



3 Reasons to Buy Fairfax Financial Holdings Ltd. Today

Description

Fairfax Financial Holdings Ltd. ([TSX:FFH](#)) is a holding company that aims for high returns on invested capital and to create long-term shareholder value.

Excellent track record

Prem Watsa has led Fairfax Financial as the CEO and chairman of the board of directors since 1985.

From 1985 to 2015, Fairfax's book value per share compounded at an annual growth rate of 20.4%. This growth is reflected in its share price per share that compounded at an annual rate of 19.4% in that period.

From 2007 to 2015, Fairfax Financial's book value per share and price per share compounded at an annual growth rate of 7.26% and 10.9%, respectively. Fairfax tends to outperform the market across different periods.

Insurance and reinsurance businesses

Fairfax Financial has subsidiaries in the insurance and reinsurance businesses, including Northbridge Financial, which is based in Canada, Zenith National, which is based in California, and OdysseyRe, which is based in Connecticut, among others. The combined underwriting profit was \$705 million in 2015.

One of Fairfax Financial's advantages is that it can invest the insurance premiums paid by policyholders for a higher return before that money is claimed.

A diversified company

In the past five years or so, Fairfax Financial has been investing in the restaurant business. It has become the third-largest restaurant group in Canada behind only Tim Hortons and **McDonald's**. Fairfax has interests in **Cara**, the Keg, and McEwan.

In January 2015 Fairfax Financial had 95.1% of the voting rights and 28.1% of the equity interest in Fairfax India. Through Fairfax India, Fairfax Financial can invest in India with lots of growth potential, including investing in public and private equities and debt instruments.

At the end of March, Fairfax Financial's U.S. stock portfolio's three biggest holdings were **BlackBerry** (22.8% of portfolio), **International Business Machines** (12.4%), and **Kennedy-Wilson** (11.8%). As well, 33.5% of this portfolio consists of holdings that are each worth less than 0.5% of the portfolio.

Fairfax Financial originally invested US\$645 million in real estate investment in Kennedy-Wilson in 2010. By the end of 2015 Fairfax Financial had received US\$625 million of distribution, implying the net cash investment was only US\$20 million, while the investment was worth about US\$237 million.

Investors should note that at the end of the first quarter, Fairfax Financial's U.S. stock portfolio was worth US\$1.66 billion, which was only 5.8% of its total investment portfolio, equating to US\$28.6 billion. As well, 107% of its stock portfolio was hedged, which would protect and benefit shareholders if the market tanked.

Conclusion

At about \$643 per share, Fairfax Financial yields a little over 2.2% and is trading at 1.28 times its book value, which is inexpensive.

Additionally, the CEO has a 30-year track record of creating outstanding shareholder value, and Fairfax Financial invests in many investments that the typical investor wouldn't normally have access to. So, Fairfax Financial is a great addition to any diversified portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

Category

1. Dividend Stocks
2. Investing

Date

2025/08/25

Date Created

2016/06/23

Author

kayng

default watermark