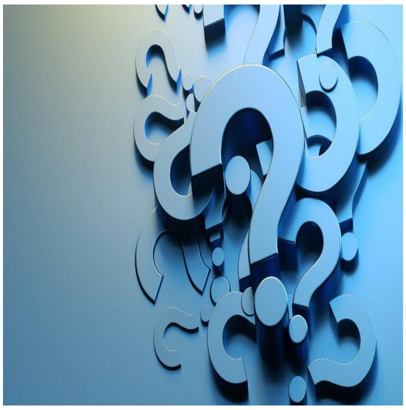

Has Warren Buffett Lost His Midas Touch?

Description

The 2020 market crash is proof that no one can successfully time the market. Very few people anticipated the virus outbreak that brought panic to the investing world. Warren Buffett lost billions, and many are starting to say the billionaire investor also lost his “Midas touch.”

Is the chink in the armour of the greatest investor of all time showing? Buffett is fearful of the current landscape. His conglomerate **Berkshire Hathaway** has more than US$130 billion in cash, but the company is not moving an inch. The only significant move so far is the dumping of all airline stocks.

Long-term play

COVID-19 is the chief nemesis with the slumping oil prices contributing to the heightened market volatility. The coronavirus pandemic is causing high anxiety, even to veteran investors.

Warren Buffett amassed a fortune because he followed a methodology. His value investing strategy was a success for decades. Buffett focuses not on the market, but on a company’s potential to make money in the long run. He buys stocks whose prices are below their intrinsic values. However, the strategy appears to be backfiring today.

Ruined reputation

The global health crisis is attesting that Warren Buffett is not unshakable after all. His image as a winner is slowly eroding. The airline stocks are dud picks, which he admits were a mistake. COVID-19 halted Buffett’s marvellous run and is somehow ruining his reputation.

Based on Berkshire Hathaway’s 13F filing as of May 15, 2020, Buffett’s empire has about US$198 million worth of stocks. The investments are in various sectors or industries. **Apple**, **Bank of America**, and **Coca-Cola** are the top three holdings.

Aside from the air travel business, the restaurant industry is also on a tailspin. Buffett owns US$443.5

million worth of **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) shares. He might decide to unload this restaurant stock if the business continues to stumble, too.

Top fast-food stock

RBI is the owner, operator, and franchisee of quick-service restaurant chains Burger King, Tim Hortons, and Popeyes. All three segments are operating worldwide. As of year-end 2019, the combined total number of quick-service restaurants was 27,806.

The share price of RBI tanked to $40.64 on March 18, 2020, but has since stormed back. It is trading at $73.02 (as of May 20, 2020) and paying a 3.97% dividend. RBI investors, including Berkshire Hathaway, are losing by nearly 11% year to date. The dividend, however, is at risk if the restaurants lose a substantial amount of sales.

Investors are happy to see the stock trading in the green in recent days. Despite the underperformance, the revenue-growth outlook for the 2020 fiscal year is encouraging. Management expects an average 42.5% revenue growth for the second and third quarters of this year.

Given the growth of RBI over the last five years, analysts are projecting earnings growth of 19.13% in the next five years. Forward-looking investors like Buffett should be thrilled by this outlook.

Fear of the market

I don’t think the investment philosophy of Buffett is obsolete. He knows that fear and greed are the diseases that infect investors. He is only exercising patience and caution during the pandemic, because he fears the current market environment.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Business Insider
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Date
2025/08/24
Date Created
2020/05/26
Author
cliew