



Warren Buffett Sold His Stake in Suncor Energy Inc.: Should You Follow Him?

Description

Warren Buffett recently announced that he dumped his entire stake in **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)). While there is reason to believe that more crude oil will flow from Alberta to the United States, there has been no progress on the approval of the Keystone XL pipeline over the last few years. With Donald Trump as president, the Keystone pipeline may actually have a chance to be approved, as Trump is pro-business and open to anything that will help make the American economy stronger.

While Warren Buffett is the greatest investor out there, it is important to manage your own investments and not to simply follow gurus in and out of stocks. One could argue that Warren Buffett sold Suncor at the wrong time, as the stock has been soaring lately.

Why did Warren dump his entire stake? Suncor is still a great company, and it's very well managed, and patient investors will be rewarded with a very fat dividend yield while the stock price recovers along with the price of oil. Suncor has had a very impressive rally lately, and it seems like Buffett is looking to divest from oil.

I believe you should hold on to your shares of Suncor. Don't follow Warren Buffett by selling at current levels. Suncor reported a strong third quarter with net earnings at \$392 million, and revenue north of \$2 billion. Unlike most companies in the Albertan oil patch, Suncor actually saw production jump this quarter; it increased by a whopping 29% compared with the same quarter last year.

Suncor also had the opportunity to scoop up Canadian Oil Sands during the huge rout in oil prices. While Suncor's peers were on their knees with abysmal balance sheets, Suncor took advantage of the harsh economic environment by acquiring valuable assets that would be served better under their own management.

There are fantastic synergies to be unlocked from the deal, and earnings will soar once oil prices head north of \$50. Many pundits believe that oil will go above these levels in 2017, and, if this is the case, we may see Suncor skyrocket to new 52-week highs.

There are several tailwinds right now, and it's a mystery as to why Buffett gave up on this terrific

forever business. The stock could be boosted by the approval of pipelines that will transport more crude from Canada to the U.S., and there could be a rally in oil prices, as demand is still relatively strong.

There's no question that Buffett is a great investor, but if you want to follow him, you've got to come up with your own reasons why you no longer want to be in the stock. If you follow gurus blindly, your returns will suffer. Be patient, and pick up more shares if possible.

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