

Warren Buffett Wisdom

1959 Letter– Harish Kawalkar [[hk](http://www.harishkawalkar.com)]www.harishkawalkar.com



Warren Buffett start this letter with general market commentary and advance decline ratios of stock.

Most of the investment group like Tri-Continental corp. had a difficult time in comparison with the

Industrial Average.

“Most of you know I have been very apprehensive about general stock market levels for several years. To date, this caution has been unnecessary. By previous standards, the present level of "blue chip" security prices contains a substantial speculative component with a corresponding risk of loss. Perhaps other standards of valuation are evolving which will permanently replace the old standard. I don't think so. I may very well be wrong; however, I would rather sustain the penalties resulting from over-conservatism than face the consequences of error, perhaps with permanent capital loss, resulting from the adoption of a "New Era" Philosophy where trees really do grow to the sky.”

Buffett is fearful about general stock market levels, the level at which blue chips are available, the price contains the speculative component, which leads to risk of loss, the new standard are evolving which replace the old standard. Buffett would like to take the penalties of over conservatism rather than face the consequences of error of permanent loss of capital in participating in speculative pricing.

Buffett generate 25.9% average return to partners.

Buffett Increases his stake in one of the holding of his partnership, this year from 25 to 35% off partnership assets in one of his commitment. It's a large percentage, but made for strong reasons, The Company is partially investment trust owning some other

securities, Buffett invested substantial discount from asset value based on market value of their securities.

The remaining 65% of partnership assets are invested on Work-outs,

(What is work-outs? Our second category consists of “work-outs.” These are securities whose financial results depend on corporate action rather than supply and demand factors created by buyers and sellers of securities. In other words, they are securities with a timetable where we can predict, within reasonable error limits, when we will get how much and what might upset the applecart. Corporate events such as mergers, liquidations, reorganizations, spin-offs, etc., lead to work-outs. An important source in recent years has been sell-outs by oil producers to major integrated oil companies” Warren Buffett Letter to Partner: 1961 Letter)

35% in undervalued stock and 65% in Work-Outs, this strategy works superior in bear market and average performance in bull market.

In 1959 letter Buffett explains great points.

- ✓ **Buffett is fearful about general stock market levels**
- ✓ **Stock price contains the speculative component**
- ✓ **Be more conservative than aggressive in speculative market**