



## Billionaire Prem Watsa's Top 5 Stock Picks

### Description

Billionaire investor Prem Watsa has earned the reputation as the “Warren Buffett of Canada,” and for good reason.

Since taking the helm at **Fairfax Financial Holdings Ltd.**, he sold ahead of the stock market crash in 1987, foresaw the collapse of Japanese equities in 1990, and predicted the mortgage crisis of 2008. And when everyone else was panicking in 2009, Watsa was buying up stocks at rock-bottom prices.

It has been a profitable arrangement for shareholders. If you had invested \$1,000 in Fairfax back in 1993, your position would be worth more than \$25,000 today—eight times better than the returns you would have received in the **S&P/TSX Composite Index**.

Because of his exceptional track record, I always pay close attention to the stocks Watsa is buying. And right now, he's finding value in some unusual places:

Stock	Value of Position % of Portfolio	
<b>BlackBerry Ltd.</b>	\$512 million	33.15%
<b>Resolute Forest Products Inc.</b>	\$510 million	33.07%
<b>International Business Machines</b>	\$219 million	14.15%
<b>Sandridge Energy Inc.</b>	\$92 million	5.96%
<b>Overstock.com Inc.</b>	\$77 million	4.99%

*Source: SEC filings*

Let's say a few words about these companies.

Prem Watsa is used to challenging the street's consensus. However, he has never been more alone than he is right now with **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY). Fairfax is the

company's biggest shareholder, but what could he possibly see in the troubled smartphone manufacturer?

For starters, the stock is trading below BlackBerry's liquidation value. In exchange, investors are getting a great set of assets—including BlackBerry Messenger, mobile device management, and the QNX operating system—that are often overlooked by pundits. If new CEO John Chen can pull off a turnaround, BlackBerry could emerge worth more than it is today.

It's a similar story at **Overstock.com Inc.** (NASDAQ:OSTK) and **Resolute Forest Products Inc.** ([TSX:RFP](#))([NYSE:RFP](#)). Both of these companies have struggled under the onslaught of new competition. However, with new management teams infusing a fresh set of ideas, these firms are starting to turn around. Early investors who get in on the ground floor could make a small fortune.

**International Business Machines Corp.** ([NYSE:IBM](#)) is your classic wide-moat business. As the old saying goes, "Nobody ever got fired for buying IBM." A vendor's reputation is a key factor that companies consider when upgrading their I.T. infrastructure. Businesses like Big Blue that can lock in a loyal customer base generate superior cash flows for shareholders.

Finally, the recent crash has turned some energy names into outright bargains. And with valuations hovering just above 10-year lows, now might be a good time to scoop up some blue-chip oil names on the cheap. Prem Watsa has staked out his claim with **SandRidge Energy Inc.** ([NYSE:SD](#)).

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:BYON (Overstock.com)
3. NYSE:IBM (International Business Machines Corporation)
4. NYSE:RFP (Resolute Forest Products)
5. NYSE:SD (SandRidge Energy, Inc.)
6. TSX:BB (BlackBerry)

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