
# This Warren Buffett Stock Is at the Top of My TFSA Buy List!

## Description

Warren Buffett has been hoarding record amounts of cash.

Many investors see the move as preparation for a recession that may be just around the corner. While it's always good to have dry powder on the sidelines in case the market implodes, it's also vital to ensure you're also adequately compensated in the event that such a downturn in stocks never ends up materializing.



Because if you're playing only one side of the coin by prepping the entirety of your portfolio for a crash, you're timing the market. And by doing so, you could get burned if the markets soar higher or remain stagnant for many years like the "great sag" that Ray Dalio has been warning investors of over the last quarter.

That's why Buffett remains invested in many of his favourite names, despite **Berkshire Hathaway**'s swelling cash hoard.

I don't see one of his prominent Canadian bets, **Suncor Energy** (TSX:SU)(NYSE:SU), as a bet that the oil sands will suddenly rebound and make him rich overnight. Rather, I see his Suncor investment as a place to park cash and receive a large, growing dividend over the long term.

Buffett is a contrarian at heart, so it shouldn't be a surprise to see the man initiate a position in an oil sands operator after most foreign investors have thrown in the towel on the entire space. Sure, Buffett is a stellar stock picker who seems to know where the puck is headed next, but what many other pieces fail to mention is that the man is also a king at allocating assets in a risk-averse fashion.

As you may know, Buffett is no fan of bonds with interest rates as low as they are. Bond coupons are meagre these days, and to do better than average, one must look above and beyond bonds to be able to better achieve excess risk-adjusted returns for one's portfolio.

That's where bond proxies come into play.

If I had to guess, Buffett sees Suncor as a bond proxy with a significant margin of safety now that most investors have fled Alberta’s oil patch.

It’s really anybody’s guess as to why oil prices are headed next or whether WCS can narrow the gap with WTI. What is for sure, however, is that Suncor has cash flow-generative, integrated operations that are stabler than most investors give the company credit for.

So, whether or not exogenous factors play out in Suncor’s favour, one will still collect a sizeable dividend (currently yielding 4.3%) that has the capacity to grow by low double-digits on an annualized basis. Add today’s severely depressed valuations into the equation, and you’ve got yourself a bond proxy with a dividend that puts most fixed-income securities to absolute shame.

Sure, Suncor is more volatile than the market with a high 1.42 beta, but one must remember that volatility is not necessarily equal to risk. The level of risk rises the more one overpays for a stock and given Suncor’s depressed valuation, there seems to be a significant margin of safety to be had with shares trading at just 5.6 times EV/EBITDA.

Buffett knows that bonds can be riskier over long periods of time, and that the opposite is true for stocks. That’s likely a large reason why Suncor is such an attractive bet at this juncture, regardless of where oil prices are headed next.

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