



## Warren Buffett Just Did Something He Hated

### Description

If we say that Warren Buffett has avoided investing gold for a long time, you might get the wrong impression that Buffett simply doesn't consider the metal a worthy investment. But Buffett's gold prejudice runs deeper than that, or at least it did until a few months ago. He was always vocally against the metal that "doesn't do anything but sit there and look at you."

Buffett has also compared gold's progress as an investment to American business/economy repeatedly and stated that the latter would win every time. His strong stance on long-term holdings and not fearing market fluctuations is also evident in his opinion about investing in gold as a hedge. He equated it to betting against the U.S. economy.

But the Wizard of Omaha recently did something he hated for a long time; he bought gold. Not the metal itself, but he invested in a Canadian mining company.

### Buffett's golden investment

If we glide past the sentimental and idealistic ramifications of Buffett buying gold and just look at it as any other investment, his US\$563 million investment in **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) might seem more pragmatic. While it might be presumptuous to say that about the American economy as a whole, the dollar has weakened. Federal Reserve is printing heavily to keep pace with U.S. government borrowing, and this has strengthened gold.

Then there is [the company](#) itself. Barrick gold is the largest Canadian-based gold miner currently trading on the **TSX**, with a \$66.68 billion market cap. The company has gold and copper mining operations in 13 countries. The company focuses on long-life prospects. Its 2020 guidance is mining somewhere between 4.6 and 5 million ounces of gold, and 440 to 500 million pounds of copper.

The stock grew by about 72% since the March crash. It's currently offering a dividend yield of 0.72%. It's a decent growth stock, and if you want to emulate Buffett in buying this currently overpriced gold stock, it might not be a bad call.

## Another golden stock

Another oversold golden stock from the junior exchange with a better capital growth history is **Abitibi Royalties** (TSXV:RZZ). Unlike Barrick, a mining company, Abitibi focuses on royalties, which, according to the company, are the best way to benefit from gold mining's upside while mitigating the inherent risks.

Abitibi showed decent growth even before the current, pandemic-driven rise in gold values. The company grew its market value by almost 700% before the market crash. Currently, it's 758% higher. Its five-year compound annual growth rate (CAGR) is 55%. If it keeps growing like this, you can convert just \$1,000 to almost \$9,000 in five years.

## Foolish takeaway

Rather than thinking that Warren Buffett's had to "eat his words," we should admire the fact that he can accept change in his age. If he was wrong about the metal before and is correct this time, then investors who [follow his move](#) might benefit by hedging their portfolios using gold-related companies.

### CATEGORY

1. Dividend Stocks
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