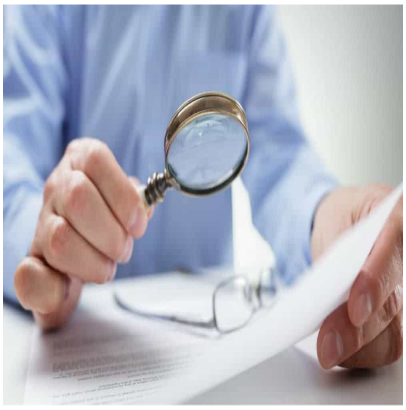

Warren Buffett Just Made a Huge Bet on Himself

Description

Warren Buffett's **Berkshire Hathaway** has an enormous cash pile during the pandemic year. It devoted a large portion of the money to share buybacks. Some companies buy their own stocks to look more financially attractive, but not Buffett's firm. The conglomerate is economically healthy and has a large amount of equity capital on the balance sheet.

Berkshire Hathaway spent US$24.7 billion in 2020 to buy back its shares. You can say the GOAT of investing just made a massive bet on himself. However, his annual letter to shareholders that he released on February 27, 2021, explains the buyback's benefit.

The share buyback is beneficial to shareholders

Berkshire Hathaway doesn't pay dividends, but the buybacks will affect its shareholders. Buffett's letter addressed to shareholders read, "The action increased your ownership in all of Berkshire's businesses by 5.2% without requiring you to so much as touch your wallet."

Buffett didn't find fantastic elephant deals to scoop in 2020. As of the fourth quarter of 2020, Berkshire still has US$138.3 billion deployable cash. The performance of its US$281.2 billion stock portfolio contributed to the 23% increase in Berkshire's net income during the same quarter versus the previous year.

Interestingly, the Oracle of Omaha didn't dwell on the coronavirus and its impact on many businesses. His letter to shareholders focused more on the long-term prospects of the stocks in Berkshire's value-oriented investment portfolio. On the TSX, Buffett has only one Canadian stock left after unloading his entire holdings in **Barrick Gold**.

Tip for successful investing

Warren Buffett is known as a buy-and-hold investor that buys great companies for the long run. He said, "Those who seek short-term profits should look elsewhere." When picking stocks, the investment guru advises, "Buy into a company because you want to own it, not because you want the stock to go up."

Not all of Buffett's investments are winners. He lost money in some of his choices. If you end up in a hole, stop digging and throwing more money in. Put your capital to work in other investments.

Evergreen income

Expect green infrastructure development to accelerate as demand for clean energy increases. Clean energy stocks, especially those that offer upside potential and healthy dividends, should be among the attractive investments in 2021.

Northland Power (TSX:NPI) is a company you'd like to own because it can be a great source of evergreen income. The $8.59 billion company has been operating since 1987 and is now producing almost 2,500 MW of electricity. Its bulk of renewable operations are in Eastern Canada. A 400 MW capacity project under construction will increase Northland's gross production by 16.5%. Of the total 25 assets, a couple of wind farms are in Europe.

If you were to invest today, Northland's share price $42.49, or 38% higher than it was a year ago. The current dividend yield is a decent 2.82%. Market analysts forecast the price to appreciate by 43.6% to $61 in the next 12 months. The potential capital gain should sweeten the pot for would-be income investors.

Simple justification

Warren Buffett's justification for the larger-than-usual share buyback is simple. Berkshire will do share buybacks if it has lots of excess cash. By doing so, management can take care of all the needs of the business.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:NPI (Northland Power Inc.)

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