



Buy Fairfax Financial Holdings Limited for the Day the Bull Market Ends

Description

It's hard to see the end to this bull market. With interest rates so low, investors can only really make money if they continue to throw it into stocks. But every bull market has to end at some point. Whether it's because of an economic crisis or a significant correction, the insane valuations that some companies currently hold will correct. I don't know when that time will be, but it will come.

One of the best ways that you can potentially profit on this correction is to buy **Fairfax Financial Holdings Limited** ([TSX:FFH](#)). Prem Watsa, Canada's Warren Buffett, runs Fairfax in such a way that since he took over in 1985, the value of the shares has risen by 20% each year.

But what Watsa is really good at is predicting when there are going to be economic problems. He called the 1987 crash. He saw the tech bubble in the late 90s. He saw the problems in the Japanese market. Finally, he made a ton of money when the housing market imploded. At the end of the day, he can see the signs and when he does, he bets big.

Watsa has bet big on there being a significant correction in stock prices at some point. And when that time comes, he'll be able to close out his short positions and make a ton of money—for himself and his investors.

His business is ingenious

The wonderful thing about the business Watsa runs is that he gets money to invest every month from people paying their insurance premiums. He's able to take a significant amount of that money and invest it into new equities. In other words, his customers fund his investments.

This is the same way that Warren Buffett grew his business. Without all that cash flow coming in from his businesses, he would not be one of the richest men in the world.

Should you buy?

Shares of Fairfax Financial are on the high end and there isn't much of a discount here, so it could be an expensive investment. Waiting for a more attractive point of entry wouldn't be a terrible idea. However, if you're looking for a way to protect against the end of the bull market, starting a position in

Fairfax would be a good move. Just understand that you won't make any money on dividends. Watsa takes all cash flow and reinvests it.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

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Date

2025/08/23

Date Created

2015/04/10

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