The Next Warren Buffett’s #1 Piece of Advice

Description

These days, many investors are looking to analysts these days as to what to do during today’s economic downturn. Many look to the Oracle of Omaha to predict their future, and rightly so. Warren Buffett has a long history of making significant returns on his investments. Yet some analysts believe that Buffett might be a little *too* safe in today’s market.

Don’t get me wrong: every investor should have a portfolio supported by stable stocks. Buying up shares that practically guarantee returns are perfect for long-term investors. A long-term investment strategy is something that practically every analyst will recommend, including Warren Buffett.

But one billionaire investor dubbed “The Next Warren Buffett” thinks you can afford to be a little more adventurous if you take this one piece of advice.

Find value

That’s the advice of billionaire investor Seth Klarman. Whether you’re looking to buy up stocks to retire in a few decades or need some extra cash in the next couple of years, value stocks are the answer. Before you buy up shares in any business, that business must have some value.

That’s something Klarman and Warren Buffett can agree on. Once you find the value of a business, you have to be able to find the price that would be reasonable to buy it. Naturally, that makes today’s market an ideal opportunity.

Klarman practiced what he preaches this month after buying up a significant stake in the tech industry. Klarman purchased about US$350 million in **Alphabet**, USD$330 million in **Facebook**, boosting its positions in **eBay** and **Hewlett Packard Enterprise Co.** The investor also cut a stake in **Pacific Gas and Electric Company**, and sold USD$300 million worth of convertible bonds in **Tesla**.

The “Oracle of Boston” may not have the weight of a Warren Buffett, but analysts are paying close attention. By digging into businesses and calculating the right price to buy up these stocks, Klarman has created the perfect opportunity to buy incredibly low and minimize the risk of loss.

Copy Klarman

So how can you apply Klarman’s Warren Buffet style to your own portfolio? First of all, always talk to your financial advisor to discuss what your goals are for your portfolio.

Before you make any type of investment, you should have a goal in mind and a timeline to reach that goal. Then look into industries and stocks that might help you reach that goal, and start some calculations.

Some industries to consider are those that are likely to rebound and continue growing after the market crash. This could include banks or energy companies. Think of big companies that are a household name, those that have been around for ages.

These types of companies are likely to be around for a long time and should be the first ones to consider. Look into Warren Buffett and Klarman’s conglomerates for some inspiration.

After you pick a few options, look at the historical performance of your options. You’ll want to see few large dips, except for perhaps during this recent crash, which would mean you have a low chance of your stock reaching that low of a share price again and are buying it at a significantly low cost compared to its value.

If the price is too high based on the company’s value right now, calculate a number that makes more sense. Then create an alert so you’re notified as soon as your company falls into that range.

Make sure the price makes sense, because most blue-chip companies aren’t about to fall down to a $2 share price any time soon.

If you take these steps, and buy and hold for the long term, there’s no reason you won’t see significant gains over the next few years.

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Date
2025/08/26
Date Created
2020/05/22
Author
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