ALERT: Right Now, Shares of This Iconic Canadian Firm Are on Sale!

Description

The **S&P 500** hit a significant milestone on Tuesday, as the U.S. index fully recovered from the coronavirus crash, barely budging higher to make a new all-time high. While it seems as though the coronavirus is behind us, one must remember that we're nowhere close to being out of the woods yet if it turns out we're due for a second wave of COVID-19 infections and further economic shutdowns.

While Canadian employment is beginning to bounce back, there's no telling what could happen in a bear-case scenario. As nice as it is to be excited about the stock market's return to pre-pandemic heights, investors should not exhaust their liquidity reserves or assume that it'll be smooth sailing from here en route to an effective coronavirus vaccine.

Consider shares of Canadian insurer and holding company **Fairfax Financial Holdings** (TSX:FFH), which is run by the legendary billionaire investor Prem Watsa who's all about maximizing risk-adjusted returns.

In a time like this, it's all about risk-adjusted returns

The Canadian investment legend has a knack for recognizing and capitalizing on macroeconomic trends using a wide range of unorthodox investment instruments that most other big-league institutional money managers would steer clear of. Watsa helped Fairfax outperform through the worst of the Great Financial Crisis, and while Fairfax and Watsa have been in a bit of a slump lately, I think he and his firm are in a position to outperform the **TSX Index** over the extremely long term.

Fairfax got clobbered in the first quarter, as investment losses surged. The second quarter wasn't so bad, as investments bounced back ($644 million in investment gains in Q2), while net written premiums increased 6% year over year. Fairfax took a loss relating to pandemic-induced claims, but thedamages look more than manageable, even if a bear-case scenario with this pandemic ends uppanning out. With coronavirus-related disruptions taken out of the equation, there is evidence ofmeaningful long-term underwriting improvement, and that bodes well for Fairfax, as it looks to grow outof this pandemic.

The price of admission into Fairfax stock hasn't been this cheap in years

Fairfax stock touched down with multi-year lows back in March. While shares have since regained some ground, shares remain close to the cheapest they've been in recent memory, providing contrarians with an opportunity to bet on Prem Watsa's comeback without having to break the bank. At the time of writing, shares of FFH stock trades at 0.73 times book value, 0.4 times sales, both of which are below the stock's five-year historical average multiples of 0.97 and 1.17, respectively.

Foolish takeaway

Prem Watsa is an incredible investor who I think can gain his market-beating edge back. Today, Fairfax remains in a slump, making shares a must-buy for those looking to bet on a Watsa comeback. With shares trading at a considerable discount to historical averages, I'd say the stock has minimal downside risk, even though the company stands to be severely impacted by a worsening of the pandemic. As investors wait for Watsa to bounce back, there's a bountiful 3.2% yield to collect.

CATEGORY

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2. Dividend Stocks
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