



Has Canada's Warren Buffett Lost His Edge?

Description

Prem Watsa and the insurance and holding company **Fairfax Financial Holdings** ([TSX:FFH](#)) (I like to think of the company as Watsa's hedge fund) has been hit with some [hard times](#) of late.

Watsa is the man known as the Canadian Warren Buffett, but some investors may think he should be stripped of the title after years of underperformance.

While Buffett and Watsa are both buy-and-hold investors that have proven themselves over the course of decades, Watsa's investment approach differs significantly from that of the Oracle of Omaha.

Watsa's not afraid to make use of hedges and short positions if he's got conviction in his thesis. This can be both a blessing and a curse, as Watsa's risk-parity strategy has caused his firm to miss out on both crashes and bull runs.

Watsa has a knack for spotting macroeconomic trends and profiting off them, whereas Buffett prefers to look at individual businesses themselves with less regard for the state of the economy at a given point in time.

Watsa's noted that he's bullish on the Trump administration, though it's worth noting he still has downside protection in mind with several hedges still in place.

Buffett and Watsa comparisons aside, does it still make sense to own Fairfax given that Watsa's track record has taken a beating of late?

After Watsa's huge **BlackBerry** bet soured, with shares plunging over 30% on its latest quarter, it does seem as though Watsa has "lost it."

To add even more salt in Watsa's wounds, his contrarian bet in **Stelco Holdings** hasn't been going well either as steel market conditions continue to take their toll on the stock.

Talk about a series of unfortunate events.

Despite the poorly-timed investments of late, I do think Watsa's recent fumbles are nothing more than an opportunity to pick up shares at Fairfax at a sizeable [discount](#) to their intrinsic value.

Yes, Watsa looks silly for being on the wrong side of a contrarian bet (thus far), but the man has the capacity to rebound in a massive way.

Watsa's a ridiculously smart man. Just look at how Fairfax fared in the Great Recession!

Watsa and Fairfax are in a bit of a slump right now, but you can bet that Watsa isn't making a big deal out of the recent unfavourable fluctuations in his contrarian positions.

He's got an extremely long-term time horizon, so if anything, he's probably thinking of boosting his stake in companies that have become even cheaper.

While Fairfax's underwriting performance pales in comparison to that of **Berkshire Hathaway**, I am a fan of the improvements made in recent quarters. I think Watsa's risk-parity approach will save investors once the tides finally turn on the market.

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