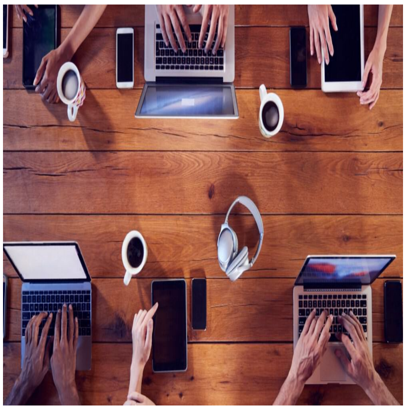

Why Warren Buffett Is Warming Up to Tech Stocks

Description

Warren Buffett's buy-and-hold-forever investment strategy is losing its appeal with both retail and institutional investors, and it's not hard to understand why.

default watermark

There's an alarming amount of technological disruption that's been eroding the moats of many of the dominant kingpins of yesteryear that were once thought of as being immune from technological advancement. With all the "moat erosion" going on, it's become vital to adopt a "buy-and-monitor" approach with stocks in one's portfolio to ensure that the long-term investment thesis is still the same over time, after new advances in tech come to be.

You see, we're entering what some call the "Fourth Industrial Revolution" that will profoundly change the way business is conducted, either for the better (tech-driven improvements in operational efficiency and productivity) or for worse (old-fashioned firms losing market share due to a failure to adapt with the times).

To be successful as an investor in the new age, you've got to have a firm grasp of technology and its disruptive potential, even for the stocks of low-tech businesses that are seen as "immune" from the rise of new-gen technologies that many of us won't see coming until it suddenly lands on the market.

Warren Buffett likely realizes this, and that's a significant reason why **Berkshire Hathaway** is suddenly placing bets on disruptive tech stocks like **Amazon.com**. While Buffett admits it was not him who hit the "buy" button, his endless praise for the company and Jeff Bezos gives the impression that Buffett desperately desires to widen his circle of competence to include the tech sector, which he's shied away from in the past.

Moats are nice to have for businesses, but they are becoming more porous with innovative new technologies that allow up-and-coming disruptors to take share away from incumbent players across virtually all industries. So, it makes sense to bet on the disruptor, if not for multi-bagger upside, as a hedge against the technological disruption that'll come to be in the fourth Industrial Revolution.

Canadians looking to do the same ought to consider names like **Kinaxis** (TSX:KXS), a software-as-a-service (SaaS) cloud play that provides supply chain management and operations planning solutions.

The complexities of the supply chain and day-to-day operations can result in substantial overhead costs, and it's Kinaxis's desire to help its clients better manage such complexities and save money while doing so.

The supply chain can be an unpredictable and challenging beast to tame. Supply chain issues and other operational inefficiencies can cost firms big money and a tonne of stress. Fortunately, Kinaxis is innovating at a rampant rate with a continuously improving solution that makes it easier for its clients to tame the beast.

Cloud stocks are where the puck is headed next as we move further into the fourth Technological Revolution, and with a name like Kinaxis in your portfolio, you'll have the potential to profit from a growing market that demands such productivity-enhancing services that essentially pay for themselves.

Like most sexy SaaS stocks, Kinaxis is expensive at 57.5 times next year's expected earnings and 11.7 times sales. When you consider the magnitude of high double-digit revenue growth that could be in the forecast, though, the stock may be a "value" play if you're like Buffett and believe that *all* investing *is* value investing.

default watermark

Stay hungry. Stay Foolish.

CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

TICKERS GLOBAL

1. TSX:KXS (Kinaxis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Stocks for Beginners
3. Tech Stocks

Date
2025/08/26
Date Created

2019/11/14
Author
joefrenette

default watermark

default watermark