



## Warren Buffett Should Pick Up More Shares of These 2 Battered Canadian Companies

### Description

Warren Buffett is the greatest investor and teacher of our time. While it's typically [a terrible idea](#) to follow the man into or out of stocks, given the [herd](#) will pile into his latest stock picks upon their announcement, I do think it makes sense to look at Buffett's moves through a wider lens. By doing so, Buffett's moves may leave top-down clues as to where the best opportunities (or lack thereof) may be in the current market environment.

In this piece, we'll have a look at two of the more eyebrow-raising moves that the man has made over the last two years. More specifically, his stock purchases on this side of the border, with battered oil sands kingpin **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Barrick Gold** ([TSX:ABX](#))([NYSE:GOLD](#)).

### Could Warren Buffett up his stake on the recent dip?

Shares of both **TSX**-traded companies have been under pressure of late. And if I were in Warren Buffett's shoes, I'd think about adding to my position on weakness, as both firms are still as sound as ever despite their recent pullbacks. At the time of writing, Suncor and Barrick Gold's shares are down 48% and 29%, off their 52-week highs, respectively. If the Oracle of Omaha loved each firm at higher prices, he must love them at these depths. And if he was to have another helping to shares of either company, count me as unsurprised.

While I wouldn't attempt to speculate as to which stocks Warren Buffett has been purchasing in the last quarter of 2020, I would look to put in more homework in the beaten-up Canadian names that can allow you a shot to nab a cost basis that's either near or below that of Buffett's. Without further ado, let's have a look at each of Warren Buffett's Canadian stock picks to see which, if either, is worth buying.

### Buffett's preferred way to play Alberta's oil patch

Suncor Energy stock has been dealt an uppercut to the chin, as the COVID-19 crisis sent oil prices

further into the ditch. The continued rise of green energy and Joe Biden's U.S. presidential victory have only served to further pressure the ailing players in the Albertan oil patch. While I don't see massive headwinds fading anytime soon, I do think that Suncor's 2020 meltdown is overdone, leaving ample opportunity for value investors willing to go against the grain.

There's no question that Suncor will be up against it over the coming years. That said, you can't ignore the solid balance sheet or the fact that the firm is still gushing with cash. With WTI prices likely to climb above US\$55 by year-end, I'd say the risk/reward on Suncor stock is looking pretty attractive here and think the bruised stock will be little-impacted by the next broader market correction.

The stock trades at a near-10% discount to book value and is one of the most efficient operators in the fossil fuels scene. Whether Warren Buffett is interested in adding to his position or not, I think you should for the rich dividend (3.93% yield) and the modest valuation.

## All that shines is gold?

Berkshire Hathaway shocked the world when it dipped its toe into the gold markets with top-tier gold miner Barrick Gold. As you may know, Warren Buffett has never been an advocate of owning gold for the long-term. In this pandemic-plagued low-rate environment, though, I do think the man hates gold far less than other alternative assets like Bitcoin or even fixed-income debt securities.

While I don't think it was Warren Buffett's idea to buy Barrick, his willingness to let his associates scoop up shares is a testament to Buffett's ability to adapt with the times. Gold may be an unproductive asset, but it's one that can help preserve your wealth from an uptick in inflation. Moreover, the opportunity costs of holding gold are quite low given the low-rate environment and potential for muted returns over the decade ahead.

Gold miners are essentially a levered-up way to play gold. With Barrick, you'll get terrific managers running the show and a handsome dividend policy that makes long-term ownership a bit more appealing to reluctant gold investors like Warren Buffett.

### CATEGORY

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### TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ABX (Barrick Mining)
4. TSX:SU (Suncor Energy Inc.)

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