



## The “Hidden” Reason to Own This Small-Cap Asset Manager

### Description

A year ago this past October, I couldn’t believe my eyes.

Toronto-based asset manager **AGF Management Limited** ([TSX:AGF.B](#)) was trading for \$5.10, about one-seventh its value less than a decade earlier, in 2007.

Now, in fairness, I addressed my comments to [risk takers](#) and not risk avoiders, but for anyone who could afford to bet a few bucks on the company, whose initials stand for the first mutual fund it created back in 1957 — American Growth Fund — should do so, because the upside was so much greater than the downside.

Sixty years on, AGF continues to defy the odds by remaining a publicly traded, completely independent company.

My rationale for buying its stock was simple.

### A change is afoot

As a mid-sized mutual fund company in Canada, it wasn’t desirable to prospective buyers; however, it added ETFs through the acquisition of FFCM LLC, a Boston-based asset manager, in November 2015, which just happened to market seven ETFs in addition to institutional asset management of other people’s funds.

FFCM had become a co-portfolio advisor of the AGF Sector Class mutual funds with one of AGF’s investment management businesses. The two parties got to know each other, and it became clear the two organizations could do better together under one roof, and a deal was cut.

FFCM brought with it the capabilities AGF needed to launch an ETF business, which it did last January under the AGFiQ brand. On February 12, it launched two new ETFs, bringing the number of ETFs in its stable to nine.

One of the new ETFs is the AGFiQ Enhanced Global Infrastructure ETF. Trading on the NEO

Exchange, it invests in 68 global infrastructure stocks, which brings me to the “hidden” reason to own AGF stock.

## **AGF does infrastructure**

Not only do you get a small piece of one of Canada’s oldest asset managers when you buy its stock, but you also get an indirect investment in infrastructure.

No, I’m not talking about AGF’s new ETF, but rather the company’s joint-venture 50.1% interest in InstarAGF Asset Management, an independent alternative asset manager run by Gregory J. Smith, whose firm Instar Group Inc. owns the remainder.

On June 27, 2017, InstarAGF completed the final closing of its \$740 million infrastructure fund. Investments to date include an interest in Billy Bishop Airport’s passenger terminal in Toronto; Steel Reef, a Canadian midstream oil and gas company; Skyservice, a provider of business aviation services, and Creative Energy, a B.C. company that specializes in urban infrastructure projects.

So, when you look at AGF’s 2017 financial statement and see all the positive growth on the top and bottom line, don’t forget the infrastructure assets, which include a 13.5% limited partnership investment in the \$740 million fund discussed previously.

With AGF stock down almost 15% year to date, now is the [time to buy](#) in, before it begins another leg up to \$8 and beyond.

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## **TICKERS GLOBAL**

1. TSX:AGF.B (AGF Management Limited)

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1. Investing

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