Billionaire Prem Watsa Owns These 3 Stocks; Should You?

Description

Prem Watsa is often referred to as "Canada's Warren Buffett," and it's easy to see why. He is the Chairman and CEO of a large insurance conglomerate, one that has a fantastic track record of picking winning investments. Mr. Watsa also has tremendous patience and conviction, a trait he shares with the Oracle of Omaha.

But that is where the similarities end. Mr. Watsa is much more pessimistic by nature than Mr. Buffett. He also focuses much more on macroeconomics — Mr. Buffett prefers to spend his time analyzing individual companies. Finally, Mr. Watsa is not shy about buying troubled businesses for a really cheap price.

For those of you looking to follow Mr. Watsa's lead, below are three ways to do so.

1. Fairfax Financial Holdings

Fairfax Financial Holdings (TSX: FFH) is of course the most direct way to ride Mr. Watsa's coattails; the insurance giant was founded by Mr. Watsa in the 1980s, and he still runs the company as Chairman and CEO.

Last year was one of the worst years in Fairfax's history, yet the company still has an outstanding track record under Mr. Watsa's leadership. Since 1985, book value per share has increased by 21.3% per year, well above the return you would have gotten from an index fund. If Mr. Watsa and the team around him are able to keep up this kind of performance, the years ahead will be very rewarding too.

2. BlackBerry

As mentioned, Mr. Watsa does not shy away from troubled businesses, and **BlackBerry** (TSX: BB)(NASDAQ: BBRY) is a perfect example. At the end of 2012, Fairfax owned approximately 10% of BlackBerry at an average cost of $17 per share. That position cost Fairfax about $220 million last year.

However, Mr. Watsa and other BlackBerry shareholders are more optimistic than they've been in a long time, with new CEO John Chen at the helm. Mr. Chen has a strong track record of turning companies around, most notably rescuing Sybase, which was eventually sold to **SAP** for $5.8 billion.

3. Penn West Petroleum

This is a new position for Mr. Watsa, and a relatively small one too. Yet **Penn West Petroleum** (TSX: PWT)(NYSE: PWE) offers yet another example of a struggling company trading cheaply that he is willing to bet on.

Penn West's story is all too familiar in Canada's energy patch. The company expanded too quickly, built up an over-levered balance sheet, and over the past year has been selling off assets into a buyer's market. The stock is down more than 50% over the past three years.

However, Penn West has a dividend yield of over 5%, so if the company is able to right-size itself, then investors should get a nice payout in addition to some capital gains. Mr. Watsa is certainly hoping this will happen.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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