



3 Ways to Invest Like Warren Buffett

Description

Warren Buffett has been described as the world's greatest investor, and his success has propelled him to be among the world's wealthiest people. This success isn't attributable to complex trading strategies or risky investments. It relies on patience and employing some relatively simple but important rules that even the average investor can emulate.

Now what?

Firstly, one of Buffett's most important rules is investing in businesses that are easily understood.

When reviewing Buffett's portfolio this becomes quite clear. The largest single holding he has is food and beverage company **Kraft Heinz Co** (NYSE:KHC).

It is easy to see why.

As a global manufacturer and marketer of food and beverage products, it has an easily understood business with clear growth drivers.

One way for Canadian investors to gain similar exposure is with **Saputo Inc.** ([TSX:SAP](#)). In 2014 it was Canada's leading food and beverage company by sales, grossing over \$9 billion. Its business is easy to understand and has developed a solid international presence, earning 61% of its EBITDA in the U.S. It is also the third-largest dairy producer in Argentina and the fourth-largest in Australia.

Another important principle is to invest only in those companies that have wide economic moats. This is essentially a business's ability to maintain a competitive advantage over its competitors in order to protect its long-term profits.

One company that makes up 9% of Buffett's portfolio is global beverages company **Coca-Cola Co** ([NYSE:KO](#)). Not only is it recognized as the world's strongest brand, it is so heavily ingrained on the collective consciousness that it is hard to imagine a world without those iconic Coca-Cola beverages.

A company that probably has the widest economic moat in Canada is pipeline company **Enbridge Inc.**

([TSX:ENB](#))([NYSE:ENB](#)). Not only does it operate in a highly regulated oligopolistic industry, but it also benefits from its considerable scale. It has a strong presence in the energy patch, shipping over half of all U.S.-bound Canadian crude, and it has significant operations in key regions in the U.S. oil industry such as the Bakken and Cushing.

Enbridge is also focused on developing opportunities in renewable energy. This will enhance its economic moat and retain its position as one of North America's top pipeline and midstream energy companies.

Finally, Buffett's preference is to invest for the long term. He once famously said, "If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes."

Buffett has held a stake in U.S. credit card giant **American Express Company** ([NYSE:AXP](#)) since the 1960s and has now amassed a holding worth over US\$10 billion.

One of the surest paths to success is investing for the long term in quality companies with solid long-term prospects. For these reasons it is hard to pass up Canada's top five banks with **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) as my preferred choice.

Over the last decade its share price has appreciated by over 60%, while it has hiked its dividend for the last five straight years, giving it an impressive compound annual growth rate of 8%. It has been able to do this on the back of consistently solid financial performances, and there are signs that this will continue as the bank is set to benefit from its considerable U.S. presence.

So what?

Investing success is not difficult to achieve, and the key principles followed by Buffett are easy to follow; all it takes is patience, discipline, and time. By adhering to these principles and investing in companies that are easy to understand, that possess wide economic moats, and have solid growth prospects, success is virtually assured.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AXP (American Express Company)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:KO (The Coca-Cola Company)
4. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:ENB (Enbridge Inc.)
6. TSX:SAP (Saputo Inc.)
7. TSX:TD (The Toronto-Dominion Bank)

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