How to Invest Like Warren Buffett in the Technological Age

Description

Warren Buffett's favourite holding period for his investments is forever. Despite his desire to hold on to his investments to infinity and beyond, very few of his holdings have been held forever, because it's just not practical in real life to do so. Competitive landscapes are continually changing, moats are eroding faster, and it's just hard to know what impact technological disruptors will have in a decade from now.

These days, tech is advancing rapidly — too rapidly. It's tough to find a business that has a moat wide enough to hold up for decades at a time. The concept of a wide moat may become a relic of the past, as technological disruptors move into low-tech industries that were once thought of as untouchable.

With that in mind, it's not a mystery as to why Buffett and many other old-time pros are having a tougher time beating the market consistently in the new age. Rapidly evolving tech keeps changing long-term investment theses from across the board, and it certainly appears that no incumbent's market share will ever be safe for decades at a time.

As you'd imagine, in today's disruptive world with AI and other difficult-to-fathom disruptive technologies, it's become as important as it's ever been to understand technology — something that Buffett has admitted he's had trouble doing in the past.

In an era of technological disruption, you can't be allergic to tech as Buffett's been, because, in the new age, a poor understanding of tech may lead you to own businesses that are on the wrong side of a secular trend.

Corus Entertainment (TSX:CJR.B) and **Cineplex** (TSX:CGX) recently found themselves on the wrong side of powerful technology-driven secular shifts, and shares of each company have gotten obliterated over a very short period of time.

Nobody wants to be on the receiving end in such scenarios, so it's critical to think of the massive impact that new tech is capable of and its disruptive potential for firms within old-fashioned industries that were once considered to have moats.

Prior to Corus's plunge, it was thought of as a stable, boring business that offered essential television programs that have garnered attention for many decades. All of a sudden, the stable cash flow story ran into a brick wall when video streaming took off, and many consumers cut the cord for a better, cheaper, and more convenient source of content.

Shares fell over 85% from peak to trough, and although it came as a surprise to many investors, for those who looked at the seemingly far-fetched disruptors that were picking up traction in the content space, the writing was already on the wall well before shares went into free-fall.

Similarly, with Cineplex, the stock more than halved over a very short period of time due to a plethora of issues that should have been apparent to shareholders who continued to do their homework after pulling the trigger on the stock.

Several years ago, I'd warned investors that Cineplex was going to crash and burn. I wasn't an oracle, my investment thesis for Cineplex just make zero sense when considering the industry-wide headwinds that wouldn't have been visible for some investors who did their analysis from the bottom up.

Indeed, Cineplex had exceptional stewards running the show, but it really doesn't matter if the best captain in the world is on a ship that's slowly sinking.

As a pro-active investor, you can save yourself a world of pain by doing your homework after pulling the trigger and paying attention to major technological trends happening in the market.

Don't shun tech because you can't understand it like Buffett. Learn it and get it within your circle of competence and you'll be able to better navigate the pitfalls and move towards the opportunities within the rapidly changing market place.

Stay hungry. Stay Foolish.

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