Beginner Investors: How to Invest Like Warren Buffett With a Canadian Twist

Description

Warren Buffett's favourite holding period for stocks is "forever."

The man is a long-term thinker who wants to *own* businesses, not trade in and out of the stock market to make a quick buck. Through Berkshire Hathaway, Buffett has a robust portfolio of businesses that he and his firm will likely own until the world ends, most notably See's Candies, Fruit of the Loom, BNSF, and GEICO.

When it comes to stocks in which neither Buffett nor Berkshire have a majority position, however, the Oracle of Omaha is by no means allergic to the sell button. And if you follow his actions closely, you'll see that Buffett does a fair amount of selling on occasion in spite of his preferred "forever" holding period. Sometimes companies go sour, as in the case of **IBM**, and if the long-term fundamentals have changed for the worse, there's zero shame in offloading your position and humbly acknowledging your mistake as Buffett did. Nobody is perfect, after all, not even the greatest investor of our time.

So, it's not a mystery as to why Buffett insists on only investing in businesses that are easy to understand, instead of wasting his time on "sexy" growth businesses within industries clouded by uncertainty. You won't see Buffett backing up the truck on Bitcoin anytime soon, even though I'm sure the underlying technology, Blockchain, is enticing, although many of us only possess an elementary knowledge of how it actually works.

So, how can you put Buffett's "buy to own" philosophy to work? Look for a business with a wide moat, a proven track record, an excellent management team, and a discounted valuation. Of course, ensure the business operates within an industry that lies within your own circle of competence.

While a moat may be a great place to start, you need to remember that in the future, "moat erosion" (a term I coined in a past article) may become a growing concern for long-term investors due to the continued rise of technological disruptors that are gradually narrowing the moats of companies within particular industries that were once though of as insulated from technological advances.

This concept of "moat erosion" means that long-term buy-and-hold-forever investing isn't as fool-proof (lowercase 'f') as it used to be. So, true Buffettarian investors (disciples of Buffett) have their work cut out for them, as they need to monitor their holdings and stay in the know with industry trends to ensure that their long-term theses are still intact as new developments rise.

Consider **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI), a prime example of a Canadian stock with Buffett-like attributes — and a moat that's so wide that it's unlikely to suffer any form of moat erosion and the implied earnings impairment over the next decade and beyond. Technological advances in the rail sector would only serve to boost Canadian Railway's operating margin, which is already industry leading.

While Elon Musk's new electric semi-truck and its convoy feature may become a disruptive force for the rails at some point in the distant future, I believe nothing, including the semi will replace the rails, as the most economical way to transport bulk shipments across extremely long distances. The railroads are the heart of the economy, and truckers like **TFI International Inc.** (TSX:TFII) are the blood vessels.

At today's levels, I believe that both CN Rail and TFI International are stable Canadian stocks that exhibit qualities of a business that Buffett would have loved. Technological advances would likely bolster each firm's respective moats, if anything. In a decade from now, TFI could see its margins surge as it uses Elon Musk's self-driving semi-trucks. As for the rails, who knows? The next step could be an autonomous electric locomotive!

As it stands, both stocks are attractively valued given their attractive dividend-growth capacities. So Foolish investors should consider getting some skin in the game today with the intention of buying more come the next recession.

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Date
2025/08/23
Date Created
2018/08/24
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