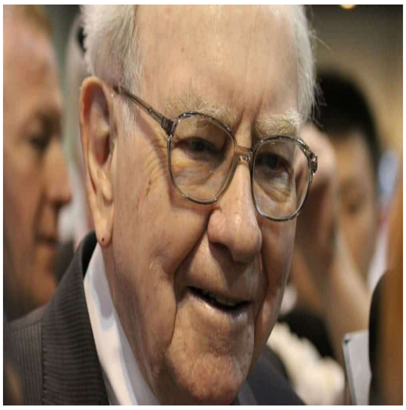

Want a Better Cost Basis Than Warren Buffett? Check Out This Dividend Growth King

Description

It's foolish (note the lower-case "f") to blindly follow investing gurus into or out of stocks. If you're going to buy shares in a company, you need to do your own homework rather than acting after the guru has already had ample opportunity to make his move.

Copycat investing just doesn't beat the market, however. The price you'll pay for a stock by buying after a guru has already disclosed his position is likely to be higher after other copycats have already piled in.

Moreover, if you intend to sell immediately after learning of the guru's exit from a stock, odds are you'll sell your shares at a far lower price. Buying at a higher price and selling at a lower price is just a recipe for disaster, especially if said guru is making an intermediate-term trade and not a long-term investment.

The greatest guru of our time, Warren Buffett, is one of the most followed investors because he's a not only a legendary investor who's crushed the markets over the long run, but he's also a wonderful teacher who invests in businesses that are priced at considerable discounts to their intrinsic value.

Warren Buffett has a massive following –just look at the sold-out arena at **Berkshire Hathaway** shareholder meetings!

Buffettarians (what I like to call Buffett disciples) love the man, and they pay close attention to the moves he makes every quarter. By taking clues from the actions he makes, one can paint a better macro picture and spot top-down opportunities within industries on which he's set his crosshairs (the airlines, for instance).

If you attempt to follow the man into stocks, however, you can expect to pay up a "Buffett premium" on top of any appreciation since the Oracle's time of purchase.

But every once in a while, the opportunity exists to snag shares of a company at a lower price than the guru paid for it, as is the case with **Suncor Energy** (TSX:SU)(NYSE:SU) at this juncture, after oil's recent bear market moment to kick-off 2020.

The stock has fallen into a tailspin not only due to the demand-driven plunge oil prices (Suncor is less sensitive to oil prices than most of its non-integrated peers) but also to the continued rise of ESG investing.

Many investors want to drive for change with their investment dollars, and even fossil fuel firms that strive to be carbon neutral are at risk of falling out of favour with the new generation.

Integrated behemoths with pristine balance sheets used to be able to protect their shareholders from the wild swings in oil prices, but those days may be coming to an end.

Suncor has typically sported a premium multiple to its peers in the space because of its competitive advantages and its stable cash flow stream. But this premium is beginning to fade, and it’s not just about the less favourable lower oil price environment.

Suncor stock is currently down 23% from its 52-week highs, taking on a brunt of the damage after the coronavirus (COVID-19) selloff.

Shares sport a 5.4% dividend yield, the highest it’s been in recent memory, and it’s subject to double-digit annualized growth moving forward.

Foolish takeaway

Buffett has been slowly adding to his stake over the last few quarters, and right now, you have a chance to score the best price in four years.

Buffett sees Suncor as a dividend growth king, not as a play on the ailing oil patch, although the stock would surely soar if WTI were to ever return to US$100.

If you’re willing to go against the grain with the name, Suncor may be one of few recent Buffett bets that lacks the Buffett discount.

Stay hungry. Stay Foolish.

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