3 Stocks That Disappointed in 2016

Description

It's common this time of year for people to spend some time evaluating the past 12 months—the good and the bad, the highs and the lows, and how they can make next year their very best.

Investors should do the same.

So, I've looked back to identify three stocks I covered earlier in the year that disappointed in 2016; some of them might even be worth owning in 2017.

Alaris Royalty Corp. (TSX:AD)

At the end of March, I put the Calgary-based lender of growth capital and quasi-private equity firm up against **Onex Corporation** (TSX:OCX) and **Fairfax Financial Holdings Ltd.** (TSX:FFH) in a battle of Canada's best private equity stocks.

I went with Alaris because I really like its business model of taking preferred share non-control positions in middle-market companies in need of growth capital. The amount of distributions it receives on an annual basis are based on the revenue from the previous year; so, if a company has a bad year, the distributions are throttled back slightly. It's a smart way to approach lending.

Unfortunately, it's had some issues with a few partners in 2016 that have taken longer to resolve, adding an extra layer of risk which investors haven't been too keen about.

The good news for Alaris stock is that it's up 6.8% year-to-date; the bad news is that it's down 14.2% since I picked it on March 30.

Lesson learned: Sometimes even the best stocks are going to get knocked down every once in a while. If you can handle above-average risk, 2017 should be a good year for the company.

Performance Sports Group Ltd.

No longer traded on either the TSX or NYSE, the owner of Bauer skates, Easton baseball bats, and more is now operating under bankruptcy protection. Once holding a $1 billion market cap (May 2015), its assets are being auctioned off on January 30.

Currently, there is a stalking-horse bid to buy the assets for $575 million, but several private equity firms have expressed interest, so things could change dramatically between now and then.

How did I go wrong?

Well, in early May, I included PSG in a list of three stocks trading under $10 worth the risk. At the time, it was trading at $4.61; I reasoned that Sagard Capital, the Desmarais family's private equity firm, took a 16% ownership stake, making it the company's largest shareholder. With them in the game, I felt the risk was worth it.

Lesson learned: Often, stocks trading under $10 are there for a reason.

CI Financial Corp. (TSX:CIX)

The use of ETFs in investor portfolios here in Canada is taking off. In June, ETF assets went over $100 billion—an important milestone in their advancement. Globally, ETF assets have surpassed US$3.5 trillion, signaling the future demise of mutual funds.

Given their attractiveness to investors, I debated in mid-May whether it was better to buy CI Financial's stock or **Bank of Montreal** (TSX:BMO)(NYSE:BMO) in order to benefit from the growth in ETFs in this country.

I picked CI Financial because it isn't a bank—not everyone is in love with Canadian banks—and it's more of an ETF pure play with First Asset ETFs being a far more important part of CI Financial's business than BMO's ETFs, which sit within a gargantuan bank.

Performance-wise, I clearly got my clock cleaned by BMO, which is up 28% on the year versus no gain for CI Financial.

Lesson Learned: All the big bank stocks bounced back nicely in 2016. You can't fight the trend. In hindsight, I probably shouldn't have been so quick to dismiss BMO.

That said, CI Financial has outperformed BMO stock over the last three months; I believe it will outperform BMO in 2017.

But I've been wrong before.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)

2. TSX:AD.UN (Alaris Equity Partners Income Trust)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CIX (CI Financial)
5. TSX:FFH (Fairfax Financial Holdings Limited)
6. TSX:ONEX (Onex Corporation)

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/11
Date Created
2016/12/19
Author
washworth