

CHARLIE MUNGER

The Complete Investor

TREN GRIFFIN

TREN GRIFFIN is a senior manager at Microsoft where he deals in strategy, competitive analysis and business development. He was previously a partner at Eagle River, a private equity firm controlled by Craig McCaw. He has also worked as a senior director with US West New Vector Group and as a business consultant in Korea, Australia and other Asian countries. He is the author of several books including *The Global Negotiator* and *Korea: The Tiger Economy*. Tren Griffin is a graduate of the University of Washington and Boston College.

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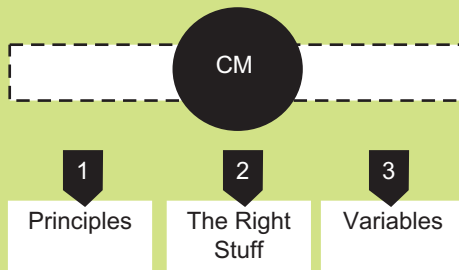
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MAIN IDEA

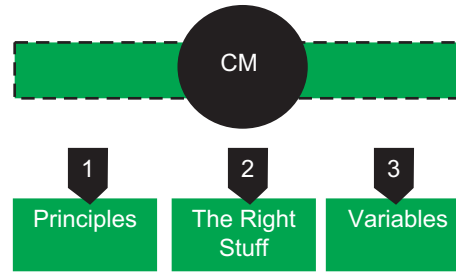
Charlie Munger is one of the world's most successful investors. He is Warren Buffett's long-term partner and exactly one-half of the Berkshire Hathaway senior management team.

Like Warren Buffett, Munger was born and raised in Omaha, Nebraska where he still lives. Charlie Munger studied mathematics at the University of Michigan and then served as a meteorologist in the US Army during World War II. After the war, he studied law at Harvard Law School and upon graduation formed a law firm with a few partners which would ultimately become one of the nation's most prestigious legal practices. Despite that success, Munger left the legal profession to become a full-time investor at the urging of Warren Buffett who he met in California. From 1962 to 1975, Charlie Munger ran an investment partnership which generated 20-percent annual returns compared to 5-percent growth in the Dow Jones over the same time period.

So what is the secret of Charlie Munger's success as an investor? He and Warren Buffett both use a reasonably simple framework for thinking which has three elements:



- *Principles* – Munger and Buffett are well-known advocates of the Graham value investing system.
- *The Right Stuff* – Munger and Buffett always try and take the emotion out of their investment decisions and act rationally and dispassionately.
- *Variables* – Munger and Buffett always add in their unique take on events as an integral part of their investment strategy.



1. Principles Pages 2 - 3

Charlie Munger and Warren Buffett are probably the world's best-known and likely the world's most successful users of the value investing approach first advocated by Ben Graham. They adhere religiously to the four value investing principles and this is the central pillar of everything they do. You can't understand why they do what they do without understanding the Graham value investing fundamentals.

"The best thing a human being can do is help another human being know more."
 – Charlie Munger

2. The Right Stuff Pages 4 - 6

Charlie Munger strongly believes to excel as a Graham value investor, you need to develop and exhibit specific personal character attributes. For him, this constitutes the "right stuff" when it comes to investing. Munger advocates if you work at developing these attributes, you will avoid the psychological and emotional mistakes other less successful investors have made over time. He suggests the best way to avoid the trappings of success is to keep working at developing these attributes no matter how much success you might have achieved.

"I observe what works and what doesn't and why." – Charlie Munger

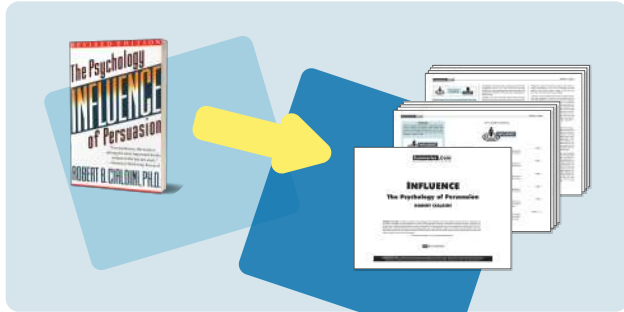
3. Variables Pages 7 - 8

Even when using the Graham value investing principles, investors can still make decisions which establish their own unique style and methodology. This is good because it forces you to be a lifelong learner. Make sure you're reading, learning, relearning and most importantly thinking all the time. That's the real work it takes to succeed as an investor over the long haul.

"Take a simple idea and take it seriously." – Charlie Munger

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