1 Top TSX Stock to Buy with an Extra $3,000

Description

If you're like many Canadian investors and have yet to put your 2021 Tax-Free Savings Account (TFSA) contribution to work, you're not alone. Many have waited patiently for a correction that never came. Instead of plunging, as some folks on TV confidently called for, the **S&P 500 Composite Index** proceeded to roar nearly 13%, while the **TSX Index** blasted off just over the 10% mark.

If you've got $3,000 to invest, put it to work in a top TSX stock today

That's not a bad return with **TSX** stocks for the first four months of the year! But a bitter pill to swallow for market timers who waited for the correction that never happening.

This goes to show that nobody can time the markets and that any extra cash to invest should be invested systematically, although it's very tempting to try to time the perfect entry. I get it. Nobody wants to leave any money on the table or risk more than they have to. With inflation at risk of becoming problematic, though, I think it's a wise idea for beginner investors to weigh the opportunity costs of being on the sidelines for too long. There are upside risks, which, for young investors, could outweigh near-term downside risks.

While we are closer to a correction than back in January, I think it's still wise to put at least half ($3,000) of your latest TFSA contribution to work. You don't have to pay up for recently bid-up stocks, either. Given the growth-to-value rotation and the broadening out of the winners, there are many opportunities to pay less to get more. The market at all-time highs does not tell the whole story.

Without further ado, let's have a look at one top TSX stock I'd look to buy with an extra $3,000 this spring.

Betting on Canada's Warren Buffett with Fairfax Financial Holdings

Fairfax Financial Holdings (TSX:FFH) is the legendary insurer and investment manager headed by Prem Watsa — the man we know as the Canadian Warren Buffett.

Undoubtedly, Fairfax and **Berkshire Hathaway** are quite comparable. Both firms are led by legendary deep value investors that seek to deploy capital. Both firms are in the insurance business, and both have endured tough times amid the coronavirus pandemic. Both firms are in a great spot to boom in the roaring 20s.

That said, the two firms' investment strategies and underwriting track records couldn't be more different. Warren Buffett and his right-hand man Charlie Munger are about classic value investors. They're long-only and love sweetheart deals. Prem Watsa has more of an unorthodox strategy. He's not afraid to make bold bets on the short side if he's bearish. The man has a knack for spotting macroeconomic trends and betting in a big way. I view his investment strategy as more like that of a hedge fund than a big-league money manager.

Fairfax is famous for having effectively navigated through the Great Financial Crisis. As most other firms crumbled like a paper bag, Fairfax was a lonely green arrow thanks to Watsa and his incredible call. Since then, the man has been on the wrong side of the trade in a big way. As a result, Fairfax has underperformed the market averages to an even greater extent than Berkshire.

Despite the rough patch of underperformance, I think it's a mistake to bet against Canada's Warren Buffett. Fairfax stock is roaring higher, now up over 64% from the bottom. I think the TSX stock has far more room to run as Fairfax's investments recover while the firm's underwriting track record continues to improve.

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