



SUNCOAST EQUITY MANAGEMENT, LLC

“...There are a few thoughts worth remembering. Intelligent Investing is not complex, though that is far from saying that it is easy. What an investor needs is the ability to correctly evaluate selected businesses. Note the word “selected”:
You don’t have to be an expert on every company, or even many. You only have to be able to evaluate companies within your circle of competence. The size of the circle is not very important; knowing its boundaries, however, is vital.

To invest successfully, you need not understand beta, efficient markets, modern portfolio theory, option pricing, or emerging markets. You may, in fact, be better off knowing nothing of these. That, of course, is not the prevailing view at most business schools, whose finance curriculum tends to be dominated by such subjects. In our view, investment students need only two well-taught courses – How to Value a Business, and How to Think about Market Prices.

Your goal as an investor should simply be to purchase, at a rational price, a part interest in an easily-understandable business whose earnings are virtually certain to be materially higher five, ten and twenty years from now. Over time, you will find only a few companies that meet these standards – so when you see one that qualifies, you should buy a meaningful amount of stock. You must also resist the temptation to stray from your guidelines: If you aren’t willing to own a stock for ten years, don’t even think about owning it for ten minutes. Put together a portfolio of companies whose aggregate earnings march upward over the years, and so also will the portfolio’s market value.

Though it’s seldom recognized, this is the exact approach that has produced gains for Berkshire shareholders.....”

-Warren Buffett

Berkshire Hathaway - 1996 Annual Report