



Warren Buffett Advice: 2 Key Takeaways From the 2020 Berkshire Hathaway Shareholder Meeting

Description

Warren Buffett finally broke his silence this Saturday at **Berkshire Hathaway**'s annual shareholders' meeting, sharing his thoughts on the coronavirus (COVID-19) pandemic, a history lesson on how stocks fared during the Great Depression, and Berkshire's latest actions, among other items. The 89-year-old sat down for around four hours, sharing a tonne of invaluable knowledge to investors amid these unprecedented times.

While there were many takeaways, this piece will have a look at the biggest two for beginner investors seeking advice on investing through this pandemic.

Warren Buffett advice: Being a hero amid this pandemic probably isn't a good idea

Some Warren Buffett disciples likely thought that the man would reveal that he had been an aggressive buyer of stocks amid the coronavirus crash. Buffett made a big chunk of his fortune from investing in the depths of the Financial Crisis. Thus, this recent coronavirus-induced market meltdown seemed like yet another once-in-a-decade opportunity to finally put Berkshire's swelling \$130+ billion cash hoard to work.

When Warren Buffett revealed that he'd [ditched all of his airline stocks](#), with a negligible amount of buying in April, one of the best months for stocks in decades, it became apparent that Buffett has no desire to be a hero this time around.

You see, Buffett is all about buying pieces of businesses at discounts to their intrinsic value. In the era of coronavirus, it's nearly impossible to gauge the intrinsic value of a company given the profound uncertainties that come with a pandemic.

As a result, many sound investments in the pre-pandemic era — such as **Air Canada** — have suddenly become speculative bets that are completely in the grips of the coronavirus, rendering them

unsuitable to a majority of risk-averse investors.

In a prior piece, titled [“What if Warren Buffet isn’t buying anything amid the coronavirus crisis?”](#) I highlighted the likelihood that Buffett had not been backing up the truck on stocks, as many Buffett followers may have thought.

“Warren Buffett buys on the cheap, but it’s hard to know what’s cheap when the coronavirus grips the market,” I wrote. “I can’t remember a time where the uncertainties were greater. Few things are more unpredictable than biology. As such, investors should not expect Warren Buffett to throw every ounce of liquidity at stocks amid these most uncertain times.”

I also noted that the magnitude of uncertainty in the coronavirus era was arguably far greater than during the 2007-08 Financial Crisis. Plenty of smart folks saw the Financial Crisis coming well in advance and were able to limit their damages and actually profit. But few saw the coronavirus pandemic coming six months ago, and many, including Buffett, were completely blindsided by one the sharpest market crashes ever.

Warren Buffett advice: If the coronavirus changes your long-term thesis on a company, it’s okay to cut your losses and move on

“It turned out I was wrong,” said Buffett, as he threw in the towel on all of his airline stocks.

For Warren Buffett, the coronavirus had changed his long-term thesis on the industry. As a result, he cut his losses immediately, rather than hanging onto shares that he no longer believed in.

Unforeseen events such as the coronavirus can drastically alter a long-term thesis.

If you’ve also found that your thesis no longer holds up in the face of a pandemic and you’ve lost all faith, you should also throw in the towel, rather than risk further losses in an investment that you know to be a “mistake.” There’s no shame in admitting you were wrong and selling a soured investment at a loss, no matter how large.

Foolish takeaway

Sure, there’s massive upside to be had from a battered stock like Air Canada. If the coronavirus were to be eradicated sooner rather than later, the name could easily be a multi-bagger.

But if you can’t handle much steeper losses in a worst-case scenario, you should probably be like Warren Buffett and sell your entire position.

Air Canada stock fell over 75% from peak to trough on the coronavirus. The stock got cut in half twice, and it can get cut in half many more times, depending on how bad things get with the coronavirus.

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Author

joefrenette

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