



1 Top Stock to Own in Your RRSP for 30 Years

Description

Canadian savers are searching for reliable stocks to buy inside their [self-directed RRSP accounts](#) as part of their overall retirement-planning strategies.

Let's take a look at **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) to see why it might be an interesting choice.

Profile

Prem Watsa founded Fairfax in 1985, and he still oversees the company, which owns insurance and reinsurance businesses as well as investments in a portfolio of companies.

The insurance and reinsurance businesses are set up to operate as decentralized units, with each management team given the freedom to follow underwriting strategies that are relevant for the specific market.

Through its wholly owned subsidiary, Hamblin Watsa, Fairfax also takes common stock and bond positions in companies it sees as long-term, value-oriented opportunities. The picks are often contrarian in nature and are spread across industries and geographic areas.

At end of 2017, the common stock portfolio had a 15-year compound annual return of 10.9% and a year-end market value of about US\$6.3 billion. Roughly half of the investments are in Canada and the United States.

Cautious approach

Watsa might be known for buying out-of-favour stocks, but he has also placed hedges on his portfolios to protect against potential market meltdowns. Sometimes those bets backfire, as happened in the wake of the Trump election win. Watsa removed significant index hedges and short positions shortly after Trump won, resulting in a 2016 net investment loss of US\$1.2 billion.

The company bounced back last year, as the removal of the hedges resulted in net gains of US\$649

million on equity and equity-related holdings in 2017, and Fairfax earned a record US\$1.7 billion in the year.

In the March 2018 letter to shareholders, Watsa indicated he is still concerned we could see another financial crisis, potentially triggered by “a collapse in world trade, problems in China, or a blow-up in the junk bond market.” As a result, he continues to hold a US\$117 billion notional amount in deflation swaps that still have 4.5 years to go and won’t cost the company more than US\$40 million.

Fairfax is always on the lookout for opportunities and has the financial firepower to do significant deals. Fairfax finished Q1 2018 with \$2.6 billion in cash and marketable securities. During Q2, Fairfax bought Toys “R” Us Canada for US\$237 million.

Long-term performance

Fairfax has delivered a compound annual growth rate of nearly 20% since 1985. To put this into perspective, the stock first sold for \$3.25 per share and currently trades at \$700.

Dividends

Fairfax pays an annual dividend of US\$10 per share. That provides a [yield](#) of 1.8% today.

Should you buy?

Fairfax has a proven track record of generating wealth for investors, and that trend should continue. If you are looking for a buy-and-forget pick for your RRSP, this stock deserves to be on your radar.

Watsa has a great eye for value, but he is just one of a group of stock-picking gurus that investors should follow.

CATEGORY

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Date

2025/08/19

Date Created

2018/07/18

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