



Revealed: A Headwind-Plagued TSX Stock That's Heading Downhill

Description

It can be tough for beginners to tell the difference between a bargain and a value trap. To recognize a value trap, one must find the primary reason why a stock is getting pummelled and whether that reason is detrimental to the company's long-term growth thesis or if it's just a near-term bump in the road.

If a firm's long-term thesis stands to be impacted, one must look to management's abilities to see if they have what it takes to adapt to sudden changes in the industry landscape.

In an age of technological disruption, where moats are being eroded left and right, it's become vital to pay attention to industry trends and management commentary on combating competitive pressures.

Here's a company that I don't believe has an answer to significant headwinds that will stand to slow its main business down, and potentially send it backward over time.

Enter **IGM Financial** ([TSX:IGM](#)), a wealth management pure-play that operates through names like IG Wealth Management (formerly known as Investors Group) and Mackenzie Investments.

The company is known for selling actively-managed [high-fee mutual funds](#) and other financial planning services, both of which will likely become a tough sell as DIY investing continues to take off.

With new tech making it easier for investors to take control of their own financial futures, it no longer makes sense for Canadians to delegate a task as vital as wealth management to an individual at a firm in exchange for a substantial fee.

With brokerages slashing their commissions, value-added DIY investing services and low-fee passive investment offerings will be the differentiating factor as the industry continues to mature.

As investors look to minimize their expenses, high-fee mutual funds are likely going to go the way of the dodo bird, and the non-bank wealth managers will take the biggest hit to the chin.

IGM has averaged a mere 2.1% in sales growth over the last three years, and although management has shaken things up with the rebranding of Investors Group and a focus on higher net worth

individuals, I still think industry headwinds are going to send IGM into a tailspin over the longer term, as Canadians grow more reluctant to pay for something that they should be doing themselves.

To make the IGM story even gloomier, a double-top technical reversal pattern looks to be forming in the stock, and if it comes to fruition, I expect IGM will be back at 52-week lows in no time.

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