Berkshire textile plant in 1985 his reinvented investment holding company enjoyed cash gushing in from diversified insurance, retailing, media, banking and confectionery operations.

### 4. Maintain large cash reserves for stability and opportunistic flexibility

In his 2008 letter (published February 27, 2009) to shareholders, Buffett wrote:

Minimise 'Lng' for purposeful living  
[/news/2015/10/minimise-%E2%80%99%E2%80%99-purposeful-living?utm\\_source=nst&utm\\_medium=nst&utm\\_campaign=nstrelated](/news/2015/10/minimise-%E2%80%99%E2%80%99-purposeful-living?utm_source=nst&utm_medium=nst&utm_campaign=nstrelated)

The life cycle hypothesis ([/news/2015/10/life-cycle-hypothesis?utm\\_source=nst&utm\\_medium=nst&utm\\_campaign=nstrelated](/news/2015/10/life-cycle-hypothesis?utm_source=nst&utm_medium=nst&utm_campaign=nstrelated))

Carnegie and the gospel of wealth ([/news/2015/09/carnegie-and-gospel-wealth?utm\\_source=nst&utm\\_medium=nst&utm\\_campaign=nstrelated](/news/2015/09/carnegie-and-gospel-wealth?utm_source=nst&utm_medium=nst&utm_campaign=nstrelated))

Extricate yourself from a pit of debt  
[/news/2015/09/extricate-yourself-pit-debt?utm\\_source=nst&utm\\_medium=nst&utm\\_campaign=nstrelated](/news/2015/09/extricate-yourself-pit-debt?utm_source=nst&utm_medium=nst&utm_campaign=nstrelated)

Declaring (personal) Merdeka with two retirement funding models ([/news/2015/09/declaring-personal-merdeka-two-retirement-funding-models?utm\\_source=nst&utm\\_medium=nst&utm\\_campaign=nstrelated](/news/2015/09/declaring-personal-merdeka-two-retirement-funding-models?utm_source=nst&utm_medium=nst&utm_campaign=nstrelated))

“I have pledged – to you, the rating agencies and myself – to always run Berkshire with more than ample cash.

“We never want to count on the kindness of strangers in order to meet tomorrow’s obligations. When forced to choose, I will not trade even a night’s sleep for the chance of extra profits.”

So, for the tough road ahead, I encourage you to tap into this incomparable wisdom by studying his Berkshire shareholder letters ([www.berkshirehathaway.com/letters/letters.html](http://www.berkshirehathaway.com/letters/letters.html)) (<http://www.berkshirehathaway.com/letters/letters.html>).



The writer is a Securities Commission-licensed financial planner, professional speaker and an author. Read his free articles at [www.FreeCoolArticles.com](http://www.FreeCoolArticles.com); (<http://www.FreeCoolArticles.com>;) connect with him on LinkedIn at <https://www.linkedin.com/in/rajendevadason>; (<http://www.linkedin.com/in/rajendevadason>;) follow him on Twitter @RajenDevadason or email [rajen@RajenDevadason.com](mailto:rajen@RajenDevadason.com) (<mailto:rajen@RajenDevadason.com>)

928 reads

Tweet 10

Recommend Share 99

RECOMMENDED



New mom Lisa Surihani keeping mum about her newborn

(<http://www.nst.com.my/news/2015/09/new-mom-lisa-surihani-keeping-mum-about-her-newborn>)



Chinese tourist dies while zip-lining in Thailand

(<http://www.nst.com.my/news/2015/10/chinese-tourist-dies-while-zip-lining-thailand>)



Attaining financial freedom (/news/2015/09/attaining-financial-freedom?utm\_source=nst&utm\_medium=nst&utm\_campaign=nstrelated)



(/news/2015/10/liberian-bility-fifa-presidential-candidate)

**Liberian Bility is FIFA presidential candidate (/news/2015/10/liberian-bility-fifa-presidential-candidate)**

MONROVIA: Liberian football chief Musa Bility told AFP on Monday that he had entered the race to succeed Sepp Blatter as head of FIFA.

**S. Korea’s Chung Mong-Joon withdraws from FIFA race (/news/2015/10/s-korea%E2%80%99s-chung-mong-joon-withdraws-fifa-race)**

**RWC: Australia into final, posts 4 tries v Pumas (/news/2015/10/rwc-australia-final-posts-4-tries-v-pumas)**

MORE

(/SPORTS)



Hijab wearers targeted

(<http://www.nst.com.my/news/2015/10/hijab-wearers-targeted>)



Erma to stay with her man, cancels divorce

(<http://www.nst.com.my/news/2015/10/erma-stay-her-man-cancels-divorce>)

PROMOTED STORIES

Half of the university students feel that university fails to prepare...

(<https://www.surveymonkey.com>)

What to Eat: Mid Valley Megamall KL - HungryGoWhere Malaysia

(<http://www.hungrygowhere.my>)

Mesut Özil, Javier Hernandez, Ivan Rakitic lead the UCL Team of the...

(<http://www.espnfc.com/uefa->)

10 best local breakfasts in Singapore

(<http://www.hungrygowhere.com>)

/gallery/10-best-local-breakfasts-

NYC's Most Fashionable 3-6

Bedroom Luxury Apartments: See

Photos and...

Warren Buffett Just Gave Americans a Big Warning

(<http://www.fool.com>)

/ecap/the\_motley\_fool/buffett-threat

Recommended by



(<http://www.nst.com.my/2016budget>)



(</news/2015/10/rajinikanth-start-filming-kabali-kl>)

**Rajinikanth to start filming "Kabali" in KL** (</news/2015/10/rajinikanth-start-filming-kabali-kl>)

KUALA LUMPUR: Indian superstar Rajinikanth is in town to shoot his latest film Kabali.

**WHO: Processed meat linked to cancer; red meat is risky too** (</news/2015/10/who-processed-meat-linked-cancer-red-meat-risky-too>)

**Emma Maembong misses 'sister time' with siblings Yaya and Chacha** ([/news/2015/10/emma-maembong-misses-%E2%80%98sister-time%E2%80%99-siblings-yaya-and-chacha](/news/2015/10/emma-maembong-misses-E2%80%98sister-time-E2%80%99-siblings-yaya-and-chacha))

MORE

(/LIFESTYLE



(</news/2015/10/five-families-forced-take-shelter-school-jasin-flashflood>)

**Five families forced to take shelter at**

## **school in Jasin flashflood (/news/2015/10/five-families-forced-take-shelter-school-jasin-flashflood)**

JASIN: A pre-dawn downpour caused flashfloods at five villages here on Monday, affecting 195 victims from 61 families.

## **Man wanted for land fraud (/news/2015/10/man-wanted-land-fraud)**

## **Boy wonder, 5, dives like a champion in Redang (/news/2015/10/boy-wonder-5-dives-champion-redang)**

**MORE**

**(/NATION)**



**(/news/2015/10/morocco-arrests-eight-policemen-over-torture-death)**

**Morocco arrests eight policemen over torture death (/news/2015/10/morocco-arrests-eight-policemen-over-torture-death)**

RABAT: Morocco has arrested eight policemen for allegedly torturing to death a prisoner, newspapers reported on Monday.

**Five Britons dead in Canada whale-watching capsized (/news/2015/10/five-britons-dead-canada-whale-watching-capsized)**

**Former Nazi airport is Berlin's latest shelter for refugees (/news/2015/10/former-nazi-airport-berlin%E2%80%99s-latest-shelter-refugees)**

MORE

(/WORLDS)



(/news/2015/10/budget-2016-signals-commitment-control-fiscal-deficit-moodys)

**Budget 2016 signals commitment to control fiscal deficit: Moody's (/news/2015/10/budget-2016-signals-commitment-control-fiscal-deficit-moodys)**

KUALA LUMPUR: Moody's said Malaysia's 2016 Budget signals the government's commitment to keep its fiscal deficit under control but the slow

pace will need steeper reductions in coming years.

---

**China's richest man 'doubled fortune in 12 months': Forbes** (/news/2015/10/china%E2%80%99s-richest-man-%E2%80%98doubled-fortune-12-months%E2%80%99-forbes)

---

**Bursa Malaysia continues downtrend at mid-afternoon** (/news/2015/10/bursa-malaysia-continues-downtrend-mid-afternoon)

**MORE**

---

(/BUSINESS)





<a href="#">Front Page (/)</a>	<a href="#">NATION (/NATION)</a>	<a href="#">BUSINESS TIMES (/BUSINESS)</a>	<a href="#">LIFE &amp; TIMES (/LIFESTYLE)</a>	<a href="#">SPORTS (/SPORTS)</a>
<a href="#">Photos (/Photos)</a>	<a href="#">General News (/Nation/general)</a>	<a href="#">Bizbrief (/Business /bizbrief)</a>	<a href="#">Health (/Lifestyle /health)</a>	<a href="#">Football (/Sports /football)</a>
<a href="#">Videos (/Videos)</a>	<a href="#">Politics (/Nation /politics)</a>	<a href="#">Commodities (Http://www.nst.com.my/business/shared)</a>	<a href="#">Life (/Lifestyle/life)</a>	<a href="#">Badminton (/Sports /badminton)</a>
<a href="#">Learning Curve (/Learningcurve)</a>	<a href="#">Extras (/Nation /extras)</a>	<a href="#">Foreign (/Business /foreign)</a>	<a href="#">Showbiz (/Lifestyle /showbiz)</a>	<a href="#">Motor Sports (/Sports/motor-sports)</a>
<a href="#">Spell It Right (Http://www2.nst.com.my/sir)</a>	<a href="#">WORLD (/WORLD)</a>	<a href="#">IPO Watch (/Business /ipo-watch)</a>	<a href="#">Style (/Lifestyle /style)</a>	<a href="#">Cycling (/Sports /cycling)</a>
<a href="#">Sudoku (/Sudoku)</a>		<a href="#">Market Watch (/Business/market-watch)</a>	<a href="#">Tech (/Lifestyle /tech)</a>	<a href="#">Cricket (/Sports /cricket)</a>
<a href="#">Missing QZ8501 (/Airasia14)</a>		<a href="#">Money (Http://www.nst.com.my/business/shared)</a>	<a href="#">Travel (/Lifestyle /travel)</a>	<a href="#">Cricket World Cup 2015 (/Cricket2015)</a>
<a href="#">Flood Disaster (/Flood14)</a>		<a href="#">Nation (/Business /nation)</a>		
		<a href="#">Portfolio (Http://www.nst.com.my/business/shared)</a>		
		<a href="#">Properties (/Business /properties)</a>		
		<a href="#">Stockwise (/Business /stockwise)</a>		
		<a href="#">Unit Trust (Http://www.nst.com.my/business/shared)</a>		

[Disclaimer \(/Disclaimer\)](#)[Personal Data Protection Act \(/Privacy\)](#)[Contact \(/Contact\)](#)

© 2014. NEW STRAITS TIMES PRESS (M) BERHAD (4485-H). ALL RIGHTS RESERVED.