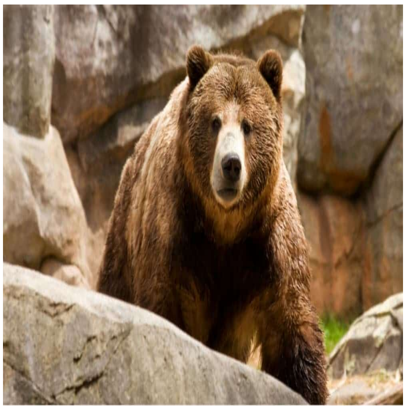

A 2-Stock “Bear Market Survival” Sampler to Own for 2019

Description

The bull market is on life support, and given we’re now closer to a bear market (a 20% peak-to-trough drop) than the peak hit a few months ago, it’s time for investors to batten down the hatches if they haven’t done so already.

While bonds are great for older investors who can’t afford to be losing big money over the near term, I still believe that younger investors (those more than a decade away from their expected retirement dates) should be heavily invested in equities with minimal exposure to lacklustre risk-free debt instruments.

One should not indulge in *you only live once* mode with equity portfolios, however, as a properly balanced portfolio is the key to surviving the next year’s bear attack.

Without further ado, if you find that your portfolio has fallen sharper than that of the indices, you’re probably overweight in cyclical growth names, and should strongly consider balancing your portfolio with the following three low-beta stocks that’ll minimize your portfolio’s correlation to the broader markets:

Fairfax Financial Holdings (TSX:FFH)

Fairfax is technically an insurance and reinsurance based financial holding company, but I like to think of the company as CEO Prem Watsa’s personal hedge fund. Prem Watsa, is an unorthodox deep-value investor who isn’t afraid to make bold bets and make use of derivatives to hedge his firm from insidious macroeconomic trends that he foresees.

Watsa is a man known by many as Canada’s Warren Buffett, but unlike Buffett, Watsa is known to place bets on the short side if he’s genuinely concerned about the state of the economy. With US$40 million in deflation swaps, Watsa has protection from a “black swan” event that he’s predicted for many years now.

While Watsa has historically been a pessimistic (doomsday) investor, it’s important to remember that Watsa remains bullish on the Trump administration, so the firm isn’t the same bomb-shelter stock it was prior to Trump's presidential victory.

Fairfax is primarily a long play on the market, but remains partially protected from a potential collapse in world trade, and given the stock's ridiculously low 3-year beta of 0.28, I'd say Fairfax remains a great one-stop-shop investment to safeguard investors from what could be a very tumultuous 2019.

Fairfax India Holdings (TSX:FIH.U)

Sticking with Watsa and the Fairfax family of TSX-traded investments, Fairfax India is another low-beta (0.46 3-year beta) that'll allow investors to profit from the compelling Indian market, an emerging market that **Morgan Stanley** believes is a better bet than either the American or Canadian markets for 2019.

Both Warren Buffett and Prem Watsa are bulls on the Indian market as demonstrated by their recent India-based investments. The hot emerging market is on the verge of a massive economic boom, and with U.S. economic growth slated to slow down, Canadian investors may wish to seek relief by jumping into Fairfax India while shares remain depressed thanks in part to the strong U.S. dollar, which has been bad news for all emerging markets.

Foolish takeaway

Fairfax and Fairfax India are attractively valued at this juncture. Given Prem Watsa's unorthodox, but prudent investment approach, investors will be able to achieve a lower correlation to the broader markets without compromising on the growth front.

Watsa's all about achieving the highest risk-adjusted returns, and although his track record hasn't been perfect, I still think investors have the opportunity to profit profoundly from Watsa's longer-term vision.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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joefrenette