



Find Financial Success by Investing Like Warren Buffett

Description

Warren Buffett is undoubtedly one of the most well-known investors of his generation. Stories of his rise from humble beginnings in Omaha to his running of the well-respected **Berkshire Hathaway** have been told by many. Buffett's portfolio is highly concentrated within the technology and financial sectors. In this article, I will discuss which companies Canadians can choose to create a similar portfolio in hopes of achieving financial success.

Choose this top tech stock

Although Buffett allocates a large portion of his funds towards the tech sector, much of this capital is invested in **Apple**. In fact, the company has a 47% weighting in his portfolio. This tells investors that Buffett is comfortable holding a mature, dividend-paying tech company as a foundational position in his portfolio. One comparable Canadian company that investors should look into for a similar position in their portfolio is **Constellation Software** ([TSX:CSU](#)).

Much like Apple, Constellation is a leader within its industry. The company has created a significant network of high-performing, vertical market software companies. Led by former venture capitalist and company president Mark Leonard, Constellation has managed to acquire more than 500 companies since its inception in 1995.

The similarities between Apple and Constellation Software do not end there. Both companies are known for [reliable stock appreciation](#) over the long term. Over the past five years, Constellation stock has increased 184%. Although this is much less than Apple's 297% gain over the same period, Constellation has managed to do so with very little volatility. At the time of this writing, the company has a beta of 0.61. This indicates that its stock is much less volatile than the broader market.

Finally, both companies pay small dividends. Constellation is currently offering a dividend with a forward yield of 0.33%. The company's payout ratio stands at a mere 22.32%, suggesting that the company has plenty of room to increase distributions in the future.

A top bank company

One aspect of Buffett's investing style that investors have taken note of is his admiration for dividend-paying companies. Banking companies have been known to be solid dividend payers and also make up the second-largest sector in Warren Buffett's portfolio.

In his latest filing, it was reported that 26% of Buffett's \$228 billion portfolio was invested in the financial sector. Of these companies, the **Bank of America** is his largest position. It is the second-largest American bank, by assets, which lends the company to comparisons with **TD Bank** ([TSX:TD](#))([NYSE:TD](#)).

Surprisingly, the two companies have shown very similar performance over the past five years. Both companies have shown reliable stock appreciation over the past five years, before being significantly hit by the COVID-19 pandemic. Even after a solid 20% gain this month, TD stock is still more than 6% down from its pre-COVID levels. This compares to the Bank of America's 16% decline from pre-COVID levels, after a 22% gain in the past month.

As alluded to earlier, both TD and the Bank of America are solid dividend-paying companies. TD stock currently has a forward dividend yield of 4.46% and a 59.3% payout ratio. The company is the leading bank, among the Big Five, in terms of its dividend-growth potential. Since 2000, TD has been able to [raise its dividend](#) at a 10% annualized growth rate.

Foolish takeaway

Warren Buffett is one of the most famous investors of his time. Apple and Bank of America make up his two largest positions. Similarly, Canadians should consider Constellation Software and TD Bank as foundational positions within their portfolios. By doing so, Canadians gain exposure to a solid tech company that offers significant long-term growth potential and an excellent dividend-paying company. Adding companies such as these may be essential in achieving financial success.

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