

Adam Blum's notes from DJCO annual shareholder meeting

Los Angeles, CA
February 14, 2018

Friends,

Please see below for my notes from today's meeting. Please excuse any errors or omissions – I was taking notes on my phone as fast as I could. See you in Omaha in May, along with 35,000 of our closest friends, like always.

-Adam

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Photos (clockwise from top left): Adam Blum with Peter Kaufman; Charlie Munger; the DJCO board of directors; Adam Blum and Li Lu; Charlie Munger

“We are waiting for some of our directors in the restroom. When you have a meeting of elderly males, they never get there on time.”

“We will now proceed to the formal business of the meeting, and that will be followed by pontification.”

“Now will you read the number of shares? That's all.”

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“That is very interesting - that’s a lot of votes to go against an audit. Some of this stuff is very weird. Maybe they fired somebody.”

“Now to pontification and questions.”

Pontification

“We are surviving but at a very modest profit, and it’s quite interesting what’s going on. There’s a huge trove of valuable information buried in the court systems that nobody could get out in yore. Lawyers want to know all the history of what a judge did and the like. Our glory days are behind us in the traditional business. Most newspapers are going to perish, just a matter of when. The *New York Times* will survive, because people buy it for \$5 at an airport. Berkshire owns a lot of newspapers and bought them for the cash flows produced as the business declined, but we underestimated the rate of decline.”

“The software business produces a lot more revenue, and it’s generally doing well. It’s a difficult business dealing with government agencies as clients. It’s too much agony. In software, we are all used to just money flowing in over the transom, but the way we’re making it here is long and hard. We were just having a board debate about whether the revenue comes in four years or seven years after first contact with customer, so we’re in a long road business. I actually kind of like it. If you do it right, the courts and DA offices actually trust you. It’s a real pleasure to earn the trust of your customers slowly over time by doing what’s right.”

Gerry Salzman: “The new business is slow but will have quite long life once we get there. Government agencies don’t want to spend the money and time to change. The implementation of most systems depends on the implementation of the conversion of interfaces. It’s hard to convert information from 30 years ago. We have a large number of installations going on, and most will take upwards of a year and some much longer. But once the system is changed, it’s very effective for the customer. It helps the agency’s IT department people feel important so they will stick around and enable us to get in and out and satisfy the client.”

“Our system is more configurable than the competition, and we are slower to recognize revenue than our competitors. We see this as a good thing. Customers hate to spend a lot of money and get nothing back. We work hard not to take money until we are performing.”

“One of the advantages of being rich is that we can pay well relative to other people and don’t give a damn what we report in any given quarter. We let the customers pay only when it starts working, and we use conservative accounting, which is the right way.”

“We want the customers to be right when they trust us.”

“My friends, I’ve fallen in love with agencies of South Australia. They give me enormous pleasure. [laughter] We may end up with pretty much all the business there. If we do, it’s because we deserve it.”

“That’s pretty much it. It’s been a long slog to date and will be ahead. We’re taking territory but not rapidly, and will never be the kind of thing that Google or Microsoft get into where the sky rains gold. It’s a long slog, but it’s nice that we have a big bag of money, strong will, and good people.”

“In addition to Daily Journal’s businesses, we have a great bundle of securities and want to dispel again that this is not some minor version of Berkshire. We have a bundle, because we bought them at a time when we preferred to own them to holding cash and had a lot of extra liquidity on hand that came to us by accident. The chances of more gains like what we have done in the last four or five years is zero. Oh, well we will have a big gain next quarter, because of a deferred tax reduction from the Trump tax code change, so we will look like a genius for one more quarter, I suppose.”

“BYD has gotten to be a big position. When the Munger family and Berkshire got in, it was a venture capital play, and now it’s an extraordinary business. They make all kinds of batteries and have a lake full of lithium off of Tibet that would be toxic to drink but perfect for lithium. And they’re selling monorails like you can’t believe – boom ditty boom ditty boom - also electric buses. It’s weird that we’d have anything to do with a little company that becomes a big company, but it happened. The man who founded BYD was the eighth son of a peasant, and one of his older brothers thought this man was genius. In the Confucian system, the brother made sure the man was educated - he got a PhD and made cell phone

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batteries with a \$300,000 loan from Bank of China. What a tiny start to a business now with 250,000 employees. The Shenzhen and Tibetan governments love the company. It's heartening to watch them create a monorail business that slowly starts to gallop. The permitting system there is different. I love it - if you want to do something then just do it. And it's good to have electric buses where they can't breathe the air."

It was not very weird buying into banks when they were depressed. Wells Fargo is interesting, and I know we'll get a question, so I will answer in advance. Of course Wells Fargo had incentive systems that were too strong in the wrong direction. Of course they were too slow in reacting to the bad news when it came. But practically everyone makes those mistakes, but we make fewer than others. I think Wells Fargo will be better off for having made those mistakes. Any bank can make a lot of money by making a bunch of bad loans at higher rates or abusing customers, but banks shouldn't do that. Wells Fargo will be better off, and it's time for regulators to let up on Wells Fargo - they've learned their lesson."

"I'm looking at a bunch of shareholders, and most of you are groupies except for one exception who bought the stock because of Daily Journal's business. I know a nerd when I see him - it takes one to know one. I might go on for a little. One of our directors gave a list of qualities an investment advisor should demonstrate to a picker, and the picker fired half his managers. I found that to be telling, so you should hear this. Peter, will you tell them?"

Perter Kaufman: "I call them the five aces: (1) total integrity, (2) actual deep fluency in whatever you say going to do on behalf of the client, (3) a fee structure fair in both directions, (4) an uncrowded investment space, and (5) a long runway (a manager who's reasonably young in age). If ever you find one with all 5 qualities, put money there immediately and put as much as you're allowed to put with them. I know we have money managers in the room." Munger interrupts "do we ever." "And all here employ money managers." Munger: "yeah but it will cost you to fire half those you hired."

On the fourth ace of requiring an uncrowded investment space: "where there's mystery, there's margin."

"We do not have a long runway (referring to his age of 94), but it doesn't mean the company won't do well [laughter]. Berkshire is peculiar for old directors and managers, and only exceeding Berkshire and Daily Journal in this is the Mormon Church. They have no paid clergy, and the ruling power of the whole Church is in group of males aged 85 to 100. The system is very successful, and obviously we are copying that [laughter]. We at Daily Journal are so much older than the Berkshire directors who are also very old that Warren says always we are checking on him to see how the young folks are doing. Who would guess that the best run church has no paid clergy and is run by over-85 males? It's an odd result, and I am living a life full of odd results, and I am very surprised to be here. It's like the old woman I liked at who at her 94th birthday party said she was very pleased to be there...and in fact, she was very pleased to be anywhere."

"The incentive structure in investment management is very interesting. There are those with a gob of money from the past such as the Massachusetts Investment Trust, who pioneered mutual funds. Once they got big and hired a bunch of people with over \$700 billion in assets, their chances of outperforming the S&P 500 were zero. Their world is threatened, and they can't command those fees anymore for not outperforming, and the fees themselves kill the chance of net outperformance. Say someone is charging one and 20 or even worse, two and 20, and they have \$30 billion in assets under management and an army of people working for you who want to get rich very fast - these people's chances are very poor to outperform. High fees will kill you. It's hard to get big advantages when buying securities. In fact, it's delusional. It's not good to face the world in a delusional way. When Berkshire came up, we had an easier world than you people are facing. You won't get the results we got by doing what we did, not that what we did is obsolete or not useful, just that prospects are worse. The two rules of fishing are to fish where the fish are, and don't forget the first rule. Investing is the same thing. In some places, no matter how good a fisherman you are, you won't do well. Life is a long game. Take it as comes and do the best you can, and if you live to an old age, you will get your full share of opportunities, which will be two in total, maybe, but seize one of the two, and you will be alright."

"With that pontification, I will take a question. Wait for a mic. We don't have mics here?"

Questions

On Midwestern values: "Some middle western values are embedded. We would not be in the same place if Berkshire had started in the middle of Manhattan Island with so much buzz and craziness in finance there. Warren had an advantage running that place out of Omaha, and I have deep ties and respect for life in Omaha and my parents and their friends. I like the Midwestern culture and really don't like crazy culture. Culture is not that bad in the South or East or the Rockies. I go

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to Montana to fly fish and like it, but it's too rugged. I need more intellectualism and a big city. Omaha was just fine for me."

More on BYD/new metals: "I am hardly an expert at commodity investing, but Cobalt is very interesting. It's up about 100% from bottom and could get tighter, but that's not my game. I bought copper once with a few thousand dollars. That's my only experience."

On all his suffering as a young adult and if he ever considered a career as a comedian: "I think you understand me best – I am a gentile Jew. It's 2% of the world [Jews] providing 60% of the humor. Jews are a group that's had a lot of trouble. Humor is my way of coping just like the Jews. I recommend it to all of you. Now I am going to tell you a story. There was a darling little girl with wispy blond hair, beautiful curls, and a charming lisp. She goes into the pet store and asked for 'wabbits.' The clerk asked if she preferred black 'wabbits' or white or grey 'wabbits.' And she said 'I don't think my lovely big snake is gonna give a shit.' One thing that's nice about the human condition is that people are always doing these utterly ridiculous things, and that gives us laughing material."

On his disapproval of psychology as an academic field: "It sounds as though I've been somewhat misquoted. It is hard to teach psychology in academia. Everyone doing these experiments all to be published. But every experiment has to be too specialized in order to completely isolate the variable. But the great utility is if you know these specific principles fluently and use them in synthesis with rest of knowledge. The interplay of the principles with knowledge is vastly productive, but professors can't do it, because they don't know rest of knowledge, and there are no rewards. The academic world rewards only publishing something else specific and is not set up to use a blend of systems, and the whole damn thing is wrong. I am glad that I figured out as a student, that if a professor didn't do it, I would do it for myself. Sadly, students today learn the way it's taught, and their professors have no reward to synthesize it with rest of knowledge. They won't make any money doing it. Occasionally, you find a group like [Richard] Thaler's group who just won a Nobel Prize - more power to him, and may his tribe increase. Who else can I offend?"

"Put the microphone closer to your mouth. I am not catching that exactly - put the microphone closer to your mouth."

On teaching kids mental models or letting them figure them out: "Do both. My whole system of life is keeping at it. [Thomas] Carlyle's approach was, as William Osler quoted: 'Our main business is not to see what lies dimly in the distance, but to do what lies clearly at hand.' Get the work that's before you done and just let the future fall as it will."

On banking incentives: "Banking is a very peculiar business. The temptations to do something stupid are way greater for a bank CEO. Banks are a dangerous place to invest. There are a lot of ways to make the near-term future look good by taking risks that affect long term future. There are a few exceptions. Berkshire tries to pick a few exceptions as best we can when we look at banks. I haven't anything more to say except that I am right."

On if Google, Facebook, Apple and Amazon are overvalued: "I don't know. Next question."

What's a good fee structure? "The Buffett Partnership model copied from Ben Graham is the fairest in the world. Mohnish [Pabrai] uses it and always has. He went ten years where he took nothing off the top. There aren't many Mohnishes. Everyone else wants to scrape it off the top in gobs. Why give money to someone who hasn't accumulated any? Why not suffer on the downside with the investor? Who is copying it? Maybe a few others, all in this room, but everybody wants to scrape it off the top. A check every month is comforting to human nature, and for half the population, it is all they have (paycheck to paycheck). The structure is 25% of profits over 6% per annum with a high watermark. If you don't make 6%, you get nothing. I like it, and like many things it should spread, but it's just too hard, but we've still got Mohnish."

On why he is called Charlie instead of Chuck: "The only people who call me Chuck are calling blind asking me to invest in oil plays. My grandfather was Charlie also, but he became 'T.C.' when he got elected judge, because 'Charlie' was undignified. And I didn't follow that practice and am quite willing to have undignified name."

"Those are two unrelated questions, but there's no rule against it. Three is too much, for rest of you."

Healthcare: "The current system runs out of control on the cost side and leads to behavior that's not just regrettable, but evil. There's a lot of crapola that just causes us to run out of money. Other systems like Singapore and Socialist Western Europe use smaller amounts. It is out of control, and incentives are wrong. I don't know how the deal with Amazon and JP

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Morgan will work out. That's a very difficult thing to take on. Atul Gawande at Harvard is best writer in the medical profession and an honorable and clear-thinking man. His parents were both physicians, and he can check all the boxes, so I listen to him. It wouldn't be hard for a benign despot to do something dramatic. Take macular degeneration. Old people need a shot. I could give that damn shot. It's not that hard to shoot a little goop in the eye. There are two substances for the goop that are both equally effective, and the one that's pricier is used all over America. Many a man who is dying is like a carcass in West Africa. In comes all the vultures and hyenas and assorted carnivores who come in to feed to bleed money out of old people. It's not right to bleed so much money out of our dying people. There's not a hospital that's not dialysing people to death. It's deeply immoral, so if someone [like Berkshire, JP Morgan and Amazon's partnership] wants to assault the asininity of the system, I welcome it. I am all for someone trying to figure it out. I don't want to do it, because I am too old. If they ask me to serve on such a panel, I'd decline."

On Li Lu: "Li Lu is one of most successful investors imaginable and popped out of someone's womb and assaulted life as best he could. It helps to be smart and have a good temperament. And he's deeply aggressive but also patient. I've given money to one manager in my whole life. They're hard to find. It doesn't help you that a stock is a wonderful thing to buy, if you can't figure it out."

On consumer brands: "Big consumer brands are still valuable but had an easier time in a former era. On Amazon, I don't know much, but they're unbelievably aggressive, and the man who heads it is ferociously smart and trying to do things that are difficult. Costco is continuing to flourish. It's a damn miracle how well our Kirkland brand has done. The Snickers Bar trademarks will still be good assets 60 years from now. It used to be that groupies would buy Nestle and sit on their tail. It's harder now, but you know that. You're right, but you already knew that. That wasn't really a question. That was you wanting the answering voice to agree with you."

On oil: "Are you asking what I think about the future of oil or the future of Kuwait? I said last year that the oil industry was very interesting with Exxon Mobil producing at a third of peak while oil prices went up faster than oil production went down. Eventually, it will get hard to have more. The price will go high, and as a chemical feedstock, hydrocarbons are totally essential and will never go out of vogue. At Berkshire in our whole history, we've made very few investments in oil, and at Daily Journal we've made none. It's a tough subject, and the correct policy is not to produce our oil so fast. It is so precious and desirable over the long pull to let our oil stay in the ground and just pay up to use all the Arabs' oil. Only 99.9% of people disagree with me on this. I ask, 'do we want to use up all the topsoil of Iowa?' When I was young, the US produced two billion bushels of corn, and now we are at six times that, and a big chunk is turning into fuel which is utterly insane, thanks to our political system. Nothing could be dumber. It's weird that companies prosper by producing less. Without hydrocarbons, great topsoil and miracle grains don't work so well. The current population of the earth is being fed by the miracle grains that turn oil into food. You raised a weird subject and must like weird subjects."

On public-private partnership opportunities: "The obvious need is big national electric grid. It will come, but we should have it already. Berkshire will be a big part of it. A lot of things that should happen, don't happen or happen slowly. Calling it a 'public-private partnership' sounds wonderful. As Peter Kaufman says, it is a 'robust narrative.' Robust narratives are developed when thieving bankers get together with thieving consultants."

On General Electric: "We invested in GE during the panic as a decent buy to be passively held. It worked out. GE is a very complicated and interesting subject. It was so well regarded for acumen, education, and technology but ended up so ill-regarded as a result of a long period of subpar performance, which surprised people. The failure was caused by a few things. Life is hard, and there are some accidents in the world. And the system at GE where you rotate executives in a generalist path doesn't work as well as keeping people in one business for a long time like Berkshire does. Think less corporate management in the style of the US Army and more of one spending his whole career in one business."

On his lessons learned working with good managers: "I don't think I could do that in one short burst of pomposity. If you ask people with long experience in management what their mistakes were, it's that someone under them who should've been removed wasn't cashiered sooner. That's too broad of a question for me."

On concerns over the government's debt-to-GDP levels rising: "It's new territory for us, and new territories probably have some danger. Of course I'm concerned about the rising level of government debt. On the other hand, it's possible the world will function well even with a different pattern of government behavior that was not considered responsible to-date. We

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used to say 'keep prices stable' as an objective, but now the objective is 'keep prices around 2% growth,' and isn't it worth betting that inflation will be higher than 2% then? Yes. Macroeconomics doesn't work like physics – the system is different from decade to decade, and it has different formulas, and they don't tell you when the systems change or what the new formulas are. Don't expect the world to go totally to hell. Just think of Germany after World War I with hyperinflation and a currency that went to zero. They recovered well by creating a new Reichsmark and putting mortgages back on houses that were removed. And then the Great Depression plus the Weimar inflation brought along Hitler, and by the late 1930s, Germany was the leading economic power in Europe. Hitler bought a lot of munitions and such and their accidental Keynesianism brought about the most profitable place in Europe at the time. They recovered from the catastrophe. I am not advocating a German system, but knowing examples creates mental ploys. Germany destroyed itself and did silly things, and then in 1939 it was the most powerful country in Europe. I hope you feel better."

On the lack of antitrust activity in government in the last few decades: "I don't know whether the Department of Justice will be more active or not in antitrust. I am not disturbed by the present state. I am not a calamity howler. Companies have plenty of competition. Kodak is not even here anymore, and they worried it had too much power. The world is not going to hell from lack of activity in the Justice Department."

On Ajit Jain building the reinsurance operation from nothing: "It's very simple. He worked 90 hours a week. He's smart, honorable, pleasant to deal with and talked every night to Warren Buffett - just find someone like that to talk to every night."

On being in treasuries: "It is possible that there could be a time where a wise investor could be all in treasuries. It is virtually impossible for me to see when. I guess I could imagine it, but I haven't seen it. Long-term treasuries are a losing battle over the long pull."

Can you outperform if you manage small sums? "If you ran \$1 million, a very smart man who is patient and aggressive in combination and willing to root around in thinly traveled places can return high results. But this is not personal problem at the moment for me. Clearly it is disadvantageous to have securities in a corporate vehicle. It's an accident, but that's where the money was. All kinds of factors affect investment decisions. It's easier to invest a charitable endowment or a pension plan. If you're shrewd and work with small sums, you can do very well. It's way more difficult now than it was for me when I was in your position, but I am about to die, and you aren't, and you don't want to trade your position for mine."

Advice for teachers and parents: "You were trying to help me by hurrying up and that's not the best strategy. Please say it again. The minute you have this attitude of wanting to teach values, you've already expressed that you've already won. Live a good life and be honorable and meet the reasonable expectations of those around you. Teach by example – it's easier to be an example when you win, but you have to be one when you don't win, and keep at it. You can't fail if you do this."

On the advantages of using embedded leverage from insurance float from someone who accidentally addressed him as Warren Buffett: "I am flattered to be called Mr. Buffett, thanks. Insurance companies provide a little leverage today, but it's not overwhelming in its consequences. For years it was, when I made so much it was embarrassing. Insurance is not some easy way to make money, and it's more and more competitive. Berkshire succeeded, because we made no big errors and had a considerable number of successes, all of which are harder under present conditions. Very few have compounded at 19% per annum for 50 years, and I wouldn't count on it happening again and certainly not at Daily Journal."

Margin trading: "It is dangerous, because the person giving you credit can wipe you out at a bottom tick just because he feels nervous. Berkshire avoids that stuff where someone else can sell your securities because they feel nervous. These weird new instruments like these VIX contracts that trigger new selling when existing selling happens and create a feedback effect where a little decline makes a bigger decline are real. The risk of what happened here is just part of the world. Consider [Victor] Niederhoffer, whose name at Harvard became a verb. He was a great card player. He had high grades with no work. He figured out that he could take the toughest economics graduate courses where no one gave grades lower than A's, because the grad students were all doing skunkworks for professors. Niederhoffer became the new Keynes at Harvard but was just doing classes where couldn't not get an A. He Niederhoffered the curriculum. As an investor, he

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lost it all and then was wiped out for second time years later. It was a mistake pushing that hard when he was already rich. It's insane. Why risk what you have and need for what you don't have and don't need? It's really stupid."

US high speed rail: "This was aggressively created in China and was a huge success. It is really difficult in the conditions we have. It is a great idea. I am not sure whether it was or wasn't wise in California, all factors considered. Call me skeptical. I know it will cost a fortune. You're competing with something that works pretty well called the airplane. I know we need a new grid, but I am not sure we need a new high speed rail system."

On investing in good brands: "I'd be delighted to own either Hershey or Tiffany's at the right price. These are great companies, but that's not enough. They have to be available at a price I am willing to pay. Hershey is private, so no one is offering it to me. I can buy the candy, but I can't buy the company."

From a young man asking about taking over the family assets from his 92 year old grandmother who'd invested the family money for several years: "Well of course I like any 92 year old person, particularly if she's a good looking woman and also rich and whose descendants admire her instead of being eager to have her gone. You have a big winner in your family; live your life so you can be a big winner too."

On if utilizing artificial intelligence as a profit generator for businesses: "Well that's a nice question. People who study it don't know the answer, and of course I don't study it. I am not sure the AI will create an economic revolution. I can see that AI is working in the marketing arrangements of Facebook and Google, and so it's working well. I don't know what exactly it will be. I've done so well in life by using organized common sense that I never wanted to get into fields like AI. I can walk along shores picking up boulders of gold. Why go sift and pan in the mines? We've thought about AI at GEICO for years and years and still just use plain old intelligence instead."

On culture: "You understand culture best where it's a vast and constructive force like Costco. It's complicated when decentralized, and you have different businesses. There are very few like Costco with an extreme culture where everyone is bought in. How much can be achieved if the culture is right? In bigger and more complicated places like General Motors and AT&T, it is difficult. One norm in culture is big businesses get very bureaucratic, and you see this in government too. I don't like bureaucracy. It creates a lot of error. I don't know how to fix bureaucracy in a big place. If they made me CEO of a company with a million employees and said 'change the culture, Charlie,' I would regard that as a sentence to hell. I think it would be hard to change the culture of a restaurant. Berkshire solves it as best it can. We can't have so much bureaucracy at headquarters that there are no bodies at headquarters. There's no solution for corporate culture at monstrous places."

On climate change: "I am deeply skeptical of the 'conventional wisdom' of those who call themselves 'climate scientists' and strongly suspect that they are probably more alarmed than the facts warrant. And they like the fact they can prattle about this 'alarm.' The difficulties of what they urge as a resolution are underestimated. Just because someone may be smart enough to actively figure out climate change with chemistry and physics, it doesn't automatically mean we know how to fix it with geopolitics and all that. It's a hell of a lot of nonsense being prattled by these alarmists, but I have no doubt that CO₂ causes global warming. Just because I accept that doesn't mean the world is going to hell, and the waters are rising. But I don't want to be associated with the Know Nothings either. I am not trying to offend anyone, but I have done a pretty good job at it."

On having personal success: "Approach life like [Thomas] Carlyle, and get up every day doing the best you can. Marry the right person. Everyone here who's your age will do well. You're not that mad at the world; instead you're trying to cope with how to make it a little better. If you were here with placards shouting, you wouldn't have bright future. Avoid extremely intense ideology, because it ruins your mind. The kids with the placards are pounding the idiocy in instead of shouting it out."

On cognitive biases in the media and in government: "There are so many cockroaches in the kitchen, it is hard to identify each species. Every bias that man is prone to is always working. It is amazing what people have come to believe and how polarized the parties are becoming. On television, on Channel A, it's our idiot and on Channel B, it's the other idiot, and you have both idiots, and choosing your lesser idiot to get your newsgathering is something I don't much like. I prefer Cronkite. I do flip back and forth between idiot types; I don't stay with just one idiot. Just know the world always has idiots with crazy people and crazy people who follow crazy people. Hitler was a smart idiot. It gives us incentive to think

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for ourselves, and life works better when trying to stay rational. When one idiot misrepresents facts on TV, it makes me not want to be like them. It's interesting to watch, I will say that."

On companies deriving a lot of revenue from advertising facing a new digital world [didn't answer the question and talked about quant trading instead]: "With people using computer science where people sift through data with algorithms and can make money like Renaissance Technologies, this is not a good development for society. Some say it creates more liquidity, but just do without it. I'd rather make money other ways. Algorithms can take too much money and become self-defeating, and thank God for it."

Open mindedness to investing in airlines: "We hated them. There were too many, they were too competitive, and the rules were crazy. They were lousy investments for 75 years, and the world changed they got down to four carriers and double decked the planes. We got into railroads, and Warren says it would be better for investors if the Wrights had never invented flying. Given the situation today, we decided to invest in airlines. It's harder to create the little airlines now, and maybe industry learned. But our chances of buying them and having the investment work for 100 years are low."

On lack of segregated duties as a material weakness at Daily Journal: "All auditors nowadays are paid to 'find a weakness' and fix it. I am not worried. Our accounting is more conservative than the industry, and we are not trying to mislead. We had a couple hundred million in marketable securities, and you can't have a segregation of duties issue in that. Accounting standards have gotten amorphous, and no one is sure of how dangerous some of these standards are. Everyone is worried about someone hacking in and stealing data. I am doing the best I can and taking the blows as they come. BB Robinson came to Los Angeles out of the stock pools in the late 1930s with \$10 million. He drank heavily and chased movie stars. That was in an era when bankers were more pompous. So the bank called him in worried about his social activities. And he said not to worry, as 'my municipal bonds don't drink.' Our lowly marketable securities at Daily Journal don't drink."

On people worried about indexes: "People selling investment advice hate that the index is outperforming. They claim it is not for ruining their life but because the index is too concentrated, which is an excuse. Indexes are not ruining the world and will keep running a long time and will work pretty well. I don't mind people having a hard time."

On cryptocurrency: "I regard the bitcoin craze as totally asinine to create some manufactured currency. A different payment system like WeChat in China could happen. Alternatives to gold and currency and to make a big speculative vehicle – I never considered for one second having anything to do with it. I detested it the minute it had been raised. The more popular it got, the more I hated it. I expect the world to do silly things from time to time, because everybody wants easy money. It's just disgusting that people are taken in by something like this. Who would want one's children growing up buying things like bitcoin? I hope to god my family doesn't buy it. It's noxious poison. People love it, because the computer science is interesting to those with a mathematical bent, but you can get terribly good at torture if spend time on it. China stepping on it hard is right. Our government's more lax approach to it is wrong. The right answer with stuff that bad is to step on it hard. It's the government's job."

On marriage: "Happiness comes from the partner you choose. For me, the best thing was to find a partner who had low expectations. If you're constructed the way I am, that's the only way to go."

"Ok, I am used to the groupies, but standing up for two hours, I wouldn't do that to listen to Isaac Newton if he came back to life. I wish you all well, you're my kind of people."