Warren Buffett and Tech Stocks: NOT A Match Made in Heaven

### Description

Warren Buffett has typically avoided investing in tech stocks. He has been quoted saying that he doesn't understand them. While it's hard to fathom that someone of his intellect and his vision would have much trouble understanding such a quantifiable sector, the fact is that he has largely stayed clear from tech companies in general.



It's ironic that tech also makes up the second-largest portion of this total portfolio, mostly because of his stake in **Apple**. His other major tech investment is **Amazon** and a Fintech company, which falls in line with his fascination (and expertise) with financial institutions.

Despite the aversion to one of the world's most revered investor, tech has proven to be one of the most successful sectors, especially during the pandemic. Ideally, if you want to emulate Buffett but still want to invest in tech, you should develop a basic understanding of the sector in general and the specifics about the companies you are considering investing in.

## A growth-oriented tech stock

**Kinaxis** (TSX:KXS) has been on an absolute tear, especially in 2020. The company grew its market value by almost 80% in just five-and-a-half months. This naturally means that it's oversold, and it now has a forward price to earnings of 106 times. But growth, even if not at this explosive pace, has always been Kinaxis's main selling point.

Even if we discard the current year's growth, the company's stock price grew by almost 800% since June 2014. And even the current jump is a bit explainable if you look at the company's business model and its direction.

Kinaxis is a supply chain solution company, and its platform RapidResponse allows companies and businesses around the globe to improve end-to-end efficiency, mitigate risks, and manage multiple things at once.

Intuitive and ingenious supply chain solutions have always been important, but never so much than they are now. Kinaxis was naturally well positioned to benefit from that transition, and its investors are now reaping the reward. It recently acquired Rubikloud that makes AI software for enterprise retailers.

With it by their side, Kinaxis is expected to predict the end-to-end timelines and profitability more accurately.

## A Dividend Aristocrat

**Enghouse Systems** (TSX:ENGH) is another tech company that rose in ranks during this pandemic. Its year-to-date growth, though not as high as that of Kinaxis, is still decent at almost 38%, especially at a time when many companies have trouble recovering.

Luckily, it's also not as overvalued, with a price to earnings at about 38 times. Enghouse has increased its payouts for 13 consecutive years, and its payout ratio is very stable.

It offers a decent return on equity of 19.9% and holds considerable assets as compared to its total liabilities. Its dividends might be reason enough to consider this amazing company, but it also rewards its investors with capital growth.

The 10-year compound average annual growth rate of Enghouse is 33.6%. Acquisitions are a major part of Enghouse's growth strategy, and the company has a specific profile for prospective companies.

## Foolish takeaway



Warren Buffett doesn't really get into tech stocks, but that doesn't mean you should also disregard them. Our oil and finance dependent industries are slowly becoming obsolete. With the rise of data and the fourth industrial revolution, tech is likely to be one of the strongest sectors in the near future.

And as tech infuses with retail and other sectors, even more, we may see many more disruptive and rapidly growing stocks.

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1. Dividend Stocks
2. Investing
3. Tech Stocks

**TICKERS GLOBAL**

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2. TSX:KXS (Kinaxis Inc.)

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