



## TFSA Dividend Investors: 1 Pooled Fund Set to Outperform

### Description

In 2003, **Urbana** ([TSX:URB](#))([TSX:URB.A](#)) operated as a [pooled fund](#) concentrated in a single asset class by focusing on the securities marketplaces that were going public or merging. Over time, Urbana has become much more diversified in asset classes and geographic scope. Urbana's investments have steadily grown in complexity and diversity. The company's objectives and strategies are to invest in, private [investment opportunities](#) for capital appreciation and to invest in publicly traded securities to provide growth, income, and liquidity.

For some years, Urbana has invested a significant portion of the company's portfolio, well in excess of 50% of investable assets, in liquid North American equities. This part of the Urbana portfolio generates dividends and is available for sale to generate proceeds that can be redeployed to other uses including private or less-liquid investments. Urbana anticipates that the percentage of the portfolio invested in private issuers will rise in the future.

### Opportunistic portfolio composition

The composition of the portfolio depends, in part, on capital and investment opportunities available to the company and varies over time depending on several factors, including the state of financial markets. Public investment selection is done by Thomas Caldwell, the lead portfolio manager, specifically responsible for Urbana's investment portfolio.

Urbana's investment styles include deep value, arbitrage, momentum, and long-term value. The company takes short sale positions in certain circumstances and purchases and writes exchange-traded and over-the-counter put and call options on debt and equity securities, commodities, currencies, and indices.

To date, the investments in private issuers have tended to be concentrated in securities and investment management businesses but can extend to investments beyond the financial services sector. Private investments are acquired through participation in equity financings, purchase of long-term assets, financing start-ups, financings to fund specific issuer growth initiatives and by way of the

purchase of foreign assets.

## Diversified strategy

Urbana's investment in private issuers can take the form of debt, preferred shares, and common equity or some combination of those. Urbana can, if a private investment shows promise, convert debt or preferred shares into common equity, which could allow the company to participate in an investee's upside. Private equities are typically targeted for liquidation in a five- to 10-year period.

The company also participates, opportunistically, in mergers or buyouts. Urbana also exits debt investments through a repayment of the principal plus accrued and unpaid interest. When Urbana management makes private company investments, members of the board usually vet the investment opportunities.

## Strong corporate governance

Audit Committee approval is required in respect of all transactions where a private investment is over \$5 million. This demonstrates strong corporate governance on the part of Urbana. Any investment over \$1 million in a start-up investee, or over \$5 million in an established private investee needs to be approved by the board.

Furthermore, Urbana monitors the private investments it makes on an ongoing basis by reviewing financial statements, engaging in discussions with management and monitoring market and industry conditions. This level of due diligence provides a high probability that Urbana will outperform the general market over the long term.

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1. Investing

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1. canada

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