TSX Stocks I'd Trim Before a Market Correction

Description

The stock market has enjoyed an incredible V-shaped recovery. The **TSX Index** still has a ways to go, but most folks on the Street are in agreement that the U.S. Fed and central banks around the world have helped accelerate what could have been a rough, long road to recovery.

While it's good to invest, regardless of where you think the markets are headed next, it's foolish (that's a lower-case *f*, folks!) to assume that we're entirely out of the woods. Market timers will continue timing the market, and they'll most likely continue to be wrong, but it's only prudent to position your portfolio, so you're ready for whatever happens next.

And with some of the frothier stocks that have rocketed higher over the past two months, it can't hurt to take at least a bit of profit off the table, especially if the valuation has grown to unrealistic levels. Consider **IGM Financial** (TSX:IGM) and **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM), which surged 67% and 57%, respectively, from their March lows.

IGM Financial

IGM is a non-bank wealth manager that comes out short on the growth front. The stalwart may still sport a bountiful 6.4% yield, but given the wealth management landscape is continuing to change, and margins are thinning for actively managed investment products that are losing appeal to the next generation of investors, now may be a great time to take profits before they have a chance to be surrendered back to Mr. Market.

Not to discount the progress that management has made in reinventing its brand. Still, I ultimately believe that non-bank wealth managers are going to be at a long-term disadvantage relative to the banks that have been putting a tonne of cash in innovative technologies aimed at making the lives of self-guided investors easier.

More knowledgeable DIY investors means fewer funds invested in those 2.8% MER mutual funds. While I'm sure IGM has what it takes to adapt, but I wouldn't buy the stock at nearly 11 times cash flow. I believe shares deserve to trade at a lofty discount relative to historical averages and would look to trim profits after IGM's unprecedented V-shaped bounce.

Brookfield Asset Management

Brookfield Asset Management is an alternative asset manager that's been a market darling for quite some time. The stock is a go-to for excess cash to be invested, but with shares now at breakeven year to date, I think it'd be a good time to do a bit of trimming if you lack in liquidity.

Brookfield is a mighty name in the world of alternative assets. Still, the company, which invests in everything from real estate to renewable energy to vital infrastructure, can be a doozy to analyze given its complicated structure. The coronavirus crisis makes it that much harder to get a good gauge of the intrinsic value of stock.

Although alternative assets, such as infrastructure and renewables, tend to hold their own in times of crisis, real estate can be a significant sore spot, as rent deferrals and all the sort mount. While BAM certainly isn't the most expensive stock in the world, I think it's prudent to do a bit of trimming, with shares trading at 13.2 times cash flow, and 2.1 times book, both of which are higher than the stock's five-year historical average multiples of 10.6 and 1.7, respectively.

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2. TSX:BN (Brookfield)
3. TSX:IGM (IGM Financial Inc.)

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