



Value Investors: 1 Publicly Traded Hedge Fund to Buy at a 50% Discount

Description

Through various subsidiaries, **Senvest** ([TSX:SEC](#)) invests in both publicly traded and privately held companies as well as in real estate. The company's holdings are principally in small- and mid-cap companies located primarily in the United States and are at [varying levels of participation](#).

Prior to making any investment, the company conducts extensive industry and company-specific research, including an in-depth analysis of the senior management and the company's long-term strategy. With numerous equity holdings, Senvest's strategy is to focus on long-term growth as opposed to quarterly results. The company also provides services to three funds, which are targeted toward institutions and high-net-worth individuals.

Extensive real estate holdings

Senvest's real estate holdings are located primarily in the United States and are held principally through different real estate investment trusts (REITs) and partnerships. The company has also invested in real estate properties in Argentina and investment properties that are self-storage facilities in Spain. As of December 31, 2020, the total assets of the company were over \$4 billion, of which Senvest's equity holdings accounted for approximately \$3.8 billion. Senvest has about 24 employees operating out of offices located in Montreal, New York City, and California.

The company's investments in REIT's and partnerships are [not publicly traded](#), and there is no established market for them. The most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties of the REIT's and partnerships and the distribution to stockholders. Also, the company owns minority interests in private entities whose main assets are real estate properties.

Undervalued hidden assets

The company also has investment properties in lands and buildings. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties

are re-measured at fair value, using a fair-value model. The fair value is based on external valuations from third-party valuers. Gains or losses arising from changes in fair value of investment properties are included in the company's net profit or loss. These properties are possibly undervalued on the balance sheet.

The company consolidates the Senvest Management LLC (SML) entity that serves as the investment manager of Senvest Partners and Senvest Technology Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the company is reflected as a non-controlling interest on the statement of financial position. Hence, the company earns management fees and acts like a hedge fund.

Management alignment

Most of the equity of Senvest Management LLC reflects the company's investment in the underlying funds. Recently, there was a reallocation on the company's balance sheet out of non-controlling interest and into liability for redeemable units. There was no cash withdrawal out of the funds just a transfer of ownership of the investment in the funds from SML to the company's management. This indicates that management has a significant interest in Senvest.

Overall, Senvest represents a great opportunity for all value investors. The stock can be purchased at a 50% discount to intrinsic value. Management is aligned with long-term shareholders.

CATEGORY

1. Investing

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1. canada
2. Editor's Choice

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