



What's Up with CI Financial Corp.'s Latest Investment?

Description

CI Financial Corp. ([TSX:CIX](#)) announced its second acquisition in less than a month on September 8. The asset management firm's latest move could get it one step closer to offering digital investment advice.

CI is buying BBS Securities Inc., a Toronto-based company that provides proprietary brokerage and trading services to institutional clients across the country as well as to retail investors through Virtual Brokers, its award-winning online discount brokerage. Also included in the deal is financial technology company Pario Technology Corp.

While it might not be nearly as flashy an acquisition as the one CI made in August, when it acquired Sentry Investments, a Canadian independent investment manager with \$19.1 billion in assets under management, it's laying the foundation for CI's move into automated investment advice.

Better technology

More than two years ago, CI's financial advisory unit, Assante Wealth Management, was said to be rolling out a robo-advisory service to complement its network of 750-human financial advisors across the country.

"We recognize that part of our client base may not need sophisticated value or complex financial planning, so we want to build a scalable model to be able to provide those clients with the level of service that they require," said Steven Donald, president of Assante, at the time. "We believe in the value that financial advice provides to Canadians longer term."

Unfortunately, CI and Assante never came through on its plans, but with its acquisition of BBS Securities, that looks like it might be about to change.

“We are excited to acquire BBS, whose innovative technology has made it a leader in its market,” said Peter W. Anderson, CI’s chief executive officer. “As part of this purchase, we are gaining exceptional technology that can be used throughout the CI Financial group of companies to increase the efficiency of our operations and enhance the products and services we offer to financial advisors and their clients.”

While Anderson didn’t come right out and say it — ostensibly because BBS has a least two existing robo-advisor clients in Vancouver-based WealthBar Financial Services and Toronto-based JustWealth Financial — but it wouldn’t take much for CI to create a white label product given the tools it’s acquired with BBS.

CI’s ETF business needs a boost

The company’s First Asset ETF business had \$3.2 billion in assets under management at the end of July — good for a 2.5% market share and the seventh spot among Canadian ETF providers.

But it’s a weak seventh position when you consider that the first and second spots — iShares and **Bank of Montreal** — together account for 74.2% of the Canadian ETF market.

Individuals who don’t have a financial advisor would be perfect for a robo-advisory service provided by CI. It would allow the company to offer clients the opportunity to move to one of their full-service financial advisors at Assante Wealth Management as their financial situations become more complex, or to Virtual Brokers for those who want to do it themselves.

That’s three opportunities to sell investors CI active and passive mutual funds and ETFs instead of one.

Bottom line on CI Financial

Heading into the summer, I was [disappointed](#) with the progress CI’s stock had made from November 2016, when I [recommended](#) it based on the company’s acquisition of an Australian mutual fund provider.

However, in recent weeks, it’s started to perk up, rising almost 4% in the last month alone. That said, CI’s stock is still down 2.7% year to date, so it’s hardly on fire, but with these two latest acquisitions in hand and some momentum in recent weeks, now could be an opportune time to buy.

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