

4 Top Stock Picks From Canada's Richest Billionaires

Description

It's pretty obvious why investors want to put their money to work in the same way as billionaires do. They're billionaires; it's obvious they're doing something right.

But it's not quite that simple. There isn't a prescribed formula one can follow to become a billionaire. People like the Irving family and Jim Pattison invested in a bunch of different businesses, becoming true conglomerates in the process.

Other billionaires have been more focused. Prem Watsa poured most of his money into **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) shares, riding the success of his majority stake into riches. The Weston family hasn't done much investing at all outside the grocery business. And the Rogers family still has the vast majority of their wealth tied up in the telecom industry.

Although there isn't one surefire way to become a billionaire, just about every investor can benefit to having a billionaire-inspired mindset to investing. Here are three ways you can invest more like a billionaire.

Scalable businesses

This is one of the biggest mistakes I see entrepreneurs making. They pour their heart and soul into a business that's a part-time money maker at best. All focus is on execution; expansion isn't even considered.

This isn't as big of a problem when investing, since by nature most businesses big enough to be listed on stock exchanges have growth potential. But investors need to be able to identify businesses that really have the ability to scale up. Billionaires understand this better than anybody. That's why they're billionaires, after all.

One such business I think has great potential is beaten-up auto dealership owner **AutoCanada Inc.** ([TSX:ACQ](#)), Canada's second-largest owner of dealerships. Many of its dealerships are located in Alberta, which explains most of the 44% decline in the stock over the last 52 weeks. Investors don't want anything to do with Canada's former economic darling now that oil is down.

AutoCanada has a bright future. There are thousands of dealerships in Canada owned by individuals, folks that will likely sell as time goes on. The company has more than \$60 million in cash ready to put to work. If you exclude one-time charges, shares are trading at approximately 10 times trailing earnings. And remember, billionaire Jim Pattison is big in the auto dealership business.

Cheap assets

There's one simple reason why billionaire Prem Watsa's company Fairfax Financial owns more than 54 million **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) shares. Watsa thinks the sum of BlackBerry's parts are worth way more than the company's current price.

Watsa could very well be on to something. BlackBerry has a current market cap of \$4.76 billion. Many investors think the company's treasure trove of patents alone is worth more than that. Other assets like the cash pile of US\$2.4 billion or the company's brand have value, too. And remember, BlackBerry is expanding aggressively in the software space, a move that seems to be working.

Watsa has made a career of investing in distressed assets. Will BlackBerry be his latest success story? I'm not sure, but I do know one thing. I sure wouldn't bet against him.

Barriers to entry

Most billionaires have made sure to heavily invest in businesses that have a high barrier to entry.

Take the grocery business, which is a popular way for billionaires to make their money. It takes millions of dollars to open a store, and the big boys in the business get all the good deals from suppliers. Chains that have been in business for decades have all the good locations already sewn up. In short, it's a hard business to break into.

It's for precisely these reasons why the incumbent grocers have made great investments over the years. One retail stock that looks attractive at today's levels is **Empire Company Limited** ([TSX:EMP.A](#)), the owner of some 1,500 Sobeys and Safeway stores. Empire is cheaper on almost every metric compared to its rivals, and shares are currently trading at a 52-week low. And remember, the billionaire Sobey family owns a controlling stake in the company.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:ACQ (AutoCanada Inc.)
3. TSX:BB (BlackBerry)
4. TSX:EMP.A (Empire Company Limited)
5. TSX:FFH (Fairfax Financial Holdings Limited)

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