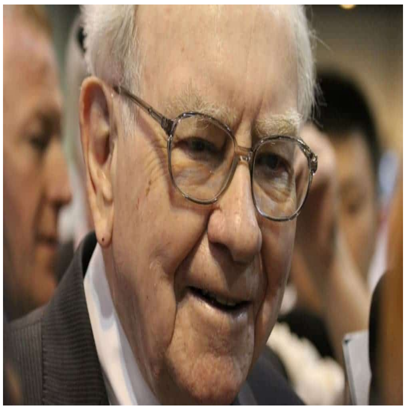

Get Rich With These 2 Tips From Warren Buffett

Description

One of the most iconic investors of all time, **Berkshire Hathaway's** (NYSE:BRK.B)(NYSE:BRK.A) Warren Buffett is an investor every Fool should follow. The Oracle of Omaha's time-tested investing strategy has produced one of the greatest amalgamations of wealth in history.

For Warren Buffett followers — and those who may not have heard his name — investing for the long term in high quality companies is a simple, yet elegant, strategy.

In this article, I'm going to discuss two of Mr. Buffett's modus operandi. I believe every investor ought to follow these tips, particularly in this volatile market.

Focus on quality, not quantity

One of my favourite "Buffetisms" is "Is it better to buy a great company at a decent price than a decent company at a great price." Warren Buffett's progression from a deep value investor to a quality focused investor took years.

He previously focused on a Graham-Dodd "cigarette butt" investing philosophy. This strategy is driven by simple ratios such as price to book value. The idea was that an investor could pick up a stock (or cigarette butt) for nothing (less than book value). Then, the investor could get a couple of puffs before either liquidation or a recovery took said company's share price higher.

This successful value investment strategy was supplemented later on in Mr. Buffett's career. At this point, he focused on companies with durable competitive advantage. He called these "moats." Such companies put up large enough barriers to entry.

Alternatively, these companies have unique company specific traits, rendering them nearly immune to competition. This advantage would then allow for greater margins, profitability, and growth over long periods, given a long-term investor compounding advantage.

In this market, finding high-quality companies with moats is not necessarily the difficult part. Finding said companies at a decent price is. Quality in the context of value is of importance here.

Avoid airlines (really) this time

One odd Warren Buffett move in recent years was his large investments in a number of the largest U.S. airlines. Mr. Buffett had previously stated that he would never buy airlines again, following a bad experience decades ago. It turns out, that some lessons need to be learned twice, as this “avoid airlines at any price” suggestion has been reiterated by the Berkshire head.

For Canadian investors considering an airline like **Air Canada** at what may look like deep value levels, I would encourage pause before jumping in with both feet. Airlines are among the most cyclical stocks to own and are highly prone to serious downturns.

I expect we will see a very negative medium-term landscape for Air Canada and its peers, furthering liquidity and solvency concerns, which I think will increase from here.

As far as Air Canada and its U.S. counterparts are concerned, I will be taking Warren Buffett’s advice on this sector and steering clear. I would encourage other Foolish investors to do the same.

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