



Invest Like Canada's Warren Buffett With These 5 Stocks

Description

Prem Watsa needs no introduction to serious investors.

Watsa is the leading force behind **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)), which has quietly grown from its insurance roots into one of Canada's most interesting conglomerates. The company — either through a passive-ownership stake or via an acquisition — has made hundreds of substantial moves over the last couple of decades. It is no longer just an insurer.

Like Warren Buffett, Watsa and his team have a simple strategy. The insurance business generates plenty of float, which is capital taken in that doesn't need to get paid out anytime soon. That capital is then invested into interesting opportunities with Fairfax pledging to not take an active role in the day-to-day management. This makes Fairfax a very attractive partner.

Needless to say, the strategy has worked over the years. Since Watsa took over in 1985, Fairfax has grown book value by approximately 20% a year.

You too can invest just like Prem Watsa. Here are five of Fairfax's more interesting investments.

BlackBerry

Investors are starting to get excited about **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) again. That's good news for Fairfax, which is one of BlackBerry's largest shareholders. The company owns nearly 50 million BlackBerry shares.

Led by turnaround artist CEO John Chen, BlackBerry has ditched the hardware business to focus on software. It has made several acquisitions in the sector in the last couple of years and will likely make more soon. It's also seeing great success with its in-dash car entertainment unit. Management hopes a self-driving car pilot project will also lead to much bigger things.

BlackBerry shares currently trade at \$12.12 each after surging more than 25% in the last month. Fairfax thinks there's still substantial upside from here.

Restaurants

Warren Buffett is a big investor in the restaurant sector. It's no surprise Canada's Warren Buffett is active in the same space.

Fairfax's major restaurant investments include a 53% stake in **Cara Operations Ltd.** (TSX:CARA), which is the owner of some of Canada's largest food brands, including Harvey's, Swiss Chalet, Montana's, Milestones, and others. These brands have more than 1,000 locations across Canada.

Watsa's second major restaurant investment came in 2013 when Fairfax took a majority ownership position in Keg Restaurants. Investors can put their capital to work in **Keg Royalties Income Fund** ([TSX:KEG.UN](#)) shares and collect a 5.4% yield while waiting for the share price to go up.

It's been a solid investment so far; Keg Royalties Income Fund shares are up more than 50% (including dividends) since Fairfax took control.

Resolute Forest

According to the company's latest filing, Fairfax is by far the largest shareholder of **Resolute Forest Products Inc.** ([TSX:RFP](#))([NYSE:RFP](#)). It owns more than 30.5 million shares, or 34% of the company.

It's easy to see why Resolute would appeal to a value investor like Watsa. The company has a market cap of US\$458 million. It has a book value of US\$1.7 billion. That puts shares at just 27% of book value. It's hard to find that kind of discount anywhere.

At some point, the forestry sector will turn around. When it does, Resolute shares will likely head much higher. Watsa is well positioned to profit when this happens.

Torstar

Despite near-universal hatred of the newspaper business, Watsa continues to go against the grain and hold **Torstar Corporation** ([TSX:TS.B](#)) shares. Fairfax recently upped its position in the company to 27.4% of the class B shares.

There are a few things to like about Torstar. The company is flush with cash after selling some valuable real estate. It trades substantially under its stated book value. And the digital assets continue to deliver steady growth. Now all Torstar needs to do is find a way to get back to profitability.

The bottom line

Watsa's investment style is a little different than Buffett's. He's more of a deep-value investor, buying assets when nobody else wants them. You too can join Watsa, either by picking up shares in one of Fairfax's holdings or just buying Fairfax shares themselves.

One thing is for certain: you can't argue with his results.

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TICKERS GLOBAL

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2. NYSE:RFP (Resolute Forest Products)
3. TSX:BB (BlackBerry)
4. TSX:FFH (Fairfax Financial Holdings Limited)
5. TSX:KEG.UN (The Keg Royalties Income Fund)
6. TSX:RECP (Recipe Unlimited)
7. TSX:TS.B (Torstar)

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