



Warren Buffett: Get Your Cash and Be Ready to Pounce

Description

Over the six decades that Warren Buffett has been a stock market investor, he has seen several stock market crashes. His investment company, **Berkshire Hathaway**, has lost roughly 50% of its market value in previous market crashes, but Buffett has continued amassing substantial wealth through it all.

Warren Buffett is still one of the wealthiest people in the world and one of the richest investors we have ever seen. He has this innate ability to find the right investments to add to his portfolio for immense long-term returns. As the stock market becomes boiling hot, [Warren Buffett is making moves](#) to prepare for another market crash.

Offload overvalued investments

Buffett is typically a conservative investor, but he knows when to offload investments when it is the right time. The Oracle of Omaha sells his shares in stocks that experience an excellent run during a booming market. Buffett regularly trims shares of companies he has held onto for decades because he feels that the price has gone over its fundamentals.

For instance, Buffett reduced his stake in **Apple** through 2020 as the stock surged 70%. Apple is still Buffett's most significant holding, but he might not be investing much in the stock because he possibly deems it in overvalued territory.

Canadian investors who own **Shopify** stock could consider doing the same. The incredible run-up this stock has had in the last few years does not seem to be slowing down. However, it may be highly overvalued right now. You might want to consider unloading its shares for the next step.

Increase liquidity

Warren Buffett also became a net seller in 2020 and holds a significant portion of his portfolio in cash. However, the amount of cash he holds increases substantially when the market becomes overvalued and opportunities are rare.

Increasing his liquidity lowers Buffett's risk and improves his optionality. If and when the market crash happens, Buffett's cash-rich portfolio will serve as a buffer for his capital and allow him to add new stocks to his portfolio when the prices are significantly lower. The result is an exceptional long-term performance for Buffett.

Invest in stocks with long-term value

Some sectors or particular stocks in those sectors could be undervalued, even during a market boom. Buffett has made his fortune by identifying opportunities where nobody pays much attention, purchasing stocks for dirt-cheap prices, and leveraging on its surging prices for massive returns. Buffett has done it time and time again.

While Buffett has not mentioned a word of it, **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#) NYSE:BEP), could be an ideal pick if you consider his investing strategy. Brookfield is not entirely a diamond in the rough. It has been picked out and the stock's valuation has increased in the two decades it has been around.

Brookfield Renewables owns a portfolio of renewable power-generating facilities distributed worldwide. While its primary source of revenue is its hydroelectric power facilities, BEP also generates income through wind, solar, biomass, and cogeneration sources. Its portfolio consists of 17,500MW of installed capacity.

Foolish takeaway

As the equity markets reach all-time highs again, there is an increased risk for [another market crash](#). Preparing yourself for it by increasing your liquidity and finding value opportunities could make you a much wealthier investor on the other side.

The demand for fossil fuel will decline, and renewable energy will take its place. Companies like Brookfield Renewable are already well positioned to capitalize on the boom that could come in a few years. Investing in the stock right now could provide you with immense long-term returns.

CATEGORY

1. Dividend Stocks
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