



Steal This Important Investing Tip From Canada's Wealthiest People

Description

Personally, I believe in a very simple adage. If somebody is good at something, shamelessly steal their methods and apply them to your own life.

Sam Walton, the founder of **Wal-Mart** and richest man in the world when he died in 1992, was famous for this. In his autobiography, *Made in America*, Walton admits just about every good idea Wal-Mart implemented was borrowed from a competitor. Even discounting, pretty much the company's entire business model, was lifted from various competitors once Walton fully grasped the potential of the concept.

When it comes to investing, there are many different ways to make a buck, even from the most successful people in the business. Some people grew their wealth slowly over time, while others went from rags to riches seemingly overnight as a new sexy concept took off.

Still, most did follow one specific rule that's fairly easy for regular investors to copy.

Concentrate

Just about every ultra-rich person became that way by taking concentrated positions in their own company.

This is more difficult for an individual investor to do, at least without starting their own company. No matter how much you read up on a potential investment, there's still a certain information gap between regular folks and the company's management.

There is a simple way investors can help bridge that gap, however, and that's by adhering to the old adage of watching someone's actions rather than their words.

If a founder of a company still has millions of shares and isn't selling, that's a good thing. If other members of the board and management team own shares, that's an even better thing. And if insiders are actively buying more shares, that's best of all.

Yes, insider buying isn't foolproof. I realize that. I'm sure insiders at Enron held millions of shares as it went down. But for the most part, these people are smart. They realize a good opportunity when they see it.

One example is **Morguard Real Estate Inv.** ([TSX:MRT.UN](#)), a medium-sized REIT with exposure to retail, office, and industrial properties. It has 50 total properties with 8.8 million square feet in gross leasable area.

Morguard Corporation owned more than 31.1 million shares of Morguard REIT as of February 17, 2016. This position has since been increased with the company buying an additional 450,000 shares of its subsidiary recently in the open market.

Additionally, K. (Rai) Sahi, the CEO of Morguard Corporation, personally owns 1.64 million Morguard REIT shares.

These kinds of insider positions are exactly what investors should like to see in the companies they invest in.

Not all eggs in one basket

The issue for investors is that while concentrating can offer great rewards if you get it right, it also can ruin someone financially if they get it wrong. That's not a gamble many of us are willing to take with our retirement savings.

Regular investors can still get the benefits of concentration without all of the risks by compromising a bit. Instead of putting all of their eggs in one basket, spread it out a bit—but not too much. A portfolio of between eight and 10 positions is a good mix of concentration and diversification.

This kind of thinking requires discipline, of course. A stock has to have some crazy upside potential to fit in such a concentrated portfolio. There's no room for mediocre opportunities or quick profits. To borrow a baseball analogy, you'll be swinging for the fences, not slapping singles.

Prem Watsa, CEO of **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) did just that. After taking control of the company in 1984, he used a combination of astute investing, smart management of the company's insurance operations, and patience to grow Fairfax from a bit player to one with a market cap of nearly \$16 billion.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:MRT.UN (Morguard Real Estate Investment Trust)

Category

1. Dividend Stocks
2. Investing

Date

2025/09/11

Date Created

2016/07/20

Author

nelsonpsmith

default watermark

default watermark