



Canada's Top 3 Warren Buffett Stocks: Toronto-Dominion Bank, Canadian National Railway Company, and Intact Financial Corporation

Description

We obviously don't claim to speak on Warren Buffett's behalf. However, it's possible to look at what companies he holds, examine what he likes about them, and find similar companies in Canada. Below are the top three examples.

1. Toronto-Dominion Bank

Mr. Buffett has been a very large shareholder of **Wells Fargo & Co** ([NYSE: WFC](#)) for a long time. This has served him well — as of the end of last year, Mr. Buffett had turned an \$11.9 billion investment into nearly \$22 billion worth of shares. Wells is also Mr. Buffett's largest investment in a publicly traded company.

In Canada, there is no company more similar to Wells Fargo than **Toronto-Dominion Bank** ([TSX: TD](#)) ([NYSE: TD](#)). Both banks specialize in retail banking, and are very adept at cross-selling different products to their customers. As a result, both are very profitable; both have a return on equity slightly above 14%, very impressive for banks with such extensive operations in the United States.

Unfortunately, both banks trade at a premium too, at close to twice book value. However, like Mr. Buffett always says, it's better to get a great company for a fair price than a fair company for a great price.

2. Canadian National Railway Company

In late 2009, when seemingly everyone was still reeling from the economic crisis, Mr. Buffett made an "all-in wager on the economic future of the United States" by buying **Burlington Northern Santa Fe, LLC** (NYSE: BNI). The railway company was Mr. Buffett's largest deal ever.

It's easy to see what Mr. Buffett liked about it. Railroads are extremely immune from competition, and as a result are able to chug out consistent profits, exactly what investors should be looking for. In Canada, there is no better example of that than **Canadian National Railway Company** ([TSX: CNR](#))([NYSE: CNI](#)).

Better yet, Canadian National Rail has long been North America's most efficient railroad, and arguably has the best track network too. So if you're as patient as Mr. Buffett, you can feel very comfortable holding these shares.

3. Intact Financial Corporation

Despite the investments listed above, Mr. Buffett is still best known for insurance, especially Geico, a leader in auto insurance in the United States.

In Canada, the runaway leader in property and casualty insurance is **Intact Financial Corporation** ([TSX: IFC](#)), better known for brands such as belairdirect and Grey Power. Like Geico, Intact is very well run — last year the company earned a return on equity of 10.3% in a weak environment, beating its peers by four percentage points.

Like Toronto-Dominion Bank, Intact's shares are not cheap, trading at over twice book value. Once again, though, you should be more concerned about finding quality companies, just like Mr. Buffett.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. NYSE:WFC (Wells Fargo)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:IFC (Intact Financial Corporation)
6. TSX:TD (The Toronto-Dominion Bank)

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