

## Canada's Warren Buffet Is Down 26% Since June — Time to Buy Fairfax Financial Holdings (TSX:FFH)?

### Description

If you're not familiar with Canada's Warren Buffet, it's time to get acquainted. Prem Watsa has run **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) for more than 25 years. During that time, he's grown the firm's book value by roughly 20% annually—a return that closely matches Warren Buffet's **Berkshire Hathaway Inc.**

A big component of this long-term outperformance has been his ability to stick with first principles thinking, a methodology recently made famous by **Tesla Inc** CEO Elon Musk. About 2,000 years ago, Aristotle introduced the idea of first principles, defining them as “the first basis from which a thing is known.” Basically, you don't think about the world through other's perspectives; you think about the world as it really is.

### Prem Watsa is an expert at first principles thinking

While first principles may seem like a simple approach, it's very difficult to execute in real-time. When markets are rushing upward, even the most skilled investors have been burned by making bets at exactly the wrong time.

Famously, Warren Buffet bought shares of **ConocoPhillips** stock at the worst possible time in more than a 30-year period. “Without urging from Charlie [Munger] or anyone else, I bought a large amount of ConocoPhillips stock when oil and gas prices were near their peak,” Buffet wrote in his 2008 letter to shareholders. “I in no way anticipated the dramatic fall in energy prices that occurred in the last half of the year.” He lost billions on this bet, although at the time, the market thought that it was a savvy decision.

Over the long run, however, Warren Buffet has been able to avoid moving with the crowd, often choosing out-of-favour investments in beaten-down industries. Prem Watsa has shown the same ability, and in some cases, actually demonstrated superior acumen.

Since 2006, Fairfax stock has outperformed the TSX by more than 300%. How? By avoiding risky bets when market optimism is highest. For example, when global markets were in turmoil in 2008 and 2009, with some stock markets falling by 40% or more, Fairfax stock actually posted positive returns for *both* years.

### Fairfax can be your safe harbour in the storm

Often, investors think outperformance comes during bull years, but avoiding capital loss when markets are in a free fall provides a gigantic advantage. This has always been Prem Watsa's specialty, which is interesting given that Fairfax stock has lagged the market over the last few years in the midst of a multi-year bull market.

Since the end of 2014, shares of Fairfax are roughly flat, a rare occurrence. But over the last few years, Fairfax has built up some promising positions. Most notably, it has launched **Fairfax India Holdings Corp** ([TSX:FIH.U](#)) and **Fairfax Africa Holdings Corp** (FAH.U). These vehicles, of which Fairfax Financial owns large stakes, are unique ways to profit from long-term opportunities in both India and Africa, both regions that have been difficult for investors in which to gain exposure.

Prem Watsa has a deep network of entrepreneurs and partners in both of these regions and uses them to source attractive deals. Many of these deals are private, meaning that very few outside investors can participate. For example, Prem Watsa opted to start Fairfax Africa after realizing that Fairfax Financial was receiving a growing number of attractive investment opportunities across the continent. Creating a dedicated vehicle allows the company to make focused, well-informed decisions.

## Fairfax Financial is the best of both worlds

An investment in Fairfax Financial gives you both the investment acumen of Prem Watsa and unique growth opportunities in Africa and India. With markets growing increasingly jittery, it's tough to find this combination of downside protection and long-term growth. And with shares down more than 20% since June, new investors are getting a rare opportunity to buy in at a discounted price.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

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### Date

2025/07/19

### Date Created

2018/12/29

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