Warren Buffett Trimmed Apple Stake: Is it a Play for Gains or a Long-Term Shift?

Description

You might have noticed that almost all great people and geniuses have their quirks. Even if they are not outright eccentric, there are some behaviour patterns that are unique to them. Warren Buffett is no exception to this rule. He has many characteristic habits and tendencies, many of which manifest in his investment decisions.

Everyone knows that Buffett leans towards good banking and energy stocks and has a soft spot for food-related companies. Buffett isn't big on tech investments, and yet, ironically, Buffett's most significant investment, which constitutes over 40% of **Berkshire Hathaway's** investment portfolio, is made up of a tech company: **Apple** (NASDAQ:AAPL).

Buffett trimmed his stake in this enormously successful investment in the last quarter of 2020.

Warren Buffett and Apple

Buffett started buying Apple shares in 2016 and started a position in the company with about 9.8 million shares. Incidentally, that's the same number of shares Buffett sold in the last quarter of 2020. But compared to his total stake in the company, it's a pittance.

Buffett has about a 5% stake in the US$2 trillion giant, so this is simply realizing some of the gains that the company had to offer. Apple ticks a lot of Buffett's boxes when it comes to a good long-term holding. It has a loyal consumer base, a competitive edge, a strong position in the industry, and it's fundamentally strong.

Unless Apple's management sees a drastic shift or the company starts going downhill really fast and permanently, it's unlikely that Buffett will part ways with the company, which makes up over two-fifths of his company's portfolio.

A local tech company

If you want to buy local but still want exposure to the tech sector, **Kinaxis** (TSX:KXS) might deserve your attention. The company was a decent growth stock, even before the pandemic, and its value was increasing at a consistent pace. Still, the tech sector saw an unnatural growth spurt after the market started to recover from the 2020 crash.

Kinaxis was one of the companies that rode on that momentum, but now the stock is normalizing. It's almost 35% down from its yearly peak. But if we consider its price-to-earnings ratio of 157 and price-to-book ratio of about 12.8 times, the company is still relatively overvalued.

If you want to add this lucrative growth stock into your portfolio, you might want to wait a while. The stock might dip a bit further before resuming its pre-pandemic growth pace. It's a supply chain management company that might have plenty of opportunities to grow in an e-commerce-dominated market.

Foolish takeaway

Warren Buffett doesn't take a lot of time to dump the companies that he no longer deems profitable, as evident from his airline exodus. But it might still take him a lot of time to pull all his capital out from Apple, even if he decides to. His current stake in Apple is valued at about US$120 billion, and this much liquidity without a proper growth rider might be just as damaging for Berkshire Hathaway as it would be for Apple.

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adamothman