

Brad Brain: The Berkshire Hathaway annual meeting

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Warren Buffett and Charlie Munger take questions during the Berkshire annual meeting.



Warren Buffett is widely acclaimed as the World's Greatest Investor. Buffett is the Chairman and CEO of Berkshire Hathaway, the \$587-billion multinational conglomerate. Each year at the [Berkshire annual meeting](#), Buffett and Berkshire Vice-Chair Charlie Munger take questions from shareholders.

All sorts of questions. It's totally great. Unfiltered insight from two of the greatest capitalists, but also two of the greatest thinkers, of modern times.

Over the last year some investment trends have emerged. We have new technologies that have given retail investors unprecedented access to capital markets. We have had the emergence of new investment theses that have apparently created instant wealth, including cryptocurrencies and meme stocks.

And with the pandemic we have millions of people staying at home, with time on their hands. Some of these people are getting out their phones to trade stocks. Quite a few people, as a matter of fact.

A bunch of high-flying, speculative investments. Novice investors who only know a bull market. Very few barriers to trading. So, what could go wrong?

Potentially, quite a bit as a matter of fact. And that was a recurring theme of this year's Berkshire Hathaway meeting.

So what is Buffett's advice to new investors? "It's not as easy as it sounds."

He offered some perspective by showing a slide of the 20 largest companies on the planet, including Apple, Microsoft, Facebook, Tesla, and his own Berkshire Hathaway. His question for investors, how many of these companies will remain in the Top 20 list 30 years from now?

Using history as a guide, Buffett then showed a slide with the Top 20 companies 30 years ago. And not a single one of those best ideas from 1989 was able to maintain their leadership position. Every company on the current list is a new entrant.

For that matter, some of the biggest companies in the world were not even around 30 years ago. Even further, some of these companies operate in industries that didn't even exist 30 years ago.

So, tell me again about how confident you are that your stock picks will have an enduring competitive advantage.

There is an app called Robinhood that has become the preferred method of stock trading for many new investors. One of the attractive aspects about Robinhood is that offers free stock trades. But there is a difference between the costs you see, and the costs you pay.

Buffett talks about how Robinhood has influenced the "casino aspect" that has manifested in the stock market, where people are inclined to take a gamble on a high risk bet that may pay off big.

Of course, if you have a chance to win big, the other side of the coin is that many people will lose big. That's how gambling works.

Although Buffett enjoys most of the spotlight, it is not uncommon for his partner Charlie Munger to come away with some of the best sound bites. Buffett is not shy about speaking plainly and has previously called bitcoin "rat poison squared."

Munger was even more pointed. He called bitcoin disgusting and contrary to the interest of civilization, backing it up by saying, "Of course I hate the bitcoin success. And I don't welcome a currency that's so useful for kidnappers and extortionists and so forth. Nor do I like shoveling out a few extra billions and billions and billions of dollars to somebody who just invented a new financial product out of thin air."

As you would expect, these strong opinions stirred up some controversy, and some of the reaction was to dismiss Buffett and Munger as some doddering, out-of-touch, nonagenarians.

But before you do, consider this:. Nobody at the top of the ski hill thinks they are going to hit a tree on the way down. But it happens.

Buffett and Munger are two of the brightest investment minds on the planet, with decades of experience. Their brilliance and their achievements are beyond debate. A wise person will hear them out.

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