



Warren Buffett: I'd Follow Him Into This Defensive Industry

Description

Warren Buffett has invested through 2020 with [caution](#). With the page turned on 2021, and with the stock market continuing to soar to new heights, I don't think he'll be in any rush to put **Berkshire Hathaway's** mountain of cash to work anytime soon. That said, I wouldn't expect the man to be inactive either. Through the course of 2020, we've witnessed Warren Buffett strategically placing bets across good, old-fashioned value stocks, many of which were within defensive areas of the market.

Warren Buffett made some remarkable, eyebrow-raising bets in 2020, and they shouldn't be ignored

Some of Warren Buffett's more surprising moves, I believe, were his bets on Japan's "sogo shosha" companies, which are Japanese trading firms that are essential to the health of the Japanese economy.

Unlike Canada, Japan isn't rich in natural resources like oil, natural gas, iron, or other commodities vital to the health of an economy. As a result, Japan's sogo shosha companies are absolutely vital, and they look pretty cheap, at least through the eyes of Warren Buffett, who's more than willing to invest outside America if he sees an opportunity to pick up shares of a business at a discount to its intrinsic value.

Nobody would have seen Warren Buffett's investment in such "Steady Eddie" defensive companies before the fact.

Warren Buffett injects a few health stocks into his portfolio

Warren Buffett's newfound bullishness on the pharmaceutical scene also came as a major surprise last year. The man spread his bets across a wide range of large-cap firms in the space, including the likes of **Pfizer**, which can be thanked for one of a handful of safe and effective COVID-19 vaccine breakthroughs.

However, given Pfizer is a behemoth, the COVID-19 vaccine is unlikely to be a major needle mover (sorry for the pun!) for PFE stock relative to the likes of other smaller firms that either has COVID-19 treatments or a safe and effective vaccine to be revealed in early 2021.

When it comes to biotech, it's only wise to spread your bets, as Warren Buffett has done, because it can be tough to gauge which firms will have breakthroughs and which will fail to pass through numerous clinical trials en route to FDA approval.

Of course, you can tilt the odds in your favour by betting on a wide range of cheap biotech firms with promising pipelines, so you can benefit from drug breakthroughs while effectively managing potential disappointments. Best of all, betting on health care is a defensive way to get your growth. The sector can help one achieve solid returns over time, with less dependence on the state of the broader economy. If a firm announces a breakthrough treatment, you can bet that its stock will be a major mover, whether or not the bull has control of the broader markets.

Should you bet on Canadian biotechs?

On the TSX, there aren't as many large-cap options. But there is one worth betting on if you're keen on following Warren Buffett into a wonderful sector that's ultimately going to help the world conquer the insidious coronavirus.

Bausch Health Companies ([TSX:BHC](#))([NYSE:BHC](#)) is one Canadian pharmaceutical company that I think is worth betting on in 2021. It boasts a portfolio of wonderful assets across eye care, dermatology, and gastro. In a [prior piece](#), I'd noted that Bausch stock was a great Canadian way to follow Warren Buffett into the industry, noting that the firm's Bausch + Lomb spinoff was likely to be a huge value driver.

The stock has really heated up in recent weeks, but shares remain a country mile (around 29%) off their early 2020 highs. Since my piece was published, Bausch stock has proceeded to surge nearly 18% in just over a month. I think there's still plenty of room to run, as investors look to follow in Warren Buffett's footsteps into the health scene, which offers a unique blend of defence and growth.

At one times revenues, BHC stock is far cheaper than many U.S. health stocks that have caught Warren Buffett's attention. I'd look to nibble into a partial position in Bausch today, with the intention of scaling into a full position over time.

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