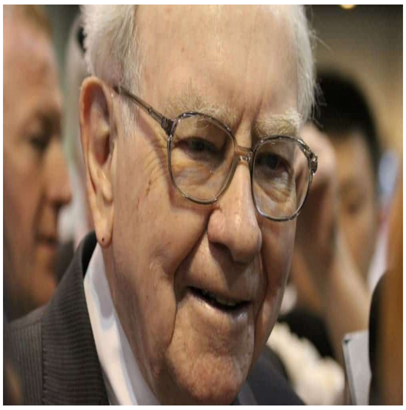

Invest Like Warren Buffett to Profit From the 2020 Market Crash

Description

Stock markets have tanked since the start of 2020, because of the coronavirus pandemic. Fears of a deep global economic slump, which some economists believe could be worse than the 2008 Great Recession, has seen investors stampede for the exits. The **S&P/TSX Composite** followed U.S. markets lower over the last month, losing 22% for the year to date to see a new bear market emerge.

While many pundits are fearful that stocks are yet to bottom, it hasn't deterred one of the greatest investors of all time: Warren Buffett. He is well known for being an opportunist when it comes to buying stocks. One of Buffett's best-known quotes is "be fearful when others are greedy and greedy when others are fearful."

That underscores Buffett's approach to investing: acquire quality businesses with wide economic moats at attractive valuations to hold for the long term.

Buffett's largest investments

Warren Buffett hasn't disclosed what purchases he has made since the market crash, but it is certain that he has been active in the market. Based on the last market disclosure from **Berkshire Hathaway**, his three largest holdings are tech giant **Apple**, second-largest U.S. lender **Bank of America**, and beverage giant **Coca-Cola**.

In fact, Buffett's 20 largest holdings are heavily weighted toward major U.S. banks and financial services providers. Those include **Wells Fargo**, **American Express**, **Visa**, **JPMorgan Chase**, **Goldman Sachs**, and **Moody's**.

Nearly all of Buffett's top holdings possess dominant positions in their respective industries.

A Canadian stock with similar attributes

The latest bear market provides an opportunity to invest like Buffett by acquiring high-quality businesses with wide economic moats and that hold commanding positions in their respective industries at attractive valuations. One top Canadian financial institution to consider is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). It is ranked as a top-10 U.S. banks by assets and delivered a robust fiscal first quarter 2020.

Toronto-Dominion is Canada's second-largest lender and, like the S&P/TSX Composite, has lost 22% since the start of the year. As a result, it is trading with a very attractive valuation, highlighted by its price being nine times forecast 2020 earnings and 1.3 times its book value.

Toronto-Dominion possesses solid fundamentals, which will allow the lender to weather the current crisis in good shape. These include a quality credit portfolio, illustrated by a very low gross impaired loans ratio of 0.45%. By the end of the first quarter 2020, Toronto-Dominion's impaired loans had fallen by 9% year over year in value. This indicates that credit quality is improving, although the economic fallout from the coronavirus pandemic will likely cause loan quality to decline.

Toronto-Dominion is also well capitalized, finishing the first quarter with a common equity tier one capital ratio of 11.7%. The bank also has considerable assets with $39 billion in cash and interest-bearing deposits on its balance sheet.

For these reasons, Toronto-Dominion will weather the coronavirus pandemic and ensuing economic fallout**,** including recession.

Looking ahead

Toronto-Dominion will emerge from this crisis relatively unscathed, just as it did from the 2008 Great Recession, which was classified as the worst economic slump since the Great Depression. Since then Toronto-Dominion has delivered 268%, including dividends, which equates to a compound annual growth rate of 12%.

Solid fundamentals mean the bank will keep delivering solid long-term returns. Toronto-Dominion operates in a heavily regulated, oligopolistic industry with steep barriers to entry. For those reasons, it possesses a wide economic moat, which protects its earnings.

Those attributes also position it for growth once the coronavirus pandemic subsides and the economy starts returning to normal. Patient investors will be rewarded by Toronto-Dominion's sustainable dividend, which is yielding a juicy 5%.

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