



Warren Buffett: How He Made \$100 Billion

Description

Warren Buffett's net worth recently topped \$100 billion thanks to a surge in the value of **Berkshire Hathaway** (NYSE:BRK-A)(NYSE:BRK-B) stock. He wasn't the first person to hit that milestone, but it was widely publicized nonetheless. 2020 saw Buffett slip a few rungs on the billionaire ladder, as tech stocks ran away with the market. Now, with value surging, we're seeing Buffett climb back up the rankings. In this article, I'll describe how Buffett made his massive fortune and explore whether his story has any implications for investors.

Warren Buffett (mostly) made his money off value stocks

In the simplest sense Buffett earned his fortune by holding Berkshire Hathaway stock. In 1965, Buffett started buying BRK-A shares, eventually acquiring enough to control the company. Buffett started buying the stock at US\$7.60. Since then, it has climbed to \$394,701. That astounding price increase has accounted for most of Buffett's wealth—99% according to his own statements.

Of course, there's more to the story. Buffett didn't buy Berkshire and continue its existing operations, he gutted the company and used the proceeds to buy more stocks and companies. So the real question is, *"What kinds of investments did Buffett buy to make Berkshire Hathaway so valuable?"*

Value stocks.

Value stocks are stocks that are priced cheap compared to the value of the underlying business. These stocks often pay dividends, and they usually have low ratios of price to earnings, book value, sales and cash flow. Not all value stocks are rock-bottom bargains. But most of the stocks Buffett has bought over the course of his career have been relatively cheap.

A classic example would be **Suncor Energy Inc** (TSX:SU)(NYSE:SU). That's a [Canadian energy stock](#) that Buffett has in his portfolio. For a while last year, you could buy it for less than the value of its assets, net of debt. In 2020, most people wanted nothing to do with Suncor, because the COVID-19 pandemic killed demand for oil. But Buffett just saw it as a bargain and bought the stock at around \$20. Since then, it has risen to \$29. As we continue to turn the corner on COVID-19, Suncor Energy's

business should spring back to life... and with it, the value of Warren Buffett's portfolio.

Recent forays into tech stocks

While *most* of Buffett's fortune has been built on value stocks, not *all* of his portfolio is actually comprised of super-cheap bargains. His single largest position is actually **Apple**, which currently trades for 32 times earnings and 44 times book value. Those aren't "value" numbers by any means—although AAPL was cheaper when Buffett bought it. Buffett also made a foray into IPO investing recently, buying **Snowflake** stock before it went public. He realized a tidy profit on that investment, too.

Foolish takeaway

As we've seen, Warren Buffett has grown his fortune considerably over the years, mainly by buying cheap stocks and holding on for the long term. Overall, it's a "value investing" approach that has gotten him where he is today. With stocks like Suncor that trade for less than they're worth on paper, it's hard to go wrong.

It's therefore no surprise that Buffett holds so many of them in his portfolio. It's also no surprise that over decades of following this strategy, Buffett has [finally joined the \\$100 billion club](#). After all, nothing beats good value.

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2. NYSE:BRKA (Berkshire Hathaway Inc.)
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