



## Is it Time to Buy Fairfax Financial Holdings Ltd.?

### Description

**Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) recently hit a two-year low and long-time followers of the name are wondering if this is a good opportunity to pick up the stock.

Let's take a look at Fairfax to see if it deserves to be in your portfolio.

### Impressive history

CEO Prem Watsa founded Fairfax in 1985. The company has a number of subsidiaries that operate in property and casualty insurance and reinsurance as well as investment management.

Watsa is widely viewed as Canada's version of Warren Buffett, and the company's results are the reason for the comparison.

As of December 31, 2016, Fairfax's stock price had a compound annual growth rate of better than 18%.

Watsa's annual letter to shareholders is considered a must-read document by many investors, and the March 2017 edition is a good place to start when evaluating the company.

### Rare mistake

The company had large index hedges in place leading up to the end of last year as a measure to protect investments against the risk of a major sell-off in equity markets.

The Trump win in the U.S. election "changed the world," according to the letter, and Fairfax quickly removed all of its index hedges and some short positions, triggering a \$1.2 billion net loss on investments in 2016.

This created a loss of \$512 million for the year. In 31 years, Fairfax has only reported a loss four times.

### Focused on growth

Watsa didn't waste much time making another big bet. In December, Fairfax announced its largest deal

ever with the US\$4.9 billion purchase of Allied World Assurance Company, a global provider of property, casualty, and specialty insurance solutions.

The deal closed earlier this month.

### **Solid dividend**

Fairfax pays an annual dividend of US\$10 per share, which provides a yield of about 2.2%. The distribution hasn't changed since 2010, but the payout should be very safe.

### **Should you buy Fairfax?**

The stock is down more than 15% in the past year and recently slipped below \$550 per share. Bargain hunters are already moving in, and the share price at the time of writing is now back above \$580.

Watsa's track record is among the best in the industry, and while he isn't immune to making mistakes, the wins far outweigh the losses.

Investors with a buy-and-hold strategy might want to take advantage of the pullback to start a position in one of Canada's most successful stocks.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:FFH (Fairfax Financial Holdings Limited)

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1. Investing

### **Date**

2025/08/25

### **Date Created**

2017/07/28

### **Author**

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