



Is the Worst Performing Stock in the Financial Sector Worth Another Look?

Description

The TSX is hovering around record highs, interest rates are at record lows, corporate earnings are strong for the quarter and investor sentiment is elevating most sectors.

The index's most heavily weighted sector, financials, is also advancing. However, one stock has performed the worst in this sector: **Dream Unlimited Corp** ([TSX: DRM](#)), the company behind Homes by Dream (formerly Homes by Dundee), Dream Developments, Dream Centres, and three TSX-listed Dream REITs — formerly Dundee REITs. **Dundee Corp** ([TSX: DC.A](#)) is its parent company.

Dream has \$13.8 billion in assets and is the largest residential developer in Western Canada, with more than 5,000 acres of land. But the stock has been trading at a large discount to the real value of the company. It has been down 13% since the start of the year. This comes after an 80% move from low to high in 2013.

Greedy vs. fearful

While the numbers look dismal, Bay Street bulls could argue that this is the perfect time to buy the stock. After all, the big daddy of investing, Warren Buffett, recommends being fearful when others are greedy, and being greedy when others are fearful.

Analysts at Canaccord Genuity have raised their estimates and have given the stock a buy rating with a target price of \$22. This is following Dream's successful vote to acquire and reorganize Return On Innovation Advisors Ltd (ROI) funds into a publicly listed fund to be managed by Dream Unlimited. The ROI funds consist of three listed funds — **ROI Canadian High Income Mortgage Fund** (TSX: RIH.UN), **ROI Canadian Mortgage Income Fund** (TSX: RIL.UN), and **ROI Canadian Real Estate Fund** (TSX: RIR.UN).

According to the announcement, all of the assets within the ROI Funds will be indirectly transferred to the newly formed Dream Hard Asset Alternatives Trust (Dream Alternatives). The transaction also includes a fourth, unlisted fund, managed by ROI Capital. The reorganization is anticipated to be completed in early July 2014.

Dream is currently trading around \$15 and given the significant upside in land valuations and growth in asset management fees from the new trust (amongst other reasons), the stock is likely to perform better the rest of year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:D.UN (Dream Office Real Estate Investment Trust)
2. TSX:DC.A (Dundee Corporation)
3. TSX:DPM (Dundee Precious Metals Inc.)

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