



3 Lessons I've Learned as an Investor: 1 Is From Warren Buffett

Description

The importance of patience

Although we all get distracted by the short-term movements and noise of the stock market, what we really care about is the long term, unless we need the cash and are ready to cash out of our investments, that is.

So, when oil was trading well above \$100, investors would be right to be hesitant to join that trade.

I reviewed many good, solid oil and gas exploration companies, but passed on all of them because at the time because the risk of oil falling from record prices of over \$120 was high. This skewed the risk/reward proposition of an "oily" investment to be more on the risky side. So, despite the fact that there were many energy names that were good companies, it was not the right time to pull the trigger.

I did, however, buy a couple of oil-services companies, namely **Mullen Group Ltd.** ([TSX:MTL](#)) and **Precision Drilling Corporation** ([TSX:PD](#))([NYSE:PDS](#)), which turned out to be both good and bad. I am down over 50% on my Precision Drilling investment, as things got way worse than anticipated, and less so with Mullen.

Although I believed then, as I do now, that both these companies have a competitive advantage and are well run, they still got hit. But that's okay. My portfolio is well diversified, so I can afford to be patient. And I believe that these companies will see their time come. We are currently seeing good strength in rig counts, so that time may be coming sooner rather than later.

Don't be afraid to go against the crowd

In fact, as investors, that should be our motto. As Warren Buffett has said, "...be fearful when others are greedy, and greedy when others are fearful." This is my absolute favourite quote when it comes to investing, because as we know, although investing is partly a science, there is a lot of investor psychology involved, and we must know how to interpret the market's psychology.

The market has a tendency to display behaviour that results in stocks being bid up to unsustainable, unrealistic heights and, conversely, to beaten-down stocks to levels that represent pure value. We

need to recognize this fact and take advantage of these stock mispricings.

Right now, the crowd seems to be comfortable with the market and its valuations, or they are just too afraid to sell and potentially miss out on more returns, but, in fact, this may be the perfect time to sell those most vulnerable stocks, such as **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY), which is facing a very uncertain future.

Timing is something, but it's not everything

As investors, we know that picking the exact bottom and/or top of a stock is difficult to do, and for reasons that are partly related to investor psychology and unpredictability, it is not something that we should really concern ourselves with. As I have very often found, timing could usually be better, but, as they say, hindsight is 20/20.

As long as I am confident in my long-term thesis on a company, I am confident that in the long run the stock will outperform.

CATEGORY

1. Energy Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:PDS (Precision Drilling Corporation)
3. TSX:BB (BlackBerry)
4. TSX:MTL (Mullen Group Ltd.)
5. TSX:PD (Precision Drilling Corporation)

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