

Resolute Forest Products

Fairfax has 15.7% of its holdings in pulp and paper company **Resolute Forest Products**. Forestry is a mature industry that is consolidating. Fairfax is selling its stake to **Domtar** at a breakeven point and the transaction is expected to close in the first half of 2023.

Other holdings

Fairfax has 10.5% of its holdings in **Kennedy-Wilson Holdings**, a REIT with multifamily and office properties across the United States, the United Kingdom, and Ireland. The REIT gives Fairfax's portfolio diversification across asset classes.

Fairfax has a 5.7% holding in **BlackBerry**, the cybersecurity management and internet of things (IoT) operating system company. BlackBerry is popular among investors because of Prem Watsa's significant holding. Two years back, BlackBerry was the second largest holding of Fairfax, but its stock fell 50% in the 2022 tech stock sell-off. Watsa still has holdings in BlackBerry as he sees value.

Why did Fairfax stock surge 84% in 2022?

Fairfax's portfolio has a mix of dividend and growth stocks, with some of its top holdings in tech stocks. Other than BlackBerry, it has holdings in **Intel**, **Micron Technology**, **TSMC**, **Alibaba**, and **Alphabet**. This growth stock portfolio helped Fairfax stock rise 77% in the tech stock bubble from November 2020 to December 2021. And its dividend-heavy traditional stocks like energy and REITs helped Fairfax stock surge 84% in 2022.

Fairfax's portfolio mix invests in assets that are uncorrelated or move in opposite directions in a given macro event. For instance, it reported a third-quarter loss of \$242.4 million on bonds as rising interest rates lowered their value. Simultaneously, rising interest rates increased its interest and dividend income from a run rate of around \$530 million annually at the end of 2021 to around \$1.2 billion annually as of September 30, 2022.

Thus, even though Fairfax reported \$519.1 million in net loss on investments in the third quarter, a loss of \$154.8 million in equity and \$141.9 million in foreign exchange were unrealized. In other words, the net loss will not impact its cash flows.

Is Fairfax stock a buy in 2023?

Portfolio diversification can help you beat market uncertainty, and Fairfax has a diversified portfolio. The stock is trading closer to its 52-week high, which is not a good entry point. You can buy the stock in a market correction and benefit from Watsa's portfolio strategy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

PARTNER-FEEDS

1. Business Insider
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3. Koyfin
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Date

2025/08/12

Date Created

2023/02/14

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