

Kerrisdale Investments

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Urbana Corp.

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Posted by Sahm Adrangi at 4:02 pm

- Accounts managed by Kerrisdale currently own shares of Urbana Corp. (URB.A and URB on the Toronto Stock Exchange), a closed-end fund with holdings in securities exchanges and financial services companies.
- Urbana is trading at a 30% discount to its Net Asset Value of \$2.06. The fund owns three main assets: (1) shares of CBOE, which account for 27% of the portfolio, (2) shares of NYSE Euronext, which account for 40% of the portfolio and (3) shares in the privately held Bombay Stock Exchange, which account for 15% of the portfolio. The rest of the fund's holdings are comprised of a variety of smaller public and privately held securities exchanges, as well as several public and private financial services companies.
- Owning the company's portfolio at a 30% discount strikes us as a reasonably attractive proposition. The fund's investment manager, Tom Caldwell, is an experienced veteran in the exchange space, as well as the broader financial services industry. We hope that he does not make any foolish future investment decisions. The company has been repurchasing shares, which seems to be the best use of capital given the stock's current discount to NAV.

Accounts managed by Kerrisdale currently hold Urbana stock, and we may buy or sell shares at any time. We will not disclose our sale if and when we sell, and we will not necessarily disclose that we have changed our thesis if we discover something faulty with our analysis at a later date.

Introduction

Urbana is a publicly traded closed-end fund. The fund owns financial services assets, primarily in the securities exchange sector, and is managed by [Caldwell Financial Ltd](#), an investment manager that has been run by Tom Caldwell since the 1980s. Caldwell has been a prominent investor in private exchange seats and an advocate of demutualization, public offerings and industry consolidation in the exchange universe.

Historically, Urbana tended to act as a vehicle that allowed public investors to invest in private exchange seats. Several years ago, much of the company's holdings were in the seats or private ownership stakes of exchanges like the NYSE, AMEX, CBOE and numerous other domestic and international stock exchanges. Over time, many of those exchanges have gone public and today, 70% of the portfolio is comprised of publicly traded stock. The two largest positions are shares of CBOE and NYSE Euronext, both of which Urbana had acquired through owning pre-IPO stakes.

Urbana provides helpful one-pagers on a regular basis that calculate the fund's NAV.