



Hate Taxes? Hold This Recession-Resistant Stock for the Next 20 Years

Description

Urbana ([TSX:URB](#))([TSX:URB.A](#)) is an [investment company](#) launched and managed by Caldwell Investment Management. The company primarily invests in public equity markets of United States and Canada and focuses on North American financial companies, Canadian resource companies and private equity investments.

The company trades at a 40% [discount to net asset value](#), which is one of the biggest discounts on the Toronto Composite Index. Urbana has a market capitalization of \$135 million, and the company has a debt-to-equity ratio of 0.62.

The business objectives and strategies of Urbana are to seek out and invest in private investment opportunities for capital appreciation and to invest in publicly traded securities to provide growth, income, and liquidity. Urbana has the ability to invest in any sector and in any region.

The company's portfolio has recently been impacted by both interest rate and trade war fears. Urbana owns a large position in CNSX Markets, the operator of the Canadian Securities Exchange (CSE), which was recently revalued upward because of a dramatically improved listing business and trading volumes due in large part to CSE's dominant listings position in the cannabis sector. New CSE listings are now broadening out into the technology and resource sectors.

Generally, Urbana holds enough cash that can be deployed for attractive investment opportunities. The company also has a demand loan facility, which affords it further liquidity if needed. Urbana's management team combines private equity investment with an actively managed portfolio of publicly traded securities. An attractive characteristic is one sector's performance can augment or offset the other's over varying time frames and market cycles.

The company's investment management fees amounted to \$4.1 million in 2018, down from \$4.3 million in 2017 due to lower net assets under management in 2018. Transaction costs in 2018 amounted to \$260,056, and the foreign withholding tax expense was \$0.3 million, adjusted for the recovery of U.S. withholding taxes remitted in prior years.

Urbana has been actively repurchasing non-voting Class A shares and has purchased and has

cancelled a total of 37 million Class A shares since May 2010. The number of Class A shares now outstanding is fewer than 40 million.

Urbana has the ability to repurchase up to 3.9 million Class A shares, representing 10% of the public float. Investment management fees are charged for portfolio management services in accordance with a fund management and portfolio management agreement between Urbana and Caldwell Investment Management. According to the agreement, Caldwell Investment Management earns an investment management fee equal to 1.5% per annum of the market value of Urbana's investment portfolio.

This stock represents an incredible opportunity to buy a high-quality portfolio of assets at a huge discount to intrinsic value. The company owns a large stake in the Bombay Stock Exchange, which could compound at high rates of return if the Indian economy does well. The company is buying back significant amounts of stock on the open market, which should close the discount to intrinsic value.

Although, the company's management fee is on the high side, the company's portfolio should provide excellent returns to long-term investors with low downside risk.

CATEGORY

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1. Editor's Choice

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