



## Is Fairfax Africa Holdings Corp. Still a Solid Growth Stock in 2018?

### Description

**Fairfax Africa Holdings Corp.** (TSX:FAH.U) is an investment holding company that invests in public and private security equities in the African continent. The stock completed its initial public offering (IPO) on February 17, 2017. Shares have climbed 39% since the IPO but have dropped 1.4% in 2018 as of close on February 1 when the stock finished at \$13.95.

The International Monetary Fund (IMF) recently boosted its forecast for global growth to 3.9% in 2018 and 2019. Much of this growth has been powered by the rapidly expanding powers in Asia — namely China and [India](#). **Fairfax India Holdings Corp.** (TSX:FIH.U) has climbed 13.5% so far in 2018 on the back of impressive economic growth in India, which is poised to become the fifth-largest world economy.

[Emerging markets bounced back in a big way in 2017](#) after struggling for the period between 2008 and 2016. The African Development Bank recently released its African Economic Outlook Report for 2018. The report explored how and why Africa has continued to lag behind the other developing continents like Asia and Latin America. Adeb Shimeles, the acting director and manager of the Development Research Division, has said that “poor infrastructure” is at the root of the problem, leading to “inequality” and other major issues.

Most of the policy recommendations in the report focused on improving infrastructure. The report pinpointed several areas that could lead to progress, including a focus on new energy solutions like solar, the development of economic and industrial zones, and the possibility of a continent-wide electricity-powered rail link.

Improving global growth led to a jubilant mood at the World Economic Forum (WEF) in Davos, Switzerland in late January. However, IMF chief Christine Lagarde noted that growth rates in the Middle East and Africa remained lower than pre-Financial Crisis levels. The IMF has pushed for further private sector development in these areas. It is important to note that both of these regions have been ravaged by numerous major conflicts over the past several decades.

Fairfax Africa Holdings released its 2017 third-quarter results on November 2, 2017. The company

reported net earnings of \$33 million, or \$0.65 per basic share, in the quarter. Fairfax Africa Holdings committed \$20 million to invest in Ascendant Learning Limited, a Pan-Africa independent school network offering education in Kenya and South Africa. The company is expected to release its 2017 fourth-quarter and full-year results sometime in February.

The African Economic Outlook revealed real gross domestic product growth of 3.6% in Africa in 2017. This compared to the 2.2% growth posted in 2016. The report has forecasted growth of 4.1% in 2018 and 2019. It also drew attention to rising public debt levels but was optimistic that debt could be utilized to propel growth in the long term. Europe has made a concerted effort to focus on development in Africa moving forward.

There is good reason for optimism regarding the African economy in the long term. However, investors looking for emerging market exposure have better options than Fairfax Africa Holdings.

## CATEGORY

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## TICKERS GLOBAL

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2. TSX:HFPC.U (Fairfax Africa Holdings Corporation)

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