Grow and Preserve Your Wealth by Investing Like Warren Buffett

Description

If you've adopted Warren Buffett's investment philosophy, then odds are, you've gone out of your way to avoid the "sexy play" at a given point in time. Avoiding such plays allow an investor to become immune to the "Bitcoin bug," marijuana market hangovers, tech wrecks, and various other bubbles that could stand to wipe out a majority of an investor's original principal. Sure, you may miss out on an opportunity to "get rich quick," but you'll also avoid sticky situations could put your entire investment principal at risk.

Warren Buffett has avoided following the crowd and resisted the temptation that usually comes with the FOMO (fear of missing out) mindset. He's missed out on the opportunity to get in some of the best tech names early in the game, but he also didn't get crushed during the dot-com bubble, which put many in financial ruin. Buffett stuck with good, old-fashioned value stocks, and he cruised through the dot-com bubble without noticing the "rocky" terrain that the herd felt when tech stocks came crumbling down, many of which went belly up.

On the other end of the spectrum, we have "unsexy," boring stocks, many of which are unheard of, despite their profoundly profitable business models and promising long-term growth profiles. It's these types of stocks, not "sexy plays," that will allow investors to obtain superior results for their TFSA without taking on absurd amounts of risk. And it's these stocks that Warren Buffett seeks.

There is, however, one catch that investors must first understand: one needs the patience to actually hold on to such stocks, allowing an underlying business (and one's portfolio) to grow for years, even decades.

If you've got the time horizon and enough cash to put to work, go on the hunt for unloved, boring, and unsexy plays that have pristine fundamentals because the general public is unfairly overlooking such names solely because such securities typically don't serve as engaging subject matter for the office water cooler.

In time, however, the returns will speak for themselves, as they'll compound at a rate that's unfathomable for many who don't truly understand the power of long-term compounding. This is how

Buffett made his fortune, and how you can get a leg-up over the long haul, all while a countless number of "sexy" bubbles inflate, just to pop a few months (or years) down the road, hurting many speculators in the process.

When constructing your long-term portfolio, look for easy-to-understand businesses with predictable growth trajectories or industry-wide tailwinds. Then buy their stocks when their valuation metrics fall below their historical averages (or the industry average), assuming that the broader industry is facing short-term headwinds that aren't detrimental to a firm's long-term fundamentals.

Think **Algonquin Power & Utilities Corp.** (TSX:AQN)(NYSE:AQN), a high-growth play with a 4.92% yield and a means to grow its dividend at an above-average rate over the foreseeable future. The renewable energy company has taken a hit on the chin of late, falling ~15% from its high along with the broader basket of utility stocks due to fears of higher interest rates.

At just 16.4 times forward earnings, this is indeed a premium stock that's trading at a non-premium valuation. You're getting top-tier renewable assets and a water utility, both of which will provide a nearly guaranteed stream of cash that'll line the pockets of shareholders over the long haul.

Stay hungry. Stay Foolish.

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