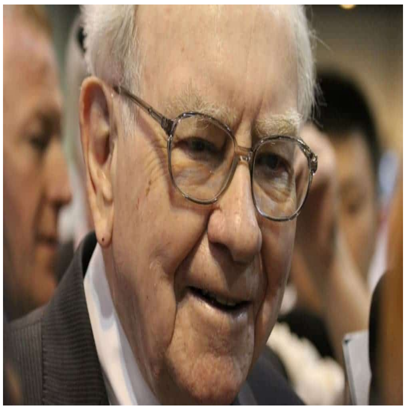

Should You Follow Warren Buffett's Canadian Bets?

### Description

The Oracle of Omaha doesn't invest much beyond America's borders. Most of **Berkshire Hathaway Inc.'s** (NYSE:BRK-A)(NYSE:BRK-B) investment portfolio is concentrated in the U.S. because of Buffett's long-held confidence in the supremacy of the nation's economy.



So on the rare occasions when his cash crosses the border and winds up in a Canadian stock, local investors should take notice. At the moment, Buffett's portfolio includes only two Canadian stocks, both of which deserve a closer look.

## Oil and gas giant

Buffett added a fresh stake in **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) earlier this year in a contrarian bet on Canada's energy sector. Suncor is the largest oil and gas producer in the country and a proxy for Canada's languishing and controversial energy export industry.

Buffett currently owns 0.7% of the company, for which he paid $488 million earlier this year. His stake is now worth $429 million. However, he has recieved the company's juicy 4%+ dividend yield over that period, so he hasn't lost much money on this bet yet.

However, the oil sector in Canada faces seemingly insurmountable challenges and the relatively high costs of Suncor's operations could make it less than ideal for retail investors. The stock has been range-bound for much of the past decade, indicating that the 4% yield could be the upper limit of expected annual returns for the foreseeable future.

Buffett himself has had a few missteps in the oil market over the past decade, so this buy signal should be taken with a grain of salt.

## Burger King-owner

The other Canadian stock in the Berkshire portfolio is much more encouraging. **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR) is in a great position, both financially and strategically, to deliver excellent returns for patient shareholders.

The company owns some of the largest fast food chains on the planet – including Burger King, Popeyes, and Tim Hortons. All brands are rapidly expanding overseas, with a network of branches stretching from Spain to Thailand.

Although the stock's dividend yield is nothing impressive, at just 2.8%, the payout has more than doubled since 2017 and the company continues to maintain some extraordinary performance metrics, including a 23% return on equity and a 37% operating margin.

Compared to Suncor, Restaurant Brands has a more robust outlook, greater prospects for expansion, and a more lucrative business model. If I had to pick one of the two Canadian Buffett stocks, my choice is clear.

That being said, Restaurant Brands has a higher payout ratio and debt-to-equity ratio than Suncor, which means the relatively difference in risk between the two businesses isn't as wide as it first appears.



## Bottom line

Buffett's track record and investment prowess is now the stuff of legends. It isn't easy to sustain a double-digit rate of return over seven decades. However, that doesn't mean that the average retail investors should mimic his every move or that he isn't prone to errors from time-to-time.

Berkshire's two Canadian bets over the past few years could provide some indication of value, but I believe one of them (Restaurant Brands) is comparatively more attractive.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. NYSE:QSR (Restaurant Brands International Inc.)
4. NYSE:SU (Suncor Energy Inc.)
5. TSX:QSR (Restaurant Brands International Inc.)
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**Date**
2025/08/23
**Date Created**
2019/10/14
**Author**
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