



How Warren Buffett Picks Market-Beating Stocks

Description

Warren Buffett is one of the greatest investors who ever lived. Perhaps one day, another investor may supersede his average and compounded total returns. Yet, it is unlikely they will unlock the world of investing to the common person like Warren Buffett has. Mr. Buffett is the perfect combination of investing genius and blue collar, age-old wisdom. He is an ideal investor to learn from and to emulate.

Investing genius and blue collar wisdom

In his first **Berkshire Hathaway** [annual shareholder letter](#), Warren Buffett laid out the secret for finding good quality stocks to buy. He stated, “We select our marketable equity securities in much the same way we would evaluate a business for acquisition in its entirety. We want the business to be (1) one that we can understand, (2) with favourable long-term prospects, (3) operated by honest and competent people, and (4) available at a very attractive price.”

Well, this criteria is not so much a secret, as just good old fashioned common sense. In a world where so much does not seem to make sense, Warren Buffett’s words are a good grounder for investors. In a time when non-fungible tokens (a tweet, a collage of photos, or a series of digital lines) sell for millions and near-bankrupt stocks suddenly soar for no apparent reason, I find Warren Buffett’s keys to investing helpful.

Warren Buffett can help you simplify your investments

Sometimes investing is simpler than we make it. Like Warren Buffett, look for stocks with *businesses* you understand. Consider, will those businesses be thriving/growing or declining in five, 10, or 15 years? Are the businesses managed by smart people that do what they say they can? Finally, are those stocks attractively priced given their future prospects? Combine all these factors and then plan to “partner” as an owner in those businesses for the long-run, and your chances for success are very good.

If I were to look for two [Canadian stocks](#) that meet Warren Buffett’s criteria today, they would have to

be these two.

A global infrastructure stock

Brookfield Infrastructure Partners ([TSX:BIP-UN](#))([NYSE:BIP](#)) is as bread-and-butter as it gets. Infrastructure is generally the stuff we don't think about until it is gone or not operating properly. It is the transmission lines that bring us power, toll roads that help us get to work, and cell towers and data centres that help us communicate and manage our data.

You don't even need to know how these assets particularly operate. You just need to know that they yield very stable regulated or contracted streams of cash. Brookfield is especially an expert at acquiring infrastructure assets at discount-prices. As a result, it has ample room for annual organic growth.

Similarly, with lots of infrastructure stimulus across the world, acquisition and development opportunities should drive additional growth. The stock is somewhat fair-valued today, but it pays a nice 3.75% dividend that has a strong history of growing over time.

A digital telecom leader

Another stock that fits Warren Buffett's investment criteria is **Telus** ([TSX:T](#))([NYSE:TU](#)). In a similar manner to Brookfield Infrastructure, it provides essential communication services across Canada. Its business model is pretty simple. Build data and communication infrastructure and then, in essence, lease its use out to retail users across Canada (through phone and internet plans, etc.).

Telus perhaps has one of the most innovative and competent management teams lead by CEO Darren Entwistle. As a result, Telus has also taken a different approach to investing than its peers. It has focused on digital verticals of the future. It has been expanding digital services in customer management, virtual healthcare, agriculture, smart homes/businesses, and the internet of things.

All of these verticals are set to prosper from major technological trends like 5G and the Cloud. While Telus pays an attractive 4.88% dividend, I see years of growth and innovation supporting this stock forward.

CATEGORY

1. Dividend Stocks
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2. NYSE:TU (TELUS)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:T (TELUS)

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Date

2025/08/19

Date Created

2021/04/09

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