



A Recession Is Coming: These 2 Stocks Are Your Ticket out

Description

According to a new **Bank of America** survey, the [next recession](#) is on its way. The bank asked more than 200 money managers how likely a recession is over the next 12 months. The results were clear: the risk of a recession is now at a multi-year high. Rising nerves are a recent phenomenon. In 2018, fears of a near-term recession hit a multi-year *low*.

Bear markets can turn ugly fast. Years of savings can be wiped out in a matter of months. If you want to sidestep domestic troubles and diversify your bets, the following two picks are your best options.

Trust Watsa

It's really hard to beat the market. *Really* hard. In any one-year period, the majority of funds lose to the market. That's right — most managers can't even beat the market over a single year. The statistics turn worse the longer the time horizon is. Over any given five-year period, roughly 80% of fund managers fail to beat the market. Over a 15-year period, an astounding 95% of funds lose to the market.

But what if I told you there was a stock-picker who has outperformed the market for nearly 35 years? Since 1985, Prem Watsa has generated annual returns of more than 17%. His holding company **Fairfax Financial** ([TSX:FFH](#)) uses an approach that's very similar to Warren Buffett's **Berkshire Hathaway**. Watsa's success is simply phenomenal, so when he created two new vehicles to target what he calls the "single best place" to invest new money, I paid close attention.

Unique opportunities

In 2015, Watsa launched **Fairfax India Holdings** ([TSX:FIH.U](#)). In 2017, he launched **Fairfax Africa Holdings** ([TSX:FAH.U](#)). These two unique investment vehicles target some of the fastest-growing economies on the planet. Plus, they have access to two unique advantages that few competitors possess.

The first is access to Prem Watsa's on-the-ground network. Watsa grew up in Hyderabad and has a deep network of entrepreneurs and investors that scour India for attractive deals. He replicated this network in many countries across Africa, giving him direct access to deals and opportunities that may never reach the public eye. In fact, Watsa has often invested in *private* companies in both regions. That's one big reason why these funds are superior to buying ETFs that invest in India or Africa. Watsa's ability to tap into under-covered and private-market opportunities is a game changer.

The second advantage of these funds is that they have access to Fairfax Financial's hoard of permanent capital. Warren Buffett pioneered the concept of permanent capital with Berkshire Hathaway. Berkshire owns a number of insurance companies that throw off regular cash that needs investing. It doesn't matter if markets are rising or falling; Buffett has a consistent stream of money to put to work. That's a huge advantage during bear markets. While most funds are seeing rapid asset withdrawals, Buffett can deploy fresh capital at rock-bottom prices.

Fairfax Financial has mimicked this approach to perfection. During the last financial crisis, for example, Fairfax Financial stock actually *rose* in value. While they are technically separate entities, Fairfax Financial owns large chunks of Fairfax Africa and Fairfax India. If markets crash and valuations plummet, expect the parent company to infuse *billions* in fresh capital to take advantage of once-in-a-century prices. Having access to unlimited funds in capital-starved regions like India and Africa is a huge advantage.

In summary, Fairfax Africa and Fairfax India give you critical diversification to economies that have much higher growth prospects than nearly any other region. Both companies are co-managed by one of the greatest investors in history, and their relationship with Fairfax Financial gives them the ability to double down when markets fall. What more do you want from a recession-proof stock?

CATEGORY

1. Energy Stocks
2. Investing

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1. Editor's Choice

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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