



Why Investors Are Fleeing From Warren Buffett

Description

Warren Buffett has had a prolific stock market investing career. With countless wins throughout his career, the Oracle of Omaha has garnered quite a loyal following among investors seeking success by following in his footsteps.

However, not every investor who once believed in Warren Buffett's prowess has continued to show faith in him. Some investors have fled from Buffett due to his recent moves, and one of the most significant names among them is the billionaire owner of the **Pershing Square** hedge fund.

Bill Ackman exited Buffett's conglomerate

Bill Ackman of hedge fund Pershing Square Capital Management exited his firm's almost US\$1 billion position in Buffett's **Berkshire Hathaway** to seek higher returns. The move was shocking given that Buffett's long-term performance in the stock market kept many investors faithful to the Oracle of Omaha.

However, Ackman held onto Berkshire shares for roughly a year before exiting his position in the stock entirely. Ackman revealed that it wanted to take advantage of the opportunities brought by the declining stock market amid the pandemic-fueled sell-off. When the February and March 2020 decline took place, Buffett did not use any of his US\$130 billion cash pile at the time.

Investors wanted to invest when Buffett stayed still

Many investors lost faith in Buffett as he chose to hold onto his cash pile when it seemed that the market conditions were ripe for him to purchase high-quality stocks at low prices during the sell-off. The markets saw a miraculous recovery in a few months after the decline. Most of the global equity markets have returned to pre-pandemic valuations since the March 2020 bottom.

It begged the question: Why did Buffett not buy during the market crash?

It appears that Buffett might be preparing for another market crash that could be far worse than what we saw in 2020.

Buffett is preparing for a market crash

Warren Buffett shocked the world when Berkshire revealed that it invested in **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD). The Canadian gold mining company is a far cry from typical Buffett stocks because it relies on the valuation of gold for its profits. Buffett has never liked gold and stayed away from gold and gold-related assets throughout his career until the recent investment.

Buffett's investment in Barrick increased its momentum amid the rising gold prices. However, gold prices lost momentum and pulled back from US\$2,000 to US\$1,800. Buffett trimmed his Barrick shares down to 40% but did not exit his position entirely.

Buffett might have capitalized on the profits from the Canadian gold miner and increased his cash pile for another market crash. Apart from his purchase and sale of Barrick shares, Buffett became a net seller in 2020. All of these signs indicate that Buffett is predicting a [market crash this year](#).

Foolish takeaway

Bill Ackman said that the capital management firm exited Berkshire, but believes that Buffett's conglomerate can continue performing well in the long run. Pershing exited its position in Buffett's company to free up funds that it could use to invest in other assets.

If you believe a market crash on the way, consider making investing moves to protect your capital. Investing in Barrick Gold shares can position you well if gold prices surge. You can also consider reliable assets that can [protect your capital](#) in a volatile market.

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