Top 2 Value Stocks I'd Buy in August

Description

In this piece, we'll have a closer look at **TSX** value stocks I'm tempted to buy (or have already bought) this August. So, without further ado, let's get right into the names:

Fairfax Financial Holdings

Fairfax Financial Holdings (TSX:FFH) is one of my favourite insurance and hold companies on the TSX Index. In many ways, the Fairfax story rhymes with that of **Berkshire Hathaway**. Prem Watsa, the man running the show, is known as the Canadian Warren Buffett, after all, for stock-selection abilities. Still, there are notable differences between Fairfax and Berkshire.

Watsa is a very different type of investor than Warren Buffett. He's a bold, patient, and skilled investor who knows how to generate alpha over the long run. But he's more known to take chances of unorthodox instruments and hedges.

In prior pieces, I referred to Fairfax as somewhat of a hedge-fund-like flavour of Berkshire. Indeed, Fairfax's hedges paid off in certain periods (Fairfax outperformed during the Great Financial Crisis of 2008) and served as a drag on others.

Of late, Fairfax stock is climbing out of a prolonged period of underperformance. Questionable investments and a sub-optimal underwriting track record can be blamed. But if you still think Watsa is a man that you'd want to manage your money over the long run, I think Fairfax is an absolute bargain at current levels.

While I do favour Berkshire in terms of underwriting and security selection, I am very tempted by the depressed valuation at Fairfax. And let's be honest: the unorthodox strategy implemented by Watsa is very enticing. It's unique security, to say the least. And I think the stock can lower one's long-term correlation to the markets, given Watsa prepares accordingly ahead of any crisis.

Markets don't always go up. Watsa knows this better than most.

BMO China Equity ETF

I've been pounding the table of the **BMO China Equity ETF** (TSX:ZCH) lately, as shares plunged 48% from peak to trough over growing concerns of Beijing's influence over Chinese businesses. Indeed, corporations who've crossed Beijing have been dealt with in the form of stiff fines.

While there's no telling what's next for Chinese tech stocks, I do think Canadian investors can no longer ignore the fast-growing market, especially if they don't own any international securities other than U.S. stocks. Right now, there's fear and panic on the Streets. And that's exactly why I've pounced, picking up shares for my personal portfolio.

Cathie Wood and many other big-league investors have been selling over the uncertainties and political risks. While it's wise to acknowledge uncertainties by only investing a portion of one's portfolio that they're willing to see get cut in half, I think that from a risk/reward standpoint, buying ZCH at a near-50% discount could enhance one's overall returns over the next decade.

For now, Chinese stocks are incredibly risky, and they could have further to fall depending on what Beijing's next move will be. Regardless, I think those who've been interested in investing in China and are aware of all the risks involved should think about buying the dip.

You don't get 40-50% crashes often. And when you do, there will always be something to fear.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:ZCH (BMO China Equity Index ETF)

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