

Warren Buffett on Market Volatility, Risk and More

✘ On my must-read list is [Warren Buffett's annual letter](#) to Berkshire Hathaway (BRK.B) shareholders. Even if you are not a Berkshire shareholder (like I am), the observations on the financial markets and investing are often priceless. This year was no different. Though Buffett's comments about acquisitions received the most attention after the latest letter was released last weekend, there were several observations about investing that are worth paying attention to (and even saving).

PER BUFFETT,
INVESTORS NEED TO

- DISREGARD FEAR AND ENTHUSIASM
- FOCUS ON SIMPLE FUNDAMENTALS
- BE WILLING TO LOOK UNIMAGINATIVE
- ~~HAVE GREAT INTELLIGENCE~~
- ~~HAVE AN ECONOMICS DEGREE~~
- ~~UNDERSTAND JARGON~~

Possibly the best parts of the letter came from Buffett's discussion about a 10-year bet. Buffett predicted that the returns of a plain-vanilla S&P 500 index fund would beat those of hedge funds. He won the bet handedly. So I'll start with the lessons he shared in discussing the bet before moving on to other noteworthy parts of the letter.

The Secret to Dealing With Market Volatility: In putting market fluctuations into perspective, Buffett wrote, "Though markets are generally rational, they occasionally do crazy things. Seizing the opportunities then offered does not require great intelligence, a degree in economics or a familiarity with Wall Street jargon such as alpha and beta. What investors then need instead is an ability to both disregard mob fears or enthusiasms and to focus on a few simple fundamentals. A willingness to look unimaginative for a sustained period—or even to look foolish—is also essential."

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More on AAll.com

- [Insights on Warren Buffett From His Friend and Editor](#) - Carol Loomis, who edits Buffett's annual letter, spoke about his investing and management process.
- [Reflections on the Past and Future for the Individual Investor](#) - AAll founder Jim Cloonan shared his views on what risk really is this past November.

Highlights from this month's *AAll Journal*

- [Tax Guide Update: The Tax Cuts and Job Act and 2018 Taxes](#) - We discuss the changes (and parts of the tax code that haven't changed) affecting most individual investors, including the new tax rates, deductions and exemptions.
- [March 2018 Editor's Note](#) - My observations on the new tax law and some suggestions on what do with your savings from it.

AAll Sentiment Survey

Neutral sentiment is at its highest level since last July, rising to the upper end of its typical range.

[More about this week's results.](#)

This week's results:

- Bullish: 37.3%, down 7.4 points
- Neutral: 39.3%, up 6.7 points
- Bearish: 23.4%, up 0.6 points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

AII Asset Allocation Survey

Cash allocations among individual investors rose to a four-month high, while equity allocations stayed above 70% for just the 39th time in our survey's history. [More about the latest results.](#)

February AII Asset Allocation Survey results:

- Stocks and stock funds: 70.1%, down 1.1 percentage points
- Bonds and bond funds: 15.0%, down 0.5 percentage points
- Cash: 15.0%, up 1.7 percentage points

February AII Asset Allocation Details:

- Stocks: 30.5%, down 2.8 percentage points
- Stock Funds: 39.6%, up 1.6 percentage points
- Bonds: 2.6%, down 0.6 percentage points
- Bond Funds: 12.4%, up 0.1 percentage points

Take the [Asset Allocation Survey](#).

What's Trending on AII

1. [A Dividend Approach to Judging the Value of Stocks](#)
 2. [The Effect of Dividend Changes on Expected Cash Flows](#)
 3. [How Much Small Cap Should Be in Your Portfolio?](#)
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The Week Ahead

Fourth-quarter earnings season will start to wind down. Still, nine S&P 500 member companies are scheduled to report: Autodesk Inc. (**ADSK**), H&R Block Inc. (**HRB**), Ross Stores Inc. (**ROST**) and Target Corp. (**TGT**) on Tuesday; Brown-Forman Corp. (**BF.B**), Costco Wholesale Corp. (**COST**) and Dollar Tree Inc. (**DLTR**) on Wednesday; and Cooper Companies Inc. (**COO**) and Kroger Co. (**KR**) on

Thursday.

The week's first economic report will be the ISM's February non-manufacturing index, released on Monday. January factory orders will be released on Tuesday. Wednesday will feature the February ADP employment report, January international trade data, the first revision to fourth-quarter productivity and the periodic Beige Book. February jobs data, including the change in unemployment and nonfarm payrolls, will be released on Friday.

Three Federal Reserve officials will make public appearances: New York president William Dudley on Tuesday and Wednesday, Atlanta president Raphael Bostic on Wednesday; and Chicago president Charles Evans on Friday.

Local Chapter Meetings

AAII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AAI members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

[Upcoming Meetings »](#)