



Revealed: Why This Fund Manager Just Loaded Up on This Unloved Sector

Description

It seems like only the bravest capitalists are looking to invest in the seniors living sector today.

It's easy to see why. This unloved sector is being ravaged by COVID-19. Similar to many pandemics, the primary victims are the elderly. Despite efforts to be careful, many retirement homes and long-term care centres are hotbeds for the virus spreading.

Provincial governments have also begun to pay close attention to the situation, bringing additional risk to the sector. Perhaps the government will rule these operators aren't doing a good job, even going as far as fining them or taking over these homes. We really don't know what will happen.

This all translates into poor performance from the long-term care operator stocks. **Extendicare** ([TSX:EXE](#)), which is the largest player in the sector in Canada, has seen its shares decline by approximately 40% compared to 52-week highs set back in October.

While most investors are avoiding this unloved sector right now, one private equity investor is bucking the trend. Here's why he recently made Extendicare one of the largest positions in the fund.

Bullish on this unloved sector

Sandpiper Group is a Vancouver-based private equity group that focuses on investing in real estate, either through direct property investment or through publicly-traded securities.

Although Sandpiper doesn't disclose its assets under management, the company is a major player in this currently unloved sector. Over the last few years it has made major investments in some of Canada's top real estate companies.

CEO Samir Manji and his team follow a predictable pattern. Sandpiper is usually interested in an investment when the underlying value of the real estate far exceeds the stock price. In other words, Sandpiper looks to buy unloved real estate for [less than 50 cents on the dollar](#), patiently waiting for the gap to close.

Recently, Sandpiper announced it upped its investment in Extendicare, increasing its position to 10% of the company, which makes Sandpiper the long-term care operator's largest shareholder.

In a press release, Manji said, "We believe the current share price is not reflective of the underlying value and future potential of the Company. As a significant shareholder, we look forward to continuing to support the board of directors and management team in executing on the Company's strategy and opportunities ahead."

It remains to be seen whether Sandpiper, which has a history of taking a more activist approach, will push for significant changes at Extendicare.

Bullish on long-term care

Many folks are predicting major changes to the long-term care industry, but Sandpiper doesn't agree.

Manji told *BNN Bloomberg's* Amanda Lang, "These industries serve a very important need and will be resilient both during and on the other side of COVID-19."

In other words, Sandpiper believes the long-term care industry isn't going anywhere. It'll eventually return to normal without the major changes some investors think will happen.

Remember, the long-term care sector came about because elderly folks naturally put a strain on health care systems. Without this sector, we'd either be forced to relocate thousands of older folks into hospitals or put the burden of taking care of them on their families.

Investors should also note that Manji has a long history in the senior living space. He was the Founder and Chairman of Amica Mature Lifestyles, a seniors living operator that was eventually sold to the Ontario Teachers Pension Plan in 2015. He also serves on Extendicare's Board of Directors. Needless to say, Manji knows the sector exceptionally well.

The bottom line

Sandpiper's investment thesis is relatively simple. Long-term care is a good business that will come back into favour again. And in the meantime, Extendicare investors can sit back, relax, and collect an 8.6% [dividend yield](#).

Extendicare shares are trading at \$5.57 each as I type this. The stock hasn't been this cheap since 2013. It sure seems like a good entry point for long-term investors.

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