



If You Could Buy Only 1 Stock, This Should Be Your Choice

Description

You might have heard the saying, “Don’t put all your eggs in one basket.”

Warren Buffett, the founder of **Berkshire Hathaway Inc.** (NYSE:BRK-A)(NYSE:BRK-B), disagrees. “Put all your eggs in one basket and watch the basket very carefully,” he recommends.

Investing in only Berkshire Hathaway stock, for example, would have made you incredibly rich. With a \$500 billion market cap, however, Berkshire’s glory days are surely over.

There’s another company with many characteristics of Berkshire Hathaway, but with a \$17 billion market cap. It’s run by an investing prodigy that many call the Warren Buffett of Canada: Prem Watsa.

If you decide to put all your eggs in one basket, Watsa’s **Fairfax Financial Holdings** ([TSX:FFH](#)) should be your choice.

Similarities galore

Similar to Berkshire Hathaway, Fairfax is essentially a holding company that invests in a wide variety of assets, from public equities to private start-ups. Watsa ability to run a holding company is beyond comparison, except against Warren Buffett himself.

After founding the firm in 1985, Watsa grew the book value per share from roughly \$1 to more than \$400. Through 2018, he’s grown book value by an average of 18.7% per year. The stock price has largely followed suit.

In terms of its track record and investing style, Fairfax is clearly a baby Berkshire.

Room for growth

As an immigrant from India, Watsa knows that huge opportunities lie outside of North America, particularly in regions with rising populations like India and Africa. It’s this understanding and

competency that should fuel the next decade of growth for Fairfax.

For example, Fairfax Financial owns stakes in both **Fairfax India Holdings Corp** ([TSX:FIH.U](#)) and **Fairfax Africa Holdings Corp** (TSX:FAH.U). As I've written [earlier](#), these areas have huge investment opportunities, but it's difficult to capitalize without having deep connections and expertise.

"Prem Watsa has a deep network of entrepreneurs and partners in both of these regions and uses them to source attractive deals," I wrote. "Many of these deals are private, meaning that very few outside investors can participate."

By purchasing Fairfax stock, you get access to Watsa's proven and resilient investment model, while also capitalizing on some of the best growth opportunities this century.

Buck the trend

Many pundits are claiming that Watsa's reign of outperformance has come to an end. Over the last four years, for example, the stock has returned roughly 0%. Historically, though, Watsa has never made his riches during times of exuberance.

Take the 2008 and 2009 financial crisis. While equity markets around the world fell by 50% or more, Fairfax stock actually *rose* in value. Now *that's* resiliency.

Capturing upside during bull markets is great, but avoiding 50% losses is just as important.

Over time, expect Fairfax's returns to mimic its historical success. At \$17 billion, it has plenty of room left to grow.

It's valuation today also makes it look like a bargain. Now trading at 1.1 times book value, Fairfax stock is a relative steal versus Berkshire's 1.4 times book valuation.

With a similar track record and greater growth opportunities, this is an ideal buying opportunity for buy-and-hold-forever investors.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)
4. TSX:FIH.U (FAIRFAX INDIA HOLDINGS CORPORATION USD)
5. TSX:HFPC.U (Fairfax Africa Holdings Corporation)

PARTNER-FEEDS

1. Msn

2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date

2025/08/15

Date Created

2019/05/15

Author

rvanzo

default watermark

default watermark