
2 Deeply Discounted Value Stocks Capable of Beating the Market

### Description

It's been a profoundly choppy year for new investors. The euphoric rise of 2021 has come to an end along with the days of easy money. Indeed, actual profits and liquidity positions now matter. As investors hang onto hopes of rate cuts after the recent round of hikes, growth could have its day in the sun again. However, investors should not expect the speculative appetite that enriched many in 2020 and 2021. Those days are likely over, with various speculators licking their wounds, telling themselves they won't chase hot stocks again.



Markets are in a bit of a weird spot right now, with the recent summer rally pulling back a slight bit. Of course, it's all about the Fed and rate hikes. Though inflation isn't yet under control, I think that any volatility should be taken advantage of by investors who have way too much cash on the sidelines.

In this piece, we'll have a closer look at two capable value stocks that I think will beat the market through 2023. Though they're likely to be dragged down over rate fears over the nearer term, I think that their strong fundamentals will shine through.

Consider **Onex** (TSX:ONEX) and **Fairfax Financial Holdings** (TSX:FFH), two diversified holding companies that are trading at embarrassingly steep discounts to book value.

## Onex

Onex is a lesser-known investment manager that's stuck in a rut, down 32% over the last five years. With competent managers and fine businesses positioned to roar back once COVID and recessionary headwinds fade, Onex stands out as a deep-value play that implies a very wide margin of safety.

At 5.7 times trailing price-to-earnings (P/E), Onex looks like a value trap, especially given many firms (like WestJet) under the Onex banner could take bigger hits in the quarters ahead.

Despite the headwinds, Onex stock reeks of value. Shares trade at a 0.6 times price-to-book (P/B) multiple, which is far lower than the industry average of 1.8. Recession or not, I find the depressed multiple on shares to be bordering on absurd.

At $66 and change per share, Onex provides investors with diversified exposure to a wide range of private businesses at an unprecedented discount.

## Fairfax Financial Holdings

Fairfax is the insurer and holding company run by Canada's Warren Buffett, Prem Watsa. While Watsa hasn't really been able to crush markets with his investment moves of late, I still think he'll be proven right over the long haul. He's a patient investor who's a contrarian at heart.

At writing, shares of FFH trade at a 0.9 times P/B, which is well below the insurance industry average of two. While shares haven't really gained much in five years (up 6%), they have been a year-to-date outperformer — up nearly 8% to $672 and change per share.

Fairfax's underwriting track record has been slowly improving over the years in spite of COVID headwinds. With a sound balance sheet and enough liquidity to acquire the beaten-down owner of Swiss Chalet **Recipe Unlimited** at a 53% premium, I think Fairfax is back to its old ways. After a multi-year slump, I think Fairfax is ready to leave the rest of this market behind.



Watsa is a very capable manager. Whenever you're given a chance to bet on his firm at a discount, you should take it.

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1. Investing

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1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:ONEX (Onex Corporation)

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