



5 Reasons Why Every Investor Should Be Invested With Canada's Warren Buffett

Description

It seems that everyone loves billionaire investor Warren Buffett.

And not just because of his success, either. Not only is he generous with his knowledge, but he finds a way to explain difficult concepts so everyone can understand them. He seems to enjoy the same simple pleasures the rest of us do, choosing to relax with a can of **Coca-Cola** or a round of golf, rather than the pleasures one would normally associate with a billionaire. We see him as just a really wealthy common man, which endears him to us.

And yet, there's a man in Canada who's on a similar path but gets almost no attention at all.

That man is Prem Watsa, the chairman and CEO of **Fairfax Financial Holdings Ltd.** ([TSX: FFH](#)). Since taking over Fairfax in 1985, Watsa has managed to grow the company's book value by 22% annually, by taking on a similar strategy to Buffett. At its core, Fairfax is an insurance company, using the capital generated from premiums (called the float) to buy positions in undervalued securities. Sure, Watsa is copying Buffett, but he's also doing a *really* good job of it.

Let's look at five reasons why Watsa is the kind of manager every investor wants to have on their side.

1. An independent thinker

Watsa is constantly zigging when the market is zagging. He picks up value stocks on the cheap, and sells them when the market starts to love them again.

A great example is his purchase of **BlackBerry Ltd.** ([TSX: BB](#))(NASDAQ: BBRY), at an average of a little over \$9 per share. Fairfax ended up accumulating more than 46 million shares of the troubled smartphone maker, which didn't look terribly smart as the stock slipped down to \$6. Watsa still holds, and is currently up about 20% from the purchase price.

It took a brave investor to buy into BlackBerry last summer. Watsa's ability to invest for the long term helps separate him from the pack.

2. He predicted the 2008 housing collapse

Unlike just about every other asset manager (including Buffett), Watsa actually made money during the Great Recession. The reason? He bet aggressively against U.S. housing, using a selection of hand-picked CDOs.

Watsa can join just a small number of investors who can not only say they called the housing collapse but also actually profited from it.

3. His newest bearish bet

Watsa partially gave back some of those gains in 2013, when he started taking large short positions against the broad market, turning particularly bearish on social media stocks and China.

Those bets haven't exactly worked out, but considering his track record, I'm betting Watsa is just early. If he does end up being right, Fairfax will once again outperform during the selloff.

4. The importance of float

Let's not understate just how important the float is to Watsa's success.

Over the last 10 years, Fairfax has paid an average of 0.7% annually for access to billions in capital. This unique ability to use other people's money to build Fairfax into a huge **Berkshire Hathaway**-esque holding company is perhaps the man's greatest advantage. The float acts as almost free leverage, further enhancing Watsa's returns.

5. He eats his own cooking

It's estimated that Watsa has 99% of his personal net worth invested in Fairfax. He owns 100% of the company's multiple voting shares, along with 10% of the single voting shares. His stake in just the single voting shares is worth more than \$1 billion.

Watsa only paid himself \$600,000 in 2013, a meager salary for someone of his pedigree. Not only do investors get to ride the coattails of a terrific manager who is invested in his own business, but they're paying him next to nothing for the privilege. Seems like a pretty good deal to me.

The bottom line? It's amazing Prem Watsa has stayed under the radar for this long. Buying Fairfax shares now is akin to buying Berkshire Hathaway about 20 years ago, and we all know how that worked out.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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