Opinion: Warren Buffett's Canadian Oil Bet Will Make Him Even Richer

Description

Many folks have grown overly pessimistic when it comes to the future of **Berkshire Hathaway** and Warren Buffett's abilities. The Oracle of Omaha's track record over time speaks for itself, but many have questioned whether his old-fashioned investment philosophy still holds up in the modern era, where it's become vital to understand technology, as tech-driven disruption is happening to nearly every industry today.

We're living in an age where up-and-coming firms are hungry, leveraging new technologies to steal the lunch from the incumbents that were thought of as having a moat. Indeed, the phenomenon of "moat erosion" needs to be on the minds of all managers who wish to remain competitive in an environment where the barriers to entry are slowly but surely decreasing.

At the ripe old age of 89, Warren Buffett continues to have a long-term mindset, thinking in terms of years or decades rather than weeks or months, as many of today's investors do. If he can remain patient at his age, so too can many Canadian investors who possess a big advantage over Buffett when it comes to investing — time.

So, has Buffett's buy-and-hold philosophy broken down in the new age?

Although it may seem like Buffett has lost it, with the recent souring of **Kraft Heinz**, the mountain of cash that's been building up, and the recent slowdown in Berkshire Hathaway stock relative to the S&P 500, long-term thinkers know that Buffett will come always come out on top over a longer duration of time. The man is a contrarian at heart, and his recent tech bets suggest that's he and Berkshire are adapting with the times.

Yes, the track record hasn't been stellar over the past year, but it'd be foolish (that's a lower-case *f*) to ignore the man who's crushed the markets consistently over decades.

Warren Buffett's recent stake in **Suncor Energy** (TSX:SU)(NYSE:SU) was largely ignored by most investors. Buffett jumped out of the name a while back but returned with a fresh stake in the business at what seemed to be an inopportune time, as Alberta's ailing oil patch was treading water.

In many prior pieces, I've urged Canadians to take Buffett's clue and follow him into the stock (or many other promising Canadian energy names on the dip) due to the strong and growing dividend, but, more importantly, as a potential high flyer in the event of an unforeseen catalyst.

The WCS-to-WTI gap is still substantial, and it will continue to be until new pipeline goes online. For firms like Suncor, who can't turn on the taps to its plethora of "land-locked" assets, exogenous conditions in the oil patch were discouraging to all but the most contrarian of thinkers — like Buffett.

Fast forward to today, and oil prices soared by as much as 14% in a day on an oil shocker event, Iran attacks on a Saudi Arabian oil facility, knocking out over 5% of the world's oil supplies. Suncor and many other battered Canadian energy names skyrocketed on the news, enriching those who held quality energy stocks in spite of the lack of timely catalysts.

Oil shocks happen. And the broader markets don't typically act well when oil moves double-digit percentage points on concerning news. As such, it's wise to remain hedged with commodity plays throughout, even if it seems like there's no big money to be made.

Warren Buffett liked the valuations, and as the money starts flowing back into Canadian energy stocks, I think it'd only be prudent to gain some exposure before the rest of the pack.

Foolish takeaway

Buffett still has it, so don't let his short-term underperformance mask what he's really capable of in the grander scheme of things. In the case of the Canadian oil patch, I think Buffett sees the "black gold" mine, and he's likely compelled to grow a massive stake in names like Suncor while they trade at rock-bottom valuations. In five years, Buffett will probably be looked at as a genius, yet again, with his contrarian bet on Canada's "unattractive" oil patch.

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