



No News Is Bad News for This Warren Buffett Lookalike

Description

Fairfax Financial ([TSX:FFH](#)) CEO Prem Watsa is a legendary investor and one of the best capital allocators this country has ever produced. He's the Canadian Warren Buffett.

There's only one problem. Watsa's company generates almost no news, making it very difficult for investors to get excited about Fairfax stock.

I went to Fairfax' website.

There hasn't been a news release of a material nature since November 19, when it announced that it had acquired 13.7% of **Stelco** stock at \$20.50 a share, an investment of \$250 million. By comparison, Watsa [paid](#) US\$4.9 billion for Allied World Assurance in December 2016.

Investors want to see things happen

That's the kind of news that investors want to read about — not piddling investments such as Fairfax' investment in Stelco. Sure, Watsa made his name as a value investor, but like Warren Buffett today, actions speak louder than words. It's been more than two years since Fairfax made a big splash. Heck, even a medium splash would do.

Don't get me wrong: I'm a huge fan of Watsa's. In fact, I continue to recommend investors buy and hold Fairfax stock. In fact, I've probably argued its case more than 10 times over the past two years, most [recently](#) in early December.

Since I last wrote about Fairfax, several Fool contributors have jumped on board the Fairfax bandwagon. I especially liked Ryan Vanzo's take on the company in late December.

“An investment in Fairfax Financial gives you both the investment acumen of Prem Watsa and unique growth opportunities in Africa and India,” Vanzo [wrote](#) December 29. “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.”

Ryan, you’re preaching to the choir, but aren’t you just a little bit impatient with Fairfax’ performance (or lack thereof) over the past few years?

Performance seriously lagging

Fairfax’ annual total return over the last four years since 2015 is 9.9%, 0.9%, 5.2%, and -8.4%, respectively. If not for a 46% return in 2014, its five-year annualized total return would be well below 10%. That’s just unacceptable for an investor of Watsa’s calibre.

I don’t know if the company needs to hire a more dynamic investor relations team that can drip tidbits of information about investee companies when the actual news flow is slow, but it’s got to do something because you can only ask investors to be patient for so long.

Heck, even Warren Buffett’s upped his media game by staying in the public consciousness despite not having made a significant acquisition since Precision Castparts (US\$32 billion) in January 2016.

The problem is...

Berkshire Hathaway has a market cap of US\$510 billion; Fairfax’s is 1/30th the size. Watsa can make plenty of buys without raising the cost of its acquisitions; Buffett can’t, especially if they’re public companies. It’s a lot harder to find \$50 billion companies to buy than it is \$5 billion.

The lack of news from Fairfax worries me. No news is definitely bad news for Fairfax shareholders.

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Date

2025/07/01

Date Created

2019/02/01

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