



The Cheapest Way to Buy Canada's Best Bank

Description

Guardian Capital Group Limited ([TSX:GCG](#)) operates as a [diversified financial services company](#) in Canada, the United Kingdom, the United States, and the Caribbean.

It manages institutional assets for pension plans, insurers, foundations, endowments, third-party mutual funds, and exchange traded funds; and provides private wealth management services to individuals, families, and charitable organizations.

The company provides trust and corporate administration, investment management, and banking services for international clients; and an integrated wealth management platform for financial advisors to deliver professional advice on exchange traded funds, securities, and insurance. In addition, it engages in the sale of life insurance products, mutual funds, and other financial instruments.

Guardian is a diversified financial services company, which serves the [wealth management needs](#) of a range of customers through various business segments. The company is attractively priced with a price to earnings ratio of 14.65, a price to book ratio of 1.1 and market capitalization of 745 million.

Debt is very sparingly used at Guardian, as is evidenced by a debt to equity ratio of just 0.21. The company has excellent performance metrics with an operating margin of 29.9% and a return on equity of 7.76%.

Guardian has \$30.0 billion of assets under management (AUM) and \$19 billion of assets under administration (AUA). Included in the AUM figure above is \$4.0 billion managed by Alta Capital Management LLC, a 70% owned Utah-based investment management subsidiary which was opportunistically acquired by Guardian in 2018.

In addition, Guardian has a diversified portfolio of securities, which includes the company's investment in **Bank of Montreal** shares, with a fair value of approximately \$627 million.

The company's operating earnings for in Q3 2019 was \$12.1 million, a 3% decrease year over year. Revenue growth outpaced the growth in AUM of 4% indicating an improving average fee rate.

The largest contribution to the revenue growth came from United Kingdom (UK) operations, which experienced a significant inflow of new client assets. Total AUM managed by the company's UK subsidiary is now \$3.5 billion. Partially offsetting the revenue growth from was the decline in contributions from the domestic investment management business.

The company forecasts increased expenses in the U.K. investment management business to support growth and increased incentive compensation costs in the U.K.

Guardian attributes a steady increase in AUM due to the combination of positive financial market performance and successes in attracting net new assets into the Fundamental Global Equity strategy, partially offset by net outflows from the domestic strategies.

The company's shareholders' equity as the end of Q3 2019 was \$23.93 per share and the fair value of the company's securities \$24.30 per share. Guardian appears to be a great way for the retail investor to gain exposure to inexpensive Bank of Montreal shares.

The company's asset management business appears very under-priced and management has been taking advantage of this mispricing in common shares by opportunistically buying back shares.

Guardian also has a great reputation in the value investing space. The company's Fundamental Global Equity strategy is very popular among value focused investors and this fund could experience fast growth as institutional and pension clients looking to gain exposure to global equities trading at a cheap multiple to price to earnings and price to book.

CATEGORY

1. Investing

POST TAG

1. dividend

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1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:GCG (Guardian Capital Group Limited)

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Author

nikhilwaterloo

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