

Buffett Tenets

BUSINESS TENETS

Is the business simple to understand?

Does the business have a consistent operating history?

Does the business have favourable long-term prospects?

MANAGEMENT TENETS

Is management rational?

Is management candid with the shareholders?

Does management resist the institutional imperative?

FINANCIAL TENETS

Focus on return on equity, not earnings per share

Calculate “owner earnings” to get a true reflection of value.

Look for companies with high profit margins.

For every dollar retained, make sure the company has created at least one dollar of market value.

MARKET TENETS

What is the value of the business?

Can the business be purchased at a significant discount to its value?