TFSA Investor Alert: These 2 Stocks Just Became Strong Buys

Description

Great stocks rarely go on sale. When they do, the dips are often temporary, so it pays to be prepared. I've had my eye on both **Fairfax Financial Holdings** (TSX:FFH) and **Enbridge** (TSX:ENB)(NYSE:ENB) for years. Both companies have proven capable of outperforming the market for *decades* at a time. And looking ahead, the future continues to look bright.

Yet sometimes, the market gyrates in unpredictable ways. Over the last few years, both stocks have *lagged* the market. Everyone knows that the stock market places a bigger emphasis on short-term results than long-term promise, but now is finally your chance to capitalize on those mismatched priorities.

Based on recent share price action, Fairfax Financial and Enbridge now look like strong buys. If you want to profit, pay close attention and be prepared to act.

This story always pays

Fairfax Financial is a funny stock, but it always pays. Pull up a long-term price chart of the stock, and you'll immediately understand what I mean. From 2000 to 2006, for example, shares accrued roughly 0% in gains. Meanwhile, global stocks markets were surging to their highest levels in history. Then, from 2007 through 2009, when global markets were crashing by 50% or more, Fairfax Financial nearly *doubled* in value.

The lesson here is that while the short-term price action can seem bizarre, this stock always figures out how to reward shareholders over the long term. Despite the wild gyrations along the way, shares have generated 17% annual returns since 1985. Only legendary investors like Warren Buffett or Seth Klarman can beat that performance.

Fairfax Financial's guru is Prem Watsa. Since founding the company several decades ago, Watsa has been at the helm, guiding the firm towards long-term success. He's built a business model very similar to **Berkshire Hathaway**. Fairfax Financial owns several insurance companies that throw off regular cash, allowing Watsa to invest large sums into both public and private markets each year.

Watsa's investing prowess is a large part of the company's success, but as history suggests, he's only worried about the long term. Recently, shares have fallen to their most attractive levels in decades, trading at just 0.94 times book value. That's because the last few years of performance have been lacklustre. I'm betting that this is simply another lean period before the bounty. After all, that's been a winning bet for more than three decades.

Income, growth, and safety

Enbridge is in a similar boat. Since 1995, it's compounded shareholder value at double-digit rates. Yet shares have been flat for nearly seven years. When accounting for the dividend, shareholders have still eked out a respectable gain, but this has clearly been a stretch of underperformance for the company.

Despite the stagnant share price, Enbridge has continued to grow cash flow and profits. That's allowed it to consistently up the dividend. From 2011 through 2015, the dividend yield averaged just 2.7%. Today, it's at 6.5%. Given the market refuses to reward the stock price, Enbridge has taken matters into its own hands, opting to return huge sums of money to stockholders to boost their total return.

Looking at the underlying cash flow potential, this high dividend yield shouldn't be in danger. Additionally, pipeline businesses like Enbridge are incredibly reliable, even during large downturns. During the 2008 financial crisis, shareholders exited with a *gain*. And when oil prices dropped by 50% in 2014, Enbridge shareholders still generated a gain.

This business is as resilient as they come, and over the next 15 years, surging oil and gas output throughout Canada should allow Enbridge to continue growing the bottom line. In the meantime, you can sleep easy with the outsized 6.5% dividend.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)

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