Warren Buffett: 2 Canadian Stocks He Might Buy Next

Description

Warren Buffett isn't a stranger to Canadian stocks. He owns several right now, but he could soon expand his holdings.

If you're looking to see what he might buy next, the two picks below make sense.

This stock is exactly what he loves

Buffett loves stocks with durable competitive advantages. When it comes to maximizing that characteristic, it doesn't get much better than **Enbridge** (TSX:ENB)(NYSE:ENB).

Enbridge is the largest pipeline company in North America. It transports one-fifth of the continent's crude oil, plus a similar share of its natural gas. You can think of the business as toll roads for fossil fuels. If energy producers want to get their output to market, they need to pay Enbridge.

Fortunately for Enbridge, pipelines are extremely expensive to build and can take a decade or more to construct. That sounds like a disadvantage, but it limits competing supply. As the largest pipeline operator, Enbridge simply needs to sit back and rake in the cash, knowing that competition isn't coming anytime soon.

Buffett likes to buy stocks with monopolistic characteristics. Enbridge is so close to a monopoly that oil producers are calling it just that.

"Canada's major oil companies are blasting the country's largest pipeline operator Enbridge Inc. as a monopoly," reported the *Financial Post*.

These companies complained that Enbridge was forcing them "to sign contracts because competing pipeline projects such as the federally owned Trans Mountain expansion project and **TC Energy Corp's** Keystone XL had been delayed, leaving few options to move crude oil out of Canada."

These complaints have gotten nowhere and actually highlight why Buffett should be interested.

Enbridge isn't doing anything fancy to accrue monopolistic power; that's just the way the market has evolved.

With the dividend yield now up to 7.8%, this looks like a great income pick for patient investors.

Buffett may surprise you with this pick

Value investors aren't usually known for investing in tech stocks, but **Constellation Software** (TSX:CSU) is the exception. Founded by a former venture capitalist, this business has taken a value approach to a high-growth market.

Buffett recently shared that he was wrong to *not* invest in certain tech stocks that had strong long-term fundamentals.

"I made the wrong decisions on Google and **Amazon**," he said in 2018. He could soon atone for these mistakes by investing in Constellation, which runs a value strategy just like Buffett's.

"The biggest thing to understand is that the company doesn't usually develop its own software. Instead, it opts to buy competitors," I explained earlier this year. "These acquisitions are usually fairly small, so bidding pressure is low, ensuring Constellation an attractive price. Then, it simply plugs the acquisition into its expanded portfolio, strips out redundant costs, and adds steam to its cash flow machine."

It's easy to connect the dots here. Constellation's entire strategy mimics Buffett's value approach. That's no surprise given the company was founded by a seasoned investor. As Buffett warms to the idea of tech investing, this stock should top his list.

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