



## Warren Buffett Is Betting on This Industry: Should You?

### Description

The smartest investors keep a close eye on investors they consider smarter than themselves. That's why I try to monitor the moves of successful investors and noteworthy billionaires. This week, the most noteworthy investor in the world, Warren Buffett, acquired an insurance company.

This acquisition is Buffett's biggest deal in years. It could be an indication that the Oracle of Omaha sees insurance as a reliable business to bet on given the economic hurdles and rising interest rates that lie ahead. That signal convinced me to take a closer look at Canada's insurance sector for potential opportunities.

Here's a Canadian insurance giant that deserves a spot on your watch list.

### Great-West Lifeco

**Great-West Lifeco** ([TSX:GWO](#)) is one of the largest insurance firms in the country. Although the core business is life insurance, GWL has diversified into other financial and real estate-related services. That's what makes it an interesting stock to monitor.

The company had an impressive start to the new year but hasn't been able to avoid the recent selloff. The stock has shed more than 12% in market value from 2022 peak, as the correction from 52-week highs gathers steam. The correction could be the result of the risk-off mood in the market, as investors react to the Russia-Ukraine conflict.

However, Great-West Lifeco is still a solid pick going by the 27% plus gains registered last year that saw it outperform the TSX, which was up by about 20%. Therefore, the pullback presents an ideal entry point for any investor eyeing exposure to quality stock in the insurance and financial services industries.

Great-West Lifeco is fresh from delivering better-than-expected [fourth-quarter and full-year](#) 2021 results. Full-year net earnings rose to \$2.12 billion from \$2.94 billion the previous year. Diluted earnings per common share came in \$3.36, higher than \$3.17 a share delivered the previous year.

## Valuation

The company's ability to generate free cash flow explains why it has succeeded in offering a high [dividend yield of 5.14%](#). It offers a quarterly dividend of \$0.49. After the recent pullback, the stock is trading at a great discount going by the price to earnings multiple of 10.

Shares of Great-West Lifeco have pulled back significantly at the back of the solid underlying fundamentals. The pullback comes amid growing concerns about inflation and interest rate hikes. However, the long-term outlook remains positive, with the pullback presenting an opportunity to buy the stock at a discount.

## Bottom line

Insurance is usually a boring and safe business to bet on. But since the world's most successful investor is making a big deal in this sector, I believe Canada's insurance companies deserve a second look. If you're seeking a safe haven, Canada's second-largest insurance firm Great-West Lifeco could be an ideal target.

### CATEGORY

1. Investing

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vraisinghani

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