Beginner Investors: Take a Page Out of Warren Buffett's Playbook to Beat the TSX Index

Description

Warren Buffett loves big bargains, but he knows that it's very rare to get a "wonderful business" at a wonderful price. Such opportunities tend to be few and far between. It's far easier to find a "wonderful business" at a fair price. And for the Oracle of Omaha, it's perfectly fine to settle for a fair valuation for a wonderful business rather than opting to hoard excessive amounts of cash waiting for a historic buying opportunity that may not happen in the timeframe one expects.

Warren Buffett is a great investor, not a sage!

Last year, Warren Buffett didn't really follow his own advice. The man hoarded a mountain of cash over at **Berkshire Hathaway**, and he didn't make use of it when markets suffered their steepest crash in recent memory back in February and March of 2020.

Did Buffett kick himself for not having backed up the truck last year? Probably. But if you did as Buffett told, not as he did, you would have been far better off. The man doesn't want you to follow him. He wants you to be your own investor, and his words of wisdom ought to be heeded with less merit paid to his moves, which, I believe, have been less actionable of late, given Buffett's greater propensity to get in and out of stocks over a timespan of just a few months.

Warren Buffett loves big discounts

When it comes to stock picking, Warren Buffett is all about getting more for less. How much of a discount should investors look for? As large as possible.

That said, opportunities to pay just a dime to get a dollar are rare. So, investors must also be mindful of the timeframe they're looking to put capital to work. In doing so, one may find it's the optimal strategyto have a bit of cash on the sidelines in case Mr. Market has a boxing day blowout on stocks after an unexpected market meltdown while still scooping up the decent but not jaw-dropping opportunities that pop up with greater frequency.

Like with most other things, investing is all about finding the right balance to suit one's individual needs.

The great Warren Buffett once said that investing is a game with no called strikes. Mr. Market will throw ample pitches your way, and you don't need to swing. Like in the game of baseball, however, you should look to swing at pitches thrown in your strike zone, or you'll get a ball called against you.

One too many of those, and you'll be doomed for less-than-stellar results by waiting around for the picture-perfect pitch, making the goal of beating the **TSX Index** that much harder.

So, do swing at the "good enough," because the recent rise in inflation, I believe, has made the opportunity costs of not swinging at decent but not great pitches that much higher. Right now, there are some bargains but far fewer than there were last year. Indeed, hindsight is 2020.

Suncor Energy: No longer a steal but still worth a buy

Investors looking to put the TSX Index to shame still have an opportunity to do so. Beaten-down energy names like **Suncor Energy** are a great place to look, given improving industry conditions that bode well for the firm's dividend policy.

Warren Buffett recently exited his stake in Suncor, but investors shouldn't feel obliged to follow in the man's footsteps. It's still the same "wonderful" business as it was when Buffett first bought in. All that changed is the price of admission and the dividend yield, both of which got slashed last year.

Suncor stock isn't trading at a lofty discount to book as it did a few months ago. But the valuation is still depressed, and the stock still looks discounted relative to the markets.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/09/30
Date Created
2021/05/31
Author
joefrenette

Footer Tagline

Footer Tagline