



Steal 3 Stock Picks From a Legendary Billionaire Investor

Description

If I were to ask you who the most successful investor of all time is, you'd probably answer pretty quickly: Warren Buffett.

The Oracle of Omaha has a record that may never be matched. Buffett started with a relatively small amount of capital and eventually turned it into **Berkshire Hathaway**, which has grown into one of the 10 largest companies in the United States. Over the years, Buffett has bought huge stakes in businesses that are household names, companies like **Coca-Cola**, **American Express**, Dairy Queen, and Fruit of the Loom, just to name a few.

Even though Canadian billionaire Prem Watsa has followed a similar path to Buffett, he only seems to get a fraction of the attention. After immigrating to Canada from India, Watsa followed Buffett into the insurance business, using the float from **Fairfax Financial's** ([TSX: FFH](#)) insurance premiums to invest in undervalued securities. Watsa's net worth is hard to pinpoint, but various estimates peg it north of \$3 billion. Needless to say, he's been successful.

Canadian investors could do a lot worse than looking to Watsa and emulating his investing style. After all, it's worked pretty well for the man over the past few decades. Here are some companies he currently likes.

BlackBerry

At the end of the first quarter, Watsa owned more than 45 million **BlackBerry** ([TSX: BB](#))(NASDAQ: BBRY) shares, at an average cost north of \$15 each. Shares currently sit at \$9, meaning investors who get in now are buying at a nice discount compared to Watsa.

Yes, BlackBerry is currently going through a turnaround, but all signs point to the company eventually recovering. CEO John Chen has upgraded his prognosis, saying he thinks the company has an 80% chance of surviving this rough patch. The company is forecast to lose money in 2014, but to flirt with breaking even in 2015.

In the meantime, BlackBerry is raising cash by selling non-core assets and is focusing its efforts on the

developing world, where competition in the smartphone arena isn't as strong since most consumers can't afford the expensive models. The company has also contracted out all its production to Foxconn, which should help it conserve cash as well.

Interestingly, BlackBerry's future may not even be linked to smartphones. Its QNX software is quickly becoming the market leader for in-dash entertainment systems for a host of car brands.

Reitmans

In December, Fairfax raised its stake in **Reitmans** (TSX: RET.A) to 14% of the company, buying an additional 2 million shares at \$6.35 each.

The struggling women's clothing retailer is the cheapest it's been for years. Its shares are trading slightly under book value, and the company's price-to-sales ratio is among the lowest in the sector, even including U.S. companies. The company's management is strong as well, with both the CEO and COO each having approximately 40 years of experience.

The company has been closing non-performing stores and been trying to cut costs, but sales are still stubbornly falling, albeit not dramatically. Management sees sales picking up over the second half of the year. The company also pays a 3.4% dividend, rewarding investors who have the patience to buy into this turnaround story.

BCE

Even though Watsa owns a mere \$11 million worth of **BCE** ([TSX: BCE](#))([NYSE: BCE](#)) — a pittance for the billionaire — it helps to illustrate just how bearish he is on the overall market.

Watsa has stated that he is extremely bearish on the stock market in general, specifically anything related to China. Simply put, Watsa sees China taking a huge step backwards, and thinks that many Canadian companies will sell off right along with it. Some of the billionaire's largest holdings are derivatives that are actively betting against the stock market.

If Watsa is right and the market does plunge, a stock like BCE is the perfect holding for the average investor. Not only will it outperform the market — as defensive companies tend to do during downturns — but it also offers investors a 4.9% dividend. BCE offers a place for investors to hide, so to speak.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:BCE (BCE Inc.)
3. TSX:BB (BlackBerry)
4. TSX:BCE (BCE Inc.)
5. TSX:FFH (Fairfax Financial Holdings Limited)

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