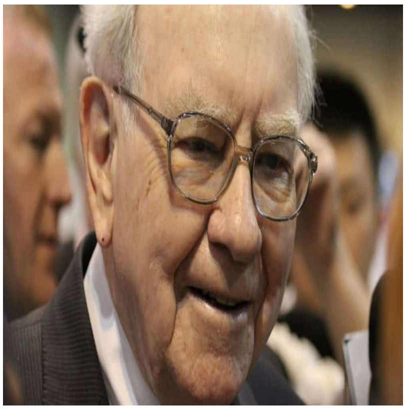

Beginner Investors: Heed This Warren Buffett Advice Amid the “WallStreetBets” Frenzy

Description

Beginner investors have been flooding into the stock market of late, thanks in part to the euphoric rush going on at popular subreddit “WallStreetBets” (WSB). The retail army at WSB should not be discounted. While they could bring even more heat to heavily shorted names, cryptocurrencies like Dogecoin, and smoking-hot Canadian cannabis stocks, I’d much rather invest in the unsexy defensive dividend stocks at this juncture.

Many dividend darlings are down and out right now. And while they won’t make you filthy rich over the near term, as some of the “sexier” plays out there can, they do sport a pretty wide margin of safety at current levels, making them suitable for beginner investors who want to invest for the long term, rather than risking their shirt for a shot at quick riches.

Warren Buffett: “It’s insane to risk what you have for what you don’t need.”

If you have the disposable income to bet on a WallStreetBets play like **GameStop** on weakness, then more power to you! But this piece will concentrate on the plays that I believe hold the greatest margins of safety in today’s frothy stock market.

So, while the market may be expensive and overdue for a correction, with the occasional bubble floating around, I’d still look to be a net buyer of stocks moving forward. Timing the market is a fool’s (that’s a lower-case *f*, folks!) game, and you’ll probably do more harm than good by trying to time your entries and exits, which will most likely be heavily influenced by your emotions — either greed or fear.

In this ridiculously robust market, it makes sense to look to the areas that others wouldn’t dare to. Consider a fossil fuel producer like **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ). The oil sands top dog is among the least-sexy names in the market right now, and it’ll probably never be a sought-after play again with the continued rise of renewable energy.

That said, there's no denying the depressed valuations and their respective operating cash flow streams, which still look robust. In the end, sound deep-value investing is all about paying the least amount possible for the greatest estimated sum of discounted future cash flows. And at today's levels, I'm a fan of the risk/reward in CNQ, even with its slate of profound headwinds.

Canadian Natural: The dividend speaks for itself!

Canadian Natural is up against it in 2021. There's no question about that. When oil prices imploded like a paper bag back in March and April, fears mounted that CNQ's oil sands operations would be left in the dust, as it's simply not economical to turn on the spigot with oil prices crashing with no end in sight.

Heck, oil prices briefly dipped into negative territory before bouncing back furiously. The move was perplexing to many, and with smart people like *Mad Money* host Jim Cramer noting that fossil fuels are in the "death knell" phase, it's tough to go against the grain with even the best-in-breed oil stocks.

CNQ is the king of the Canadian oil patch, though. And I think it walked away with one of the biggest bargains of 2020, with its scoop-up of Painted Pony Energy, which should give CNQ the diversification it needs to better weather future storms.

With a well-supported 5.2% yield and a mere 1.2 times book multiple, CNQ is a deep-value stock that could be among the most rewarding over the next 18 months.

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