



Which Top Holdings Might Warren Buffett Buy More of Today?

Description

Warren Buffett stated, "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price." Great companies make money in good times and bad, and they become more profitable over time.

Dividends

We all know that Mr. Buffett loves his dividends. In fact, of the top 10 holdings of **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) at the end of 2015, nine pay dividends.

Companies that have paid growing dividends for many years demonstrate their abilities to remain profitable and to generate earnings and cash in all kinds of economic environments.

Great companies at fair prices

Of Berkshire's top dividend companies, some are fairly priced today. They all have some sort of competitive advantages against their peers, which helps them remain profitable.

Wells Fargo & Co ([NYSE:WFC](#)) was Berkshire's largest holding, making up 19.8% of its portfolio at the end of 2015. At US\$50.51 per share, the diversified bank yields 3% and is priced reasonably at 12.2 times its earnings.

It pays out about 36% of its earnings as dividends, so its dividend is sustainable and has the potential to grow. In fact, it should be announcing a dividend hike this week.

International Business Machines Corp. ([NYSE:IBM](#)) was Berkshire's fourth-largest holding, making up 8.5% of its portfolio. At US\$148.85 per share, the technology company yields 3.5% and is fairly priced at a depressed multiple of 10.3 due to its multi-year earnings decline trend.

It pays out about 35% of its earnings as dividends, so its dividend is sustainable and has the potential to grow. According to its usual dividend-hike schedule, it should announce a dividend hike this quarter.

American Express Company ([NYSE:AXP](#)) was Berkshire's fifth-largest holding, making up 8% of its portfolio. At US\$65.69 per share, the credit cards company yields 1.8% and is priced at a reasonable multiple of 12.1.

It pays out about 22% of its earnings as dividends, so its dividend is sustainable. The company should hike its dividend this quarter.

Conclusion

It doesn't take a rocket scientist to invest for satisfactory returns, but it does take a patient investor who isn't swayed by market emotions, can buy wonderful companies when they're at fair prices, and hold them for a long time to reap the benefits of a growing business.

Currently, Wells Fargo, IBM, and American Express are priced at reasonable valuations. Mr. Buffett might just buy more shares of these great companies today. How about you?

Wells Fargo makes up about 20% of Buffett's portfolio. Investors should be aware of the weightings of each holding in their portfolios, so they remain comfortable and can sleep well at night.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AXP (American Express Company)
2. NYSE:BRK.B (Berkshire Hathaway Inc.)
3. NYSE:BRKA (Berkshire Hathaway Inc.)
4. NYSE:IBM (International Business Machines Corporation)
5. NYSE:WFC (Wells Fargo)

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Date

2025/08/16

Date Created

2016/04/26

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