



Have \$2,000 to Invest? Bet on Canada's Warren Buffett for the Next 20 Years

Description

Prem Watsa, the man known as Canada's Warren Buffett, is known to make [aggressive](#) moves to protect investors from crises such as the 2007-08 housing meltdown. Watsa saw the earnings bubble coming, and through various unorthodox investment instruments, his firm, **Fairfax Financial Holdings** ([TSX:FFH](#)), was able to navigate through the Great Recession relatively unscathed.

Not Warren Buffett nor Canada's Warren Buffett saw this pandemic coming

This time around, though, Fairfax stock got obliterated, as the [coronavirus pandemic](#) blindsided just about everyone. The vicious coronavirus-induced crash just came way too fast to get out of the way, and Fairfax stock, just like many other financials, was caught way offside.

At the time of writing, Fairfax is down a staggering 43% from those February 20 lows and down 54% off all-time highs. Fairfax is in a rut, and shares are now sitting at decade lows. The Canadian insurer and holding company that I like to view as Prem Watsa's hedge fund is now looking like a dud of an investment amid its horrendous bout of underperformance.

And while some may argue that Watsa is no longer worthy of the title of Canada's Warren Buffett, I'd argue that there's significant upside to be had by betting on Watsa's comeback.

Every investor has their down year (or in the case of Fairfax, a down decade), but it's the extremely long term (20, 30, even 40 years) that really counts. Fairfax is in a multi-year funk and is arguably the cheapest it's ever been after the coronavirus took its toll.

Why now may be the time to bet on Canada's Warren Buffett, while the price of entry remains at unprecedented lows

The degree of protection that Fairfax can offer you is twofold.

First, Watsa has downside protection in mind, even though it may not seem like it given the magnitude of the latest decline and the massive \$1.5 billion worth of investment losses witnessed in Fairfax's first quarter preview.

Watsa has a knack for spotting macroeconomic trends, and he's not afraid to act accordingly, even though some may question his use of exotic instruments. The man saw the Financial Crisis coming, and he was the captain of a ship that made it through the storm in one piece.

Although Canada's Warren Buffett has his talents and expertise, nobody could have seen the pandemic-induced lockdown coming. As such, the recent meltdown in shares ought to be forgiven by truly long-term thinkers.

Second, the price of admission to Fairfax is absurdly low. The stock has fallen to depths that lead to me believe that there's a significant margin of safety to be had in the name that many have given up on over the years.

At the time of writing, shares of Fairfax trade at 0.59 times book, which is far lower than the stock's mean price-to-book (P/B) multiple of around 1.2. You're getting a massive discount to book with one of the best managers on the planet. Yes, he's fallen into a slump, but if anybody's going to rise up and recover, it's Canada's Warren Buffett.

Foolish takeaway

Prem Watsa may not have a crystal ball to avoid damage from the coronavirus pandemic, but he can and will rise again. At these depressed valuations, Canadians seeking deep value ought to consider backing up the truck on shares today while they're dirt-cheap.

Stay hungry. Stay Foolish.

CATEGORY

1. Coronavirus
2. Dividend Stocks

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks

Date

2025/08/26

Date Created

2020/05/08

Author

joefrenette

default watermark

default watermark