Fairfax Financial Holdings Ltd. Takes a Surprise Tumble

Description

Back in October 2017, I came up with a list of *The 5 Best Stocks on the TSX.* The five stocks that made the cut were culled from a bigger list of 27 stocks I thought were worthy of consideration.

Although **Fairfax Financial Holdings Ltd.** (TSX:FFH) didn't make the final cut, it was one of the 27 stocks; only a month earlier I recommended that investors get back into Fairfax stock, suggesting that at less than $600, it was cheaper than it had been throughout most of 2016. Up 10% since then, it's come down significantly from its November high of $708.99.

So, like last September, I think now is a good time to get back into FFH stock.

The perfect entry point

On March 12, I happened to be looking at my *Globe and Mail* watch list of TSX stocks I follow (it's expanded to 35 since last year), as I was curious to see which ones were the best-performing stocks year to date. To my shock and simultaneous excitement, the data showed that Fairfax stock had lost 21.5% year to date, the worst performance of the bunch.

I wondered how I could have missed this surprise tumble by Prem Watsa's wonderful holding company.

After all, I'd written about Fairfax as recently as the end of January, talking about the company's US$250 million purchase of 5.5% unsecured debentures in **Seaspan Corporation** (NYSE:SSW), an owner of containerships in financial distress.

I concluded that it was a great deal for Watsa and the rest of Fairfax's shareholders because it would push the company deeper into the U.S., where the economy is doing better than here in Canada.

But how did Fairfax stock fall so precipitously in the six weeks since? Surely I would have seen the news reports about why it had fallen so much.

I then realized that *The Globe and Mail* had just redone their watchlist page over the past weekend, and this was likely a computer glitch. So, I checked the price of Fairfax at the close on December 31, 2017, and March 12, 2018. Sure enough, FFH is only down 1.7% year to date, not the 21.5% as stated in the Globe.

Fairfax shareholders can breathe a sigh of relief.

A serious issue

I’m not suggesting that *The Globe and Mail* is at fault for this glitch. It could just as easily have been a mistake by its data provider, etc.

No harm, no foul, but it does point out why do-it-yourself investors must be extra diligent about the information they use to make investment decisions. When in doubt, double- and triple-check numbers for any glaring errors in the information.

In this instance, it was easy enough to figure out where the problem was, but it’s not always going to be that way.

A classic example of how data can mess you up is when screening for stocks of a specific market cap. Should a company use a dual-class share structure, it’s possible that the market cap listed won’t be as large as it should be, as one or more classes of shares were left out of the market-cap calculation.

So, if you’re screening for stocks with a market cap between $1 billion and $2 billion and a great company is left out because it’s listed at $900 million instead of $1.5 billion, you might never own that stock and potentially miss out on above-average returns.

Bottom line

Due diligence means just that. If you can’t take the time to get all your facts straight along with the numbers, ETFs might be a better option.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

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