



## Warren Buffett Watch: The Oracle of Omaha Just Bought More of This Canadian Dividend Stock

### Description

Whenever [Warren Buffett](#) talks, you'd better listen up. And whenever he walks, it can literally pay massive dividends to follow his lead, assuming you've already done the homework on a name.

Now, I'm no advocate of blindly following investment gurus in and out of stocks at a whim. If your watch list is full of big-league billionaire money managers, you'll exhaust yourself by buying at a price substantially higher than a said guru's cost basis and selling well before they announced that they've exited shares.

It's a losing proposition. When it comes to proven long-term investor Warren Buffett, who's been known to sit on the shares of easy-to-understand businesses for the long haul, it is possible to ride on Buffett's coattails, not just with an investment in the same company, but of a similar company which may not have the Buffett premium slapped on it.

If you choose to copy Buffett's stock pick after an announcement, be sure that you're not paying a substantially higher cost basis than the Oracle of Omaha.

And most important, please don't follow in his footsteps if you're going to ditch your bullish thesis should Buffett exit his position at some point down the road!

You need to do your own homework and treat Buffett's moves as breadcrumbs rather than an explicit recommendation of any given security.

### Another helping to Suncor Energy shares

In the recent 13-F filing ending December 31, 2019, Berkshire Hathaway announced another helping to shares of **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), Buffett's preferred way to play the role of contrarian with the ailing Albertan oil sands. Berkshire raised its stake by nearly 40% to 15 million shares.

While Suncor is still a relatively small position for Buffett's firm, one has to think that Buffett's toe-

dipping approach into the name may lead to a bigger splash should the valuation improve further.

Unlike most other investors, however, Buffett doesn't mind if shares depreciate after he's picked up shares. He's got plenty of cash on the sidelines, and he'll lick his chops at the opportunity to put more money to work in a company that he (or his colleagues) have set crosshairs on.

In the case of Suncor, it's hard not to want to have a second helping to shares now that the dividend yield is close to the highest it's been in recent memory. At the time of writing, Suncor sports a bountiful 4.7% dividend yield, the highest it's been since before the dot-com crash.

With WTI prices falling into a bear market over the last few weeks, it's not surprising to see Suncor stock shed a majority of the gains it posted since mid-2019.

Nobody saw the sudden plunge in oil in 2014, nor did they see the oil dip of early 2020. And with the sheer number of variables that influence the price of oil, it's going to be impossible to see where oil will head next.

## **Not a play on oil prices, but a play on a wonderful business with a powerful dividend**

Buffett couldn't care less where oil will be in a month, a year, or a decade from now with his investment in Suncor. He's ensuring that he's adequately compensated through a handsome dividend with the capacity to continue growing despite unfavourable exogenous conditions.

And if oil suddenly pops above US\$100, Suncor will surely follow as its dividend reverts towards mean levels, but even if it doesn't, the growing dividend is more than enough incentive to be patient.

Moreover, given today's severely depressed valuations (shares trade at 5.2 times EV/EBITDA at the time of writing), one stands to [limit their downside risk](#).

## **Foolish takeaway**

Given that shares of Suncor are currently sitting below levels at which Buffett bought in the last quarter, I wouldn't at all be surprised if he was helping himself to more shares as you read this piece.

It's rare to realize a cost basis below the Oracle of Omaha, so if you're in the market for a dividend growth heavyweight, Suncor is the horse to bet on.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

## **PARTNER-FEEDS**

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

### **Category**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **Date**

2025/08/25

### **Date Created**

2020/02/19

### **Author**

joefrenette

default watermark

default watermark