



Why Warren Buffett Could Continue Backing Up the Truck on This Canadian Stock

Description

A great amount of scrutiny goes into Warren Buffett's stock picks. When the Oracle of Omaha tapped Canadian gold miner **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) for a portfolio position, the market took notice.

Barrick has been a top pick of mine in the gold space for quite some time. Barrick's operating fundamentals and balance sheet haven't looked this decent in quite a while. The fact that gold has hovered around US\$2,000 per ounce certainly helps. Additionally, this stock provides excellent leverage to rising gold prices and [hedges portfolio risk nicely](#). Furthermore, Barrick has aggressively raised its dividend of late. Accordingly, income investors and those with long-term investing timelines, like Warren Buffett, could benefit greatly from owning such a stock for the long haul.

The market is getting bullish on Barrick

I'm not the only one bullish on Barrick's potential. The company was recently upgraded by an analyst at **National Bank** earlier this week. One of the key reasons cited was "near trough multiples" in terms of Barrick's valuation. This combined with what the analyst sees as a significant amount of near-term upside potential, spurred a price target of \$40 per share. Accordingly, this implies an expectation of 33% upside in this stock in the near term.

Barrick has typically been given a premium valuation relative to its peers. This is due mainly to the company's size and scale as well as its significant reserves. Barrick is the largest gold miner by some metrics in the world. Accordingly, investors looking for a high-quality, safe way to gain leverage to gold prices have gravitated toward Barrick over the years. Warren Buffett appears to be no different in this regard. In fact, this follows his investing style of picking large-cap leaders in their respective sectors.

Bottom line

Warren Buffett's mantra of "being fearful when others are greedy" could justify the addition of a higher

stake in Barrick in the coming quarters. This is a company that has excellent leverage to the price of gold and is a natural hedge to market volatility. Given the amount of concentration to big tech in Buffett's portfolio, I see such a hedge as prudent. Whether or not this happens remains to be seen. However, investors would be well advised to consider following in the Oracle's footsteps and hedge accordingly.

Personally, I think if gold surpasses the psychological barrier of US\$2,500 per ounce this year, we could see gold miners go parabolic. Companies like Barrick could see their premium multiples reinstated. This is a very bullish outlook, but in such a scenario, investors might kick themselves for not backing up the truck on this miner right now.

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