Invest Like the Oracle of Omaha With 3 Buffett-like Canadian Stocks

Description

Value investors across the globe were busy reading on Saturday, after Warren Buffett released his annual letter to shareholders that morning. This letter may be best remembered for going back to the basics; Mr. Buffett devoted a lengthy section towards the most important habits that investors should stick to.

Mr. Buffett holds very few Canadian stocks, but we can still apply his lessons when investing in Canada. Here are three Canadian companies that seem to be a mirror image of Mr. Buffett's holdings.

BNSF and CN Rail

When Warren Buffett bought the Burlington Northern Santa Fe railroad in 2009, he referred to it as "an all-in wager on the economic future of the United States." The reasoning was fairly simple. Increased economic activity means increased goods that need to be moved. But more importantly, railroads like BNSF have quite possibly the widest moats of any business model, meaning that competitors cannot simply invade BNSF's turf and take market share. The cost of building track is too expensive.

The Canadian equivalent to BNSF is without doubt **CN Rail** (TSX:CNR)(NYSE:CNI). Both railroads are the largest in their respective country, and are the best-positioned to take advantage of the growth in crude-by-rail. CN Rail also has a more consistent track record (no pun intended) than any other railroad in North America. Investors who want to make a bet on Canada may want to consider CN Rail.

FlightSafety and CAE

A less well-known Buffett holding is flight simulation training provider FlightSafety, which he bought for $1.5 billion way back in 1996. FlightSafety is very capital-intensive – a negative for Mr. Buffett – because the simulators are very expensive to build. But the company enjoys strong relationships with its customers (airlines mainly), and generates a lot of cash flow.

FlightSafety's top competitor is Montreal-based **CAE Inc.** (TSX:CAE)(NYSE:CAE). CAE enjoys the same benefits as FlightSafety, but also makes money from selling the simulators to larger airlines. This is a fantastic business for CAE, since airlines have to pay a big part of the purchase price before receiving the simulator.

Wells Fargo and TD

Mr. Buffett's largest public company holding is **Wells Fargo** (NYSE:WFC), a stake worth about $22.5 billion. Wells has consistently been one of the best-performing banks in the United States, most recently earning a very respectable 14% return on equity.

Arguably the best-performing Canadian bank in the past 10 years has been **TD Bank** (TSX:TD)(NYSE:TD), and coincidentally TD also has a big presence in the tough U.S. banking market. But also like Wells, TD has an excellent relationship with its customers, and as long as that continues, the bank looks set to earn excellent returns as well.

Foolish bottom line

There is a reason why Mr. Buffett's letters are still a must-read. There is no one who has a better 50-year track record than he does, and his lessons remain as relevant as they have ever been. Investors who remember those lessons should have the odds in their favour.

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