



## Warren Buffett Just Trimmed This TSX Stock: Should You?

### Description

Warren Buffett reduced **Berkshire Hathaway's** stake in gold miner **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) by nearly 50% in the third quarter. It was an unsurprising move when you consider Buffett's past reluctance to invest in the "unproductive" shiny metal that he once said was "no match for the American mettle."

### Berkshire trims top gold miner Barrick Gold

With two effective COVID-19 vaccines that could conquer the pandemic as soon as 2021, the appetite for gold could begin to fade considerably. Gold prices are currently coming off of their high of around US\$2,000 (it's currently sitting just shy of US\$1,900 at the time of writing), and the downtrend could very well continue, as investors heed Warren Buffett's prior advice by investing in businesses that are actually productive over time.

While there's no way to tell for sure, I think Berkshire's initial Barrick bet was not made by Warren Buffett himself but by one of his colleagues, either Todd Combs or Ted Weschler. Warren Buffett was never the biggest fan of gold or mining companies to begin with. In any case, gold could be losing its lustre, as the uncertainty plaguing this market has finally begun to peel away like the layers of an onion.

Although the opportunity cost for holding gold is the lowest it's been in recent memory, I still think to invest in gold (or gold miners) is to leave a lot on the table, as the world recovers from the COVID crisis. Moreover, should gold be headed back to its midcycle price (around US\$1,300), gold investors could be looking at a pretty steep drop over the coming months and years.

### Should you follow Warren Buffett by trimming your gold exposure? Or is the recent correction in Barrick Gold stock a buyable one?

I think it's time to [reduce your gold exposure](#) if you haven't done so already. Not because Warren

Buffett's firm trimmed its stake modestly in the third quarter, but because gold may not be the best long-term investment to hold while the commodity is close to the high point of its historical range. The bear case is that gold will eventually gravitate back to its mid- or low-cycle price in due time. Investors who hold the asset could be punished and left with little in terms of productivity for their patience.

While Barrick Gold is the gold standard as far as gold miners are concerned, ABX stock will feel the pressure if gold prices were to wane coming out of this pandemic. Although I'm a fan of Barrick's dividend policy (shares yield 1.4% at the time of writing), potential near-term capital losses could easily dwarf the small yield, making it pointless for younger investors seeking good return prospects for the risks they'll bear.

## Foolish takeaway on Warren Buffett and Berkshire's latest gold trim

Warren Buffett's firm still just over half of its Barrick Gold stake, so don't treat the sale as a sign that gold prices are about to implode. There remain uncertainties, most notably the potential for an unchecked rise in inflation, as a side effect of unprecedented crisis-induced money-printing.

But with the pandemic's end in sight, I'd argue that the magnitude of uncertainties are that much lower after the good vaccine news landed. As such, I'd seek to trim exposure to names like Barrick Gold to below 5% of your portfolio. Personally, I have zero exposure to gold stocks directly and will continue to channel Warren Buffett with a preference for [attractively valued common shares of wonderful companies](#) through and after this pandemic.

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### TICKERS GLOBAL

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2. NYSE:BRK.B (Berkshire Hathaway Inc.)
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