Is Warren Buffett Still Worth Emulating Despite Massive Underperformance?

Description

In 2020, Warren Buffett has been massively underperforming the **S&P 500.** Year to date, **Berkshire Hathaway** (NYSE:BRK-A) shares are down 22.5%, compared to just 8.6% for the index. The underlying company hasn't been doing great either.

In Q1, it posted a massive $50 billion net loss, thanks to its tanking stock portfolio. Granted, that was not a *cash* loss that was attributable to share values declining. But that fact only shows how badly Buffett's portfolio got hammered in the COVID-19 stock market crash.

Faced with this recent track record of underperformance, it's natural to question whether Buffett is worth emulating anymore. For decades, investors looked to Buffett's stock purchases for inspiration. Rumors that Buffett had bought a stock were enough to send that stock soaring.

Lately, though, Buffett's performance hasn't inspired confidence. Not only is Berkshire lagging the S&P 500 this year, but it's also lagging over a five year period.

Basically, it really is beginning to look like "The Oracle of Omaha" is losing his touch. But could there still be some value in emulating his plays?

Why Berkshire is down this year

To understand why Buffett's Berkshire Hathaway stock is down this year, we need to look at what Buffett held prior to the COVID-19 market crash.

As it turns out, he held a lot of airlines and bank stocks — both of which got crushed in the market downturn. The beating airlines took was so bad that Buffett sold his entire stake in the industry. As for banks, he's still holding on to most of those, but he's notably trimmed his positions. For example, he recently sold off 80% of his stake in **Goldman Sachs**.

Buffett's losses in Q1 are nothing new. What is telling, though, is the fact that he actually cashed out of some of his losing positions. In the past, Buffett typically added to positions in bear markets, seeing them as buying opportunities. More recently, he's been "selling the dip." It's a remarkable change of pace for Buffett, who was previously almost a cheerleader in bear markets.

Is he still worth emulating?

To answer the big question of this article, it's important to consider your unique needs as an investor. If you want to dramatically outperform the markets, then Buffett maybe isn't your best role model. If your goal is preservation of capital, then his recent plays could still be worth emulating.

In a recent interview, Buffett's partner Charlie Munger said that Buffett was heavily focused on liquidity and preserving capital. Describing the COVID-19 market crash as a "typhoon," he said Berkshire's goal was to survive the pandemic, not profit off it.

If your investing goals align with that mentality, then Buffett may still have something to teach you.

If you look at one of Buffett's favourite Canadian stocks, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), it's easy to see that it has held up reasonably well in the COVID-19 era.

In the first quarter, the company's revenue was flat, and its earnings were down only slightly. Notably, QSR's Popeye's subsidiary actually grew its sales by 32% in the first quarter–an impressive feat in today's economy.

In normal times, those would be poor results, albeit they were better than most companies in Q1. Basically, QSR is a solid, dependable stock that you know you won't lose your shirt on. That seems to be what Buffett is going for these days more than anything else.

If you're interested in the same thing, Buffett's picks could still be worth emulating.

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