



Which Financial Stock Is the Best Investment: CI Financial Corp. or IGM Financial Inc.?

Description

Like a lot of people, you may hold a few mutual funds in your investment account, but have you thought about investing directly in companies that distribute mutual funds? **CI Financial Corp.** ([TSX:CIX](#)) and **IGM Financial Inc.** ([TSX:IGM](#)) operate in the Canadian financial sector and both distribute and manage investment funds.

There is a strong chance that you will get more for your buck by investing in CI Financial stock than in IGM Financial stock. Indeed, the growth prospects are better for CI Financial than they are for IGM Financial.

Strong profit growth, low price

CI Financial's earnings per share (EPS) in the first quarter of 2017 were \$0.51, an increase of 21% from the same quarter last year. This was among the strongest growth seen by any company in the financial industry. In contrast, IGM Financial's EPS were \$0.74 in the first quarter of this year, up 7.25% from the same quarter last year.

CI Financial is very profitable. Its return on assets (ROA) and its return on equity (ROE) are high, reaching 15.26% and 29.08%, respectively. If we look at the numbers for IGM Financial, they are far less impressive. Its ROA is only 5.04%, and its ROE, 16.84%.

With a forward P/E of 12.39, the stock of CI Financial is really cheap. IGM Financial's forward P/E is slightly lower at 12.22, but if we are looking at the price/earnings to growth (PEG) ratio, we see that we are buying more growth for less with CI Financial. Thus, CI Financial's PEG ratio is 1.05, whereas IGM Financial's PEG is much higher at 3.22.

CI Financial's management raised the dividend by 2% and initiated further share repurchases, which are also signs that the company is performing well. In contrast, IGM Financial has not raised its dividend since 2014.

Superior fund performance

CI Financial's investment funds perform very well and beat the competition quite often. Indeed, CI Financial's funds have been the recipients of 57 Lipper Fund Awards since the start of the contest in Canada in 2007. Those awards recognize funds that have delivered consistently strong risk-adjusted performance. Superior fund performance should continue to place CI Financial ahead of peers.

Furthermore, the investment firm continues to pursue growth by offering new products. The high demand for ETFs has led to the creation of First Asset Capital's actively managed and factor-based ETFs. CI Financial is also expanding its Assante Wealth Management advisor network.

IGM Financial, however, is struggling with poor performance. While Mackenzie has done a little better than Investors Group on the fund-performance front, both have been average to below average for quite some time.

CI Financial looks like a more solid investment to me than IGM Financial, so if you want to put some money in the financial sector, my guess is that you are better off buying shares of CI Financial.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CIX (CI Financial)
2. TSX:IGM (IGM Financial Inc.)

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