



## This is How Warren Buffett Made His Billions. I Think You Should Take Note

### Description

Warren Buffett is among the most successful investors of all time. He has turned a relatively modest sum of money into tens of billions. In doing so, he has become one of the richest people in the world.

Buffett has spent his entire career focusing on the quality of the companies he purchases, as well as the prices he pays for them. This focus on obtaining value for money has served him well, and has allowed him to consistently outperform the stock market.

With there being a number of [high-quality shares](#) that appear to offer margins of safety at the present time, it could be a good time to follow Buffett's strategy to boost your financial prospects.

### Value investing

Buffett's investment strategy centres on unearthing companies that have a competitive advantage. This can take many forms, including a lower cost base than rivals, or a degree of customer loyalty that is extremely difficult to replicate by competitors. A competitive advantage means that a company can often outperform its peers during periods of strong economic growth, while it may offer greater resilience during challenging periods for the economy.

The end result is that higher-quality stocks which have a competitive advantage often outperform their peers. This can lead to higher earnings growth, as well as a more favourable valuation as a larger number of investors seek to buy them.

As well as seeking quality companies, Buffett focuses on the price he pays for his holdings. He does not necessarily aim to buy them for a low price. Rather, he seeks to purchase them for a price that is significantly below their intrinsic value. This may mean that he is willing to buy shares that trade on high ratings – as long as they are worth much more than their current price.

### Buying opportunities

With a variety of shares currently trading on low valuations, there are many opportunities to buy stocks for less than their intrinsic value. Clearly, they may experience an uncertain 2020 due to ongoing political and economic risks. However, Buffett focuses on the long-term prospects for high-quality companies, which could mean that weaker share prices due to short-term risks present long-term buying opportunities.

As such, now could be an opportune time to adopt a value investing strategy. It may enable an investor to add high-quality businesses to their portfolio while they trade on low valuations. This could improve their portfolio's risk/reward ratio, and provide a catalyst to their total returns over the coming years.

This may not allow them to become one of the richest people in the world, as Buffett has achieved. But it could lead to a significant improvement in their financial position that provides them with greater financial freedom in older age. Therefore, implementing Buffett's value investing strategy could be a logical move to make.

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