

Curious about investing in private equity? Consider Urbana Corporation

PUBLISHED SEPTEMBER 21, 2022



Urbana Corp. has invested in an array of diverse industries including the Canadian Stock Exchange, financial services companies, and private companies, which has allowed it to produce strong returns regardless of market conditions.

ISTOCKPHOTO / GETTY IMAGES

Even in the best of times, investors can get blindsided by unforeseen events that turn yesterday's winning picks into red numbers in a portfolio.

But in challenging times, when markets are in constant turmoil and the path ahead seems to be full of blind spots, the risks are even harder to gauge – especially for new investors hoping to build their wealth.

This is when the fundamentals of investing become even more essential.

“Diversification in a portfolio is key at all times but especially during challenging times,” says Tom Caldwell, president and chief executive officer of Toronto-based investment company Urbana Corp., which is hosting a private equity investor day conference in Toronto on Oct. 26. “Close attention to the management team behind your investments is also critical.”

The same principles have guided the investment decisions at Urbana, which Mr. Caldwell picked up in the 1980s. Mr. Caldwell and his team converted it from a gold prospecting company with six claims and \$40,000 in debt to an investment corporation with net assets of more than \$466-million, before returning over \$100-million to shareholders through share buy backs.

Over the last two decades, through good times and bad, Urbana – which trades on the Toronto Stock Exchange under the ticker symbols URB and URB.A – has consistently delivered strong results, at just under 15 per cent compounded annually since October 2002, when Caldwell Investment Management Ltd., the investment manager of Urbana, started managing Urbana’s investment portfolio.

“There isn’t much out there that comes close to that,” says Mr. Caldwell, a highly respected figure in the investment industry with a curriculum vitae that includes a role as past governor of the Toronto Stock Exchange and numerous awards from investment and wealth management organizations. “We’re buying our stock back and cancelling our shares,” he says, which highlights that the company’s management sees the value in its own stock.

Urbana’s strategic mix of investments has been a key factor in its success, and a major draw for investors seeking access to opportunities that might normally be out-of-bounds. The corporation is divided, at an approximate 50/50 split, between publicly traded stocks and private equity investments.

The Canadian Securities Exchange (CSE) accounts for close to a quarter of Urbana's holdings. With more than \$84-million worth of shares – a ten-fold increase from Urbana's original \$8-million investment – Urbana owns almost half of the CSE, which is targeted at entrepreneurs and has more than 800 listed companies. The CSE is considered one of the fastest growing stock exchanges in the world.

Financial services companies such as Bank of America Corp. and Morgan Stanley & Co. figure prominently in Urbana's portfolio, which pays an annual dividend – currently nine cents a share – and has increased every year for the last seven years.

Being a permanent-asset investment company that makes and holds investments for significant periods has allowed Urbana to put together an optimal mix of public and private investments, says Mr. Caldwell.



Urbana Corp., led by market expert Tom Caldwell (shown above) and his team, knows how to manage investments through challenging times.

SUPPLIED

It's also made it possible to make measured investments in newer enterprises.

“Permanent capital allows for a long view and a degree of creativity and risk,” says Mr. Caldwell. “Because we have permanent capital, we can invest in higher-risk companies and balance that risk with the big winners in our portfolio.”

For retail investors, Urbana provides a way into private-equity investing, which typically come with steep capital minimums that make them inaccessible to most Canadians.

“The average individual interested in private investments is not going to get into private equity – they’re going to get into startups, which are very risky,” says Mr. Caldwell. “Whereas with Urbana, they get to own some very unique companies that are well beyond the startup stage.”

One such company that’s been a success story for Urbana is Integrated Grain Processors Co-operative Inc., which makes ethanol. Urbana’s roughly \$5-million investment in this renewable fuel business was worth close to \$7.5-million as of Aug. 22.

Recently, Urbana made another sustainably-focused agri-science addition to its portfolio, with a \$5.2-million investment in Vive Crop Protection Inc., which has won numerous business and sustainability awards for its innovations in a wide range of crop seeds.

Another successful private investment is technology-enabled accounts receivable factoring company FundThrough Inc., whose original investment cost of \$6.2-million has now grown to a market value of \$8.1-million.

“When we invest in private companies, our approach is usually to come in with a look-see position, put in a few million dollars and get a better feel for the management,” says Mr. Caldwell. “Invariably they’ll need a second round of financing and that’s when we’ll take a bigger position if we think it’s warranted.”

Urbana has also invested in other investment firms, such as Highview Financial Holdings Inc., in Oakville, Ont. Mr. Caldwell notes that Urbana’s original investment of \$11.5-million has since grown to \$19.5-million.

The great value proposition for Urbana is that the shares trade at a discount from their underlying asset value.

Management is critical, he adds, and he applies the same standard to Urbana's own management team.

In addition to Mr. Caldwell, Urbana – which operates under the Caldwell Investment Management umbrella – boasts a leadership and management roster that includes some of the best minds in the industry, all working under the leadership of Mr. Caldwell's eldest son Brendan, who is president and CEO of Caldwell Investment Management.

There are no ivory towers at Urbana, where the policy has always been open-door to any investor, says Mr. Caldwell.

“Our team is accessible,” he says. “If you email or call any one of us, we will respond promptly. I call people back on the weekend – the way I look at it, they entrust their money to me and if they have any questions for me, they deserve an answer.”

It's these basic courtesies, layered on top of the more complex business of building and managing a well-balanced, diversified and strategically managed portfolio, that set Urbana apart in the industry, says Mr. Caldwell.

“Our shareholders are loyal because of the simple stuff, like our team returning their phone calls, but primarily they stay with us because Urbana has delivered strong performance year after year,” he says. “It's been a growth story and we're working hard to keep it growing, through the best and worst of times.”

Advertising feature produced by Globe Content Studio with Urbana Corporation. The Globe's editorial department was not involved.