Here Are the Value Stocks that Buffett and Other Billionaires Are Buying Now

Last week we found out what the world's biggest stock investors were up to in the fourth quarter, thanks to their 13F filings with the Securities and Exchange Commission.

And whenever one of those comes from Berkshire Hathaway, attentive investors take notice.

After all, Berkshire is the investment vehicle for Warren Buffett, the world's sixth-richest person: such a legendary investor that he's nicknamed "the Oracle of Omaha."

As we've now confirmed, Buffett is keen on the undervalued energy sector – and perhaps is turning a bit cautious on overvalued technology stocks. Last quarter he made a few moves along these lines that caught my attention.

According to Berkshire Hathaway's fourth-quarter 13F report, Buffett didn't add any new stocks to his portfolio. However, he *did* add to existing positions in energy giants Chevron (CVX) and Occidental Petroleum (OXY). Plus, he added to his stake in Sirius XM Holdings (SIRI).

Keep in mind that Buffett earned much of his wealth as a devotee of "value" investing, meaning he buys companies that appear cheap today. Buffett bets these underpriced stocks will pay off in the long run, thanks to their durable competitive advantages that will boost their stock price over time. He famously pointed out the ease of value investing as simply "buying wonderful companies at reasonable prices."

And how does the Oracle of Omaha determine if a stock is reasonably priced, or better yet, underpriced?

He defines a company's intrinsic value as the "discounted value of the cash that can be taken out of a business during its remaining life."

And right now, the Oracle of Omaha is finding plenty of value in cheap, out-of-favor energy stocks, as well as SIRI.

On the flip side of the "wonderful companies at reasonable prices" coin, Berkshire trimmed its largest stock holding, Apple (AAPL), last quarter by a minor amount. Buffett also cut his holdings in HP (HPQ) and Paramount Global (PARA) while selling his entire position in D.R. Horton (DHI), Globe Life (GL), Markel Group (MKL), and StoneCo (STNE).

The reduction of AAPL and HPQ may be a reflection on how much the tech sector has run up over the past year. Many tech stocks today appear fully priced, if not outright overpriced.

That includes AAPL, where sales growth has slowed considerably and most valuation metrics remain inflated.

Energy stocks, by contrast, appear cheaply valued today. This includes CVX and OXY, two more of Buffett's largest individual stock holdings. OXY is also a key holding in my *Ultimate Income* portfolio.

How to Find Other Undervalued Stocks the Billionaires Are Buying

Berkshire's recent 13F filing inspired me to revisit a favorite stock screen of mine that combines two of our proven *Ideas by TradeSmith* strategies, Best of the Billionaires and Value. Here's how to build this screen to find potentially underpriced stocks that billionaire investors like Buffett are buying on the cheap.

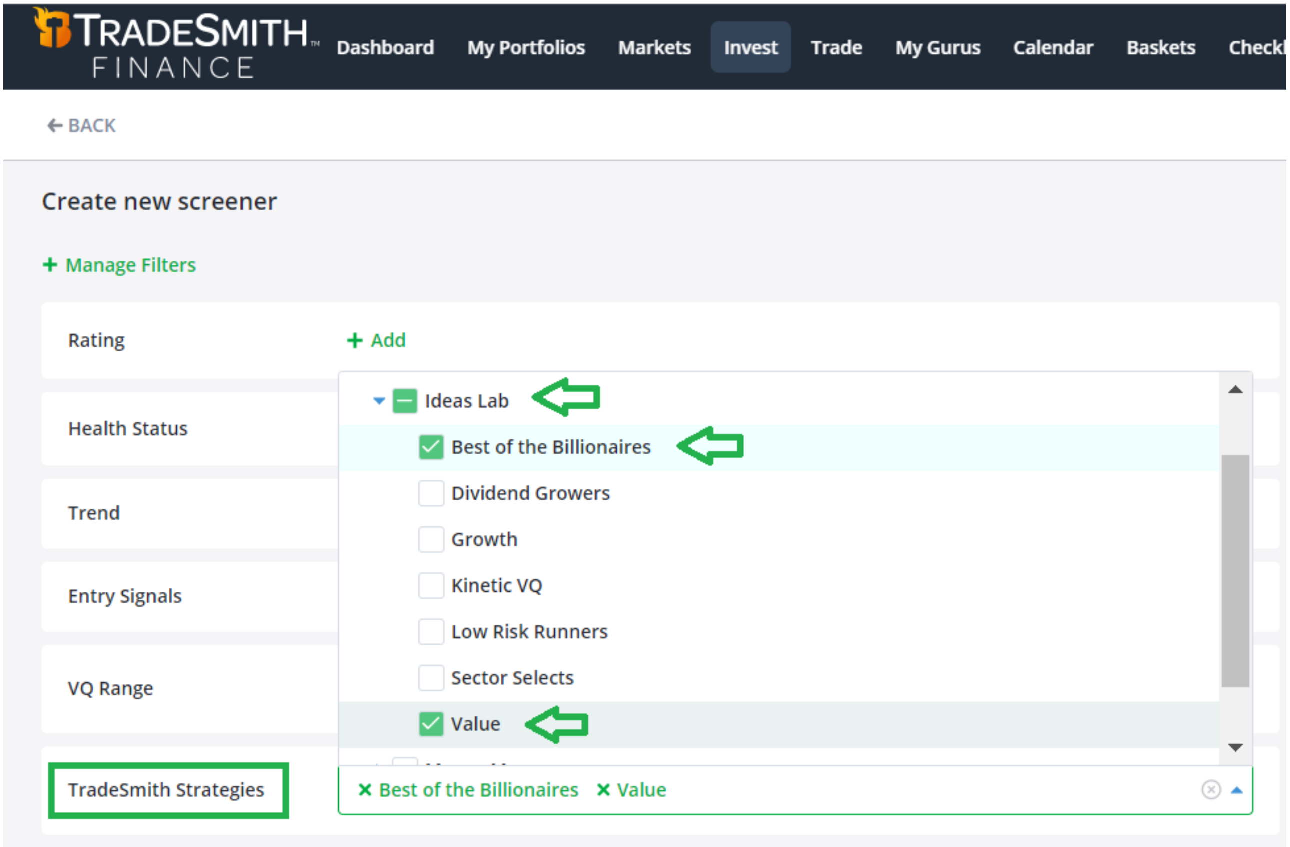
Note members with *Ideas by TradeSmith* Premium or higher, *TradeSmith Essentials*, *Trade360*, or *TradeSmith* Platinum will find these tools within their platform. (And if you don't see these tools in your TradeSmith Finance dashboard — and would like to — call 888-623-0858 to discuss.)

Log in to ***TradeSmith Finance*** and select **Invest** from the top menu bar. Then select the **Screener** tool and click on **+ Create new screener**.

Now you're ready to start adding filters.

For my screener, I want to keep it simple by adding filters for *only* our Best of the Billionaires and Value strategies. By default, these *TradeSmith* strategies will only search for healthy stocks in the Green Zone. To me, this is a nice intersection of stocks that well-heeled investors like Buffett own *and* that are currently undervalued in price.

And be sure to toggle the green button in the **TradeSmith Strategies** section to **All** to get only results for stocks that qualify for *both* Best of the Billionaires and Value strategies.



Finally, to zero in on established, large-cap stocks, I added one more filter.

Click **+Manage Filters** to add **Markets** (under **General**) to your list, then **Save & Close**. Click **+ Add** on the Markets line, then select **S&P 500 (SPX)** and **Russell 1000 (IWB).** These two market indexes overlap, but I wanted to ensure I got a broad cross section of:

1. Stocks owned by successful billionaires like Buffett
2. That are also undervalued in price according to our indicators

I ran the screen looking for just the Top 50 results. Below is a partial list of the stocks that made the cut.

Saved Screeners (Top 50 results)

Ticker	Rating	Health	VQ%	Avg VQ%	VQ Ratio	Newsletters	Billionaires	Strategies
UNH Unitedhealth Gro	Strong Bullish	3w+	16.48%	24.44%	-32.57%	2	6	4
AMG Affiliated Manag	Strong Bullish	7d	25.32%	30.17%	-16.10%		1	3
CNC Centene	Strong Bullish	1m+	23.26%	30.46%	-23.65%	1	2	2
WMT Walmart	Strong Bullish	1m+	13.84%	18.60%	-25.61%	2	4	2
CL Colgate-Palmoliv	Strong Bullish	1m+	13.55%	16.48%	-17.81%		1	3
CVS CVS Health	Strong Bullish	3w+	18.13%	21.27%	-14.75%	8	4	3
MDT Medtronic	Strong Bullish	2m+	18.54%	20.59%	-9.95%	2	2	3
MDLZ Mondelez Intl-A	Strong Bullish	1m+	13.74%	15.78%	-12.92%	1	2	3
HAL Halliburton	Strong Bullish	5d	34.57%	32.68%	5.78%		3	5
MAT Mattel	Strong Bullish	1w+	27.48%	25.33%	8.46%	1	1	3
LH Laboratory Corp	Strong Bullish	3w+	19.45%	24.60%	-20.94%		1	2
JNPR Juniper Networks	Strong Bullish	1w+	20.57%	37.58%	-45.26%		2	3
ETR Entergy	Strong Bullish	1m+	16.96%	17.14%	-1.01%		2	3

Our Best of the Billionaires strategy produces the *best* results when *multiple* billionaire investors own the same stock. So, it pays to focus on stocks that two or more billionaires currently own.

In the list above, this includes:

- CVS Health (CVS), owned by four Billionaires
- United Healthcare (UNH), with six Billionaire owners
- plus leading energy blue-chip Halliburton (HAL), owned by three Billionaires

HAL is another holding in my *Ultimate Income* portfolio.

Mike Burnick's Bottom Line: The Oracle of Omaha believes that individual investors with a value focus can beat the market long term – as long as they avoid big mistakes and focus on the right things. Namely, valuation! *TradeSmith's* robust investment strategies and screening tools can help you do exactly that.

Good investing,

Mike Burnick

Senior Analyst, *TradeSmith*