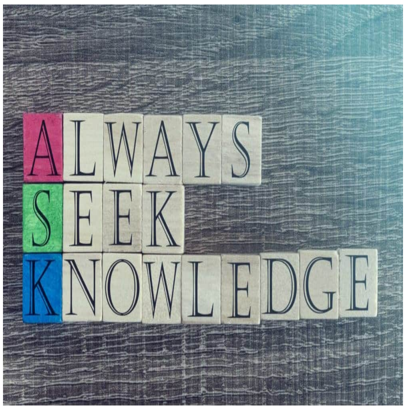

Elon Musk to Warren Buffett: Value Investing Isn’t Working Anymore

Description

Elon Musk, the controversial CEO of electric car maker **Tesla**, sent a post-Valentine message to legendary investor Warren Buffett. Musk said the era of value investing is over. Buffett’s strategy is broken and has lost its effectiveness in the modern financial era.

Billionaires at odds

A battle of billionaires is raging after Musk hit back at Buffett for criticizing Tesla’s plan to go into the auto insurance business. The value investor warned investors, “I’d bet against any company in the auto business getting into insurance.

Musk is contradicting the Buffett’s value-based investing, which relies on strong fundamentals. The recent parabolic run of Tesla is proof. Musk’s firm is the second-largest automaker on the U.S. stock market, but the fundamentals aren’t great.

Buffett’s TSX stocks

According to Musk, “moats” are lame, and calculating innovation is the missing element in value investing. Also, the holdings of Buffett’s **Berkshire Hathaway** underperformed the stock market by 20% in 2019.

I will be concentrating on **Suncor Energy** (TSX:SU)(NYSE:SU) and **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), or RBI, to see if Buffett’s two TSX stocks are underperforming.

Canadian energy giant Suncor is Buffett’s top energy stock. Berkshire sold all Suncor shares in 2016, only to repurchase the stock in 2018. Value investors are generally building serious wealth. As such, the focus is long term. The selection criteria are an excellent balance sheet, reasonable valuation, and ample room for growth.

Suncor fits into Buffett’s criteria, because the company has all of the characteristics. However, the average annual total return of the stock in the past decade was 3.94%. In 2019, Suncor's total return was 16.23% and was among the better performers on the TSX, despite the industry headwinds.

Owing to its dividend streak of 16 years, Suncor is a core holding of many income investors. Analysts covering the stock are forecasting upside of 45.8% in 2020. Add the 4.79% yield of this dividend all-star, and your potential windfall should come from high dividend payout and capital gain.

Warren Buffett believes that owning stocks, not bonds, is more rewarding in the long term. Restaurant Brands, the $26.17 billion company that grants franchise licenses to Burger King, Tim Hortons, and Popeyes, has been showing strong organic growth in recent years.

Another billionaire investor and Canada's version of Warren Buffett, Prem Watsa, bought 37,000 shares of RBI in the fourth quarter of last year. The quick-service restaurant chain also delivered impressive results in 2019.

System-wide sales (consolidated) grew over 8% to $34 billion for the full yea, which includes 5% unit growth to over 27,000 restaurants worldwide. RBI's CEO Jose Cil, said the 2019 performance reflects the underlying strength of the company's global business as well as the power of its growth algorithm.

Over the next five years, the annual growth estimate for RBI is 9.05%. Analysts are projecting a potential price increase of 20.8% this year. With the 3.08% dividend, decent gains are in the offing.

Top picks in 2020

Elon Musk might be correct in pointing out the underperformance of Warren Buffett's stock holdings last year. But in 2020, the value investor's TSX stocks — Suncor and Restaurant Brands — should be among the top investment options.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)
4. 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

Tags

1. Editor's Choice

Date
2025/07/07
Date Created
2020/02/26
Author
cliew