Want to Buy the Market Crash? This Stock Is an Obvious Choice

Description

While the market crash has been difficult, it's also created countless buying opportunities. If you're not doing a tonne of research to unearth bargains, you should think twice about your investing strategy.

There's one stock in particular that should benefit from the bear market. Maybe you've never heard of this company, but its long-term shareholders likely don't care about name recognition. Since 2006, this stock has generated a return *six times higher* than the **S&P/TSX Composite Index**.

The best news is that this company could actually benefit from the market chaos. It's an obvious pick for bargain shoppers looking to capitalize.

A market crash bargain

Founded in 1984, **ONEX Corporation** (TSX:ONEX) has quickly become one of the largest private equity players in Canada. Its success was based on both skill and timing, otherwise known as being in the right place at the right time.

In the 1980s, private equity was still an underserved asset class. Few financial instruments existed to allow everyday investors to tap the market. This reduced competition, aiding any asset managers targeting the segment.

Since its founding, ONEX has generated a gross multiple of capital invested of 2.5 times, which equates to a 27% annual rate of return on realized gains. Shareholders have been very pleased with that performance.

Today, ONEX manages roughly $40 billion in assets. Around $7 billion of that is shareholder capital. It's a similar model to **Brookfield Asset Management**, which co-invests shareholder capital alongside other clients that pay a management fee.

At the start of the year, ONEX stock was trading above book value. Following the market crash, shares are worth less than 70% of its stated book value. That's *half* the valuation of its historical trading range

— an opportunity ripe for the taking

Is this your chance?

In bear markets, liquidity always dries up. Companies find it more difficult to borrow. And even when they can, costs are often higher than before, even with federal rate cuts included. Cash is king during a market crash, especially if you're investing in private equity, where liquidity freezes occur with greater speed.

Fortunately, ONEX is flush with cash. Roughly 28% of its investing capital is in cash. Another 10% is in credit instruments that will be less affected by the downturn, leaving just 62% of shareholder capital at risk. While that's not ideal, it's far from a leveraged play. Plus, with prices cratering, ONEX could secure the deals of the century by deploying its excess cash.

Even ONEX believes its share price is too compelling to pass up. The company is undoubtedly searching for new deals, but last week, it also began buying back its own stock. In total, the company is now authorized to repurchase 10% of its entire share count.

The ability to invest in private equity is a rare opportunity for public investors. After the market crash, you can now do so at a *discount* with ONEX shares.

ONEX has shown its cards, all but admitting that its stock is underpriced. There may be some volatility, but this looks like an ideal buy-and-hold investment.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:ONEX (Onex Corporation)

PARTNER-FEEDS

1. Business Insider
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