



Warren Buffett Is Buying Tech: Should You?

Description

The mojo is back, and the GOAT of investing uses his cash stockpile on assets he mocked before. Warren Buffett disliked gold and [Japanese equities](#), yet both are new additions to **Berkshire Hathaway's** investment portfolio. The world knows his aversion to IPOs, but he bought \$700 million worth of upstart Snowflake on its market debut.

Buffett's latest move is [out of character](#) because it's a tech stock and an IPO at that. He mocked the IT sector years ago and often criticized people for buying into the hype of IPOs. If the Oracle of Omaha is changing his tune, should investors load up on tech stock?

Berkshire's position in Snowflake is small relative to **Apple** but closer to **Amazon.com**. At the end of June 30, 2020, the value of the conglomerate's stock holdings is around US\$207 billion. The Apple investment is 44.18% of the total portfolio.

Booming TSX tech sector

In the **S&P/TSX Composite Index**, the TSX information technology is outperforming the general market (-4.79%) as well as the financials (-14.13%) and utilities sectors (+2.30%). Its year-to-date gain is 32.58%. Canada's tech sector is small compared with the U.S., but the compound annual growth rate (CAGR) is 20% over the last five years.

Shopify, the cloud-based multichannel platform is the biggest draw and investors are winning by 121.52% thus far in 2020. Names such as **Docebo** (+151.56%), **Kinaxis** (+80.67%), **Maxar Technologies** (+78.06), and **Absolute Software** (+60.33%) are similarly rewarding investors with massive gains this year.

Multi-year opportunity

If you're looking to follow Buffett's lead and gain exposure to Canada's blossoming sector, pick **Real Matters** ([TSX:REAL](#)). This company is the leading network management service platform for the

mortgage and insurance industries. The tech stock's year-to-date gain is an incredible 90%.

Despite the pandemic, Real Matters continues to demonstrate resiliency. The company is thriving due to the low-interest-rate environment. Although purchase transactions in the U.S. are weak, the demand for mortgage refinancing is soaring. Since the fiscal year 2012, it has been reporting positive Adjusted EBITDA.

Real Matters has the lion's share of the U.S. markets (residential mortgage appraisal and title & closing). This \$2.1 billion company excels in the industry because of its pioneering proprietary technology and network management capabilities. Its customer base includes 60 of the top 100 American mortgage lenders.

In the Q3 fiscal year 2020 (quarter ended June 30, 2020), revenue grew 29.2% to US\$118.1 million versus the same period in 2019. The net income of US\$6.3 million represents a 43.18% year-over-year growth. If the historical record lows U.S. mortgage interest rate persists, a significant multi-year opportunity awaits.

Would-be investors could earn easy money, given the growth potentials of Real Matters. The total return in 2019 was 273.33%. As of September 17, 2020, the stock is up 92.21% year-to-date. Had you invested \$20,000 on December 31, 2019, your money would be worth \$38,441.56 today.

Winning formula

Warren Buffett's value investing approach remains his winning formula. However, he's making up for missing out on trendy tech stocks. If Snowflake offers explosive growth in the U.S., Real Matters is the Canadian counterpart. The company has a scalable software development financial discipline that will win the race.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:REAL (Real Matters Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing

2. Tech Stocks

Date

2025/08/18

Date Created

2020/09/21

Author

cliew

default watermark

default watermark