



## Is Fairfax Financial Holdings Ltd. for You?

### Description

**Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) aims to achieve high returns on invested capital and to create long-term shareholder value. In fact, it has been delivering outstanding, double-digit returns for shareholders since 1985.

### Outperforms the market

For the 31st year, Prem Watsa has been leading Fairfax as the CEO and chairman of the board of directors. From 1985 to 2015, Fairfax's book value per share compounded at a rate of 20.4% per year. This growth is reflected in its share price, which compounded at a rate of 19.4% per year in that period.

A \$10,000 investment 30 years ago would have turned into more than \$2,000,000!

From 2007 to 2015, despite the impact of the financial crisis, Fairfax managed to compound its book value per share and price per share by 7.3% and 10.9% per year, respectively. A \$10,000 investment in 2007 would have more than doubled to nearly \$23,000 in that period.

Simply put, Fairfax tends to outperform the market across different periods over the long term. On top of that, it also pays a yield of about 2% to add to shareholder returns.

### Diversified portfolio

At the end of the second quarter in June, Fairfax's investment portfolio was worth a little over US\$28.2 billion. It had about 18% in cash and short-term investments, roughly 54% in bonds (of which 38% were U.S. treasury bonds and 34% were U.S. state or municipality bonds, totaling 72% of its bond portfolio), and about 14% in stocks.

Fairfax has been investing in the restaurant business for about five years. It has become the third-largest restaurant group in Canada behind **Restaurant Brands** and **McDonald's**. Fairfax has interests in **Cara** (which owns brands such as Swiss Chalet, Harvey's, and Milestones), the Keg, and McEwan with more than 1,100 restaurants and \$2.4 billion in system sales.

Additionally, at the end of Q2 Fairfax hedged 115% of its equity and equity-related holdings against a potential broad and systemic decline in equity markets. The hedge would protect and benefit shareholders if the market tanked.

### **Advantage of insurance premiums**

Fairfax is a holding company that owns subsidiaries, which are primarily engaged in property and casualty insurance and reinsurance and the management of the associated investments.

Fairfax's subsidiaries include (but are not limited to) Northbridge Financial, which is based in Canada, Zenith National, which is based in California, and OdysseyRe, which is based in Connecticut. Fairfax's combined underwriting profit was US\$705 million in 2015.

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

### **Conclusion**

Due to its diversified portfolio and outstanding track record of market-beating returns, Fairfax is a great addition for long-term investors.

Fairfax's book value per share was US\$406.07 at the end of Q2. Using an exchange rate of US\$1 to CAD\$1.30, the book value per share would be CAD\$527.90. A price-to-book of 1.30 would be a decent entry point for Fairfax. So, interested investors can consider Fairfax at about \$686 per share.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:FFH (Fairfax Financial Holdings Limited)

### **Category**

1. Dividend Stocks
2. Investing

### **Date**

2025/08/17

### **Date Created**

2016/09/27

### **Author**

kayng

default watermark