



Meet Canada's Warren Buffett: Prem Watsa

Description

The founder, chairman, and chief executive of Toronto-based **Fairfax Financial** is the Warren Buffett of Canada. Billionaire Prem Watsa rose to prominence during the 2008 financial crisis. When global stock markets were losing by as much 70% in value, guess which stock stood out with positive returns?

Fairfax Financial was the only stock left standing, and the 69-year-old Indo-Canadian businessman was the chief architect of that impressive feat. The net worth of the former door-to-door appliance salesman today is US\$1 billion.

Another value investor

Prem Watsa admits that Warren Buffett is his idol. The conglomerates they head are in the insurance industry. Likewise, both of them subscribe to the value investing philosophy. Their investment approach is to look for a company's desirable characteristics and determine the stock's intrinsic value.

Watsa's tech stock

As of Q2 2019, Fairfax has 35 securities in its portfolio, including a tiny position in Buffett's **Berkshire Hathaway**. Watsa's second-largest position (15.9%) in his collection is **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)). He first bought the shares in 2010 and aggressively built up the number of shares in the succeeding years.

However, Watsa's tech stock BlackBerry isn't showing a stellar performance this year. The tech ecosystem in Canada is very dynamic, with technology stocks rising by 59% in 2019. Unfortunately, BlackBerry is not among the high-quality growth companies.

BlackBerry is a transformed company that is hoping to make a strong comeback. The former hardware tech firm has shifted to software, particularly end-to-end Enterprise of Things solution. Early this month, the company launched the BlackBerry Intelligent Security.

The software is the first cloud-based solution that leverages the power of adaptive security, continuous authentication, and artificial intelligence (AI) to enhance mobile endpoint security in zero-trust environments. The product could be the start of a long-awaited turnaround.

If you believe in Watsa's investment savvy and confidence in BlackBerry, you can purchase the stock, which is selling at less than \$10.

Watsa's bank stock

A prominent Canadian company in Fairfax's portfolio is **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), or Scotiabank. It's not surprising to see one of Canada's Big Five Banks on Watsa's stock portfolio. However, I'm not quite sure why he maintains only a small holding (0.58%) of BNS.

This \$82.75 billion global bank and Canada's third-largest lender is a blue-chip stock. It's a well-run financial institution that pays a good dividend. The 5.1% dividend yield attracts high-income seekers, dividend investors, and [retirement planners](#).

Scotiabank has yet to reach its full potential. The bank is still pursuing acquisitions while building scale in the domestic market. Restructuring of its international business segments is also ongoing. The middle markets in Chile, Colombia, Mexico, and Peru will be Scotiabank's next growth drivers.

Best of all, the ongoing trade disputes between the world's two largest economies as well as recession will not adversely affect the bank's dividend distribution.

Second to Buffett

Prem Watsa became a successful investor because his business model mirrors that of Warren Buffett. Just like Buffett, he grew his conglomerate from scratch. He's also in the hunt for companies with long-term growth potential.

Watsa's choice of Scotiabank is excellent because the bank offers long-term growth potential and pays a high dividend. I don't see that in BlackBerry, but I would buy the stock if I were a [bargain hunter](#).

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1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Tech Stocks

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Date

2025/08/18

Date Created

2019/08/27

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