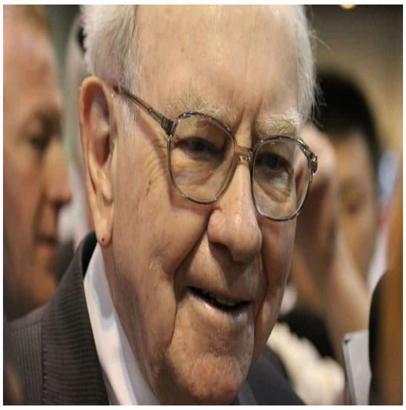

Warren Buffett’s Company Is Selling Banks and Buying This 1 Industry

Description

Warren Buffett recently held **Berkshire Hathaway’s** annual shareholder meeting for 2021, and he sounded a lot more upbeat this year than in the last shareholder meeting. Questions flew in from investors for almost three-and-a-half hours, and he explained why he ditched his U.S. banking stocks and airlines in 2020.

Buffett also ditched energy and drug stocks in Q1 2021, becoming an overall net seller in the quarter. However, Buffett picked up over four million shares in an insurance brokerage firm called **AON**, seeming to express interest in the insurance industry.

In this piece, I will discuss Buffett’s exit from the financial sector and a Canadian stock you could consider adding to your portfolio right now.

Buffett’s moves

Buffett exited bank stocks like **JPMorgan Chase** and **Synchrony Financial**. He also slashed his stakes in **Wells Fargo** by 98%. The Oracle of Omaha also reduced his stake in oil giant **Chevron** while ditching **Suncor Energy** entirely after opening a position in the energy stock in Q4 2018.

Warren Buffett left his position in **Apple** and the **Bank of America** unchanged while retaining **Amazon.com** during the quarter, considering Apple to be one of the “family jewels” for his conglomerate.

A Canadian stock to consider

Shares of Canadian life insurance companies like **Manulife Financial** (TSX:MFC)(NYSE:MFC) have been soaring over the last 12 months. There is a continuing rally for Manulife amid rising interest rates. Typically, rising interest rates are bad for stocks. However, Manulife can benefit from such an environment.

A yield curve that steepens is a good thing for many stocks in the financial sector. Manulife's activities traditionally depend on long-term assumptions and obligations in relation to policyholders. It means that the rising rates will only improve the company's returns over time. Fixed-income assets like bonds do not offer much in terms of returns in the current environment.

Investors can get a decent hedge to growth stocks that could decline in such an environment by investing in insurance stocks. Investors gain increased exposure to better long-term returns due to a steepening yield curve.

Manulife Financial stock is trading for $24.91 per share at writing, and it boasts a juicy 4.50% dividend yield. The company's CEO Roy Gori believes that the rising yields are an excellent growth catalyst for the stock in terms of its long-term prospects.

Foolish takeaway

Manulife is trading for above pre-pandemic levels right now. However, the stock could still be in an undervalued territory today, especially if you compare its valuation to the big bank stocks in Canada. Shares of Manulife have consistently remained 20% cheaper than the big banks.

Considering its geographical diversification and strong results from the Asian markets, the company could be an excellent long-term asset to add to your portfolio.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)

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