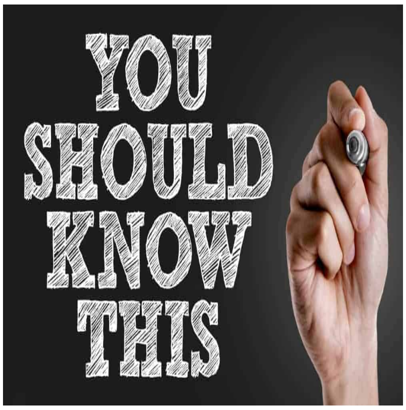

2 Top Takeaways From Warren Buffett's 2021 Meeting With Shareholders

Description

Warren Buffett definitely sounded more upbeat during **Berkshire Hathaway**'s 2021 annual shareholders meeting, which was held this Saturday. At his left was his right-hand man Charlie Munger, who couldn't make it to last year's sombre annual meeting.

Undoubtedly, Buffett had regained his sense of humour, as questions from investors flew in for around three and a half hours. The man explained why he ditched the U.S. bank stocks and the airlines amid earlier last year while sharing his thoughts on the recent increase in the speculative appetite of beginner investors.

In this piece, we'll go through what I thought were my three biggest takeaways from the shareholders meeting and how Canadian investors can use such wisdom to profit. Without further ado, let's get right into them:

Don't follow Warren Buffett into stocks or industries blindly

I've said it before, and I'll say it again: It's a bad idea to follow Warren Buffett or any other guru into or out of stocks.

When following a man like Warren Buffett into stocks, you'll have to pay a hefty "Buffett premium" on the bid-up names that almost everyone else had had to chance to pounce on. Your cost basis is far likelier to be higher than his upon hearing of one of his new positions. On the flip side, following the man out of names can be equally disastrous as you look to dump shares that other Buffett followers have already ditched.

There's one reason why someone would buy a stock — they think it's undervalued and will be headed higher. But there are a plethora of reasons as to why one would sell a stock. In the case of the airlines, Warren Buffett sold them to save them from a potential disaster.

“The airlines might very well have had a very, very, very different result if they had a very, very, very rich shareholder that owned 8% or 9%,” Buffett said.

Indeed, it would have been fishy if regulators bailed out a firm for which Warren Buffett had a high single-digit stake. That’s why I urged investors to buy and not sell airline stocks like **Air Canada** after shares lost a majority of their value back in the depths of the coronavirus crash. If you followed Buffett out, having not known Buffett’s unique set of circumstances as an influential shareholder, you got hurt and missed out on an opportunity of a lifetime.

That’s why I believe it’s wise for investors to do as Warren Buffett says, not as he does.

Don’t blindly bet on industry trends

There’s a difference between being a top-down investor capitalizing on industry opportunities and a gambler who’s willing to throw money at a “sexy” industry with zero consideration for the price paid or a careful evaluation of the company at hand. Warren Buffett is a bottom-up investor; he’s all about studying individual businesses to discover price discrepancies between a company’s intrinsic value and its market value.

It can be profitable to start from the top (screening firms based on industry) and working your way to the bottom, ending the careful evaluation of individual companies in an industry screener. But far too many beginners stop their research at the industry level.

Indeed, it’s sexy to bet on industry trends these days — a major reason why Cathie Wood’s line of thematic ARK funds has been so in demand. They give investors a front-row seat to some of the hottest, most disruptive industries on the planet.

But there *is* a dark side to throwing your money at sexy industries with less consideration for the valuation process.

In what I thought was the most memorable moment, Warren Buffett displayed a list of 20 of today’s largest companies, remarking on their dominance in their heyday.

The Oracle then asked viewers how many firms on the list would remain 30 years from now.

Buffett changed slides to the largest ones in 1989, revealing that none of the names from the top 20 of 1989 remained at the top 20 over 30 years later. Undoubtedly, the hot industry or theme back in 1989 was Japanese financials, which would have produced less-than-stellar results versus the market averages.

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