# Are These 3 Asset Management Stocks Profitable Buys?

With sustained demand for optimal asset utilization and management, growing interest in ESG and alternative investments, and rapid digital transformation, the asset management industry enjoys numerous high-growth opportunities. Amid this, let’s determine if these asset management stocks Diamond Hill Investment (DHIL), Hywin Holdings (HYW), and Ashford (AINC) are profitable buys. Read on….

Despite several headwinds, the asset management industry is well-placed for solid growth in the long run, driven by the high demand for efficient utilization and management of assets, the growing popularity of ESG and alternative investments, and the rapid adoption of digital technologies.

As the industry’s growth prospects look promising, it could be wise to invest in fundamentally strong asset management stocks Diamond Hill Investment Group, Inc. (DHIL), Hywin Holdings Ltd. (HYW), and Ashford Inc. (AINC) for potential gains.

The asset management sector has been undergoing a massive transformation due to ongoing challenges such as rising fee pressure, growing costs, and shifting investor preferences, including enhanced interest in alternatives, thematic investment needs, and digital preferences.

The macroeconomic environment of market volatility, inflation, rising interest rates, and a looming economic downturn has aggravated these challenges. Despite lingering headwinds, the asset management industry remains resilient and positioned for robust growth and profitability.

Industry players continue to evolve their business models by scaling and adding new capabilities, such as ESG solutions, distribution, and technology capabilities, potentially through

mergers and acquisitions (M&A). Firms in the asset management industry also consider entering the alternative space and offering new private market products for retail and institutional investors.

Private market products often involve underlying investments, including private equity, private credit, or private real estate, which have lower correlations with traditional markets. High-growth alternative investments represented more than $20 trillion of global AUM as of year-end 2022. The strong momentum is projected to prevail with a 7% CAGR in alternative assets over the next five years.

According to a report by Precedence Research, the global asset management market is expected to reach $7.60 trillion by 2032, growing at a 35.2% CAGR.

Furthermore, the asset management industry is increasingly prioritizing digital transformation. Asset managers have been accelerating their investment in digital technologies spurred by shifting investor preferences toward digital engagement and opportunity to drive efficiency and growth.

Additionally, growing interest from investors and regulators in sophisticated ESG data, alongside the broader use cases for AI, cloud migration, and data analytics, are boosting investments in digital technology. As per a report by Mordor Intelligence, the digital asset management market is projected to grow at a CAGR of 20%, reaching $10.11 billion by 2028.

Given the industry’s bright growth prospects, investors could consider buying quality asset management stocks DHIL, HYW, and AINC for solid returns.

Let’s discuss the fundamentals of these stocks in detail.

**Diamond Hill Investment Group, Inc. (DHIL)**

DHIL offers investment advisory and fund administration

services across the United States. The company sponsors, distributes, and provides investment advisory and related services to its clients through pooled investment vehicles such as the Diamond Hill Funds, separately managed accounts, and model delivery programs. Also, it offers fund administration services.

On June 16, DHIL paid a quarterly dividend of $1.50 per share. The company's annual dividend of $6 per share translates to a 3.31% yield on current share prices. In addition, its four-year average dividend yield is 9.44%.

DHIL's trailing-12-month EBITDA margin of 39.35% is 90.8% higher than the 20.63% industry average. Also, the stock's trailing-12-month ROCE, ROTC, and ROTA of 25.02%,17.87%, and 18.77% are considerably higher than the industry averages of 11.15%, 5.25%, and 1.12%, respectively.

For the fiscal first quarter that ended March 31, 2023, DHIL's investment income was $8.10 million, compared to an investment loss of $7.60 million for the first quarter of 2022. Its net income attributable to common shareholders increased 39.2% year-over-year to $12.71 million. Also, its earnings per share attributable to common shareholders was $4.20, up 46.3% year-over-year.

As of March 31, 2023, the company's Assets Under Management (AUM) and Assets Under Advisement (AUA) combined were $26.70 billion, compared to $26.60 billion as of December 31, 2022. DHIL's net cash inflows were $84 million during the first quarter of 2023.

Over the past month, the stock has gained 3.2% to close the last trading session at $181.20.

DHIL's strong fundamentals are reflected in its POWR Ratings. The stock has an overall rating of B, which equates to a Buy in our proprietary rating system. The POWR Ratings assess stocks by 118 different factors, each with its own weighting.

DHIL has an A grade for Quality and a B for Momentum. Within the Asset Management industry, it is ranked #2 out of 54 stocks.

Click here to see the other ratings of DHIL for Growth, Value, Stability, and Sentiment.

**Hywin Holdings Ltd. (HYW)**

Headquartered in Shanghai, China, HYW provides wealth management, insurance brokerage, asset management, insurance brokerage, health management, and other financial services. It distributes private market investment products comprising asset-backed products. Also, it offers public market investment products, including money market funds.

On April 11, HYW, in partnership with Swiss fintech firm Leonteq Securities AG and Arta TechFin, a hybrid fintech platform in traditional assets and digital assets, launched a principal-protected structured product with a 9% risk control mechanism linked to the FactSet Hywin Global Health Care Index™ (FHGHC).

“This product launch is a strong testament to Hywin’s efforts in building a global network of partners in service to our high-net-worth clients,” said Lawrence Lok, Chief Financial Officer of Hywin Holdings. “This is also an excellent showcase of Hywin’s core competence in distributing proprietary and differentiated wealth management products to our sophisticated high-net-worth clients.”

In addition, on April 4, HYW launched the WealthTech platform to enhance its services for high-net-worth (HNW) clients through data analytics by leveraging IBM Cloud Pak for Data and the IBM Garage. This launch is part of the company’s long-term strategy to enhance its products with more value-added customized services and build a more integrated information ecosystem for HNW clients.

HYW’s trailing-12-month gross profit margin of 98.75% is 67.6% higher than the industry average of 58.91%. Its trailing-12-month ROCE, ROTC, and ROTA of 25.49%, 19.96%, and 10.46% are higher than the respective industry averages of 11.15%, 5.25%, and 1.12%.

During the first half of the fiscal year 2023 that ended December 31, 2022, HYW’s total revenue increased 17.6% year-over-year to $148.80 million, primarily driven by an increase in the transaction value of the products distributed on the company’s platform. Its income from operations grew 15.5% year-over-year to $14.70 million.

Furthermore, the company’s AUM stood at $1.01 billion, an increase of 114.3% from the prior-year quarter. The company maintained a solid nationwide footprint with 1,738 relationship managers and 177 wealth planning centers across 88 cities in China as of December 31, 2022.

Analysts expect HYW’s revenue and EPS for the fiscal year (ended June 2023) to increase by 3.3% and 5.9% year-over-year to $291.18 million and $1.25, respectively. Additionally, the consensus revenue EPS estimate of $326.73 million and $1.44 for the fiscal year 2024 indicates an improvement of 12.2% and 15% year-over-year, respectively.

The stock has gained 18.3% over the past six months and 33% year-to-date to close the last trading session at $7.25.

HYW’s POWR Ratings reflect its robust outlook. The stock has an overall rating of B, equating to a Buy in our POWR Ratings system.

HYW has a B grade for Sentiment, Value, Momentum, and Stability. The stock is ranked first in the same industry.

In addition to the POWR Ratings I’ve just highlighted, you can see HYW’s ratings for Growth and Quality here.

**Ashford Inc. (AINC)**

AINC operates as an asset management firm. The company primarily provides investment management and related services to the real estate and hospitality industries.

On June 26, Ashford Securities LLC, a wholly-owned subsidiary of AINC, announced that it had reached a milestone of $500 million, including $42.10 million from institutions, in capital raised in less than two years of serving investors through the independent broker-dealer and RIA distribution channels.

Mr. C Jay Steigerwald III, President and Head of Distribution of Ashford Securities, stated, “Our goal is to provide highly differentiated investment products to financial intermediaries. I would like to take this opportunity to thank all of our distribution partners for our tremendous success.”

On April 4, AINC’s wholly-owned subsidiary, Ashford Securities LLC, announced that it received strong interest from the investment community for its recently launched product, shares of Series J Redeemable Preferred Stock and Series K Redeemable Preferred Stock of Ashford Hospitality Trust, Inc. (AHT).

In total, AHT sold more than $13.3 million of its Series J and Series K Redeemable Preferred Stock through Ashford Securities as dealer manager since the offering commenced, including $9.1 million in March 2023. This reflects the company’s continued success and ability to meet the needs of its broker-dealer, RIA, and institutional partners.

AINC’s trailing-12-month EBITDA margin of 22.11% is 7.2% higher than the industry average of 20.63%. Likewise, the stock’s trailing-12-month CAPEX/Sales of 5.99% is 206.3% higher than the industry average of 1.96%.

For the first quarter that ended March 31, 2023, AINC’s total revenue grew 38.2% year-over-year to $185.12 million. Its

adjusted EBITDA was $17.61 million, up 17.5% year-over-year. Its net income increased 73.2% from the year-ago value to $1.18 million. As of March 31, 2023, the company had corporate cash of nearly $24.60 million.

Street expects AINC's revenue to increase by 8.5% year-over-year to $181.71 million for the second quarter that ended June 2023. Similarly, the company's revenue for the fiscal year (ending December 2023) is expected to grow 12.7% from the previous year to $726.27 million. Moreover, the company topped the consensus revenue and EPS estimates in all four trailing quarters.

AINC's shares have gained marginally over the past five days to close the last trading session at $9.47.

AINC's POWR Ratings reflect its solid outlook. The stock has an overall rating of B, which equates to Buy in our proprietary rating system.

AINC has a grade A for Growth and Sentiment. It also has a grade B for Value. In the 79-stock Asset Management industry, AINC is ranked #4.

Beyond what we stated above, we also have AINC's ratings for Momentum, Stability, and Momentum. Get all AINC ratings here.

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DHIL shares were unchanged in premarket trading Thursday. Year-to-date, DHIL has declined -0.31%, versus a 19.93% rise in the benchmark S&P 500 index during the same period.

## About the Author: Mangeet Kaur Bouns

Mangeet’s keen interest in the stock market led her to become an investment researcher and financial journalist. Using her fundamental approach to analyzing stocks, Mangeet’s looks to help retail investors understand the underlying factors before making investment decisions.

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