Alert: Warren Buffett’s 3 Defensive Stock Investing Moves

Description

Through Warren Buffett’s **Berkshire Hathaway**, investors can see what smart moves the Oracle of Omaha is doing in today’s stock market. Here are some of Berkshire’s latest defensive moves.

Buffett added a gold stock and grocery stock and continues to add incremental cash flow by investing in cash cow assets to continue growing Berkshire’s cash pile.

Hedging with gold

Berkshire Hathaway bought a new position in **Barrick Gold** in Q2 worth approximately US$612 million today. The money printing from central banks around the world has pushed gold prices to all-time-high levels.

This Buffett move is best viewed as a hedge for the stock portfolio, given that it was about 0.4% the size of Berkshire’s recent cash position.

Newmont provides similar exposure to Barrick Gold but offers a more upside, as it wasn’t pushed up by the Berkshire buying news like Barrick Gold stock.

Staying defensive

Berkshire added an extra 15% shares in **Kroger** in Q2. There’s no doubt that grocery stores are a defensive place to park one’s money. Canadian investors can consider **Loblaw**, **Metro**, or **Empire** in this regard. However, in my opinion, they’re fully valued at current levels. For better total returns, investors are better off looking elsewhere.

Increasing dividends

In early July, it was made public that Berkshire Hathaway intended to buy almost all of **Dominion Energy’s** gas transmission and storage assets. The US$9.7 billion all-cash deal includes US$4 billion of assets and debt of US$5.7 billion.

The acquisition of these essential energy infrastructure assets only took up about 6.6% of Berkshire's cash pile, but it still shows that Buffett insists on adding incremental stable cash flow as a key strategy. Growing the cash flow is like getting periodic dividends.

For gas infrastructure exposure, Canadian investors can consider **TC Energy**, which currently offers a yield of 5%

Berkshire's **STORE Capital** position and the addition of 31% more shares in Q2 also has a focus on cash flow. The internally managed net-lease retail REIT with a focus on quality tenants softens the blow in this gloomy time for retail REITs.

The REIT's quality is seen through its tendency to maintain a low payout ratio and its relatively high rent collections in the hard-hit industry during this pandemic.

STORE Capital's July and August rent collections and the repayment of the borrowings on its credit facility are 86%, while the percentage of its properties that are open is 93%. It should be able to maintain its dividend that currently provides a nice yield of about 5.4%.

Similar to STORE Capital, **NorthWest Healthcare Properties REIT** also has a weighted average lease expiry term of about 14 years. The healthcare REIT has hospital and other healthcare facilities that are typically leased under long-term, inflation-indexed, triple-net-lease structures, in which the majority of property operating costs are paid by tenants and not the REIT.

Therefore, NorthWest Healthcare Properties is also a strong candidate for dividends. It provides a yield of about 6.9% right now in the form of monthly cash distributions.

The Foolish takeaway

Despite making these defensive investing moves, perhaps the most defensive move of all is the roughly US$136 billion of cash pile that Berkshire (and its businesses hold). That's the size of about 55% of its stock investment portfolio.

Consequently, while adding some money to defensive areas, investors should also consider holding a bigger cash position so that they can add to quality stocks opportunistically.

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Date
2025/07/29
Date Created
2020/08/21
Author
kayng