



Invest Like Warren Buffett With This Canadian Gem

Description

Investing icons like Warren Buffett have made their billions over the decades for a reason. I'm an investor looking to follow in these footsteps. If you find yourself in a similar camp, this [Canadian stock](#) is for you.

Barrick Gold

One of the only Canadian stocks Mr. Buffett's **Berkshire Hathaway** has added in the recent past is **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD). This Canadian gold miner has been a top pick of mine for years. This validation from the Oracle of Omaha is welcome for Foolish readers who have taken my previous advice.

Barrick's value has only been partially appreciated by the market right now. In my view, this is a stock that has 25% upside, at least to Q3 levels, based on where gold prices are today and where I see gold prices headed in the near term.

Gold prices can only go up from here

We've seen stimulus measures pick up of late, with congress recently passing a new stimulus bill in the United States. In Canada, stimulus continues, and most central banks around the world remain highly accommodative. Every dollar printed devalues currencies globally. When commodities like gold are priced in U.S. dollars, U.S. monetary policy becomes ever more important for this asset class in general. Specifically, gold miners like Barrick have tremendous upside in a rising commodity price environment.

My five-year price target for gold still sits at US\$10,000 per ounce, and I think this asset class will resume its upward trajectory soon. Gold has not been as effective of a hedge as history dictates. However, all assets revert toward a longer-term mean. In this context, gold miners like Barrick haven't been this cheap in three decades.

Mr. Buffett is one of the greatest value investors of all time. If he's picking Barrick Gold, it's for a reason.

Buffett did sell some of his stake

It's important to note that Berkshire did disclose in its recent quarterly report that the conglomerate sold a chunk of Barrick in the third quarter. This was a substantial sale, amounting to more than 40% of the position.

Some have speculated that his previous stance on gold overrode the decision-making authority he gave to his henchmen. Others believe the Barrick trade is over. The stock price has fallen more than 25% from its 52-week high, after all.

Bottom line

Barrick is a great diversification play for investors seeking defensiveness in their portfolios. This stock may underperform relative to other growth plays in the coming quarters. Over the longer term, however, I think a tremendous amount of value exists with this stock. In my view, long-term investors will do very well buying at these levels and holding for five years or more.

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1. value investing

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