



2 Stocks to Buy in 2020 to Take Advantage of Growing Investment Activity

Description

These days more and more people know that to reach their financial goals, they need to be saving and, more importantly, investing those savings.

While saving and investing can be a prudent move from an individual standpoint, it also creates a lot of opportunities for businesses that operate in the financial services sector.

There are a number of ways companies can make money off investors, from general advice to commissions on trades.

These are some of the best managed companies on the TSX, that have exposure to the investment industry, and will see an increase to their business as more people invest their money.

Two stocks to consider are **CI Financial Corp** ([TSX:CIX](#)) and **TMX Group Ltd** ([TSX:X](#)).

CI Financial

CI Financial is an asset management conglomerate with a number of subsidiary wealth management businesses in its portfolio.

Through strong strategic acquisitions the company has grown to be one of the strongest wealth management conglomerates in North America.

It has had a strategic goal for a while to diversify its operations outside of Canada, and just this week it announced more plans to do so, taking a majority stake in Surevest Wealth Management, a registered investment advisory wealth management firm headquartered in Phoenix.

Surevest is a relatively small wealth management company that focuses on high net worth individuals and will complement the other brands CI Financial has in its portfolio.

Going forward, the company has three main priorities. It wants to modernize its asset management

business as demographics evolve and customers' preferences shift. It also wants to expand its wealth management platform, as today's market environment requires more advisors than ever.

Lastly, it wants to continue to globalize the business, which will improve its scale and consequently land CI in a better market position.

It has been returning a ton of cash to shareholders through its dividend, which yields roughly 3.5%, but more so through share buybacks. Just in the third quarter this year, the company bought back \$150 million or 7.7 million of its shares.

The stock has finally come off its bottom after declining for the last few years, making this an excellent entry point if you believe CI Financial can continue to execute on its [turnaround](#).

TMX Group

TMX is a company all investors will be familiar with, even if you have never heard of it. It's the company that owns the Toronto Stock Exchange (TSX), The TSX Venture Exchange, and the Montreal Exchange, where derivatives are traded.

At the end of the third quarter, year-to-date revenue in 2019 for the company was just over \$600 million.

Capital formation made up 23% of that revenue, and has an impressive operating margin at 56%. It has been driven by an increase in listings on TSX's exchanges, which now stand at over 3,000 stocks making up more than \$3 trillion in market cap.

Its equities and fixed income trading and clearing segment accounted for 24% of its revenues and that segment has a 43% operating margin. From 2008 to 2018 the company saw a 10% compounded annual growth rate (CAGR) in clearing trades.

Derivatives trading and clearing makes up about 16% of its revenue and has an operating margin similar to equities trading and clearing, at 44%.

The last segment is its global solutions, insights and analytics, which makes up 37% of revenue and has the highest operating margin of the four segments, at 60%. The segment operates through Trayport, its U.K.-based data platform for European energy markets.

TMX Group currently has just a 2.2 times debt to adjusted EBITDA ratio, well within its long-term range of 2.0 to 3.0 times, showing its debt is sustainable.

It also pays a dividend that currently yields nearly 2.5%. TMX aims to have a payout ratio of about 40% to 50%, which is in line with its peers.

It's a company that is sure to grow long-term and with its dividend rewarding you to wait, it is an ideal stock to add to your portfolio.

Bottom line

Both companies offer exposure to the growing investment industry in Canada, and both have strong market positions to translate industry growth to their respective bottom lines.

In addition, they each pay out meaningful dividends, to reward investors while they wait for growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CIX (CI Financial)
2. TSX:X (TMX Group)

PARTNER-FEEDS

1. Business Insider
2. Msn
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