Top Stocks I’d Sell in December

Description

Two main instances should entice an investor to sell their shares: either a stock has grown too expensive and is no longer a great value even to hold, or a fundamental thesis has deteriorated over time due to unfavourable industry conditions.

This article will look at one firm being slowed down by industry headwinds (due to the rise of tech-driven disruption) and one tailwind-riding innovator that’s gotten way too expensive. All three names, I believe, could put investors at risk of substantial depreciation over the next year.

IGM Financial

IGM Financial (TSX:IGM) is one of the top non-bank wealth managers in the country, with over $160 billion in assets under management (AUM) as of the end of the first quarter of 2019.

The company is behind popular brand names such as IG Wealth Management and Mackenzie Investments, both of which are renowned brands.

With the rise of do-it-yourself (DIY) investing and a reluctance to invest in actively-managed mutual funds with high management expense ratios (MERs), the road ahead could be a tough one for IGM in spite of the recent operational improvements and a more promising strategy to offset said industry headwinds.

ETF offerings, which are growing in popularity relative to mutual funds, and a focus on higher-net-worth clients will offset some of the pressures facing the non-bank-affiliated asset managers.

Ultimately, however, I do believe that the headwinds will be too insurmountable and will continue to make it tough for the firm to increase its AUM by a meaningful amount over time without taking a hit to its gross margins.

IGM has a stable 5.8% dividend yield, but with lacklustre growth expectations in a very rough industry, the stock ought to be avoided at 12.6 times trailing earnings.

Shopify

On the other side of the spectrum, we have a technological disruptor that made a tonne of noise in recent years. **Shopify** (TSX:SHOP)(NYSE:SHOP) is an incredible business and is arguably the best investment opportunity to arise out of the **TSX** over the last decade.

It's been a heck of a run. The stock has gone from expensive to very expensive to stupidly expensive to just plain ridiculous. While there's no question that Shopify is worthy of a premium multiple given its hot industry, its exceptional management team, and the tremendous progress it's made over the past year, one should always consider the price they'll pay because, in the end, it doesn't matter if you're buying the best company in the world if you end up overpaying.

Shopify is still in the early innings of its growth story. It has an opportunity to re-accelerate its growth and get on the highway to sustained profitability through its slate of ever-improving add-on offerings.

There's a lot of excitement on the name heading into year-end as the stock looks to break out, which is precisely why the stock is dangerous at these levels.

The stock trades at nearly 30 times sales, making it one of the most expensive stocks I've ever run across. The growth trajectory is certainly encouraging, but if you're paying for a few years' worth of growth upfront, you're probably not going to be happy with your returns, and you're putting yourself at risk of losing big money in the event of a correction.

As such, I'd urge investors to at least wait for the name to trade closer toward its three-year historical mean levels before initiating a sizeable position.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:IGM (IGM Financial Inc.)
3. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/08/26
Date Created
2019/12/10
Author
joefrenette