



Warren Buffett: Is He Right About Energy Stocks?

Description

Warren Buffett is a [value investor](#) who has always retained a long-term view with his investments to create substantial cash flows. While the equities in his conglomerate's portfolio might not produce record-breaking capital gains each year, the substantial dividend income plays a crucial role in his financial success.

Buffett-led **Berkshire Hathaway** has seen immense growth over the years. Berkshire anticipates collecting \$3.8 billion in dividends from the 39 dividend-paying stocks in its portfolio. It makes sense that many investors who revere Buffett would want to make investments that can imitate his success.

Buffett and the energy sector

Buffett has maintained a pretty conservative approach to investing for several decades. He favoured retail and banking stocks while avoiding the tech and energy sectors for several years before finally deciding on investing in **PetroChina** and **Apple** in 2011. The Oracle of Omaha has amassed massive profits from both investments in the decade since.

Buffett has recently started doubling down on his energy sector investments while trimming his shares in tech companies and financial institutions. Buffett announced that he made a US\$4.1 billion investment in **Chevron** for an almost 2.5% stake in the oil-producing giant.

The significant investment in the oil producer shows that Buffett is bullish about the energy sector.

Buffett and the oil sands giant

Chevron is not the only energy sector company that Buffett has recently acquired for his portfolio. According to Berkshire's Q2 13F filing with the SEC, Buffett owns 19.2 million shares of **Suncor** ([TSX:SU](#))([NYSE:SU](#)). While not as significant as his investment in Chevron, his Suncor holdings indicate that he expects the Canadian energy sector to perform well in the coming years.

Suncor took a massive beating between the oil price crisis and fallout from the pandemic. It appears that Buffett is unfazed by the short-term challenges for the stock due to the long-lived oilfields having a lifespan of approximately 26 years. Suncor's dependable assets have allowed the company to generate stable cash flows over the years and pay investors high dividends.

The company slashed its dividends by 55% in April 2020 due to the pandemic, but it still boasts a respectable 3.22% dividend yield at writing. The stock is trading for \$26.06 per share, and it is down 31.20% from its valuation last year. Suncor managed to recover from its November 2020 bottom and is up 70% in just a few months.

With commodity prices booming again, Suncor might have a lot more room to grow as global economies recover.

Foolish takeaway

[Warren Buffett recently made significant changes](#) to his investment portfolio. As of the latest 13F filing by Berkshire, Suncor is the only Canadian company in Warren Buffett's investment portfolio. The fact that he sold off his stake in all other Canadian companies and retained Suncor is a sign that he believes energy stocks have a lot of value to offer investors in the long run.

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