Warren Buffett Is Selling Stocks but STILL Recommends You Buy THIS!

Description

Last week, Warren Buffett’s **Berkshire Hathaway** held its annual shareholders meeting. A virtual event, it was markedly different from past meetings. The online format created a notably different feel from the typical sold-out arena of years past.

The content of Buffett’s talk was different, too. In past shareholder meetings, Buffett counselled patience and “buying the dip,” recommending investors buy in down markets. This year, he took a different tone. Revealing that he had sold more stocks than he bought, he quipped “we don’t find anything that attractive.”

For investors, it was not the most welcome comment. The markets have long counted on Buffett to provide a vote of confidence in turbulent times. Up until now, he has reliably done so. Last weekend, for the first time in ages, he couldn’t find much positive to say.

However, in the midst of his generally depressing comments, Buffett did find the time to recommend one investment. And the really good news is, it’s one of the easiest investments for newbie investors to make.

Index ETFs

Index ETFs are among Warren Buffett’s favourite “newbie” investments. Delivering “average” market returns (less a tiny fee), they’re a great way to get respectable results without needing much expertise.

With index ETFs, your returns are tied to the performance of a major stock market index. This provides built-in diversification, and reduces the risk of loss from holding one stock. Warren Buffett has long said that index ETFs are the best investments for non-experts. Because of the built-in diversification, index funds don’t require special knowledge for you to invest in them.

As long as you have reason to believe that the economy, in general, will do well, you’re justified in buying an index ETF.

Two great ETFs to consider

If you want to follow Warren Buffett's advice on index funds, there are two great options for you to consider: **Horizons S&P 500 Index ETF** (TSX:HXS) and **iShares S&P/TSX 60 Index Fund** (TSX:XIU).

The HXS fund is a play that Warren Buffett would recommend. A long-time advocate of S&P 500 index funds, Buffett would likely approve of HXS's holdings.

Indeed, this fund has a lot of things going for it.

First, like all S&P 500 funds, it's based on one of the best-performing stock indices in the world. Second, with a 0.1% MER, it has relatively low fees. Third, as a Canadian-listed fund, you don't need to factor in currency fluctuations when you buy it.

This is in contrast to a U.S.-listed S&P 500 index ETF, where CAD/USD exchange rates add a layer of confusion as to your actual returns. Technically, exchange rates influence your HXS returns, too, but the effects are baked into the price, which makes things simpler.

The XIU fund is another great ETF for Canadian investors. It's based on the TSX 60 — the 60 largest Canadian companies by market cap.

This one doesn't have the Warren Buffett seal of approval, but it does give you a certain home field advantage. As a Canadian, you probably have a rough feel for how the Canadian economy is doing at any given time. This gives you an advantage in deciding whether to invest in Canadian stocks.

Generally, it's recommended that investors have some of their home country's equities in their portfolios. It doesn't guarantee higher returns, but it does increase the likelihood that you understand what you're buying. XIU is no substitute for an S&P 500 fund, but all Canadians should own at least a small position in it.

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andrewbutton