



TFSA Investors: 1 Cheap Value Stock With Emerging Market Exposure

Description

Fairfax Africa (TSX:FAH.U) is a [holding company](#) based in Canada that invests in African businesses. The company's investment objective is to achieve long-term capital appreciation, while preserving capital, by actively investing in public and private equity securities and debt instruments of African businesses. The company makes all investments either directly or through one of Fairfax Africa's wholly-owned subsidiaries, Mauritius Sub and SA Sub.

Attractive demographics

The company invests in businesses that are expected to benefit from Africa's demographic trends which are expected to drive growth in the future. Sectors of the African economy that the company invests in include the energy, food and agricultural, financial services, infrastructure and logistics, consumer products, and retail sectors.

Fairfax Africa benefits significantly from the experience and expertise of the company's management and respective networks in Africa to evaluate and source investment opportunities for the company. The company employs a conservative, fundamental value-based approach to identifying and investing in high-quality public and private African businesses. This approach is designed to compound book value per share over the long term.

Emphasizing downside protection

As a matter of policy, the company seeks [attractive risk-adjusted returns](#), but at all times seeks to emphasize downside protection and minimize the loss of capital. The company makes African investments with a view to being a strategic partner to grow the business and optimize investment returns for shareholders.

Further, the company provides ongoing monitoring and cooperation with the board and management of the portfolio business to ensure that Fairfax Africa's strategy is being implemented in a manner that is consistent with the investment objectives of the company, and with the company's fundamental values.

The company's involvement with the African investments includes providing specialized guidance or expertise and does not extend to any involvement in the day-to-day operations of those African Investments.

Maximizing value

Also, Fairfax Africa sometimes seeks to realize any of the company's African investments. The circumstances under which the company may sell some investments include where the company has identified other investment opportunities that it believes present more attractive risk-adjusted return opportunities.

In a manner that maximizes value, the company exits private African investments either through initial public offerings or private sales. For publicly traded African Investments, exit strategies include selling the investments through private placements or in public markets.

In addition, the company is focusing on establishing one or more infrastructure or private equity funds focused on investments in Africa.

Aligned management

Experienced and aligned management is a prerequisite for any company portfolio investment. The company focuses on businesses with experienced, entrepreneurial management teams with strong, long-term track records. The company also generally requires the portfolio businesses to have proper management incentives to drive the businesses' profitability and maintain effective governance structures.

The company also focuses on investments in businesses that demonstrate significant competitive advantages relative to peers, such that they are in a position to protect the company's market position and profitability.

Such factors are expected to drive superior shareholder returns at the company over the next several decades.

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