3 Massive Takeaways From Warren Buffett's Latest 4th-Quarter Moves

Description

There's no doubt about it anymore. Warren Buffett is playing defence with his holdings, with the growing cash hoard at **Berkshire Hathaway** and Buffett's latest moves in the fourth quarter.

While it's not a good idea to be a copycat investor, it's only prudent to heed the valuable breadcrumb pieces of advice from one of the greatest investors of our generation. He's a great teacher, and so whenever he talks or acts, it's worthwhile to try to put yourself in his shoes for a bit of perspective amid a market that many would describe as expensive.

Without further ado, let's look into three top takeaways from Berkshire's latest 13-F filing.

Buffett is taking profits off his winners … and that's only prudent!

For the fourth quarter, Warren Buffett took a tiny bit of profit off the table with on **Apple**, which has been one of his biggest winners, and reduced his stake across a few of his previously cherished U.S. banks.

As the market continues climbing to record highs, with the word *bubble* being thrown around in the financial media again, it's only prudent to take at least lock in some of your profits, so you don't surrender some (or all) of your gains come the next inevitable pullback.

A black swan event like the coronavirus (COVID-19) could easily send the **S&P 500** back into a correction (we're long overdue for one, anyway) if worse comes to worst. And while it's foolish (that's a lower-case *f*) to time the markets based on such the outcome of an event that's impossible to predict with any degree of accuracy, it's also foolish to not do at least a bit of trimming on some of the more overgrown plants in your garden.

He's looking to lowly correlated investments, because the

markets are getting frothy

Buffett added fresh stakes to a grocer and a biotech in the fourth quarter, stocks within two industries that are known to have a low correlation to the broader markets. In many prior pieces, I've urged investors to lower their correlation to the broader markets to reduce downside risks in the event of an excessive market pullback with one-stop-shop investments like **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB).

There's no question that the markets have become a tad frothy of late. But that doesn't mean you need to stand on the sidelines and wait for a correction or bear market. You can continue to make decent returns with lower-beta stocks that are more likely to trade in their own world and not follow the magnitude or direction of the broader indices on any given day.

You, like Buffett, should expect another correction to happen this year. It's only healthy! With lowly correlated investments like ZLB, your ride will be a heck of a lot smoother, as most other investors go into a panic over their strongly correlated investments (stocks with betas well over one) take on amplified damage relative to the broader markets.

ZLB is allocated to sectors that are known to zig when the markets zag, so you won't need to worry about betting on individual alternative investments if you're looking to reduce your portfolio's average beta.

There's zero shame in buying index funds

Finally, Buffett surprised many with his bets on two vanilla **S&P 500** ETFs.

You may be asking yourself, "Buffett's supposed to be a master stock picker; what the heck is he doing in Vanguard ETFs that most investors already own?"

The move was undoubtedly a shock for many, but for close Buffett followers (Buffettarians), it shouldn't have come as that much of a surprise given he's praised S&P 500 index funds many times in the past. He's recommended them to individual investors, and he once said that he'd "buy the S&P 500 in a second." And he sure did in the last quarter, as he practiced what he's preached.

There's no shame in buying index funds or index ETFs. The Oracle of Omaha did it, so you should feel no shame if you lack to resources to look for undervalued investments in what most would consider a frothy market!

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