



Institutional Equity Research

Change in Recommendation

November 3, 2013

Stock Rating:

Sector Underperformer

Sector Weighting:

Market Weight

12-18 mo. Price Target C\$400.00
FFH-TSX (11/1/13) C\$437.00

Key Indices: S&PFincl, TSXFinSv

3-5-Yr. EPS Gr. Rate (E) NM
52-week Range C\$335.00-C\$477.46
Shares Outstanding 20.2M
Float 19.2M Shrs
Avg. Daily Trading Vol. 20,500
Market Capitalization \$8,486.3M
Dividend/Div Yield C\$10.01 / 2.3%
Fiscal Year Ends December
Book Value \$334.52 per Shr
2014 ROE (E) 3.3%
LT Debt \$3,175.5M
Preferred \$1,166.40M
Common Equity \$6,769.0M
Convertible Available No

Earnings Per Share	Prev	Current
2012		\$22.96A
2013	(\$10.72E)	(\$21.41E)
2014	\$9.96E	\$11.32E

P/E		
2012		18.3x
2013	NM	NM
2014	42.1x	37.1x

Book Value per Share		
2012		\$378.10A
2013	\$352.43E	\$343.54E
2014	\$352.40E	\$344.86E

P/BVPS		
2012		1.1x
2013	1.2x	1.2x
2014	1.2x	1.2x

Company Description

Fairfax, through its subsidiaries, underwrites P&C insurance and reinsurance. ROE is primarily generated from returns on the investment portfolio.

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Canadian Property & Casualty Companies

Fairfax Financial Holdings

Investment Losses Worse Than Expected; Downgrading To SU

- We were expecting Fairfax to post sizeable investment losses and a decline in BV. The magnitude of the losses and decline in BV were greater than expected. Investment losses amounted to \$829MM vs our estimate of \$392MM. BVPS declined to \$335 vs our estimate of \$351.
- Q4 is shaping up to be better for investment returns. However, there was no material change in portfolio positioning and we continue to expect minimal gains in 2014. It was another good quarter from an underwriting perspective with a CR of 93% compared to 95% in Q3/12.
- We are assuming that underwriting margins remain solid in 2014 with a CR of 96%. However, that only gets us to an ROE of 3% and zero book value growth. Even at a 94% CR, the returns are not compelling. We are reducing our PT from \$425 to \$400 attributable to a lower reported BVPS.
- The current P/BV multiple of 1.3x does not appropriately reflect the low - growth and ROE outlook. In addition, there is yield risk with Fairfax (+100bps reduces BV by nearly 7%). As of November 3, we are downgrading Fairfax from Sector Performer to Sector Underperformer.

Stock Price Performance



Source: Reuters

All figures in US dollars, unless otherwise stated. (C\$1.042:US\$1)

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See "Price Target Calculation" and "Key Risks to Price Target" sections at the end of this report, where applicable.



Fairfax Financial Holdings

FFH-TSX 11/1/2013 C\$437.00

12- To 18- Mth Price Target: C\$400.00

Canadian Property & Casualty Companies

Sector Weighting: Market Weight

Sector Underperformer

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All figures in US millions, except per share data.

P/BV Multiples	Last Qtr	2013E	2014E
Fairfax Financial	1.3x	1.2x	1.2x
U.S. Insurers	1.2x	1.1x	1.0x
International Insurers	1.1x	1.0x	1.0x

P/E Multiples	2012A	2013E	2014E
Fairfax Financial	18.3x	na	37.0x
U.S. Insurers	16.1x	12.4x	13.2x
International Insurers	13.0x	11.0x	10.0x

Key Financial Metrics	2011A	2012A	2013E	2014E
DPW Growth (Y/Y)	25.8%	6.6%	1.7%	3.1%
Loss Ratio	77.1%	69.7%	64.3%	65.7%
Operating Expense Ratio	22.4%	14.6%	15.3%	15.0%
Commission Ratio	14.7%	15.4%	15.3%	15.3%
Combined Ratio	114.2%	99.8%	94.9%	96.1%
ROE	-0.2%	6.3%	-6.0%	3.3%
Dividends Per Share	\$10.00	\$10.00	\$10.00	\$10.00
BVPS	\$364.55	\$378.10	\$343.54	\$344.86
BVPS Growth (Y/Y %)	-3.1%	3.7%	-9.1%	0.4%

Income Statement	2011A	2012A	2013E	2014E
Direct Premiums Written	6,744.1	7,186.2	7,308.0	7,533.3
Net Premiums Earned	5,300.5	5,867.1	5,994.4	6,239.8
Total Underwriting Costs	6,054.9	5,854.2	5,688.0	5,995.1
Underwriting Income	(754.4)	12.9	306.4	244.7
Investment Income	1,398.3	1,065.6	(582.0)	462.6
Interest Expense	214.0	208.2	215.2	215.8
Other Income	13.3	2.3	25.7	8.0
EBT	(8.7)	656.8	(743.5)	259.5
Tax Expense (Recovery)	(56.5)	116.1	(377.2)	(24.1)
Net Income	(6.4)	471.9	(431.1)	229.0

EPS	(0.76)	22.96	(21.41)	11.32
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Investment Performance	2011A	2012A	2013E	2014E
Ending Assets (\$bns)	24.5	26.3	24.8	25.5
Dividend and Interest Income	707.1	423.0	452.9	462.6
Average Income Yield	2.9%	1.7%	1.8%	1.8%
Capital Gains/(Losses)	691.2	642.6	(1,034.9)	0.0
Average Investment Yield	2.8%	4.2%	-2.3%	1.8%

Company Profile

Fairfax is a holding company that primarily owns companies which underwrite direct insurance and reinsurance in many markets across the globe. The largest books of business are global reinsurance and North American commercial lines. The company operates to break-even on underwriting and to generate long-term book value growth through its investment portfolio.

Investment Thesis

-Fairfax's primary objective is to grow BV by 15% a year over time. The company has exceeded that target with a 25% CAGR over 25 years.

-The key driver of BV growth has been the return generated on investments, which has averaged 9.7% over 25 years. The company has approximately \$3.50 in investments for every \$1 in BV and we estimate that the return on investments needs to be roughly 8% to grow BV by 15% (assumes a combined ratio of 102%).

-With ~49% weighting in fixed income securities and ~36% in cash (net of hedging), the investment portfolio is positioned to capitalize in a deflationary environment. We are not in the deflationary camp and accordingly expect BVPS to be little changed Y/Y in 2014.

-Growth in premiums written will expand the amount of cash held by Fairfax with only a small positive impact on ROE. Underwriting results are unlikely to propel the stock higher.

Chart 1: Asset Allocation of Investment Portfolio (net of hedging)

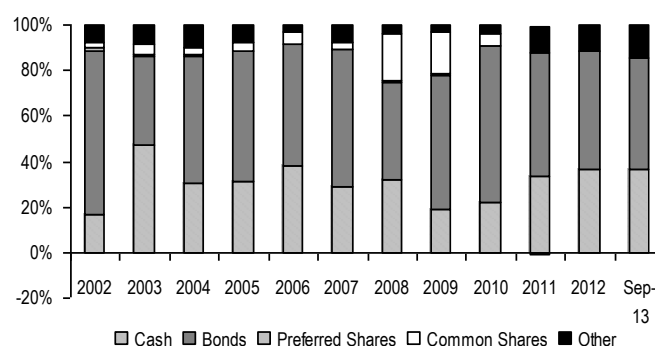
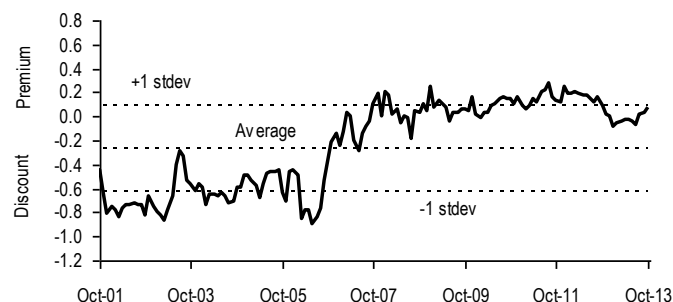


Chart 2: FFH P/BV Premium (Discount) To US Insurers



Source: Company reports and CIBC World Markets Inc.

Key Themes Update

- 1. Investment Returns:** We were expecting sizable investment losses for the quarter and that's exactly what we got. Net investment losses came in at \$829MM, which was actually worse than our expectation of \$392MM. It looks like the company may make up for a small portion of those losses in Q4 given the performance of specific holdings quarter to date, offset by equity hedges. We are assuming investment gains of \$200MM in Q4. Looking further out, we expect investment returns to be minimal given the high weighting to cash (29%), municipal bonds that will be held to maturity (26%) and an equity portfolio that is fully hedged. Perhaps the greatest source of potential upside to the investment portfolio lies with the CPI-linked derivatives, which would profit from a deflationary environment. Our view is that the U.S. economy is on the path to recovery and that the worst risks for Europe are likely behind us. Accordingly, we assume no gains on the CPI-linked derivatives.
- 2. Profitable Underwriting Continues:** The combined ratio came in at 93% and 2013 is on pace to be the first year that Fairfax has generated a combined ratio meaningfully below 100% since 2007. We assume another good year in 2014 with a combined ratio of 96%. The U.S. business, which accounts for 30% of net premiums written, should continue to benefit from a firm rate environment. On the other hand reinsurance, which accounts for approximately 45% of net premiums written, is facing softer market conditions due to the influx of new supply. This drives our expectation for a slightly higher combined ratio in 2014 versus 2013.
- 3. No Growth In BVPS:** BVPS finished at \$335, down 7.5% Q/Q and down 11.5% YTD. Our thesis for no book value growth over our forecast horizon is unchanged.
- 4. BlackBerry Exposure:** Management chose to remain silent on the topic, which is not surprising given that the diligence period is expected to end November 4. If BlackBerry (BBRY-SO-S) is taken private at \$9 per share, the markup from the current share price implies a gain of \$3.02 per FFH share. There is potential downside to the current share price if no formal offer is made. Every \$0.50 change in the price of BlackBerry results in a gain/loss of \$2.31 per FFH share.
- 5. Share Price and BVPS Have Diverged:** Fairfax was removed from the MSCI Canada Index in 2012 and we understand that it is possible Fairfax will be added back to the same index in 2013 (announcement for index additions is expected mid-November). We surmise that potential index related demand has influenced the share price of late pushing the P/BV multiple up beyond the normal range of 1.0x-1.1x that we have seen in the last 5-years. We believe that the valuation multiple on Fairfax should return to more normal levels once index related demand subsides.

Q3 Highlights And Variance Analysis

- BVPS came in at \$335, below our estimate of \$351 and down 7.5% from \$362 at the end of Q2/13. The bulk of the variance to our estimate is attributable to higher-than-expected losses from Fairfax's equity portfolio net of hedging. Mark-to-market losses on equity investments, net of hedging came in at \$478MM versus our estimate of \$141MM.

- Fairfax's (FFH-SP) investment portfolio recorded a large investment loss of \$829MM corresponding to -11.3% of beginning book value (pre-tax). Investment losses were spread across all the major asset classes, with the biggest losses coming in the equity portfolio, net of hedges. Equity investments, net of hedging, incurred a loss of \$478MM. The value of the company's equity investments increased in value by approximately 6%, but the primary index it uses for hedging, the Russell 2000 increased by 10%. While the company is 100% hedged in terms of notional value, we view the net position as being somewhat bearish as the Russell 2000 is a small cap index that should provide more torque to rising and falling equity markets. In addition, given the unique risk/return characteristics of the company's individual equity investments there is significant basis risk. Rising bond yields adversely impacted fixed income investments, which generated losses of \$213MM. Finally, improving economic fundamentals meant another quarter of losses for CPI-linked derivatives, which were marked down \$64MM.
- Investment income, which includes the share of profits from associates, totaled \$81MM, below our estimate of \$117MM and down big from \$139MM in Q2/13. The Q/Q sequential decline is primarily attributable to: 1) a \$37MM increase in swap expenses (\$66MM vs. \$29MM); 2) a \$7MM decrease in the share of profits from associates); and 3) an estimated \$14MM decrease in investment income.
- Fairfax produced a combined ratio (CR) of 93%, better than our estimate of 94% and 95% in Q3/12. Most of the Y/Y improvement can be ascribed to an increase in favorable reserve development, which came in at 5.4% vs. 2.4% in Q3/12. The combined ratio, excluding cat losses and favorable reserve development, was flat Y/Y at 94%. We expect the combined ratio to stay below 100% in 2014. However, we expect the combined ratio to tick up modestly in 2014 due to soft pricing conditions in reinsurance.
- Net premiums written came in at \$1,569MM, up 4% from \$1,510MM in Q3/12 but below our assumption for growth of 8.0%. Zenith and OdysseyRe were the growth leaders with Y/Y growth of 12% and 7%, respectively.
- OdysseyRe produced a CR of 87.6% versus 86.3% in Q3/12. The CR excluding cat losses and favorable reserve development (core CR) came in at 84.2%, 2 points higher than Q3/12. We continue to believe that there will be some margin pressure on OdysseyRe related to the significant increase in supply across the industry. Gross and net premiums written increased 8% Y/Y and 7% Y/Y, respectively. The Y/Y increase was due to increased underwritings of U.S. crop insurance.
- The U.S. division generated a CR of 98%, a significant improvement from 106% in Q3/12. The accident year CR improved significantly, from 106% to 100%. Zenith was the primary driver of the Y/Y improvement.
- Crum & Forster produced a CR of 99%, an improvement from 101% in Q3/12. The improvement is a result of underwriting more specialty lines and less standard lines. Net premiums written increased by a modest 2%. Crum & Forester has managed to increase net premiums written for specialty lines by 11% YTD while reducing net premiums written for standard lines by 33% YTD. The net result is modest growth overall. We expect the CR to finish 2013 at 102% and to improve to 99% in 2014 attributable to firm pricing conditions and a continued shift towards more profitable specialty lines.

- Zenith International generated a CR of 97%, a big improvement compared to 115% last year. The Y/Y change can be broken down as follows: a) 9.4 points from a lower accident year loss ratio driven by a combination of higher prices and lower claims losses; b) 3.9 points from a lower expense ratio; and c) 4.6 points from favourable reserve development. Net premiums written increased 12% Y/Y driven mainly by price increases. We expect underwriting profitability will continue in 2014 given pricing and claims trends and assume a CR of 97%.
- Northbridge's CR 102% was relatively flat compared to 101% in Q3/12. The accident year CR was significantly higher at 120% compared to 110% in the same quarter last year. Favourable reserve development was a huge number at 18 points. We don't see this level of reserve development as being sustainable and want to see an improvement in the accident year results. The company commented that prices in Canadian P&C are starting to go up somewhat and that they expect prices to improve over time. In addition, Northbridge is focusing on markets where they believe the CR will be below 100% over time. Net premiums written increased 4% (C\$ terms) due to higher risk retention (gross premiums were down 2%). We are currently assuming the CR to be relatively flat at 102% in 2014, with the possible benefit of a better pricing environment offset by lower reserve development.
- Fairfax Asia produced another solid quarter with a CR of 81% versus 83% last year. Net premiums written were effectively flat Y/Y as the business unit ceded more risk to reinsurers.

Exhibit 1. Variance Analysis

	Actual Q3-13	Actual Q3-12	Y/Y Change	Actual Q2-13	Q/Q Change	CIBC Est	Variance
Direct Premiums Written	1,953.4	1,854.7	5.3%	1,705.5	14.5%	1,908.3	45.1
Net Premiums Written	1,569.2	1,510.1	3.9%	1,430.0	9.7%	1,636.1	(66.9)
Net Premiums Earned	1,593.7	1,602.7	-0.6%	1,444.5	10.3%	1,517.6	76.1
Losses on Claims	(1,024.7)	(1,061.0)	-3.4%	(910.0)	12.6%	(968.6)	(56.2)
Other Underwriting Expenses	(464.3)	(468.0)	-0.8%	(450.6)	3.0%	(456.8)	(7.4)
Underwriting Income	104.7	73.7	42.1%	83.9	24.8%	92.2	12.5
Dividend and Interest Income + Share of P&L of Associates	81.4	95.0	-14.3%	139.5	-41.6%	117.5	(36.1)
Capital Gains	(828.6)	(23.6)	nmf	(415.7)	nmf	(391.6)	(437.0)
Net Runoff Expense + Corporate Overhead	96.0	63.4	51.4%	71.0	35.2%	60.0	36.0
Interest Expense	(53.4)	(51.5)	3.7%	(53.2)	0.4%	(55.4)	2.0
Other Income	11.3	9.9	14.1%	(21.2)	nmf	2.0	9.3
EBT	(588.6)	166.9	nmf	(195.7)	nmf	(175.3)	(413.3)
Income Taxes	211.5	(3.1)	nmf	150.3	nmf	96.8	114.7
Other	(12.8)	(13.7)	-6.6%	(14.2)	-9.9%	(12.6)	(0.2)
Net Income	(587.1)	18.5	nmf	(172.9)	nmf	(212.1)	375.0
EPS	(29.02)	0.90	nmf	(8.55)	nmf	(10.48)	(18.54)
Book Value	335	360	-7.2%	362	-7.5%	351	(17)
Key Ratios							
Loss ratio	64.3%	66.2%	-1.9 pts	63.0%	3.2 pts	63.8%	0.5 pts
Expense ratio	29.1%	29.2%	-0.1 pts	31.2%	-2.0 pts	30.1%	-1.0 pts
Combined ratio	93.4%	95.4%	-2.0 pts	94.2%	1.2 pts	93.9%	-0.5 pts
Annualized ROE	-33.3%	1.0%	-34.3 pts	-9.4%	10.4 pts	-11.8%	-21.6 pts

Source: Company reports and CIBC World Markets Inc.

Price Target Calculation

Our price target comes down from C\$425 to C\$400 on account of the downward revision to our 2014 BV estimate. We continue to value Fairfax using 1.1x our 2014E book value. This compares to a normal range of 0.8x-1.1x over the past 10-years. Global comps are currently trading around 1.1x BV on average (Exhibit 3 on page 9).

Key Risks To Price Target

Catastrophe Risk: By nature of its business, Fairfax is at risk for losses due to natural disasters such as earthquakes, hurricanes, windstorms, flooding, and hailstorms. Should a series of unexpected events occur, Fairfax's book value could be materially affected.

Foreign Exchange Risk: Fairfax operates in a variety of different countries around the world while its financial statements are reported in U.S. dollars. A devaluation of the U.S. dollar against foreign currencies could adversely impact financial results.

Pricing Risk: Fairfax relies on actuarial assumptions when pricing insurance claims. If the firm does not adequately assess potential risks when establishing pricing for its policies, financial results could be materially impacted.

Reserve Development: Fairfax establishes loss reserves based on its best forecast for what it will ultimately have to pay to settle a claim. Some claims costs will exceed forecasts, resulting in adverse reserve development, which has a negative impact on earnings and book value.

Reinsurance Recoverables: Fairfax cedes a portion of the risks it underwrites to third party reinsurers (16% of gross premiums written in 2012 were ceded). In the event of a claims loss Fairfax must settle the claim with the insured party directly and recover any reinsured amount separately. There is a risk that Fairfax will not be able to collect the amount owing from the reinsurer. Approximately 25% of the amount of reinsurance recoverable by Fairfax is covered by outstanding security balances. The company has provisioned for uncollectible reinsurance of \$243 million versus total reinsurance recoverable of \$4.9 billion as of Q3/13.

Regulatory Risk: Insurance companies are heavily regulated businesses. In the event that regulations are unexpectedly changed in one of Fairfax's operating jurisdictions, this could have an adverse impact on the firm's profitability.

Investment Risk: Fairfax holds a large investment portfolio in a variety of different asset classes. Negative returns on its investments could result in materially lower earnings and book value. Perhaps the largest risk to the value of current investment portfolio is higher bond yields.

Exhibit 2. Summary Financial Model

(in Millions of US Dollars)	2006	2007	2008	2009	2010	2011	Q1/12	Q2/12	Q3/12	Q4/12	2012	Q1/13	Q2/13	Q3/13	Q4/13E	2013E	2014E
Underwriting																	
Gross Premiums Written	5486.6	5214.5	5061.4	5094.0	5362.9	6744.1	1807.6	1844.6	1854.7	1678.7	7186.2	1891.6	1705.5	1953.4	1757.5	7308.0	7533.3
Net Premiums Written	4789.7	4498.4	4332.2	4286.1	4446.0	5608.6	1521.6	1566.8	1510.1	1398.7	5997.3	1605.8	1430.0	1569.2	1490.8	6095.8	6349.2
Net Premiums Earned	4765.3	4652.1	4511.7	4422.0	4573.2	5300.5	1338.2	1375.0	1602.7	1551.2	5867.1	1432.2	1444.5	1593.7	1524.0	5994.4	6239.8
Losses on Claims	(3822.4)	(3132.0)	(3559.1)	(3186.9)	(3409.0)	(4087.9)	(927.4)	(910.3)	(1061.0)	(1191.3)	(4089.9)	(883.7)	(910.0)	(1024.7)	(1035.0)	(3853.4)	(4102.3)
Operating expenses	50.4	(478.5)	(503.7)	(526.7)	(677.5)	(1186.0)	(198.0)	(212.7)	(218.0)	(229.4)	(858.1)	(226.2)	(216.6)	(245.9)	(228.6)	(917.3)	(936.0)
Commissions - net	(780.7)	(760.3)	(729.8)	(701.1)	(707.5)	(781.0)	(195.4)	(217.3)	(250.0)	(243.5)	(906.2)	(236.3)	(234.0)	(218.3)	(228.6)	(917.3)	(956.9)
Total Underwriting costs	(4552.7)	(4370.8)	(4792.6)	(4414.7)	(4794.0)	(6054.9)	(1320.7)	(1340.2)	(1529.0)	(1664.3)	(5854.2)	(1346.2)	(1360.6)	(1489.0)	(1492.2)	(5688.0)	(5995.1)
Underwriting Income / (Expense)	212.6	281.3	(280.9)	7.3	(220.8)	(754.4)	17.5	34.8	73.7	(113.1)	12.9	86.0	83.9	104.7	31.8	306.4	244.7
Investment Income																	
Dividend and Interest Income	586.1	604.4	626.4	712.7	762.4	707.1	120.9	113.8	95.0	93.3	423.0	118.2	139.5	81.4	113.8	452.9	462.6
Capital Gains / (Losses)	799.3	1275.8	2570.7	944.5	188.5	691.2	(40.9)	71.5	(23.6)	635.6	642.6	9.4	(415.7)	(828.6)	200.0	(1034.9)	0.0
Total Investment Income	1385.4	1880.2	3197.1	1657.2	950.9	1398.3	80.0	185.3	71.4	728.9	1065.6	127.6	(276.2)	(747.2)	313.8	(582.0)	462.6
Runoff + Corporate Overhead	(526.1)	188.2	(314.7)	(305.0)	(255.5)	(451.9)	(52.7)	(54.7)	(63.4)	(45.0)	(215.8)	(51.3)	(71.0)	(96.0)	(60.0)	(278.3)	(240.0)
Interest Expense	(195.7)	(193.8)	(158.6)	(166.3)	(195.4)	(214.0)	(52.9)	(51.6)	(51.5)	(52.2)	(208.2)	(53.3)	(53.2)	(53.4)	(55.3)	(215.2)	(215.8)
Other Income	0.0	0.0	1.4	12.4	10.3	13.3	5.8	0.0	9.9	(13.4)	2.3	3.1	9.3	11.3	2.0	25.7	8.0
EBT	876.2	2155.9	2444.3	1205.6	289.5	(8.7)	(2.3)	113.8	40.1	505.2	656.8	112.1	(307.2)	(780.6)	232.2	(743.5)	259.5
Income Tax	(483.2)	(708.1)	(755.6)	(214.9)	119.5	56.5	2.4	(18.3)	(3.1)	(97.1)	(116.1)	51.2	150.3	211.5	(35.8)	377.2	24.1
Other*	(176.9)	(364.5)	(238.9)	(185.7)	28.6	(54.2)	(14.2)	(16.2)	(18.5)	(19.9)	(68.8)	(17.2)	(16.0)	(18.0)	(13.6)	(64.8)	(54.5)
Net Income	216.1	1083.3	1449.8	805.0	437.6	(6.4)	(14.1)	79.3	18.5	388.2	471.9	146.1	(172.9)	(587.1)	182.8	(431.1)	229.0
Shares Outstanding (Wgt Avg)	18.7	18.7	18.2	18.4	20.5	20.4	20.4	20.6	20.6	20.5	20.6	20.5	20.2	20.2	20.2	20.3	20.2
Fully diluted EPS	11.92	58.38	79.52	43.75	21.31	(0.76)	(0.69)	3.85	0.90	18.90	22.96	7.12	(8.55)	(29.02)	9.03	(21.41)	11.32
Dividends Per Share	2.75	5.00	8.00	10.00	10.00	10.00	0.00	0.00	0.00	10.00	10.00	0.00	0.00	0.00	10.00	10.00	10.00
Book Value per Share	150	230	278	370	379	365	355	357	360	378	378	373	362	335	344	344	345
Growth Rate Y/Y	9.2%	53.2%	21.0%	32.9%	2.6%	-3.1%	0.0%	-0.4%	-10.5%	3.7%	3.7%	5.1%	1.3%	-7.2%	-9.1%	-9.1%	0.4%
Key Ratios																	
NPW / Book Value	1.8	1.1	0.9	0.6	0.6	0.8					0.8					0.9	0.9
Loss Ratio	80.2%	67.3%	78.9%	72.1%	74.5%	77.1%	69.3%	66.2%	66.2%	76.8%	69.7%	61.7%	63.0%	64.3%	67.9%	64.3%	65.7%
Expense Ratio	15.3%	26.6%	27.3%	27.8%	30.3%	37.1%	29.4%	31.3%	29.2%	30.5%	30.1%	32.3%	31.2%	29.1%	30.0%	30.6%	30.3%
Combined Ratio	95.5%	94.0%	106.2%	99.8%	104.8%	114.2%	98.7%	97.5%	95.4%	107.3%	99.8%	94.0%	94.2%	93.4%	97.9%	94.9%	96.1%
Investment Assets / book Value	6.6	4.9	4.1	2.9	3.0	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.6	3.6	3.6	3.7
Total Investment Yield	8.6%	11.7%	13.6%	12.9%	4.1%	2.8%	1.3%	3.1%	1.2%	11.8%	4.2%	1.9%	-4.3%	-11.8%	5.1%	-2.3%	1.8%
ROE	8.3%	32.2%	31.1%	13.8%	5.6%	-0.2%	-0.8%	4.3%	1.0%	20.5%	6.3%	7.6%	-9.3%	-33.3%	10.7%	-6.0%	3.3%

*Preferreds Dividends and Non-controlling interest

Source: Company reports and CIBC World Markets Inc.

Source: Company reports, Bloomberg. CIBC World Markets estimates for FFH; Bloomberg estimates for all other companies

	Ticker	Price 1-Nov	Shares O/S	Market Cap	Current Dividend	Dividend Yield	BVPS			P/BVPS			Operating EPS			P/E			Total Debt	Total Debt/ Total Cap.
							Last qtr	2013E	2014E	Last qtr	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E		
United States (US\$)																				
ACE Ltd	ACE	96.00	340.3	32,670.9	0.51	2.1%	82.98	84.28	90.63	1.2	1.1	1.1	7.65	8.91	8.36	12.5	10.8	11.5	5,070	13.4%
Arch Capital Group Ltd	ACGL	57.75	133.8	7,729.4	na	na	38.34	38.70	42.08	1.5	1.5	1.4	2.54	4.06	3.43	22.7	14.2	16.8	400	4.9%
Aspen Insurance Holdings Ltd	AHL	39.07	70.8	2,764.3	0.18	1.8%	41.33	42.36	45.12	0.9	0.9	0.9	3.37	3.48	3.25	11.6	11.2	12.0	499	15.3%
Allied World Assurance Co Hold	AWH	108.38	34.8	3,771.4	0.50	1.8%	101.85	100.88	108.65	1.1	1.1	1.0	5.47	10.13	7.56	19.8	10.7	14.3	798	17.5%
Axis Capital Holdings Ltd	AXS	47.57	117.9	5,609.5	0.25	2.1%	46.22	45.61	49.19	1.0	1.0	1.0	3.41	5.14	4.74	14.0	9.3	10.0	995	15.1%
Berkshire Hathaway Inc	BRK/A	172,948	1.6	284,144.1	na	na	122,900	169,942	182,736	1.4	1.0	0.9	7,629	9,398	9,684	22.7	18.4	17.9	62,736	18.1%
Chubb Corp/The	CB	92.22	261.8	24,139.8	0.44	1.9%	60.75	63.29	67.82	1.5	1.5	1.4	5.23	7.94	7.49	17.6	11.6	12.3	3,575	12.9%
Cincinnati Financial Corp	CINF	50.05	162.9	8,151.8	0.42	3.4%	35.46	36.19	37.98	1.4	1.4	1.3	2.40	2.80	2.72	20.9	17.9	18.4	931	10.3%
CNA Financial Corp	CNA	40.38	269.4	10,878.3	0.20	2.0%	45.06	45.67	48.18	0.9	0.9	0.8	2.18	3.42	3.40	18.5	11.8	11.9	2,570	19.1%
Hartford Financial Services Gr	HIG	33.72	436.3	14,710.1	0.15	1.8%	42.20	42.78	45.43	0.8	0.8	0.7	2.88	3.49	3.64	11.7	9.7	9.3	7,287	33.1%
Markel Corp	MKL	531.46	9.6	5,117.4	na	na	451.54	466.03	499.20	1.2	1.1	1.1	23.77	22.50	25.15	22.4	23.6	21.1	1,752	25.5%
Old Republic International Cor	ORI	16.81	259.5	4,362.0	0.18	4.3%	14.44	14.44	14.55	1.2	1.2	1.2	(0.39)	1.10	0.90	na	15.3	18.7	573	11.6%
Everest Re Group Ltd	RE	153.50	51.4	7,892.7	0.48	1.3%	140.20	144.02	158.96	1.1	1.1	1.0	13.62	19.54	17.50	11.3	7.9	8.8	818	9.4%
PartnerRe Ltd	PRE	99.81	58.9	5,879.8	0.64	2.6%	107.42	107.52	114.60	0.9	0.9	0.9	10.43	11.63	9.19	9.6	8.6	10.9	821	12.3%
RenaissanceRe Holdings Ltd	RNR	92.98	45.5	4,234.5	0.28	1.2%	71.38	75.28	82.74	1.3	1.2	1.1	7.93	10.95	9.32	11.7	8.5	10.0	352	7.7%
Travelers Cos Inc/The	TRV	86.49	377.4	32,641.3	0.50	2.3%	68.14	69.46	74.57	1.3	1.2	1.2	6.21	8.85	8.12	13.9	9.8	10.7	6,350	16.3%
WR Berkley Corp	WRB	43.60	136.0	5,930.4	1.35	3.1%	31.33	32.95	35.62	1.4	1.3	1.2	2.61	2.96	3.20	16.7	14.8	13.6	2,236	27.4%
XL Group PLC	XL	30.32	298.7	9,056.0	0.14	1.8%	35.03	35.26	37.66	0.9	0.9	0.8	1.98	3.04	3.02	15.3	10.0	10.0	1,673	15

Our EPS estimates are shown below:

	1 Qtr.	2 Qtr.	3 Qtr.	4 Qtr.	Yearly
2012 Current	(\$0.69A)	\$3.85A	\$0.90A	\$18.90A	\$22.96A
2013 Prior	\$7.12A	(\$8.55A)	(\$10.48E)	\$1.19E	(\$10.72E)
2013 Current	\$7.12A	(\$8.55A)	(\$29.02A)	\$9.03E	(\$21.41E)
2014 Prior	\$2.79E	\$2.62E	\$3.29E	\$1.26E	\$9.96E
2014 Current	\$3.14E	\$2.89E	\$3.39E	\$1.90E	\$11.32E

Our BV/share estimates are shown below:

	1 Qtr.	2 Qtr.	3 Qtr.	4 Qtr.	Yearly
2012 Current	--	--	--	--	\$378.10A
2013 Prior	--	--	--	--	\$352.43E
2013 Current	--	--	--	--	\$343.54E
2014 Prior	--	--	--	--	\$352.40E
2014 Current	--	--	--	--	\$344.86E

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Stock Prices as of 11/03/2013:

BlackBerry Limited (2g, 7) (BB-TSX, \$8.09, Sector Outperformer - Speculative)

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Stock Prices as of 11/03/2013:

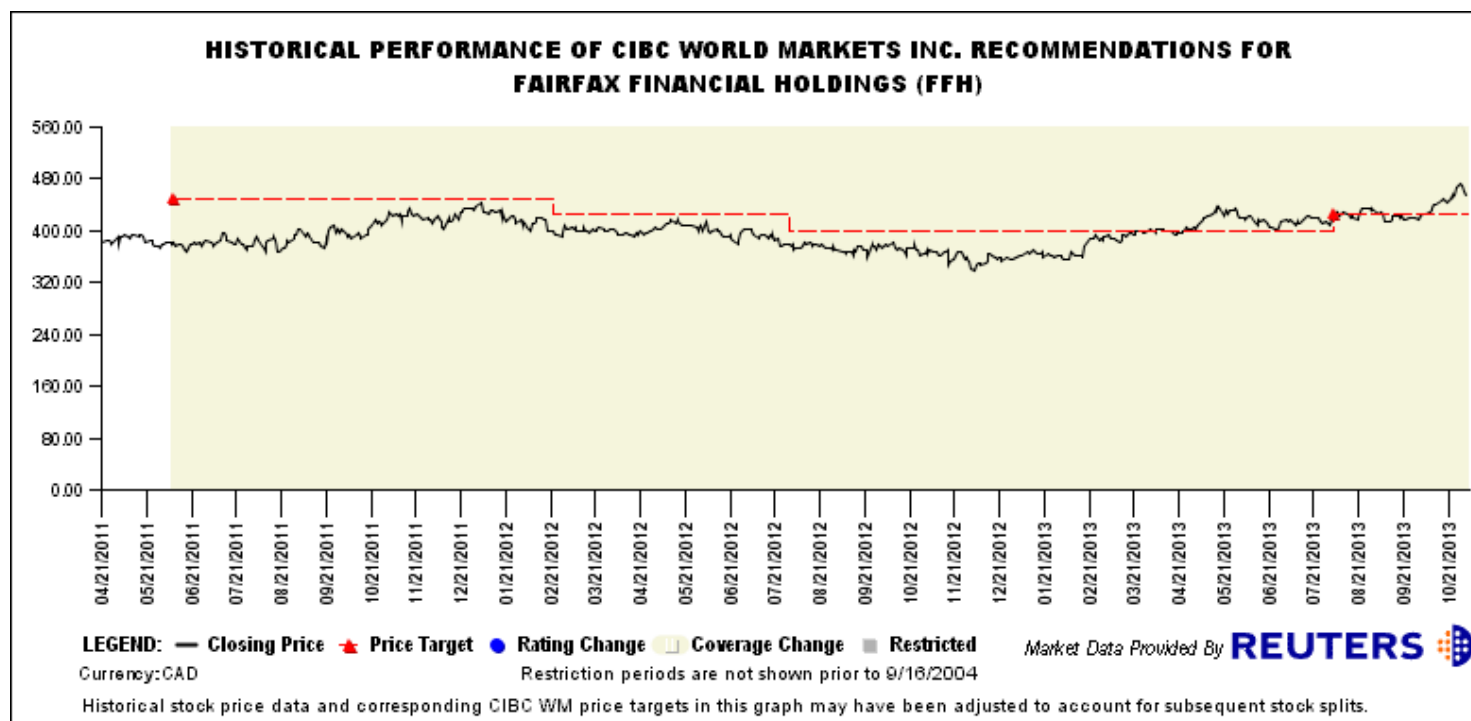
Ace Limited (ACE-NYSE, \$95.86, Not Rated)
Aegon (AEGN-AS, €5.11, Not Rated)
Allianz (ALVG-DE, €102.98, Not Rated)
Allied World Assurance (AWH-NYSE, \$107.94, Not Rated)
Alterra Capital Holdings, Ltd. (ALTE-OTC, \$32.55, Not Rated)
Arch Capital Group Ltd. (ACGL-OB, \$57.74, Not Rated)
Aspen Insurance Holdings (AHL-NYSE, \$39.04, Not Rated)
Assicurazioni Generali SpA (G-MI, €17.15, Not Rated)
Axis Capital Holdings, Ltd. (AXS-NYSE, \$47.55, Not Rated)
Berkshire Hathaway (BRK-NYSE, \$92400.00, Not Rated)
China Taiping Insurance (966-HK, [HKD]12.98, Not Rated)
Chubb Corp. (CB-NYSE, \$92.09, Not Rated)
Cincinnati Financial Corp. (CINF-OTC, \$50.00, Not Rated)
CNA Financial (CNA-NYSE, \$40.37, Not Rated)
CNP Assurances (CNPP-PA, €11.05, Not Rated)
Everest Re (RE-NYSE, \$153.53, Not Rated)
Hannover Rueckversicherung (HNRGN-DE, €54.74, Not Rated)
Hartford Financial (HIG-NYSE, \$33.65, Not Rated)
ING Groep NV (INGA-NYSE, \$28.43, Not Rated)
Mapfre S.A. (MAP-MC, €2.35, Not Rated)
Markel Corp. (MKL-NYSE, \$531.49, Not Rated)
Munich Reinsurance (MUV2-BE, €133.90, Not Rated)
Old Republic International Corporation (ORI-NYSE, \$16.80, Not Rated)
PartnerRe Ltd (PRE-NYSE, \$99.61, Not Rated)
QBE Insurance Group Limited (QBE-AUS, A\$13.65, Not Rated)
RenaissanceRe (RNR-NYSE, \$92.82, Not Rated)
Scor SE (SCR-PA, €21.50, Not Rated)
Swiss Re (SREN-VX, [CHF]73.15, Not Rated)
Tokio Marine holdings (8766-T, ¥3150.00, Not Rated)
Transatlantic Holdings (TRH-NYSE, \$60.90, Not Rated)
Travelers Cos Inc (TRV-NYSE, \$86.40, Not Rated)
Vienna Insurance Group (VIGR-VI, €38.09, Not Rated)
W.R. Berkley Corp. (WRB-NYSE, \$43.58, Not Rated)
XL Group (XL-NYSE, \$30.32, Not Rated)
Zurich Financial (ZURN-VX, [CHF]258.80, Not Rated)

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- 11 The equity securities of this company are restricted voting shares.
- 12 The equity securities of this company are subordinate voting shares.
- 13 The equity securities of this company are non-voting shares.
- 14 The equity securities of this company are limited voting shares.

CIBC World Markets Inc. Price Chart



HISTORICAL PERFORMANCE OF CIBC WORLD MARKETS INC. RECOMMENDATIONS FOR FAIRFAX FINANCIAL HOLDINGS (FFH)

Date	Change Type	Closing Price	Rating	Price Target	Coverage
06/08/2011	▲ ■	379.70	SP	450.00	Paul Holden, CFA
02/20/2012	▲	400.00	SP	425.00	Paul Holden, CFA
07/29/2012	▲	377.99	SP	400.00	Paul Holden, CFA
08/02/2013	▲	415.68	SP	425.00	Paul Holden, CFA

CIBC World Markets Inc. Stock Rating System

Abbreviation	Rating	Description
Stock Ratings		
SO	Sector Outperformer	Stock is expected to outperform the sector during the next 12-18 months.
SP	Sector Performer	Stock is expected to perform in line with the sector during the next 12-18 months.
SU	Sector Underperformer	Stock is expected to underperform the sector during the next 12-18 months.
NR	Not Rated	CIBC World Markets does not maintain an investment recommendation on the stock.
R	Restricted	CIBC World Markets is restricted*** from rating the stock.
Sector Weightings**		
O	Overweight	Sector is expected to outperform the broader market averages.
M	Market Weight	Sector is expected to equal the performance of the broader market averages.
U	Underweight	Sector is expected to underperform the broader market averages.
NA	None	Sector rating is not applicable.

**Broader market averages refer to the S&P 500 in the U.S. and the S&P/TSX Composite in Canada.

"Speculative" indicates that an investment in this security involves a high amount of risk due to volatility and/or liquidity issues.

***Restricted due to a potential conflict of interest.

Ratings Distribution*: CIBC World Markets Inc. Coverage Universe

(as of 03 Nov 2013)	Count	Percent	Inv. Banking Relationships	Count	Percent
Sector Outperformer (Buy)	137	39.0%	Sector Outperformer (Buy)	131	95.6%
Sector Performer (Hold/Neutral)	176	50.1%	Sector Performer (Hold/Neutral)	162	92.0%
Sector Underperformer (Sell)	31	8.8%	Sector Underperformer (Sell)	27	87.1%
Restricted	6	1.7%	Restricted	6	100.0%

Ratings Distribution: Canadian Property & Casualty Companies Coverage Universe

(as of 03 Nov 2013)	Count	Percent	Inv. Banking Relationships	Count	Percent
Sector Outperformer (Buy)	1	33.3%	Sector Outperformer (Buy)	1	100.0%
Sector Performer (Hold/Neutral)	1	33.3%	Sector Performer (Hold/Neutral)	0	0.0%
Sector Underperformer (Sell)	1	33.3%	Sector Underperformer (Sell)	1	100.0%
Restricted	0	0.0%	Restricted	0	0.0%

Canadian Property & Casualty Companies Sector includes the following tickers: FFH, IFC, MIC.

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