



## Long-Term Investors: The Warren Buffett Strategy to Minimize Risk

### Description

Warren Buffett has said numerous times that he doesn't pay attention to market movements, the economy or any talk of recessions.

All Buffett focuses on doing is finding wonderful companies with top-notch operations that will be around for the next 100 years, and then he buys them when they are trading for what he believes to be fair value.

Despite not paying attention to the market, Buffett barely ever makes any large investments ahead of a recession and is usually hoarding a record cash amount when recessions do hit.

So, how does he do this without paying attention to the economy and listening to the noise of the investment industry?

The answer is relatively simple: by only looking for stocks that are undervalued, Buffett eliminates his chances of making major purchases ahead of a recession and stock market crash. This is because stocks tend to always be overvalued and at their peaks when the market reaches its top.

Consequently, after the market has crashed, stocks are usually the cheapest they get, and this is usually when Buffett has his massive pile of cash and begins to go to work.

The patience he displays is what has made him the best investor in the world, and the relatively easy process that can be followed allows other investors to copy him and do the same.

What's difficult about it is managing your emotions during the ups and downs of the market, but if you can manage to stay disciplined and you look only for stocks that are [cheap](#), you too can begin to compound your money at an incredible rate.

Looking around the market today, there aren't many stocks that are undervalued, and most seem to be fairly valued or overvalued. This means we are likely at the peak of the cycle, especially as other metrics in the market have indicated.

One stock that is still undervalued and offers investors a solid opportunity is **Leon's Furniture** ([TSX:LNF](#)).

Leon's is a Canadian furniture chain that was founded more than 100 years ago and has stores in every province across the country. In addition to the Leon's stores, it also owns The Brick as well as a furniture services and repair business and an insurance company.

In total, the company has more than 300 stores across Canada, with roughly two-thirds corporate owned and the other third owned by franchisees.

The company, although in a mature industry, continues to post growth numbers, albeit slowly. The combination of same-store sales growth and growth from its other business segments has helped it to continue its expansion.

At the same time, Leon's has been diligently managing its costs to improve margins, which has directly influenced the growth of its bottom line.

Net income and operating income have been increasing significantly, which has allowed the company to increase its dividend each of the last three years. Currently, the dividend pays out \$0.56 annually, which yields more than 3.5%.

Leon's is extremely cheap from a price-to-earnings as well as a price-to-book point of view. Investors continue to shun it because it's a retail stock, despite the impressive performance it has managed to put up.

This discount can't last forever, though, which is why this opportunity has so much potential.

Buying companies that are trading for dirt cheap such as Leon's is the number one way investors can set their portfolio up for long-term gains without having to worry about economic developments and market movements.

As long as you can value a stock and have the patience to wait for a fair price to buy, the profits will naturally come to you.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:LNF (Leon's Furniture Limited)

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