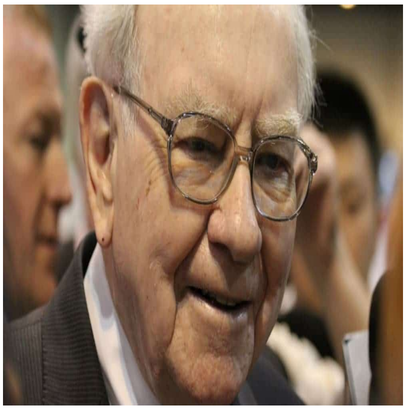

TFSA Investors: It's Time to Buy Warren Buffett's Favourite TSX Stocks!

Description

The equity markets are in a spin and can be expected to be volatile in the short term. Broader indexes are down approximately 25% and some stocks have grossly underperformed the **iShares S&P/TSX 60 Index ETF.**

Warren Buffett famously said, "*Be fearful when others are greedy and be greedy when others are fearful*". It means you need to buy stocks when others are selling. This is a perfect opportunity to buy high-quality companies at cheap valuations.

The Oracle of Omaha is one of the most successful investors and it makes sense to replicate his investments. Here we look at two such Canadian stocks that are part of Buffett's **Berkshire Hathaway** portfolio.

An energy giant

According to the latest filings, Berkshire Hathaway owns 15 million shares of **Suncor Energy** (TSX:SU)(NYSE:SU), worth over $335 million. Suncor is one of Canada's top energy companies with a market cap of $34 billion.

The ongoing oil war between Russia and Saudi Arabia has driven crude prices to multi-year lows. It is extremely unprofitable and unsustainable to produce oil at current levels. Suncor has, therefore, decreased its capital expenditure for 2020 by 26%, or $1.5 billion, due to lower demand in Canada. It has also partially shut its Fort Hills oil sands mine and revised production outlook and operating costs lower.

However, Suncor's integrated operations make it a safer bet than other energy players. Its downstream operations may help the company generate a steady stream of cash flows which will mean a dividend cut is unlikely unless things continue to go downhill from here.

The energy giant has wiped out massive investor wealth over the years and is down close to 60% since July 2018. Suncor will struggle to boost earnings due to lower prices, but its low valuation and high yield provide a tremendous opportunity for long-term investors.

Suncor's forward yield stands at a tasty 8.3%. It has increased dividend payments at an annual rate of 12.1% over the last three years. I recommended Suncor stock on March 30 and shares have already gained 35% since then.

A quick-service restaurant

Berkshire Hathaway owns 8.4 million shares of **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), worth over $470 million. The lockdown has severely impacted restaurant brands including QSR, which has lost over 60% in the sell-off. Shares have since rebounded and are now trading 46% below record highs.

The considerable fall in consumer spending has had investors worried. However, now restaurants are expanding home-delivery services which will help generate cash flow in this bear market.

QSR is the parent company of *Tim Hortons, Popeye's,* and *Burger King*. With over 25,000 locations globally, it is well-positioned to survive lockdowns. China is slowly limping back to normalcy, which will mean other countries can also expect to restart operations in a month or two. China remains important for QSR as the company is looking to open 1,500 *Popeye's* locations in the country in the next 10 years.

The recent pullback means that QSR has a forward yield of 5.1%. The company has a payout ratio of 78% and has increased dividends in the last four consecutive years. In the last three years, dividend payments have risen at an annual rate of 38.7%.

Suncor and QSR are attractive for value and income investors. Investing $1,000 each in these stocks will result in annual dividend payments of $140.

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