Cymbria Corporation: The Better Way to Own Stocks

Description

Back in December 2010, I wrote an article for another financial publication recommending **Cymbria Corporation** (TSX:CYB), a little known closed-end investment fund run by some former Trimark money managers who had set up shop two years earlier to manage other people's money as well as their own.

Since that time, the team at EdgePoint Wealth Management has grown in size and stature. When it first opened its doors it had $450 million in assets under management; today, that's up to $10.3 billion and growing by the day. Advisors love the way they manage money; one read of its annual report and you'll know why.

So, what's the big deal about Cymbria?

Well, it's a hybrid investment that gives you a globally diversified mutual fund portfolio as well as a 20.7% investment in privately owned EdgePoint Investment Group, the manager of Cymbria's portfolio and many others. Like a closed-end fund (I say this because as of January 1, 2016, it no longer is regulated as an investment fund but rather as a reporting issuer), its stock price can trade at a premium or discount to Cymbria's net asset value (NAV).

Historically, that's been anywhere from a 14.2% discount to NAV to a 33.5% premium. As of May 31, it traded at a 6.7% premium to NAV. It would be nice to buy Cymbria at a discount, but even if you jump in right now, you're still getting its stock for a reasonable price.

In addition to the global portfolio Cymbria investors receive—which has an MER of 1.79%, 34 basis points lower than the EdgePoint Global (Series A) fund—they also get semi-annual dividends from EdgePoint as a result of its minority ownership stake in the portfolio manager.

Cymbria originally invested slightly less than $510,000 in EdgePoint; that's worth $99.4 million today. Add $15.7 million in dividends received to the significant capital appreciation, and it's not surprising that Cymbria delivered a 17% annualized total return since its inception November 3, 2008—580 basis points better than **CI Financial Corp.** over the same period.

Check any of the other publicly traded mutual fund manufacturers and I think you'll find that Cymbria via EdgePoint is the leader by a considerable amount.

The problem for many investors is that EdgePoint participates in an industry that's transitioning from a mutual fund world to that of ETFs, from active management to passive management, and from full-service advisor to robo advisor. You may be afraid that you've missed the boat and EdgePoint's best days are behind it.

That's possible, but they've said the same thing about Warren Buffett for years.

Portfolio managers with a simple approach to investing generally don't fall out of favour. EdgePoint buys good, undervalued businesses and holds them until the market fully recognizes their potential. They're independent thinkers, and that's a big reason why their clients have made more than $4 billion since 2008.

Who should own Cymbria?

Anyone who believes that quality portfolio management is hard to come by and that the team at EdgePoint are the real deal—I did back in 2010; I still do in 2016.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/06/29
Date Created
2016/06/01
Author
washworth