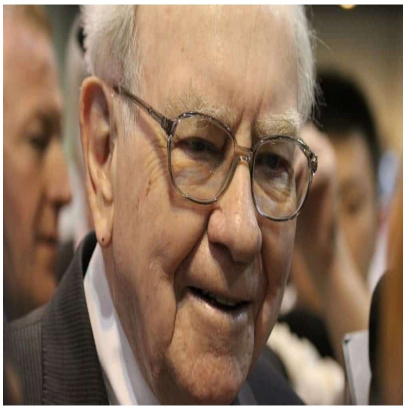

Warren Buffett Approach: How to Buy Growth Stocks

Description

Warren Buffett is most well known as a value investor. Because Benjamin Graham, who is considered the father of value investing, was the biggest influence on Buffett, many see the Oracle of Omaha as the best value investor of all time.

Over the years, he has made a tonne of incredible investments, and even ones he'd admit weren't so great, but where he still learned a lesson.

Today, though, after going through many market cycles and gaining tonnes of experience as well as bringing on an investing partner in Charlie Munger, I'd argue Buffett is more of a growth investor.

So, here's how to learn from Warren Buffett's approach, especially if you're looking to buy growth stocks.

Long-term growth is better than short-term growth

One of the most important things to remember is that growth stocks aren't necessarily companies that can rally rapidly in a short amount of time.

Of course, if you buy a stock and it rallies soon after, that would be a wonderful feeling. But investors shouldn't go looking solely for companies that they think can skyrocket immediately.

This is speculating, and it's a recipe for disaster. Instead, finding growth stocks is more about high-quality companies that you have confidence can grow their operations and market share for years to come.

One of Warren Buffett's most famous quotes is, "Our favourite holding period is forever."

Predicting short-term price movements is extremely difficult. So, it's much better to find a business you're happy to own and buy it for years to come.

This way, it doesn’t matter about the short-term fluctuations. And over time, not only will the short-term fluctuations not matter, but the company’s value should continue to rise consistently, growing your capital for decades to come.

Warren Buffett understands that the best stocks rarely trade undervalued

Many of the best growth stocks these days will often trade with a growth premium. So, while you can buy these stocks as they sell off and that premium gets smaller, buying these stocks undervalued is a different story.

A stock with as much potential as **Shopify**, for example, will never trade with a low price-to-earnings ratio, like **Corus Entertainment** does today.

Corus may be worth an investment because it’s a value stock, but growth stocks will never be that cheap. Investors know that Shopify has a tonne of potential, as it’s a revolutionary business in addition to being a tech stock.

Because of this, if you’re a growth investor, while price and value surely matter, you can’t be too picky waiting for stocks to trade well undervalued.

Another of Warren Buffett’s most famous quotes, which showed he had switched from predominantly value investing to growth investing, is, “It’s far better to buy a wonderful company at a fair price than a fair company at a wonderful price.”

So, while you want to buy stocks as cheap as possible, you also don’t want to pass on opportunities as they present themselves.

As long as you believe that the price is fair and the stock has value when you consider its superior growth potential, then it should be worth an investment.

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