This $6 Stock Is a Screamin’ Deal 3 Months Into 2018

Description

AGF Management Limited (TSX:AGF.B) entered 2018 as one of the TSX’s biggest comeback stories — gaining 36% in 2017 and 25% in 2016 — but it now appears to have fallen on hard times.

The small-cap asset manager closed out this past year trading at share prices not seen since 2015 and possessing a business that appeared to be finally growing after years of mutual fund redemptions.

In 2016, I’d recommended investors forget about **CI Financial Corp.**, its much bigger rival, and focus on AGF instead. It wasn’t that I had a particular problem with CI — its First Asset ETFs are a great group of investments — but rather, AGF was taking steps to become more relevant in a changing asset management business.

Between its acquisition of U.S.-based FFCM LLC and its QuantShares ETFs for $7 million and the shrinking quarterly net redemptions, AGF was putting itself in a better position to be acquired.

The markets obviously agreed; AGF is up 28% since my article, despite the big correction in 2018.

What’s the future look like?

Actually, the future looks pretty darn good. AGF just announced its first-quarter results March 28, and they met or exceeded analyst expectations.

“AGF achieved retail net sales of $20 million (first quarterly net sales in a decade) on 45% year-over-year gross sales growth and this momentum carried into March with net sales of $58 million,” said Desjardins analyst Gary Ho in a note to clients. “We are encouraged to see traction in the IIROC channel, and the institutional pipeline looks robust at $1.2 billion. Further, its retail fund performance was solid for the second consecutive quarter (49% and 61% on a one- and three-year basis, respectively). We believe this positions the company well for positive retail net flows in FY18.”

So, not only is the legacy mutual fund business starting to see light at the end of the tunnel, but its AGFiQ ETF unit launched two new factor-based ETFs in February, bringing the total number of ETFs available to nine, including the **AGFiQ Enhanced Global Infrastructure ETF**, which will benefit from AGF's growing infrastructure investment team.

In February, I highlighted AGF's 50.1% joint-venture interest in InstarAGF Asset Management, the alternative asset manager run by Gregory J. Smith, a veteran of private equity infrastructure investments in this country.

Last June, InstarAGF closed the InstarAGF Essential Infrastructure Fund, a $740 million raise, which has already made several investments including its latest, buying 50% of Creative Energy, a provider of urban energy solutions in Vancouver and Toronto.

Desjardins's analyst suggests the second infrastructure fund will have $1 billion in equity commitments and should close late this year or early next, adding significantly to AGF's 2019 results.

The bottom line on AGF stock

As long as the company's net redemptions continue to improve, and its earnings allow it to keep the dividend in place, AGF, in my opinion, will continue to be a steal at $6.50.

Desjardins's Ho believes it's an $8 stock. I absolutely agree.

Over the next two years, you'll be able to make money if you keep buying AGF at $6.50 or less and holding for the long term.

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