1 Solid Growth Stock for The Long Haul

Description

Warren Buffet has been getting some press lately on its growing cash situation. **Berkshire Hathaway Inc.** (NYSE:BRK.A) has been sitting on a wad of dough, around US$112 billion, and doesn't know where to put that money to work. "Markets are expensive," said Buffett, and there simply aren't deals worth getting into at the moment.

Canada's Warren Buffet, Prem Watsa, has also been trying to figure out where to spend the cash that he has building up in his company, **Fairfax Financial Holdings Ltd.** (TSX:FFH). But Fairfax has been putting that cash to work, investing in a number of companies that it believes might prove fruitful over the long term.

Fairfax has already been building up its investment portfolio in 2019. In January, the company added to its substantial investment in **Seaspan Corporation** (NYSE:SSW), investing an additional 250 million into the company. It also announced it would be acquiring all outstanding shares of the company **AGT Food & Ingredients Inc.** (TSX:AGT). AGT is one of the world's largest suppliers of pulses, staple foods, and food ingredients, and conducts a significant amount of business in the Middle East and India.

Fairfax is focused on building shareholder value over the long term by using a value investing strategy similar to that of Berkshire. He uses the same concept of using "floats," premiums received from selling insurance to invest in value-based assets.

Fairfax is quite cheap at the moment, trading at a forward price to earnings ratio of around 11 times forward earnings and a price to book of 1.2. The company has been growing its book value quite steadily over the decades, so even if the stock continues to trade at book value, Fairfax shares should appreciate accordingly.

While Fairfax has a small dividend of approximately 2% at the share price, don't buy this stock for the yield. Fairfax has not increased its dividend for the better part of a decade, and appears to have no intention of doing so in the near future. While the yield is not much comfort, the fact that the share count has not gone up considerably is a bonus. There has been an increase in shares, but it has not been significant, so share dilution is at a minimum.

Probably the best reason to buy Fairfax other than its long history of solid returns (approximately 18-19% book value annual growth rate) is the fact that the company has concentrated exposure to developing nations that will most likely pay off as those nations continue to grow. The company has purchased a number of companies abroad over the years, including the South African insurer Zurich Insurance Company South Africa Limited (ZICSA) and the Indonesian insurer AMAG. Its global reach and concentrated, value-based bets are portfolio additions many Canadian investors sorely need.

If you're looking for a diversified Canadian company that will deliver solid returns over the years, Fairfax is definitely one to consider. The company does make mistakes, like the huge bearish bet on Canadian and American stock markets that went against him a couple of years ago, but over time, Fairfax has been a solid stock to own. Although this stock has a dividend, don't buy it for income. Buy it if you want globally diversified growth over the long haul.

CATEGORY

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2. Investing

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1. TSX:FFH (Fairfax Financial Holdings Limited)

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