



Invest in the Canadian Warren Buffett: Now Is the Time

Description

Run by Warren Buffett, **Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B) is one of the most [successful](#) stocks in history. Shares have been a buy every year since its founding. But if you want to bet on this strategy, don't invest in the *American* Warren Buffett. Instead, trust your money with the *Canadian* Warren Buffett.

Like Buffett, Prem Watsa has a track record like no other. For more than 20 years, he's compounded investor capital at more than 15% per year. Few investments achieve such incredible results.

Better yet, Watsa runs a strategy that's eerily similar to Berkshire Hathaway. That's why he's commonly referred to as the Canadian Warren Buffett.

If you're looking for the perfect [buy-and-hold](#) investment, look no further than Watsa's holding company, **Fairfax Financial Holdings** ([TSX:FFH](#)).

Fairfax is the perfect choice

Fairfax is essentially a miniature Berkshire Hathaway. If you like Buffett, you'll appreciate Watsa's approach.

Berkshire Hathaway owns a litany of insurance businesses. Every year, customers pay premiums to secure their policies. Then they wait until they have a claim. This can take weeks, months, or years. Sometimes, they never make a claim at all.

In the meantime, Berkshire Hathaway gets to hold onto the cash. This cash balance is called "float." Buffett's genius was that he *invested* the float in high-return securities. This was a win-win situation. The float represents free access to capital. And because insurance is purchased during both bull and bear markets, Buffett had a cash pile to tap into regardless of the economic cycle. He deemed this "permanent capital."

Fairfax runs the exact same strategy. But instead of Buffett doing the investing, it's Watsa, the *Canadian*

Warren Buffett. Since 1985, Watsa has proven that he's worthy of the title, generating annual returns of 15%. If you invested \$10,000 when Fairfax was founded, you'd have more than \$1.3 million today — not bad at all.

Buy the Canadian Warren Buffett

There are a few reasons why you should prefer the Canadian Warren Buffett versus the real thing.

The first factor deals with size. Over long stretches of time, both Berkshire Hathaway and Fairfax have proven capable of compounding investor capital at impressive rates. But the law of large numbers eventually hinders growth rates. Today, Berkshire Hathaway has a \$500 billion valuation. Fairfax, meanwhile, is valued at just \$11 billion.

It's not hard to see that Fairfax has a much longer runway for growth. After all, it's easier to double in size as an \$11 billion company versus a \$500 billion company.

The second factor deals with age. The Canadian Warren Buffett is now 69 years old. The real Warren Buffett is 89 years old. That's a 20-year difference. Watsa will likely be around much longer than Buffett. That's a big deal considering their investing capabilities are a key contributor to each stock's performance.

The final factor is price. Fairfax stock now trades at 65% of its book value. Berkshire, for comparison, trades at 108% of its book value. That's a huge gap in valuation.

If you're putting money to work for the long term, now is the time to trust the Canadian Warren Buffett. At these prices, he's more compelling than the real thing.

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1. Coronavirus
2. Investing

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1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)

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