



Fairfax Financial Holdings Ltd. Remains a Solid Investment Option

Description

One of the best companies to invest in is **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) Here's a quick look at some of the reasons why you should consider adding the company to your portfolio.

Fairfax is doing great

Fairfax currently trades at just over \$717. The stock is up by 9% year-to-date and up by an impressive 20% when looking at performance over the past six months. Fairfax pays out an annual dividend of \$14.56, giving the stock a respectable yield of 2.03%

Fairfax at its very core is an insurance provider. The company has operations scattered around the world, and it deals primarily with property and casualty insurance. As profitable as Fairfax as an underwriter, the real gains for the company come from its investment arm, which continues to find investments that will give the greatest returns over the longer term.

Fairfax is expanding into emerging markets

Fairfax announced that along with **Fairfax India Holdings Corp.** ([TSX:FIH.U](#)), Fairfax is buying into the ownership of Bangalore airport. Fairfax India is a publicly traded company that is controlled by Fairfax. Fairfax India is focused on longer-term investments in India, and this airport deal could be a significant investment for years.

The price that's been agreed to is approximately \$321 million, which will give Fairfax 33% equity in the company that owns and operates the airport.

Bangalore has grown from being a small town to the third-largest city in India in only a few decades. The city is known as the Silicon Valley of India. Nearly every technology-focused company in the world has offices there, and the city was recently voted as the most livable city in the country.

Fairfax has Prem Watsa

No write-up of Fairfax would be complete without mention of Canada's Warren Buffett.

Watsa has a particular skill in identifying and purchasing stocks that are undervalued, and then turning them around to the point of eventually outperforming the market. These skills have allowed Watsa, who has controlled Fairfax for over 30 years, to average a 20% return on book value each year. If that was the only skill worth noting, it would be impressive, but there's more.

Watsa has developed an ability of seeing macro trends in the economy. During the subprime mortgage crisis, Fairfax was betting against toxic mortgages, and that paid off in the form of \$1.5 billion in profits in 2008.

More recently, Watsa has been talking about deflation. The logic behind his theory has potential. As China's development slows, commodity prices drop. The yuan will be devalued to boost faltering exports, which will lead to deflation for consumers. If this vision comes to fruition, Fairfax stands to come out with over \$110 billion.

In my opinion, Fairfax remains a solid option for those investors seeking long-term growth. Fairfax's balance sheet, view of the market, and ability to identify bargain acquisitions and trends in the macro economy should continue to keep investors happy for decades.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

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