

URBANA CORPORATION

BACK TO THE FUTURE OR THE CASE FOR AN INVESTMENT CORPORATION

Historically, wealthy individuals came together to hire investment expertise and achieve portfolio diversification through the efficiency of an Investment Corporation (“CORP”). These companies issued publicly traded shares in order to provide their investors with liquidity and reinvested the funds in a wide array of public and private enterprises. Many great fortunes were amassed over the years through such vehicles. With the advent and popularity of mutual funds, starting approximately fifty years ago, CORPs slowly moved out of the limelight. Part of this resulted from the immense marketing expenditures of mutual funds in their quest to garner ever more investors. Their success and the resulting sheer size of many mutual funds now works against their performance potential. The timing is now opportune to once again look at the CORP model – the advantages and disadvantages (most of which are advantages in disguise):

FLEXIBILITY: Both mutual funds and CORPs provide easy one stop shopping for a diversified, managed investment portfolio. CORPs typically trade on an exchange, so it is a simple matter of just purchasing a single security. The timing is instantaneous on an exchange and not dependent upon the day’s closing prices as with a mutual fund.

EFFICIENCIES: Typically, CORPs are managed on a lower cost basis than many mutual funds as new shares are not offered on a continuous basis and thus do not require the expense of daily valuations, mutual fund offering documents and the additional regulatory burdens heaped on mutual funds in recent years. Many “Accredited Investor” (high net worth) pools and hedge funds charge a fee of approximately 2% with many also charging a performance bonus of 20% of gains over some threshold amount. CORPs are typically flat fee vehicles charging between 1% and 2%.

INFORMATION FLOW: Many CORPs maintain up to date websites showing current holdings on a weekly or monthly basis. Typical mutual fund reporting is less frequent, thus leaving investors in the dark for significant periods about what they actually own.

STRATEGIC INVESTING: Managing a mutual fund has a tendency to draw the manager’s thinking into a shorter-term focus. Quarterly results and yearly performance numbers are a critical part of a mutual fund’s continuous marketing program. Their managers are, in effect, investing demand money so holdings must be liquid in order to match redemptions, which generally occur in a flood during adverse markets. Mutual funds tend to attract funds at the worst time (market highs) and lose funds at the worst time (market lows). New regulations may even exacerbate this tendency in the future.

CORPs have the luxury of permanent capital. The manager can take a long-term or strategic view with the goal of achieving a larger payback over time. The ability to take a longer view in markets also means that short-term volatility can be used to advantage. The CORP is there with its permanent capital when many funds must sell to meet redemptions.

LEVERAGE: CORPs have the options of borrowing funds or issuing preferred shares. Leverage is a double-edged sword, but handled correctly, it can enhance returns.

SCOPE: CORPs can enter into the realm of private equity investments, currently one of the more attractive areas in the investment spectrum. International investors can purchase shares in a CORP through any broker in the world on any given exchange and instantly obtain proven investment management along with geographical diversification. The bottom line in favour of the CORP can be summarized: Flexibility, efficiency, scope and visibility.

URBANA

CORPORATION

One common misconception of CORPs is the tendency for their shares to trade at a discount from their net asset value per share (“NAV”). First, this is not always the case (e.g. Berkshire Hathaway) as CORPs often own attractive investments that individuals cannot acquire directly themselves. Also, consistent out-performance can narrow or remove the “gap”. Second, and more importantly, the perception that the typical discount is a negative is clearly erroneous. One is buying assets at a discount and can benefit from the future growth of those underlying assets. Even if the discount remains constant, the share price will move on a levered basis with the underlying NAV.

Further, the management of a CORP has the scope to purchase and retire their outstanding shares at market prices over time, to the benefit of remaining shareholders. In short, the NAV can even grow in down markets should the discount be compelling.

A hidden advantage of a CORP share discount is the fact that management would not be tempted to issue shares at a discount or engage in any dilutive takeover.

Growth for the CORP, trading at a discount, must be organic, that is, through straight investment performance. This motivation is also enhanced as many managers are also shareholders of the CORP and their fees only grow as the asset value per share grows. A true alignment of interests.

The CORP of the past always was and, for many astute investors, still is the preferred investment vehicle for wealth accumulation. Its stable capital base and flexibility are tremendous advantages to investors and managers alike.

With private equity components, CORPs can outperform index-based investments, such as Exchanged Traded Funds (“ETFs”) over time. A 20 plus year example regarding Urbana Corporation is below.

COMPOUND ANNUAL GROWTH RATE OF NET ASSETS PER SHARE (Canadian Dollars) – Sept. 30, 2025

Dow Jones Industrial Average Total Return (“DJIA TR”) 10.1%	S&P/TSX Composite Index 10.1%	Urbana Corporation 15.5%
---	-------------------------------------	--------------------------------



Urbana Corporation – Listed on The Toronto Stock Exchange and The Canadian Securities Exchange.
Symbol: URB.A, URB The “A” shares are non-voting, but trade more actively.

From left to right: Harry K. Liu – Corporate Secretary, **Charles A.V. Pennock** – Director, **Brendan T.N. Caldwell** – Pres. & CEO Caldwell Investment Management Ltd., **Elizabeth Naumovski** – Investor Relations, **George D. Elliott** – Lead Director, **Tom Simopoulos** – Private Equity Analyst, **Michael B.C. Gundy** – Director, **Bethann Colle** – Director, **Thomas S. Caldwell** – President, CEO & Director, **Sylvia Stinson** – Chief Financial Officer.



150 King St. West, Suite 1702
Toronto, ON M5H 1J9
T: (416) 595-9106 | Email: info@urbanacorp.com
www.urbanacorp.com