Warren Buffett Bet $5 Billion on 1 Stock: You'll Never Believe What it Was!

Description

Since the start of the COVID-19 pandemic, Warren Buffett has been laying low. Giving few interviews and making no public appearances, he's been playing his cards pretty close to his chest. The one headline-grabbing move he made was to sell his entire stake in airline stocks — a move that didn't exactly inspire investor confidence. After that, he kept quiet.

Now, however, he seems to be coming back to life. Just recently, Buffett's **Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B) released its earnings for the second quarter. An overall mixed bag, it revealed one specific investment that had many investors talking. This is a bet that few thought Buffett would make. But make it he did — to the tune of $5.1 billion.

So, what was the stock Buffett bought, and why was it so surprising?

Berkshire Hathaway

Berkshire Hathaway's single biggest investment in Q2 was buying back its own shares. While Buffett has been known to buy back shares occasionally, this particular buyback was stunning in several ways.

First, $5.1 billion is more than twice the biggest share buyback in Berkshire's history. Second, Buffett had gone on the record earlier in the year as saying that he was not interested in buybacks. So, the scale and timing of this buy was a big surprise.

Why Buffett bought back shares

So far, Buffett hasn't given any detailed interviews explaining why he bought back Berkshire shares. However, we can infer some possibilities.

First, Buffett doesn't believe that unrealized gains and losses reflect true earnings, so he may think Berkshire is undervalued after its $50 billion Q1 "loss."

Second, Berkshire Hathaway has a massive $146 billion cash pile, and buying Berkshire shares could be one useful way to deploy it.

Third and finally, Buffett might simply not like much else. Despite a few highly publicized bets on banks and LNG this year, Berkshire hasn't been buying a lot of shares. So, maybe Buffett just thinks that buying Berkshire is the best option in a market with not that many great options available.

An idea for Canadians

If you're a Canadian investor looking to emulate Buffett's latest play, you could buy Berkshire itself. As a Canadian, you're free to buy U.S. stocks, and Berkshire doesn't pay a dividend, so there's no withholding tax to worry about. BRK.B shares aren't too expensive, and they give you exposure to the stock Buffett likes the most.

However, you could also consider investing in a similar Canadian company. Most investors have some sort of home-field preference, and there are some Canadian companies that resemble Berkshire. One of those is **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM).

Brookfield is, like Berkshire, a diversified holding company that invests heavily in a variety of different industries. Like Berkshire, it focuses on buying quality assets at good prices. Also like Berkshire, it has heavy investments in infrastructure and renewable power.

That's not to say that Brookfield is a "Canadian Berkshire." To the contrary, there are many important differences between the two companies. For one thing, Brookfield is a fund manager that takes fees for managing other peoples' money, whereas Berkshire only invests its own capital. However, Brookfield does have a big chunk of its own money in its own funds, which makes it an asset manager that "puts its money where its mouth is."

That's a principled position very similar to Buffett's own investment management philosophy. Does that mean you should run out and buy BAM.A right now? Of course not. But if you're a Canadian Buffett fan, it's one to put on your watch list.

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