



1 Value Stock Trading at a Huge Discount to Intrinsic Value

Description

United ([TSX:UNC](#)) is a [closed-end](#) investment corporation and an investment vehicle for long-term growth through investments in common equities. The investment thesis is centred on management's belief that over long periods of time, common equities, as an asset class, will outperform fixed-income instruments or balanced funds. History has proven that to be the case. From time to time, however, the company's assets are invested in interest-bearing short-term securities pending the selection of suitable equity investments.

The company has been a [closed-end investment corporation](#) since 1929, and United's common shares have persistently traded at a discount to the net asset value, ranging from approximately a 40% discount to a 20% discount over the past 10 years. This presents a great opportunity to the enterprising value investor.

Potential catalyst

On March 4, 2020, the company announced United's intention to commence a normal course issuer bid (NCIB). The NCIB provided that the company may, during the 12-month period commencing March 9, 2020, and ending March 8, 2021, purchase up to 609,709 common shares. In 2020, the company purchased 71,300 common shares.

In 2021, the company obtained approval to renew United's NCIB to purchase up to 604,924 common shares between March 9, 2021, and March 8, 2022. The price which the company would pay for any such common shares would be the prevailing market price at the time of acquisition. This represents a great opportunity for the company to acquire cheap shares below the true intrinsic value.

Well-respected third-party managers

Closed-end investment corporations allow value investors the opportunity to purchase assets at a discounted price and have management expense ratios which are generally much lower than those for actively managed open-ended funds. Further, the management of a closed-end investment

corporation's portfolio is not impacted by shareholder subscription or redemption activities. The majority of the company's investment portfolio is actively managed by Comgest Asset Management, Harding Loevner and Causeway Capital Management.

Each of these managers has a global equity mandate. Since its inception in 1985, Comgest has pursued a long-term investment style with the objective of selecting quality companies with solid prospects for sustainable growth. With more than 180 employees of 30 different nationalities, Comgest serves a diverse global client base and manages assets of over \$46 billion.

Harding Loevner's investment philosophy emphasizes the merits of long-term investment in high-quality, growing businesses, and the investment approach relies on in-depth fundamental research including analysis of the competitive structure of global industries and the competitive position of individual companies. Finally, Causeway Capital is a global investment manager whose investment philosophy emphasizes the merits of value investing and combines both fundamental and quantitative research to identify investment opportunities in equity markets around the world.

Robust investment strategy

The objective of the company is to earn an above-average rate of return, primarily through long-term capital appreciation and dividend income. The investment portfolio of the company comprises primarily foreign equities, which provides excellent portfolio diversification for retail investors. Such a value investment strategy should richly reward shareholders over the long term, and management recognizes this. Over the years, United has benefited from strong equity market returns, and this should continue well into the future.

CATEGORY

1. Investing

POST TAG

1. canada

TICKERS GLOBAL

1. TSX:UNC (United Corporations Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Tags

1. canada

Date

2025/06/30

Date Created

2021/06/26

Author

nikhilwaterloo

default watermark

default watermark