



Don't Ignore Emerging Markets: Invest in Fairfax India Holdings Corp.

Description

Emerging markets have been garnering considerable attention of late, with many returning to growth after a sharp economic downturn since the end of 2014. In recent times, India has overtaken China to become the fastest growing major economy globally. For 2017, India's gross domestic product expanded by 6.9% compared to a year earlier, which the International Monetary Fund (IMF) expects to accelerate to an impressive 7.4% for 2018. That highlights one of the advantages of investing in [emerging markets](#), which is the ability to earn outsized returns because their economies are growing at a far greater clip than those of developed nations. Another is the ability to reduce investment risk by diversifying across industries, asset classes, and jurisdictions.

One of the easiest means of gaining exposure to India's rapidly expanding and developing economy is by investing in **Fairfax India Holdings Corp.** ([TSX:FIH.U](#)).

Now what?

Fairfax India Holdings is a publicly traded investment holding company that seeks to achieve long-term capital appreciation by investing in business, debt, and equity instruments in India. It was founded by renowned Canadian investor Prem Watsa, also known as the Canadian Warren Buffett, who founded investment company **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)).

For the year to date, Fairfax India Holdings has delivered a stunning 16% return for investors, and there are indications of more solid growth ahead. The company has an impressive history of growing its asset value, reporting a book value of US\$14.46 per share compared to US\$10.25 a year earlier. This solid growth gives its asset value a compound annual growth rate (CAGR) of 13.5% since inception in 2015. The company's impressive financial performance is highlighted by its 2017 net earnings of US\$452.5 million, which is a stunning four-times greater than it was in 2016.

The company holds investments in a diverse range of Indian businesses that are weighted to financial services, chemical manufacturing, logistics, and transport. Two of its most interesting and prominent investments are the **National Stock Exchange of India Ltd.** and Bangalore International Airport Ltd., both of which are business that will benefit significantly from India's rapid modernisation.

What many investors don't realize, however, is that financial services, especially wealth management, lending and capital markets, are expanding at a rapid clip in India. This can be attributed to the rapidly growing wealth of the nation and its expanding middle class. Fairfax India Holdings' significant exposure to those industries will continue to drive solid results over the long-term.

In February 2018, the company agreed to make a US\$186 million investment in Catholic Syrian Bank, further bolstering its exposure to India's financial services sector. That investment was attractively valued, coming in at 1.1 times the bank's book value per share.

More important, New Delhi has taken measures to stabilize India's economy, including the recapitalization of banks and moves to reduce the non-performing assets of banks and drive greater macroeconomic stability. Those strategies and others saw international ratings agency Moody's upgrade India's sovereign credit rating by one notch from Baa2 from Baa3, thereby indicating that investment risk is falling and that economic stability is improving.

So what?

Developing countries such as India can be a high-risk investment. Typically, they have to wrestle with a range of issues that can derail growth, and their economies are far more volatile than those of developed nations.

Nevertheless, India's development is still in its infancy, which means that there is a long growth runway ahead for its economy and Fairfax India Holdings. With every indication that India's economy is "[firing on all cylinders](#)" and the considerable diversification that it provides to investors across industries and jurisdictions, this company is an appealing investment.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:FIH.U (FAIRFAX INDIA HOLDINGS CORPORATION USD)

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