



3 Stocks From Canada's Warren Buffett: Which Is Best?

Description

Billionaire investor Prem Watsa is widely regarded as the “Canadian Warren Buffett.” Similar to his American counterpart, Watsa operates a holding company that invests in publicly-traded stocks and controls private companies to generate a consistent return on equity over the long-term.

However, Watsa's long-run performance has actually been slightly better than Buffett's. In my last piece, I pointed out that the book value of **Fairfax Financial Holdings** ([TSX:FFH](#)), Watsa's core investment vehicle, has grown at an annually compounded rate of 19.5% since 1985. Buffett, by comparison, has managed 18.7% since 1965.

Another factor that separates the two investment legends is their diversification strategy. While Buffett has always been very focused on American stocks, Watsa operates two major investment vehicles focused on India and Africa.

Both **Fairfax India Holdings** ([TSX:FIH.U](#)) and **Fairfax Africa Holdings** (TSX:FAH.U) are publicly-listed stocks, so investors can pick and choose the best one for their portfolio. Here's a brief comparison of all three:

Fairfax India Holdings (FIH)

Launched in 2015, Fairfax India is a pure-play bet on India's growth story over the past decade. By all measures, the country is the world's fastest-growing major economy, expected to expand gross domestic product (GDP) by another 7.2% this year alone.

By comparison, Fairfax India's book value has compounded at a rate of 9.8% since inception. Currently the book value per share is US\$13.86 while the market price per share is US\$14.36, implying a 3.6% premium.

With [India's general election](#) coming up this month, this is an interesting time for investors to take a closer look at the stock.

Fairfax Africa Holdings (FAH)

For investors, Africa may well be the final frontier. With 54 nations, the continent is as diverse as it is volatile, but there are pockets of opportunity for savvy investors. Watsa seems to have [zeroed in on the countries](#) with the fastest economic growth and the most stable governments – namely Rwanda, Ethiopia, Kenya, Nigeria, South Africa, Tanzania, and Zambia.

Unlike the other emerging market investment company on this list, FAH holds a combination of equity and debt securities. Its portfolio is a little more complex.

Another differentiator is performance. FAH has actually lost book value since its initial public offering at a compounded annual rate of -2.2%. Meanwhile, the stock price is down nearly 19% over the same period. At the time of this writing, the book value per share is US\$9.60 while the market value per share is US\$9.20, implying a 4% discount.

Fairfax Financial Holdings (FFH)

Finally, the core investment vehicle operates a portfolio focused on North America. However, FFH is the most complicated holding company of the three.

The company's investments are funded by the float generated from its insurance operations; it holds a stake in both FAH and FIH, has operations in Eastern Europe, Latin America, and Southeast Asia, and a significant allocation to bonds rather than stocks.

Overall, FFH has a longer track record, is more diversified, and conveniently offers exposure to the entire Watsa empire. Its book value per share is C\$583, while the market price is C\$603, implying a 3.4% premium.

Bottom line

For investors seeking a well-diversified and reliable bet on Watsa's investment prowess, FFH is the best option. For investors with the stomach for more volatility and the desire for higher growth, either FIH or FAH is worth a closer look.

In my view, all three are currently under-priced.

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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