



Warren Buffett's 2021 Guide for Canadian Investors

Description

In 2020, we saw many of **Berkshire Hathaway's** (NYSE:BRK-A)(NYSE:BRK-B) value-oriented investments outperformed by high-flying growth stocks.

The COVID-19 pandemic created a massive disruption in the market that led many tech stocks to soar towards multi-bagger status within a very short period of time.

If Warren Buffett is known for one thing, it's investing for the [long term](#). Value stocks may not have had the strongest year in 2020, but Buffett would never measure his success by looking at just a one year time-horizon.

2020: A year in review

The beginning of a new year is a perfect opportunity for investors to review their portfolios. The first step an investor will want to take is looking through all their holdings to determine if they still believe in the investment thesis.

Last year was definitely a unique one, so investors should refrain from making any rash decisions based on a company's performance in 2020 alone. That said, the COVID-19 pandemic has had significant impacts on many industries. Even more worrisome, it's still very difficult to determine how long it will take certain industries to rebound from the pandemic.

To help Canadian investors prepare for the new year, I've picked out some of my favourite Warren Buffett quotes to help guide Canadians through their annual review of their [investment portfolios](#).

Don't fall for the bear trap

Buffett says, "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

The COVID-19 pandemic forced many market-leading companies to trade at very favourable discounts in the spring of 2020. Canadian investors then went on to see lots of those companies rebound very

impressively from the initial crash. However, the long-term impact of the pandemic is still largely known for many companies.

Air Canada ([TSX:AC](#)) was among the most debated stocks of 2020. The airline stock understandably suffered a major blow to its share price as the pandemic hit North America. Shares dropped a staggering 75% in a matter of a month.

The question that followed the crash was if Air Canada was an opportunistic value play or a dangerous bear trap?

I'm not necessarily saying that Air Canada isn't worth buying at these prices, however. Rather, I'm reminding investors that price alone is not enough of a reason to buy or sell a stock.

There's nothing wrong with selling

Investors may be surprised to hear how active Berkshire Hathaway is in selling stocks. Buffett is known as a buy-and-hold investor, but that doesn't mean he never calls it quits on an investment. Last year was a perfect example of that.

Buffett says, "The most important thing to do if you find yourself in a hole is to stop digging."

Berkshire Hathaway sold the entirety of its position in the U.S. airline industry. Four U.S. airline stocks were owned, which was valued at a stake of roughly \$4 billion, and were sold at a considerable loss.

It was an extremely bold move by Buffett and co. But after hearing Buffett's remarks on his thoughts on the future of the airline industry, it begins to make a bit more sense. Buffett commented that he believes "the world has changed for airlines."

Foolish bottom line

As you begin to review your investment portfolio, remind yourself what the focus should be on in 2021. Canadian investors should look to buy quality companies, rather than stocks that are simply on sale.

Before pulling the trigger on a stock that's trading at a massive discount, do Warren Buffett proud. Ask yourself if you're buying a wonderful company at a fair price or a fair company at a wonderful price?

Canadian investors also need to remind themselves that being a Foolish long-term investor doesn't mean you're not allowed to sell. If the company or industry has fundamentally changed, your investment thesis may not hold up anymore. If so, do not think that Warren Buffett would be disappointed in you for selling.

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