

How To Invest Alongside Canada's Warren Buffett

Description

When picking stocks, there's nothing wrong with copying the world's best investors. And one of these people is Prem Watsa, Chairman and CEO of insurance conglomerate **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)). In fact Mr. Watsa has been referred to as "Canada's Warren Buffett", thanks to his tremendous track record.

So what is the best way to invest alongside Mr. Watsa? Below we take a look at the top three options.

1. Fairfax shares

Of course the simplest way to invest alongside Mr. Watsa is with Fairfax shares. And there's a very strong case for the stock, mainly because of Fairfax's exceptional track record. In fact, book value per share at Fairfax has grown by over 20% per year since 1986.

Fairfax has been making plenty of recent headlines as well. Just last week, the company reported exceptional results for the fourth quarter of 2014. Net income totaled US\$1.63 billion for the year, a record. Mr. Watsa appropriately said that 2014 was Fairfax's "best year ever." And on Tuesday, Fairfax announced a \$2.3 billion acquisition of specialty insurer Brit PLC of London. The move further diversifies the company's earnings, and gives it further presence in an important European market.

That being said, you shouldn't think Fairfax stock is a risky bet on the global economy. In fact, quite the opposite is true. Mr. Watsa has a very pessimistic view of international markets, and as a result Fairfax has a very conservative investment portfolio, including some significant hedges. If you're looking to protect yourself from market turmoil, this is a great way to do so.

2. BlackBerry

Fairfax is also the largest shareholder of **BlackBerry Ltd.** ([TSX:BB](#))(Nasdaq:BBRY), with a 17% stake. Of course Mr. Watsa is very optimistic about the technology company's future.

And this came to light in recent months, when **Samsung Electronics Co. Ltd.** reportedly tried to acquire BlackBerry. The Korean giant wasn't able to convince BlackBerry's largest investors to sell the company, even though the offer price included a hefty premium. Mr. Watsa was most likely one of these holdout investors.

So if Mr. Watsa is even half-right, BlackBerry shares have a lot of upside.

3. Cash

As mentioned, Mr. Watsa is very pessimistic about international markets, and as a result Fairfax holds nearly a quarter of its investment portfolio in cash.

I'm not saying you shouldn't buy any stocks. But at the same time, you shouldn't feel the need to be fully invested in the stock market either. After all, you want to be ready to pounce when you see an

opportunity, and cash gives you that kind of flexibility.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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Date

2025/07/22

Date Created

2015/02/17

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