



This Stock Market Genius Just Bet \$203 Million on This Stock

Description

You likely know of Warren Buffett, famed leader of **Berkshire Hathaway**. His track record is beyond comparison. But there's one Canadian stock market genius that comes pretty close: Prem Watsa.

Born in Hyderabad, India in 1950, Watsa moved to Canada, eventually amassing a fortune worth more than \$1 billion. His investing [skills](#) were entirely to thank. He deployed these skills through his holding company **Fairfax Financial Holdings** ([TSX:FFH](#)).

Like Berkshire, Fairfax has generated an incredible long-term track record. Since 1985, shares have produced 15% annual returns. A \$10,000 investment would be worth \$1.3 million today.

Watsa's stock market skills are beyond question. That's what makes his recent investment so intriguing. He's been involved in dozens of large deals, but his latest \$203 million bet takes his investing strategy in an entirely new direction.

Watsa's \$203 million bet

The biggest thing to understand about Fairfax is that it's focused on long-term, not short-term, performance. The company owns a bunch of insurance businesses that generate consistent cash flow. Watsa invests that cash flow largely into publicly traded stocks. As with any savvy investor, the returns can be lumpy year to year, but it's only the final destination that matters.

From 2005 to 2007, for example, shares returned roughly 0%, even though we were in the midst of a bull market. When the financial crisis hit in 2008 and 2009, however, Fairfax posted its best returns in history. Watsa had taken out huge bets *against* the U.S. housing market. After a few dry years, long-term shareholders were amply rewarded.

So, Fairfax stock can lag the market over the short term, but it has always delivered over a period of decades. According to Watsa, we're in another dry period, and the market has grossly undervalued the company.

“In 35 years since Fairfax began, Watsa says he’s never seen Fairfax shares sell at a bigger discount to their intrinsic value,” [reported Bloomberg](#). Watsa believes buying FFH shares right now should prove “an excellent long-term investment.”

He’s putting his money where his mouth is, repurchasing more than \$200 million in shares this year. If the discount continues, he says he may buy more.

Should you trust Fairfax stock?

This is a rare opportunity. Buying into long-term winners like Berkshire and Fairfax is almost always a wise decision. Doing so at a discount is even better. Add in the fact that the company’s leader, who is renowned for his investment skills, is piling \$200 million into the stock as well, and you have a combination of facts that is difficult to ignore.

Just note that this isn’t a get-rich-quick scheme. Fairfax has made its long-term shareholders rich, but those without patience have often lost. This is not a bounce-back candidate. Only invest if you’re willing to lock your money away for years, even decades at a time.

Watsa has delivered fantastic stock returns since 1985 through patient investing. This time, he’s turning his sights on his own company. If you want to invest with the best at a steep discount, this is your chance. As Watsa stressed in a recent interview, Fairfax shares are “ridiculously cheap.”

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