



What Canadian Investors Can Learn From Warren Buffett

Description

Last weekend, **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) held the annual shareholder meeting. For the second year, the meeting was broadcast live over the internet, and investors had the opportunity to follow along without having to make the trip to Omaha, Nebraska. While the event had a number of formalities, investors thoroughly enjoyed the question and answer session with Warren Buffett and Charlie Munger.

After years of following the company, I've noticed a few principles that come up again and again.

To begin with, the conversation at the meeting focused on two types of businesses: the insurance business and simple businesses. For investors looking to complicate their lives, the insurance industry is the road to go down. For the rest of us, simple businesses can still be incredibly profitable.

When asked about the most fun or most important deal ever made, Charlie Munger talked about the purchase of See's candy (a chocolate maker and retailer) and how pivotal the purchase was prior to purchasing shares of **The Coca-Cola Co** ([NYSE:KO](#)). As Mr. Munger explained, had See's Candy not been purchased, Coca-Cola would not have followed.

The lesson learned was that investing in high-quality companies is very important. High-quality companies offer investors a very high probability of success. For investors familiar with the lingo of the investment industry, high-quality companies can be viewed as defensive stocks instead of cyclical stocks.

Canadian investors looking to replicate this success first need to find a defensive business with an excellent brand. In Canada, there are a number of names that fit this mould. To begin with, many investors have already found and purchased shares in grocery companies such as **North West Company Inc.** ([TSX:NWC](#)) and **Empire Company Limited** ([TSX:EMP.A](#)).

Currently, shares of North West Company Limited are trading at a trailing price-to-earnings (P/E) multiple of 20 times, while shares of Empire Company Limited trades at a P/E closer to 35 or 40 times. The range is due to the tax rate which has varied due to one-time losses.

Investors can also look at excellent consumer name brands like **Pizza Pizza Royalty Corp.** ([TSX:PZA](#)) and **A and W Revenue Royalties Income Fund** ([TSX:AW.UN](#)). Both brands are well known by consumers. To address the high probability of continued revenues and profits, investors should note that both companies have paid dividends for many years and continue to increase revenues and dividends for shareholders.

The best part of the situation is, investors who purchase shares in either company will receive a dividend yield close to 4.5%. To boot, investors can enjoy doing the due diligence!

Key takeaways

For those looking for predictable businesses to invest in, they need not look very far. Many of the businesses we come into contact with throughout the day can be added to our portfolios.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. NYSE:KO (The Coca-Cola Company)
4. TSX:AW.UN (A&W Revenue Royalties Income Fund)
5. TSX:EMP.A (Empire Company Limited)
6. TSX:NWC (The North West Company Inc.)
7. TSX:PZA (Pizza Pizza Royalty Corp.)

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Author

ryangoldsman

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