Buy Berkshire Hathaway at a Discount With This Closed-End Fund

Description

Editor's Note: *A previous version of this article incorrectly stated that the Canoe EIT Income Fund was co-managed by Haber Trilix Advisors, LP.*

Canoe EIT Income Fund (TSX:EIT-UN) is a closed-end equity and fixed income fund operated by Canoe Financial LP.

The company invests in public equity and fixed income markets in North America. Canoe EIT Income Fund was founded in August 5, 1997 and is domiciled in Canada.

The company's equity portion seeks to invest in the stocks of companies operating across diversified industries. The company primarily invests in growth and value stocks of mid to large-cap companies. It invests in equity and debt securities of royalty and income trusts, corporations, partnerships, or other securities.

The company is fairly valued and trades at a 2% discount to net equity value with a market capitalization of 1.23 billion. The portfolio consists of **Berkshire Hathaway**, **Medtronic**, **Microsoft** and other large company names.

The investment objective of the Canoe EIT Income Fund is to maximize monthly distributions relative to risk and maximize net asset value while maintaining a diversified investment portfolio.

In order to achieve this goal, the company employs an investment strategy that strives to maximize return while controlling the risk profile of the company. The net asset value of the company is maximized through active management of portfolio assets by purchasing securities considered to be undervalued and selling securities considered to be overvalued.

The fund has beaten the benchmark index over a 10-year horizon and the portfolio has performed admirably over the long-term. The company seeks to maximize monthly distributions primarily through investing in income-generating securities.

A bottom-up value approach is used to analyze securities with a particular focus on companies with quality and growth characteristics that trade at reasonable valuations.

This investment approach currently places a greater reliance on total return, rather than just dividends or capital gains, to deliver superior investment performance to shareholders.

In-depth research is performed on companies to evaluate qualitative and quantitative attributes including an evaluation of management, the competitive landscape, asset quality, growth and risk. Financial forecasts are performed to evaluate an organization's revenues, earnings and cash flows.

Security prices are evaluated rigorously to determine whether growth, quality and risk are being properly reflected in the valuation of the security.

The manager provides administration and investment services to the company for which the manager is paid a management fee, which is calculated daily in part as 1.5% on the first $250 million of the daily total asset value (TAV) and 1.0% on amounts in excess of that, payable monthly.

The fixed administration fee is equivalent to a percentage of the TAV and is reasonable: 0.35% on the first $750 million of daily TAV, 0.13% on the portion that is in excess of $750 million but less than or equal to $1.5 billion, and 0.11% on the portion of the daily TAV that is in excess of $1.5 billion.

The company pays a dividend and engages in regular buybacks on the open market to narrow discount to net asset value. This stock appears to be a good buy, as it provides exposure to high-quality global assets at small discount to net asset value.

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3. NYSE:BRKA (Berkshire Hathaway Inc.)
4. NYSE:MDT (Medtronic plc)
5. TSX:EIT.UN (Canoe EIT Income Fund)

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nikhilwaterloo