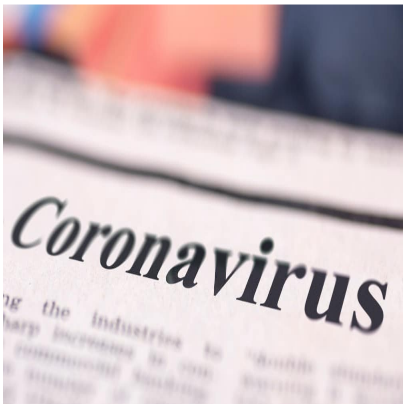

How to Follow Warren Buffett's Game Plan to Outperform in a Pandemic

Description

Based on the recent investment moves and comments that Warren Buffett has made this year, you'd think the man was incredibly bearish. In Buffett's multi-decade-long investment career, not even he has been through a pandemic of this proportion. He stated that it took him 89 years (he's now 90) to put the COVID-19-plagued environment into the experience, and while this kind of market is unprecedented, I think investors should not feel the urge to make drastic portfolio moves.

Warren Buffett acknowledges the wide range of potential outcomes, and he's spreading his bets accordingly to profit, regardless of what's to happen next with this pandemic. Investors should do the same and adapt a Ray Dalio-style, all-weather, or risk-parity approach, so they're not made or ruined by whatever happens next with this pandemic, the election, or anything else that may not be on the radar of Wall Street right now.

Heck, a global pandemic certainly wasn't on the minds of investors a year ago. Many investors, Warren Buffett included, were blindsided by the pandemic. Although he sold shares of COVID-hit firms after the fact, I think it's wise to roll with the punches to ensure a well-balanced portfolio, rather than sticking with a portfolio of names that you don't believe in amid a "new normal" that could have the potential to last years.

Curb your vaccine optimism

Many health experts are optimistic about the timely advent of a safe and effective vaccine in 2021. If worse comes to worst, and the date for the arrival of such a vaccine keeps getting pushed back, various financially unhealthy companies feeling the full force of the COVID-19 impact could stand to crumble like a paper bag. That's a significant reason why Buffett bailed on the airline stocks, why he's trimming his broader bank exposure, and why he's been adding grocers and gold miners to his shopping cart of late.

An obvious Canadian way to follow Warren Buffett's game plan is by similarly de-risking one's portfolio, if you've yet to do so already, such that you're in a position to do reasonably well without relying on a timely elimination of COVID-19. Nobody knows how long the insidious coronavirus will plague the world. As such, it's vital not to invest with the assumption that certain unpredictable exogenous event will occur by a certain date.

Following in the footsteps of Warren Buffett

Consider scooping up shares of **Barrick Gold**, as I've been recommending investors do even before Warren Buffett announced his stake or a pandemic-resilient grocer like **Loblaw** (TSX:L). I've covered my bullish stance on Barrick in prior pieces. So, in this piece, I'll have a closer look at Loblaw to see if it deserves a spot in your portfolio.

Loblaw held its own well amid the February-March sell-off, but shares have since been a choppy roller-coaster ride, as investors have been fluctuating between "risk-on" and "risk-off" stances. Loblaw may just seem like a robust firm to keep your portfolio buoyed in the next COVID-19 wave, but I view it as a way to do well coming out of this pandemic as well. Why? Loblaw is a defensive grocer with one of the best value propositions in Canada. Once the COVID-19 crisis ends, we're likely going to be stuck in a recessionary environment that could last years, even with unprecedented fiscal and monetary stimuli.

Foolish takeaway on following Warren Buffett's game plan

In a recession, a low-cost grocer like Loblaw (which mirrors Warren Buffett's bet on **Kroger**) is in a position to shine. As shares of Loblaw continue to be choppy, I'd take advantage of the situation by getting in at the lower end of the stock's recent consolidation channel. Today, shares are at the lower end, and if your portfolio is overexposed to COVID-19 risks, I'd say L stock is a must-buy right now to bring your portfolio back into balance.

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Date
2025/08/02
Date Created
2020/09/11
Author
joefrenette