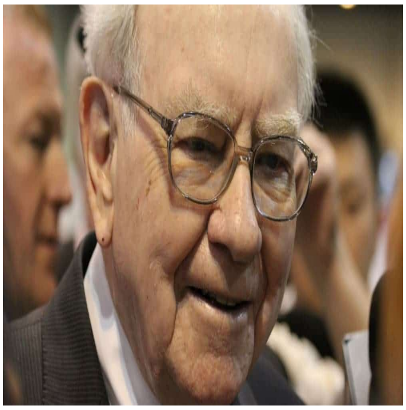

Warren Buffett: 2 Investing Rules That He Lives By

### Description

Warren Buffett is an inspiration to many investors, especially value investors who like to hold on to good companies for years, and even decades. Investors have been following his moves for decades and learning from his investment strategies. If he averts a particular industry, some investors avert it too, and when he buys something unusual, it sets off a trend.



Even if you disagree with him regarding his investment strategies, there are still things to learn from him. Buffett has been very generous about dispensing his wisdom and has shared many of the rules that govern how he invests. There are plenty of Warren Buffett's investing rules known, but here are my two favourites:

## Rule 1: Good business, good stock

Buffett says, "If a business does well, the stock eventually follows." This rule is fundamental for investors that are in the habit of reducing stock to numbers and patterns. Ratios, stock movement, investor sentiment are all essential for making an investment decision, but you shouldn't forget that you essentially invest in a business.

One example of this rule is **Metro** (TSX:MRU). It's a 25-year-old Dividend Aristocrat, which is doing quite well on the capital growth front as well. And though the stock really took off last year, it has been performing reasonably well in the past five years, that is, no significant slumps and a steady run. It could be argued that the stock has improved and started growing because investors understand that the business is doing very well.

The company has been increasing its revenue generation and gross profits very steadily in the past five years. It's well positioned in the consumer staples market and thrived even in this brutal pandemic. The company showed one of the fastest recoveries after the March crash, and it's already trading 9.3% higher than its pre-pandemic high. While the yield it offers is barely modest (1.4%), its growth potential makes up for it.

## Rule 2: Forever holding period

Another of Buffett's nuggets of wisdom is, "Our favorite holding period is forever." But it's important to understand that while it's a wonderful strategy, it doesn't apply to all companies and stocks. And unfortunately, the "herd" that fits the bill is getting thinner. The reason is that the world is changing too rapidly, and disruptive businesses can change the landscape quite drastically in their respective industries.

Still, there are stocks that you can buy and forget about. The top of that list will probably be **Fortis** (TSX:FTS)(NYSE:FTS). It's a utility stock that delivers both electricity and gas to millions of customers. The company is changing and improving with the market needs and is focusing on renewable and zero emissions.

If it sticks to this pattern and switches over to renewable energy sources for the bulk of its electricity production, the company is likely to stay strong in the future as well. The good thing about Fortis, apart from its remarkable dividend history, is its stock's slow but steady momentum upwards. So if you are planning to hold on to it for decades, you won't just be rewarded in dividends, but you might also experience decent capital growth.



## Foolish takeaway

When it comes to following Buffett's investing rules and strategies, one thing to keep in mind is the scale. When Buffett buys a business, he usually buys a sizeable enough chunk that *might* contribute to the stock's movement. This is not the same as a retail investor purchasing a few shares of the same business. Learning from his investment strategies and emulating them is very different.

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