



Warren Buffett: Is the Perfect Storm Approaching?

Description

The 2020 market selloff was [brutal](#) for new investors. The COVID-19 pandemic-induced implosion blindsided many, as stocks tanked with no end in sight. Indeed, the market implosion was one of the sharpest in recent memory, but so too was the rebound, making the coronavirus plunge one of the best buying opportunities of all time.

To the surprise of many, Warren Buffett mostly sat on his hands through most of the ordeal, as the markets went south in a hurry back in February and March. More recently, Buffett scooped up shares of a gold miner **Barrick Gold**, despite slamming and avoiding the precious metal in the many decades prior.

Is Warren Buffett playing it too cautiously?

There's no question that some Buffett fans think the Oracle of Omaha is battenning down the hatches for a reversal of the stock market and a potential Great Depression-like scenario. While there is a wide range of possibilities with this pandemic, I don't think it would be wise for a self-guided investor to subscribe to any single stance, either bullish or bearish.

Instead, investors should seek to adopt billionaire investor Ray Dalio's "all-weather" or risk-parity approach to investing. By doing so, one can benefit, regardless of what happens next to this market. Melt-up or meltdown, the all-weather strategy, when applied to the COVID-19 pandemic, can help investors do relatively well, no matter how bleak or euphoric the year-ahead economic outlook will be.

Be your own investor and be prepared for whatever Mr. Market throws your way next rather than waiting to follow the Sage of Omaha move for move. If you followed in Warren Buffett's footsteps earlier this year by sitting on your hands amid the worst of the 2020 market sell-off instead of buying stocks hand over fist, you missed out on rapid gains.

Nobody, not even Warren Buffett, has any idea where the markets are heading over the short term. While it's a good idea to play it cautiously, one must recognize that being overly cautious comes with a high opportunity cost, especially for younger investors who have decades to invest and recoup any

losses in some of the riskier stocks out there.

Algonquin is a buy on the dip, regardless of what happens next

An example of an attractively valued all-weather stock to buy today is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)), a sustainable energy powerhouse that's capable of offering investors the best of both worlds in high capital appreciation potential and a large, growing dividend payout. Also, the stock, with a 0.3 beta, is lowly correlated to the broader markets, making shares more likely to zig when the markets zag once the next volatility storm hits.

Algonquin owns some reliable renewable assets and is still in the early innings of its growth story. Today, the stock is out of favour thanks to COVID-related pressures. Still, given the resilience of the firm's operating cash flows, I'd say the recent weakness in the stock is nothing more than a buying opportunity for investors looking to outperform through and after this pandemic.

Shares are currently down over 18% from pre-pandemic highs and sport a bountiful 4.6% dividend yield. Following the release of some muted second-quarter results, management reiterated its 2020 adjusted EPS guidance, calling for \$0.65-0.70. Analysts at RBC Capital think that the guidance is "at-risk," despite maintaining an "outperform" rating on the name thanks in part to COVID-related disruptions.

While COVID-19 may curb Algonquin's growth trajectory over the near term, I think the company will be back on track quicker than most think. The company has pro forma available liquidity north of \$3 billion and will be able to continue growing at a pace to keep its dividend-growth streak alive.

Given the calibre of long-term growth that Algonquin's capable of, a five times revenue multiple is far too cheap and would encourage investors to accumulate shares while they're out of favour, rather than following in the footsteps of a seemingly overcautious Warren Buffett.

Foolish takeaway

Whether another storm hits this market is anybody's guess. But if you're looking to scoop up a [bargain](#) today, rather than waiting around for a correction, which may not happen until another big rally, consider a name like Algonquin.

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