



Warren Buffett: Top Stocks to Buy This Fall

Description

Warren Buffett was uncharacteristically quiet during the spring and summer months of 2020. Buffett has built a reputation as a legendary investor and as an eternal optimist. He was punished early on for making a hasty bet on airlines in the initial stages of the COVID-19 pandemic. Today, I want to look at three stocks that fit within the Buffett value-investing framework.

Buffett's value-investing strategy involves looking for securities whose prices are considered unjustifiably low. This is based on a measure of their intrinsic worth. Buffett tries to take a holistic approach, rather than rely on supply and demand intricacies of the stock market itself. So, let's try to digest this strategy and make a few picks on the Canadian market.

Warren Buffett: Hunting for value and quality

This past week, the Swiss bank UBS said that Toronto had the third-biggest housing bubble in the world. Warren Buffett would probably not consider Toronto's housing market as a suitable investment target. However, that does not mean housing-linked stocks are off the table.

Genworth MI Canada (TSX:MIC) is the largest private residential mortgage insurer in Canada. Its shares have dropped 27% in 2020 as of close on October 2. Housing activity surged in the summer, which is great news for insurers like Genworth. Moreover, this dividend stock has historically been one of the most reliable on the TSX. It has delivered 11 consecutive years of dividend growth.

The company has delivered strong earnings growth in recent years. Shares of Genworth last possessed a price-to-earnings (P/E) ratio of 7.4 and a price-to-book (P/B) value of 0.8. This puts the stock in very attractive value territory. It last paid out a quarterly dividend of \$0.54 per share, which represents a tasty 6.2% yield. This is a quality company with a very undervalued stock. It fits Warren Buffett's value-investing mould.

The Buffett bet on gold

Back in the summer, Warren Buffett [shocked much of the investing world](#) when it was revealed that his company **Berkshire Hathaway** acquired an over \$500 million stake in **Barrick Gold**. Historically, Buffett has been a vociferous gold skeptic. However, the yellow metal soared to record highs in 2020. Some analysts speculated that the trade stemmed from one of Buffett's lieutenants. In any case, gold has proven to be a worthy target for all investors this year.

Kirkland Lake Gold was one of the top performers on the TSX over the course of the 2010s. Its shares have climbed 17% over the past three months. Like its peers, Kirkland Lake will benefit from the sky-high spot price of gold in the months and quarters to come. The company has blossomed into a top gold producer, and it boasts an excellent balance sheet. Moreover, the stock last had a favourable P/E ratio of 16. Kirkland Lake fits the Warren Buffett value-investing framework that we're aiming for today.

Banks and Warren Buffett in 2020

In early September, I'd [discussed](#) Warren Buffett's big bet on **Bank of America**. This should not be viewed as a broad endorsement of U.S. bank stocks. On the contrary, Buffett has recently unloaded shares in **Goldman Sachs**, **JPMorgan**, and slashed his stake in **Wells Fargo**.

Scotiabank is my favourite value bet among the Canadian banks right now. It has benefited from its international holdings in past years, but in 2020 this has posed a challenge. Latin America was hit late by the COVID-19 pandemic. Only recently have cases started to decline.

Shares of Scotiabank last had an attractive P/E ratio of 9.7 and a P/B value of one. The stock also offers a quarterly dividend of \$0.90 per share. This represents a strong 6.5% yield. Scotiabank also has an immaculate balance sheet. This is the third TSX stock that jives with Warren Buffett's value-investing strategy.

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Date

2025/08/14

Date Created

2020/10/03

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