



Billionaire D.E. Shaw Bought \$46 Million in BlackBerry Ltd. Stock; Should You Buy Too?

Description

You might not have ever heard of him, but everyone 'in the know' on Wall Street has heard of Dave E. Shaw.

Shaw is founder and Chief Scientist of D.E. Shaw & Co., L.P. Since its inception in 1988, Shaw has consistently posted double-digit returns for his investors, handily outpacing the **S&P 500** over the same timeframe. Today, the hedge fund is one of the largest in the world with roughly \$32 billion in assets under management.

Based on Shaw's remarkable track record, I always pay attention to what stocks he's buying. And right now, he's making some interesting investments in the technology sector.

This could be bigger than 3D printing... the personal computer... even the iPhone

Shaw has been betting big on a new theme in Silicon Valley called the Internet of Things, or IoT: the connection of everyday objects from cars and refrigerators to the Internet. In recent quarters, he has been building positions in stocks like **Sierra Wireless Inc**, **Cisco Systems Inc**, and **CalAmp Corp**. These technology infrastructure companies are great plays on the boom taking place in this emerging industry.

He has also just picked up a new position. In August, SEC filings revealed that Shaw nearly doubled the size of his stake in Canadian technology giant **BlackBerry Ltd.** ([TSX: BB](#))(NASDAQ: BBRY). As of June, the billionaire investor owns 4.5 million shares of the company valued at around US\$45.8 million.

The announcement might come as a surprise to most investors. BlackBerry is better known for its struggling handset business. Perhaps there's some value to be salvaged from this operation, but the company is unlikely to last long against giants like **Apple Inc.** and **Google Inc.**

However, this is a dated view of the company. Under the leadership of new Chief Executive JohnChen, BlackBerry is once again on solid financial footing. Now he has declared the IoT as the newstrategic focus for the company.

In May, BlackBerry announced Project Ion. According to the company, the initiative consists of three parts: supporting an IoT environment, creating a secure platform to run QNX, and partnering with other top players in this emerging segment.

To put it simply, BlackBerry wants to be the veins in the larger IoT circulatory system. Rather than building the interface consumers interact with, the company is building the infrastructure for all of these devices to talk to one another.

And the opportunity here could be huge. Today, more than 99% of all things in the physical world remain unconnected. But that's about to change. Soon, just about everything you use — including your appliances, television, and thermostat — will be connected to the Internet.

As Mr. Chen wrote in a January blog post, “while there are 5 billion handsets in the world that we want to connect to, there may be 500 billion devices out there that present a tremendous opportunity for an organization with the experience and track record of QNX.”

According to Cisco CEO John Chambers, the number of devices connected to the Internet is projected to hit 50 billion within the next five years, a five-fold increase over the number of devices connected today. He estimates that the Internet of Things could be a US\$19 trillion market by 2020. That's larger than the market capitalization of every company in the S&P 500 *combined*.

How to stake your claim in the second Internet gold rush

BlackBerry is well positioned to lead this new industry. No other company has a better reputation for security. The firm's QNX operating system is already found in millions of vehicle infotainment systems.

Judging by Mr. Shaw's positions, he's definitely optimistic on the IoT's potential. Even if the market is only half as big as Chambers is predicting, the opportunity here is enormous. And this could lead to big profits from investors willing to bet on this emerging industry.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

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