



## Fairfax Financial Holdings Ltd.: Prem Watsa Just Turned Bullish

### Description

Prem Watsa has been one of Canada's biggest bears for a long time. He's a doomsday investor, and he's been preparing for the next economic collapse for quite a while with many short positions and hedges in place. It's never a good idea to time the market, even if you are the "Warren Buffett of Canada."

Prem Watsa and **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) have missed out on a huge amount of upside since 2009 because of the bearish nature of Watsa's positions. The stock of Fairfax is now down approximately 20% from its September 2016 peak thanks to a number of his underperforming short positions.

Watsa recently announced that he eliminated some equity hedges after losing \$1.07 billion in the fourth quarter. Watsa had a bullish tone, and the reasons for his sudden change in stance were because of "fundamental changes in the U.S. in the fourth quarter that may bolster economic growth and business development in the future."

There's no question that he's bullish on President Trump's administration. Trump is pro-business, and he's determined to lower corporate taxes, eliminate a large number of regulations, and bring manufacturing back to the U.S. Many pundits believe that Trump will give the U.S. economy a huge boost and may increase GDP by up to 4%. Buffett is also bullish on Trump, and that's why he bought over \$12 billion worth of stock since Trump's election victory.

Although Watsa has become bullish thanks to President Trump, he stated that equities "are not cheap," but individual stocks may do well.

### Should you consider buying Fairfax at current levels?

I believe there's a huge opportunity to pick up shares of Fairfax right now. The stock has underperformed thanks to a number of hedges, but I believe Watsa's sudden change of heart will limit Fairfax's downside going forward, and the stock could rebound sometime in 2017.

The stock currently trades at a 1.2 price-to-book multiple and a 1.1 price-to-sales multiple, both of

which are in line with the company's five-year historical average multiples of 1.2 and 1.2, respectively. The stock currently has a 2.11% dividend yield that is also in line with historical averages.

The stock seems fairly valued right now, and it could be the perfect time to initiate a long-term position in the company while everyone is bullish. Fairfax is a bomb shelter that investors can hide in during a crash, and more downside from current levels is very unlikely considering that Watsa has eliminated a large number of short positions that were dragging the stock down last year.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

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1. Investing

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